

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

(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)

33301

(Zip 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.

AUTONATION, INC.
FORM 10-Q
TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

	Page
Item 1. <u>Financial Statements</u>	
<u>Unaudited Condensed Consolidated Balance Sheets as of</u>	
<u>June 30, 2017 and December 31, 2016</u>	<u>1</u>
<u>Unaudited Condensed Consolidated Statements of Income for the</u>	
<u>Three and Six Months Ended June 30, 2017 and 2016</u>	<u>2</u>
<u>Unaudited Condensed Consolidated Statement of Shareholders'</u>	
<u>Equity for the Six Months Ended June 30, 2017</u>	<u>3</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows</u>	
<u>for the Six Months Ended June 30, 2017 and 2016</u>	<u>4</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>21</u>
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>46</u>
Item 4. <u>Controls and Procedures</u>	<u>46</u>
<u>PART II. OTHER INFORMATION</u>	
Item 1A. <u>Risk Factors</u>	<u>47</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>48</u>
Item 6. <u>Exhibits</u>	<u>48</u>

Table of Contents

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, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
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
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
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)		
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	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.

Table of Contents

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 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	361.6		