

UNITED AUTO GROUP INC
Form 10-Q
August 09, 2006

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, 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 1-12297**

United Auto Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction of
incorporation or organization)*

**2555 Telegraph Road,
Bloomfield Hills, Michigan**

(Address of principal executive offices)

Registrant's telephone number, including area code:

(248) 648-2500

22-3086739

(I.R.S. Employer

Identification No.)

48302-0954

(Zip 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 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 (check one)

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

As of August 2, 2006, there were 94,433,455 shares of voting common stock outstanding.

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UNITED AUTO GROUP, INC.

CONSOLIDATED CONDENSED BALANCE SHEETS

June 30,	December
2006	31,
	2005
(Unaudited)	
(In thousands, except per share amounts)	

ASSETS			
Cash and cash equivalents	\$	25,623	\$ 9,424
Accounts receivable, net		405,392	411,970
Inventories, net		1,418,891	1,213,568
Other current assets		76,761	50,868
Assets held for sale		170,984	193,937
Total current assets		2,097,651	1,879,767
Property and equipment, net		505,592	423,224
Goodwill		1,128,129	1,013,265
Franchise value		230,512	194,289
Other assets		101,982	83,628
Total assets	\$	4,063,866	\$ 3,594,173

LIABILITIES AND STOCKHOLDERS' EQUITY			
Floor plan notes payable	\$	991,692	\$ 837,045
Floor plan notes payable - non-trade		319,189	330,240
Accounts payable		270,126	206,981
Accrued expenses		212,335	174,137
Current portion of long-term debt		3,741	3,551
Liabilities held for sale		107,702	112,796
Total current liabilities		1,904,785	1,664,750
Long-term debt		716,018	576,690
Other long-term liabilities		216,792	207,001
Total liabilities		2,837,595	2,448,441

Commitments and contingent liabilities

Stockholders' Equity

Preferred Stock, \$0.0001 par value; 100 shares authorized; none issued and outstanding		-	-
Common Stock, \$0.0001 par value, 240,000 shares authorized; 94,427 shares issued at June 30, 2006; 93,767 shares issued at December 31, 2005		5	5
Non-voting Common Stock, \$0.0001 par value, 7,125 shares authorized; none issued and outstanding		-	-
Class C Common Stock, \$0.0001 par value, 20,000 shares authorized; none issued and outstanding		-	-
Additional paid-in-capital		765,379	746,165
Retained earnings		452,881	404,010
Accumulated other comprehensive income		53,239	21,830
Treasury stock, at cost; 5,306 shares at June 30, 2006; 4,306 shares at December 31, 2005		(45,233)	(26,278)
Total stockholders' equity		1,226,271	1,145,732
Total liabilities and stockholders' equity	\$	4,063,866	\$ 3,594,173

See Notes to Consolidated Condensed Financial Statements

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UNITED AUTO GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
	(Unaudited)			
	(In thousands, except per share amounts)			
Revenue:				
New vehicle	\$ 1,640,472	\$ 1,528,878	\$ 3,126,314	\$ 2,881,209
Used vehicle	657,747	556,134	1,237,747	1,075,082
Finance and insurance, net	67,451	58,716	126,952	112,563
Service and parts	319,827	272,641	627,048	536,674
Fleet and wholesale vehicle	246,250	205,254	465,871	394,895
Total revenues	2,931,747	2,621,623	5,583,932	5,000,423
Cost of sales:				
New vehicle	1,497,328	1,395,825	2,853,123	2,629,237
Used vehicle	600,662	505,438	1,127,973	976,809
Service and parts	143,820	123,596	282,226	244,759
Fleet and wholesale vehicle	245,800	204,838	462,951	393,929
Total cost of sales	2,487,610	2,229,697	4,726,273	4,244,734
Gross profit	444,137	391,926	857,659	755,689
Selling, general and administrative expenses	345,385	305,546	679,895	598,191
Depreciation and amortization	11,204	9,685	21,782	19,206
Operating income	87,548	76,695	155,982	138,292
Floor plan interest expense	(17,232)	(13,142)	(32,123)	(25,427)
Other interest expense	(11,495)	(12,251)	(23,521)	(23,671)
Income from continuing operations before income taxes and minority interests	58,821	51,302	100,338	89,194
Income taxes	(21,597)	(18,925)	(36,710)	(32,905)
Minority interests	(636)	(621)	(1,058)	(764)
Income from continuing operations	36,588	31,756	62,570	55,525
Income (loss) from discontinued operations, net of tax	255	1,440	(1,636)	563
Net income	\$ 36,843	\$ 33,196	\$ 60,934	\$ 56,088
Basic earnings per share:				
Continuing operations	\$ 0.39	\$ 0.34	\$ 0.67	\$ 0.60
Discontinued operations	0.00	0.02	(0.02)	0.01
Net income	0.39	0.36	0.65	0.60
Shares used in determining basic earnings per share	93,900	92,824	93,461	92,772

