

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

GROUP 1 AUTOMOTIVE INC

CIK: **1031203** | IRS No.: **760506313** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-13461** | Film No.: **99670998**
SIC: **5500** Auto dealers & gasoline stations

Mailing Address
950 ECHO LANE
STE 350
HOUSTON TX 77024

Business Address
950 ECHO LANE
STE 350
HOUSTON TX 77024
7134676268

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): July 22, 1999

GROUP 1 AUTOMOTIVE, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

76-0506313

(I.R.S. Employer
Identification No.)

950 Echo Lane, Suite 350

Houston, Texas 77024

(Address of principal executive offices) (Zip code)

(713) 467-6268

(Registrant's telephone number including area code)

ITEM 5. OTHER EVENTS

On July 22, 1999, Group 1 Automotive, Inc., a Delaware corporation (the "Company"), announced its financial results for the three months and six months ended June 30, 1999. On July 22, 1999, the Company issued a press release relating to such financial results. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

ITEM 7. EXHIBITS

(c) 99.1 Press Release of Group 1 Automotive, Inc., dated as of

July 22, 1999, reporting on financial results.

3

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Group 1 Automotive, Inc.

July 27, 1999

By: /s/ Scott L. Thompson

Date

Scott L. Thompson, Senior Vice President,
Chief Financial Officer and Treasurer

4

EXHIBIT INDEX

Exhibit No.

Description

99.1

Press Release of Group 1 Automotive, Inc., dated as of
July 22, 1999, reporting on financial results.

<S>	<C>	<C>	<C>
AT GROUP 1:	Chairman, President and CEO	B. B. Hollingsworth, Jr.	(713) 467-6268
	Sr. VP, CFO and Treasurer	Scott L. Thompson	(713) 467-6268
AT FRB:	General Inquiries	Marilyn Windsor	(312) 640-6692
	Analyst Inquiries	Bill Schmidle	(312) 640-6753
	Media Inquiries	Bob Schwaller	(972) 450-6562

FOR IMMEDIATE RELEASE
THURSDAY, JULY 22, 1999

GROUP 1 POSTS DOUBLE-DIGIT GAINS IN REVENUES, EARNINGS FOR SECOND
QUARTER, FIRST SIX MONTHS OF 1999

REVENUES EXCEED \$1 BILLION FOR SIX-MONTH PERIOD;
EARNINGS GROWTH OUTPACES REVENUE GROWTH

HIGHLIGHTS:

- o Q2 NET INCOME JUMPS 63% ON 45% REVENUE GROWTH
- o Q2 DILUTED EPS \$0.42 VS. \$0.31, A 35% INCREASE ON 21% MORE SHARES
- o SIX-MONTH REVENUES GROW 63% TO OVER \$1 BILLION; NET INCOME UP 76%
- o GROSS AND OPERATING MARGINS ACCELERATE SIGNIFICANTLY FOR QUARTER AND SIX MONTHS

Summary Results of Operations (Unaudited)
(In millions, except per share amounts)

<S>	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Revenues	\$ 625.4	\$ 431.5	\$ 1,114.8	\$ 685.5
Gross profit	\$ 93.7	\$ 60.4	\$ 169.9	\$ 96.4
Income from operations	\$ 22.5	\$ 13.8	\$ 38.4	\$ 21.3
Net income	\$ 9.2	\$ 5.6	\$ 15.3	\$ 8.7
Diluted earnings per share	\$ 0.42	\$ 0.31	\$ 0.73	\$ 0.52

HOUSTON, JULY 22, 1999--GROUP 1 AUTOMOTIVE, INC. (NYSE: GPI), a leading operator and consolidator in the automotive retailing industry, today reported double-digit gains in revenues, income from operations, net income and earnings per share for the second quarter and first six months of 1999. Strong revenue growth in all revenue categories, coupled with continued improvement in operating margin, drove the company's strong performance.

2
SECOND-QUARTER RESULTS DEMONSTRATE CONTINUED SUCCESSFUL EXECUTION
For the second quarter ended June 30, 1999, revenues increased 45 percent to \$625.4 million from \$431.5 million for the same period last year as revenues in all categories increased substantially. Net income accelerated 63 percent, reaching \$9.2 million, or \$0.42 per share on a diluted basis, compared with \$5.6 million, or \$0.31 per share on a diluted basis, for the same period last year. Cash flow per share (net income plus depreciation and amortization) increased to \$0.53 from \$0.39 a year ago. The increases in earnings per share and cash flow per share were achieved despite being calculated on 21 percent more shares this quarter.

