

AUTONATION, INC.  
Form 10-Q  
July 19, 2012

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, 2012

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  
(State or other jurisdiction of incorporation or  
organization)

73-1105145  
(I.R.S. Employer Identification No.)

200 SW 1st Avenue, Fort Lauderdale, Florida  
(Address of principal executive offices)  
(954) 769-6000  
(Registrant's telephone number, including area code)  
N/A

33301  
(Zip Code)

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

As of July 18, 2012, the registrant had 120,697,720 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, 2012	December 31, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$62.1	\$86.6
Receivables, net	538.9	587.4
Inventory	2,077.7	1,809.2
Other current assets	205.2	193.0
Total Current Assets	2,883.9	2,676.2
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$792.7 million and \$756.8 million, respectively	1,987.0	1,950.7
GOODWILL	1,172.2	1,172.2
OTHER INTANGIBLE ASSETS, NET	213.0	217.8
OTHER ASSETS	205.3	181.9
Total Assets	\$6,461.4	\$6,198.8
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Vehicle floorplan payable - trade	\$1,482.6	\$1,362.3
Vehicle floorplan payable - non-trade	639.4	536.5
Accounts payable	201.6	202.4
Current maturities of long-term debt	28.2	12.6
Other current liabilities	363.5	348.8
Total Current Liabilities	2,715.3	2,462.6
LONG-TERM DEBT, NET OF CURRENT MATURITIES	2,000.3	1,634.4
DEFERRED INCOME TAXES	70.6	62.3
OTHER LIABILITIES	147.0	144.9
COMMITMENTS AND CONTINGENCIES (Note 10)		
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; 163,562,149 shares issued at June 30, 2012, and December 31, 2011, including shares held in treasury	1.6	1.6
Additional paid-in capital	27.0	19.6
Retained earnings	2,798.2	2,646.6
Treasury stock, at cost; 42,955,678 and 27,777,625 shares held, respectively	(1,298.6	) (773.2
Total Shareholders' Equity	1,528.2	1,894.6
Total Liabilities and Shareholders' Equity	\$6,461.4	\$6,198.8
See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.		



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AUTONATION, INC.

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

(In millions, except per share data)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Revenue:				
New vehicle	\$2,196.1	\$1,746.6	\$4,190.4	\$3,531.7
Used vehicle	947.4	887.3	1,866.2	1,718.7
Parts and service	602.5	572.0	1,202.4	1,142.0
Finance and insurance, net	145.1	117.0	275.3	227.7
Other	13.4	13.4	27.2	27.3
<b>TOTAL REVENUE</b>	<b>3,904.5</b>	<b>3,336.3</b>	<b>7,561.5</b>	<b>6,647.4</b>
Cost of sales:				
New vehicle	2,050.6	1,609.9	3,910.9	3,269.7
Used vehicle	870.3	808.7	1,708.0	1,562.0
Parts and service	349.1	326.8	698.8	652.3
Other	6.5	7.5	12.8	13.8
<b>TOTAL COST OF SALES</b>	<b>3,276.5</b>	<b>2,752.9</b>	<b>6,330.5</b>	<b>5,497.8</b>
Gross Profit:				
New vehicle	145.5	136.7	279.5	262.0
Used vehicle	77.1	78.6	158.2	156.7
Parts and service	253.4	245.2	503.6	489.7
Finance and insurance	145.1	117.0	275.3	227.7
Other	6.9	5.9	14.4	13.5
<b>TOTAL GROSS PROFIT</b>	<b>628.0</b>	<b>583.4</b>	<b>1,231.0</b>	<b>1,149.6</b>
Selling, general, and administrative expenses	438.6	417.6	871.5	825.3
Depreciation and amortization	20.8	21.1	42.0	41.8
Franchise rights impairment	4.2	—	4.2	—
Other expenses (income), net	0.2	0.3	0.4	(1.9)
<b>OPERATING INCOME</b>	<b>164.2</b>	<b>144.4</b>	<b>312.9</b>	<b>284.4</b>
Non-operating income (expense) items:				
Floorplan interest expense	(10.8)	) (10.9)	) (21.5)	) (22.1)
Other interest expense	(22.5)	) (15.9)	) (43.0)	) (32.2)
Interest income	0.1	0.3	0.2	0.6
Other income (loss), net	(1.4)	) 0.5	0.6	2.2
<b>INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES</b>	<b>129.6</b>	<b>118.4</b>	<b>249.2</b>	<b>232.9</b>
Income tax provision	50.6	45.1	96.7	89.3
<b>NET INCOME FROM CONTINUING OPERATIONS</b>	<b>79.0</b>	<b>73.3</b>	<b>152.5</b>	<b>143.6</b>
Loss from discontinued operations, net of income taxes	(0.4)	) (1.4)	) (0.9)	) (2.3)
<b>NET INCOME</b>	<b>\$78.6</b>	<b>\$71.9</b>	<b>\$151.6</b>	<b>\$141.3</b>
<b>BASIC EARNINGS (LOSS) PER SHARE:</b>				
Continuing operations	\$0.65	\$0.50	\$1.21	\$0.97
Discontinued operations	\$—	) \$(0.01)	) \$(0.01)	) \$(0.02)
<b>Net income</b>	<b>\$0.65</b>	<b>\$0.49</b>	<b>\$1.20</b>	<b>\$0.95</b>

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Weighted average common shares outstanding	121.7	147.4	126.0	148.2
<b>DILUTED EARNINGS (LOSS) PER SHARE:</b>				
Continuing operations	\$0.64	\$0.49	\$1.19	\$0.95
Discontinued operations	\$—	\$(0.01	) \$(0.01	) \$(0.02
Net income	\$0.64	\$0.48	\$1.18	\$0.94
Weighted average common shares outstanding	123.7	150.0	128.0	150.9
<b>COMMON SHARES OUTSTANDING, net of treasury stock</b>	120.6	145.7	120.6	145.7

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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AUTONATION, INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In millions, except share data)

	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Shares	Amount				
December 31, 2011	163,562,149	\$1.6	\$19.6	\$2,646.6	\$(773.2)	) \$1,894.6
Net income	—	—	—	151.6	—	151.6
Repurchases of common stock	—	—	—	—	(532.9)	) (532.9)
Stock-based compensation expense	—	—	11.2	—	—	11.2
Shares awarded under stock-based compensation plans, including income tax benefit of \$2.0	—	—	(3.8)	) —	7.5	3.7
June 30, 2012	163,562,149	\$1.6	\$27.0	\$2,798.2	\$(1,298.6)	) \$1,528.2

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

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AUTONATION, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Six Months Ended	
	June 30,	
	2012	2011
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Net income	\$151.6	\$141.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss from discontinued operations	0.9	2.3
Depreciation and amortization	42.0	41.8
Amortization of debt issuance costs and discounts	2.8	2.1
Stock-based compensation expense	11.2	11.5
Deferred income tax provision	8.2	4.7
Franchise rights impairment	4.2	—
Net gain on asset sales and dispositions	(0.1	) (1.7
Other		)