Diluted earnings per share:

Continuing operations	\$	0.39	\$	0.34	\$	0.66	\$	0.59
Discontinued operations		0.00		0.02		(0.02)		0.01
Net income		0.39		0.35		0.64		0.60

Shares used in determining diluted earnings per share		94,636		94,082		94,499		94,050
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Cash dividends per share	\$	0.07	\$	0.06	\$	0.13	\$	0.11
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See Notes to Consolidated Condensed Financial Statements

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UNITED AUTO GROUP, INC.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2006	2005
	(Unaudited)	
	(In thousands)	
Operating Activities:		
Net income	\$ 60,934	\$ 56,088
Adjustments to reconcile net income to net cash from continuing operating activities:		
Depreciation and amortization	21,782	19,206
Undistributed earnings of equity method investments	(3,114)	(1,823)
Loss (income) from discontinued operations, net of tax	1,636	(563)
Deferred income taxes	10,181	11,727
Minority interests	1,058	764
Changes in operating assets and liabilities:		
Accounts receivable	21,367	(33,845)
Inventories	(110,461)	21,847
Floor plan notes payable	125,441	3,982
Accounts payable and accrued expenses	85,931	47,275
Other	(33,625)	(4,540)
Net cash from continuing operating activities	181,130	120,118
Investing Activities:		
Purchase of property and equipment	(109,752)	(102,755)
Proceeds from sale-leaseback transactions	21,443	53,275
Dealership acquisitions, net, including repayment of sellers floorplan notes payable of \$86,886 and \$32,092 during the six months ended June 30, 2006 and 2005, respectively	(225,220)	(80,340)
Net cash from continuing investing activities	(313,529)	(129,820)
Financing Activities:		
Proceeds from borrowings under U.S. Credit Agreement	200,000	120,000
Repayments under U.S. Credit Agreement	(440,000)	(75,800)

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Issuance of convertible subordinated debt	375,000	-
Net borrowings (repayments) of other long-term debt	4,463	(14,779)
Net repayments of floor plan notes payable - non-trade	18,155	(33,837)
Deferred financing costs	(11,771)	-
Proceeds from exercises of options including excess tax benefit	17,492	2,181
Repurchase of common stock	(18,955)	-
Dividends	(12,063)	(10,157)
Net cash from continuing financing activities	132,321	(12,392)

Discontinued operations:

Net cash from discontinued operating activities	(617)	(601)
Net cash from discontinued investing activities	20,292	23,278
Net cash from discontinued financing activities	(3,398)	(10,032)
Net cash from discontinued operations	16,277	12,645

Net change in cash and cash equivalents	16,199	(9,449)
Cash and cash equivalents, beginning of period	9,424	23,547
Cash and cash equivalents, end of period	\$ 25,623	\$ 14,098

Supplemental disclosures of cash flow information:

Cash paid for:

Interest	\$ 50,874	\$ 47,976
Income taxes	14,244	12,889
Seller financed debt	-	5,300

* See Note 1

See Notes to Consolidated Condensed Financial Statements

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UNITED AUTO GROUP, INC.

CONSOLIDATED CONDENSED STATEMENT OF STOCKHOLDERS' EQUITY

AND COMPREHENSIVE INCOME (LOSS)

	Common Stock			Accumulated Other Comprehensive				
	Issued Shares	Amount	Additional Paid-In Capital	Retained Earnings	Income (Loss)	Treasury Stock	Total Stockholders' Equity	Comprehensive Income (Loss)
	(Unaudited)							
	(Dollars in thousands)							
Balances, January 1, 2006	93,767,468	\$ 5	\$ 746,165	\$ 404,010	\$ 21,830	\$ (26,278)	\$ 1,145,732	

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Restricted stock	227,242	-	1,722	-	-	-	1,722	
Exercise of options, including excess tax benefit of \$8,493	1,432,080	-	17,492	-	-	-	17,492	
Repurchase of common stock	(1,000,000)	-	-	-	-	(18,955)	(18,955)	
Dividends	-	-	-	(12,063)	-	-	(12,063)	
Fair value of interest rate swap agreements	-	-	-	-	2,244	-	2,244	\$ 2,244
Foreign currency translation	-	-	-	-	29,165	-	29,165	29,165
Net income	-	-	-	-	-	-	-	-