Gross margin expanded to 15.0 percent from 14.0 percent during the comparable period last year as margins on all revenue categories improved. Income from operations jumped 63 percent to \$22.5 million from \$13.8 million, resulting in the operating margin expanding to 3.6 percent from 3.2 percent. Group 1 has consistently achieved year-over-year quarterly operating margin improvement since going public.

"I am pleased to announce another exceptionally strong quarter," said B.B. Hollingsworth Jr., Group 1's chairman, president and chief executive officer. "Our performance this quarter with earnings growth significantly outpacing revenue growth demonstrates the benefits being realized as we execute our consolidation and operating strategy."

SIX-MONTH REVENUES TOP \$1 BILLION

For the first six months of 1999, revenues reached \$1.1 billion, a 63 percent increase from \$685.5 million for the same period last year. Revenues from new vehicles, used vehicles, parts and service, and other dealership revenue increased substantially. Net income jumped 76 percent to \$15.3 million, or \$0.73 per share on a diluted basis, compared with \$8.7 million, or \$0.52 per share on a diluted basis, for the same period last year. Diluted earnings per share for the 1999 period were calculated on 21.0 million shares compared with 16.9 million shares last year. Diluted cash flow per share increased to \$0.95 from \$0.66 in the year-ago period.

Gross margin expanded to 15.2 percent from 14.1 percent during the comparable period last year. Income from operations jumped 80 percent to \$38.4 million from \$21.3 million, resulting in the operating margin expanding to 3.4 percent from 3.1 percent.

"So far, 1999 has been a record-setting year for new vehicle sales, and we certainly have benefited from this. More importantly, we continue to demonstrate the successful implementation of our strategy and the realization of synergies that lead to expanding profit margins. We are looking forward to an outstanding year," Hollingsworth said.

RECENT ACQUISITIONS EXPECTED TO CONTRIBUTE TO 1999 SECOND HALF

Since the beginning of 1999, Group 1 has closed previously announced acquisitions comprised of 22 franchises with revenues of over \$520 million, including Gene Messer Automotive Group, a new West Texas platform. Also included are 11 tuck-in franchises that add to established platforms in Atlanta, Albuquerque, N.M., Tulsa, Okla., Dallas, and Beaumont, Texas. "We are pursuing our disciplined strategy of select acquisitions of platform and tuck-in dealership groups that meet our criteria," Hollingsworth commented. "Currently, we have sufficient financial resources to continue to execute our acquisition strategy, with \$94.3 million in working capital and an undrawn acquisition line of credit of \$110 million."

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3

VOLUNTARY RELOCK DEMONSTRATES COMMITMENT

Group 1 also announced that its directors and operators have voluntarily agreed to an additional lock-up period for 9.8 million shares of company stock, including 1.6 million shares for which the lock-up period has already expired. The shares being relocked will be restricted until July 15, 2000. As a part of the voluntary lock-up agreement, Group 1 included 883,116 secondary shares in its \$105 million universal shelf registration statement, which replaced the previous shelf registration statement.

According to Hollingsworth, "All shareholders that were asked to consider the additional lock-up agreed. This demonstrates their commitment to and belief in the company we are building.

"One of our strategic objectives is to align interests of management and shareholders," Hollingsworth continued. "A part of our acquisition strategy is for the principals of acquired dealerships to receive a significant portion of their consideration in unregistered stock and agree to a lock-up. This keeps them intimately involved in our organization over the long run, motivates them to succeed and sets the example for future acquisition candidates."

Group 1, with an annualized revenue run rate of over \$2.3 billion, is a leading operator and consolidator in the highly fragmented automotive retailing industry. Upon completion of one announced acquisition, Group 1 will own 79 dealership franchises comprised of 26 different brands, and 15 collision service centers located in Texas, Oklahoma, Florida, New Mexico, Colorado, and Georgia. Through its dealerships the company sells new and used cars and light trucks, provides maintenance and repair services, sells replacement parts and arranges related financing, vehicle service and insurance contracts.

