

ASBURY AUTOMOTIVE GROUP INC  
Form 10-Q  
July 23, 2014  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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)

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)  
(770) 418-8200

30097  
(Zip Code)

(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

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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 July 22, 2014 was 30,344,595.

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## PART I. FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## ASBURY AUTOMOTIVE GROUP, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except par value and share data)

(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$7.0	\$5.4
Contracts-in-transit	131.6	140.9
Accounts receivable (net of allowance of \$1.1 and \$1.0, respectively)	95.8	95.7
Inventories	793.1	767.7
Deferred income taxes	8.9	9.4
Assets held for sale	7.5	9.1
Other current assets	79.6	80.4
Total current assets	1,123.5	1,108.6
PROPERTY AND EQUIPMENT, net	677.5	651.5
GOODWILL	61.9	54.5
DEFERRED INCOME TAXES, net of current portion	12.5	13.1
OTHER LONG-TERM ASSETS	60.5	60.9
Total assets	\$1,935.9	\$1,888.6
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable—trade	\$64.0	\$74.7
Floor plan notes payable—non-trade	546.7	534.8
Current maturities of long-term debt	11.4	11.1
Accounts payable and accrued liabilities	226.1	213.6
Total current liabilities	848.2	834.2
LONG-TERM DEBT	537.5	543.3
OTHER LONG-TERM LIABILITIES	21.4	20.5
COMMITMENTS AND CONTINGENCIES (Note 10)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.01 par value, 10,000,000 shares authorized; none issued or outstanding	—	—
Common stock, \$.01 par value, 90,000,000 shares authorized; 40,302,060 and 40,095,557 shares issued, including shares held in treasury, respectively	0.4	0.4
Additional paid-in capital	518.1	510.5
Retained earnings	230.8	163.5
Treasury stock, at cost; 9,956,211 and 9,330,443 shares, respectively	(219.6	) (184.0
Accumulated other comprehensive (loss) income	(0.9	) 0.2
Total shareholders' equity	528.8	490.6
Total liabilities and shareholders' equity	\$1,935.9	\$1,888.6

See accompanying Notes to Condensed Consolidated Financial Statements



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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2014	2013	2014	2013
<b>REVENUES:</b>				
New vehicle	\$831.5	\$743.5	\$1,557.5	\$1,408.0
Used vehicle	445.3	395.5	862.2	761.8
Parts and service	168.2	153.9	327.6	301.5
Finance and insurance, net	58.4	52.4	111.8	99.4
Total revenues	1,503.4	1,345.3	2,859.1	2,570.7
<b>COST OF SALES:</b>				
New vehicle	779.7	698.4	1,460.3	1,322.2
Used vehicle	411.9	364.6	794.8	699.6
Parts and service	63.9	60.0	126.0	120.3
Total cost of sales	1,255.5	1,123.0	2,381.1	2,142.1
<b>GROSS PROFIT</b>	<b>247.9</b>	<b>222.3</b>	<b>478.0</b>	<b>428.6</b>
<b>OPERATING EXPENSES:</b>				
Selling, general and administrative	169.2	153.9	329.0	301.6
Depreciation and amortization	6.4	5.9	12.7	11.8
Other operating expense (income), net	0.1	5.1	(0.1)	) 5.2
Income from operations	72.2	57.4	136.4	110.0
<b>OTHER EXPENSES:</b>				
Floor plan interest expense	(3.3)	) (3.1)	) (6.3)	) (6.2)
Other interest expense, net	(9.5)	) (9.5)	) (18.6)	) (18.7)
Swap interest expense	(0.4)	) (0.9)	) (1.0)	) (2.1)
Total other expenses, net	(13.2)	) (13.5)	) (25.9)	) (27.0)
Income before income taxes	59.0	43.9	110.5	83.0
<b>INCOME TAX EXPENSE</b>	<b>22.8</b>	<b>16.7</b>	<b>42.8</b>	<b>31.9</b>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>36.2</b>	<b>27.2</b>	<b>67.7</b>	<b>51.1</b>
<b>DISCONTINUED OPERATIONS, net of tax</b>	<b>(0.3)</b>	<b>) (0.2)</b>	<b>) (0.4)</b>	<b>) 8.4</b>
<b>NET INCOME</b>	<b>\$35.9</b>	<b>\$27.0</b>	<b>\$67.3</b>	<b>\$59.5</b>
<b>EARNINGS PER COMMON SHARE:</b>				
Basic—				
Continuing operations	\$1.19	\$0.88	\$2.23	\$1.66
Discontinued operations	(0.01)	) —	(0.01)	) 0.27
Net income	\$1.18	\$0.88	\$2.22	\$1.93
Diluted—				
Continuing operations	\$1.19	\$0.87	\$2.21	\$1.64
Discontinued operations	(0.01)	) —	(0.01)	) 0.27
Net income	\$1.18	\$0.87	\$2.20	\$1.91
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>				
Basic	30.3	30.8	30.3	30.8
Restricted stock	0.1	0.2	0.2	0.2

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Performance share units	0.1	0.1	0.1	0.1
Diluted	30.5	31.1	30.6	31.1

See accompanying Notes to Condensed Consolidated Financial Statements

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ASBURY AUTOMOTIVE GROUP, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
 (In millions)  
 (Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
	2014	2013	2014	2013	
Net income	\$35.9	\$27.0	\$67.3	\$59.5	
Other comprehensive (loss) income — net of tax:					
Change in fair value of cash flow swaps	(1.0	) 0.1	(1.8	) 0.2	
Amortization of terminated cash flow swaps	—	0.8	—	1.9	
Income tax benefit (expense) associated with cash flow swaps	0.4	(0.3	) 0.7	(0.8	)
Comprehensive income	\$35.3	\$27.6	\$66.2	\$60.8	



See accompanying Notes to Condensed Consolidated Financial Statements

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

	For the Six Months Ended June 30,	
	2014	2013
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>		
Net income	\$67.3	\$59.5
Adjustments to reconcile net income to net cash provided by operating activities—		
Depreciation and amortization	12.7	11.8
Stock-based compensation	4.3	4.4
Deferred income taxes	1.9	4.0
Loaner vehicle amortization	6.3	4.7
Excess tax benefit on share-based arrangements	(3.3)	(2.2)
Lease termination charges	—	3.4
Loss on disposal of fixed assets	0.7	2.4
Gain on sale of assets, net	—	(14.6)
Other adjustments, net	0.7	2.4
Changes in operating assets and liabilities, net of acquisitions and divestitures—		
Contracts-in-transit	9.3	10.8
Accounts receivable		