This press release contains certain forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934, which are subject to known and unknown risks, uncertainties or other factors not under Group 1's control that may cause the actual results, performance or achievements of Group 1 to be materially different from the results, performance or other expectations implied by these forward-looking statements. Some of these risks, uncertainties and other factors include those disclosed in Group 1's filings with the Securities and Exchange Commission.

FOR ADDITIONAL INFORMATION REGARDING GROUP 1 AUTOMOTIVE FREE OF CHARGE
VIA FAX, DIAL 1-800-PRO-INFO AND USE THE COMPANY'S STOCK SYMBOL, "GPI."

TABLES TO FOLLOW...

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4

GROUP 1 AUTOMOTIVE, INC.
STATEMENTS OF OPERATIONS
(UNAUDITED)
(IN THOUSANDS OF DOLLARS, EXCEPT SHARE AMOUNTS)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1999	1998	1999	1998
<S>	<C>	<C>	<C>	<C>
REVENUES:				
New vehicle	\$362,409	\$251,019	\$632,527	\$389,041
Used vehicle	191,560	133,625	351,339	220,745
Parts & service	51,498	34,154	95,272	55,722
Other dealership revenue, net	19,932	12,733	35,612	19,958
	-----	-----	-----	-----
Total revenues	625,399	431,531	1,114,750	685,466
COST OF SALES:				
New vehicle	332,915	231,504	580,288	358,880
Used vehicle	175,636	123,898	321,785	204,458
Parts & service	23,191	15,776	42,827	25,754
	-----	-----	-----	-----
Total cost of sales	531,742	371,178	944,900	589,092
Gross Profit	93,657	60,353	169,850	96,374
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	68,621	45,044	126,899	72,780
DEPRECIATION AND AMORTIZATION	2,509	1,516	4,600	2,335
	-----	-----	-----	-----
Income from operations	22,527	13,793	38,351	21,259
OTHER INCOME (EXPENSE):				
Floorplan interest expense	(4,338)	(3,479)	(8,185)	(5,304)
Other interest expense, net	(3,015)	(627)	(4,801)	(938)
Other income (expense), net	69	(24)	105	(48)
	-----	-----	-----	-----
INCOME BEFORE INCOME TAXES	15,243	9,663	25,470	14,969
PROVISION FOR INCOME TAXES	6,066	4,042	10,137	6,234
	-----	-----	-----	-----
NET INCOME	\$9,177	\$5,621	\$15,333	\$8,735
	=====	=====	=====	=====
Basic earnings per share	\$0.44	\$0.32	\$0.77	\$0.54
Diluted earnings per share	\$0.42	\$0.31	\$0.73	\$0.52
Diluted cash flow per share	\$0.53	\$0.39	\$0.95	\$0.66
Weighted average shares outstanding:				
Basic	20,947,850	17,441,678	19,940,384	16,325,873
Diluted	21,960,640	18,128,366	20,980,269	16,869,256
Other Data:				
Gross margin	15.0%	14.0%	15.2%	14.1%
Operating margin	3.6%	3.2%	3.4%	3.1%
Pretax income margin	2.4%	2.2%	2.3%	2.2%
Retail new vehicles sold	15,046	10,767	26,370	16,739
Retail used vehicles sold	11,651	7,991	21,672	13,345
	-----	-----	-----	-----
Total retail sales	26,697	18,758	48,042	30,084

</TABLE>

GROUP 1 AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

<TABLE>
<CAPTION>

	JUNE 30, 1999	DECEMBER 31, 1998
	(UNAUDITED)	(AUDITED)
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash and cash equivalents	\$92,504	\$66,443
Inventories, net	326,679	219,176
Other assets, net	49,177	41,303
Total current assets	468,360	326,922
Property and equipment, net	30,044	21,960
Goodwill, net	197,624	123,587
Other assets	7,239	5,241
Total assets	\$703,267	\$477,710
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Floorplan notes payable	\$280,258	\$193,405
Other interest-bearing liabilities	506	2,966
Accounts payable and accrued expenses	93,316	82,300
Total current liabilities	374,080	278,671
Debt	99,189	42,821
Other liabilities	19,788	20,034
Total stockholders' equity	210,210	136,184
Total liabilities and stockholders' equity	\$703,267	\$477,710
OTHER DATA:		
Working capital	94,280	\$48,251
Current ratio	1.25	1.17
Unused acquisition line of credit	\$110,000	\$88,000
Non-floorplan debt to capitalization	32%	25%

</TABLE>