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GROUP 1 AUTOMOTIVE INC
Form 8-K
August 04, 2003

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): August 4, 2003

Group 1 Automotive, Inc.
(Exact name of Registrant as specified in its charter)

Delaware	1-13461	76-0506313
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

950 Echo Lane, Suite 100
Houston, Texas 77024
(Address of principal executive offices) (Zip code)

(713) 647-5700
(Registrant's telephone number including area code)

Item 12. Results of Operations and Financial Condition

The following sets forth certain information regarding certain historical non-GAAP financial measures (within the meaning of Regulation G and Item 10 of Regulation S-K) of the Company as well as reconciliations of such non-GAAP financial measures to the financial measures of the Company calculated and presented in accordance with GAAP that are most directly comparable to such non-GAAP financial measures.

Non-GAAP Financial Measures

Adjusted EBITDA means net income plus income taxes, non-floorplan interest expense (other interest expense, net), and depreciation and amortization. Adjusted EBITDAR means net income plus income taxes, non-floorplan interest expense, depreciation and amortization and rent expense. EBITDAR means net income plus income taxes, interest expense, depreciation and amortization and rent expense. EBITDA means net income plus income taxes, interest expense and depreciation and amortization. Rent Adjusted Total Debt means non-floorplan long-term debt plus 8 times the annualized rent expense. Adjusted EBITDA, Adjusted EBITDAR, EBITDAR and EBITDA are not measures of financial performance

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or liquidity under accounting principles generally accepted in the United States ("GAAP"). Rent Adjusted Total Debt is not a measure of indebtedness under GAAP. Accordingly, these measures should not be considered as substitutes for net income, income from operations, net cash provided by operating activities, total indebtedness or any other operating, liquidity, indebtedness or capitalization measure prepared in accordance with GAAP. Additionally, our Adjusted EBITDA, Adjusted EBITDAR, EBITDAR, EBITDA and Rent Adjusted Total Debt computations may not be comparable to other similarly titled measures of other companies.

We believe that Adjusted EBITDA, Adjusted EBITDAR, EBITDAR, EBITDA and Rent Adjusted Total Debt and any ratios using Adjusted EBITDA, Adjusted EBITDAR, EBITDAR, EBITDA and Rent Adjusted Total Debt provide additional information regarding our ability to assess and evaluate the performance of our operations, our ability to meet our future debt service, capital expenditures and working capital requirements and the amount of our cash available for discretionary spending. These measures are widely used by investors and rating agencies in the valuation, comparison, rating and investment recommendations of companies. EBITDA and Adjusted EBITDA are also financial measurements that are reported to our lenders under our credit facilities and our other debt instruments.

Our calculation of Adjusted EBITDA and Adjusted EBITDAR are different than the calculation of EBITDA and EBITDAR in that in arriving at Adjusted EBITDA and Adjusted EBITDAR we do not add back floorplan interest expense. We view floorplan financing more akin to trade payables than debt. The reasons for this view include: (1) floorplan financing is readily available from numerous sources, including vehicle manufacturers and a large number of commercial lenders, (2) loan-to-value ratios are typically 100%, (3) repayment is generally not required until the vehicles are sold and (4) the balance outstanding generally tracks recent sales activity. As a result, we believe that Adjusted EBITDA and Adjusted EBITDAR provide additional useful information as to our ability to meet our future non-floorplan debt service requirements.

Our calculation for Adjusted EBITDAR adds back rent expense to Adjusted EBITDA. We believe Adjusted EBITDAR provides additional information as to our ability to meet future non-floorplan debt service requirements and make rent payments.

Our calculation for Rent Adjusted Total Debt provides additional information to evaluate our indebtedness including our off-balance sheet operating leases.

While we believe that Adjusted EBITDA, Adjusted EBITDAR, EBITDAR, EBITDA and Rent Adjusted Total Debt may provide additional information with respect to our ability to meet our future debt service, capital expenditures and working capital requirements and the amount of our cash available for discretionary spending, certain functional or legal requirements of our business may require us to use our available funds for other purposes.

Adjusted EBITDA, Adjusted EBITDAR, EBITDAR and EBITDA are calculated as follows:

	Year Ended December 31,				
	1998	1999	2000	2001	2002
Net income	\$20,719	\$33,515	\$40,812	\$55,442	\$67,000

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Add:					
Income taxes	14,502	22,174	25,014	33,980	40,000
Other interest expense, net, excluding floorplan interest expense	4,027	10,052	15,500	13,863	9,000
Depreciation and amortization	6,426	10,616	16,038	17,358	11,000
Adjusted EBITDA	45,674	76,357	97,364	120,643	129,000
Add:					
Rent expense	11,121	19,943	28,348	30,668	36,000
Adjusted EBITDAR	56,795	96,300	125,712	151,311	165,000
Add:					
Floorplan interest expense	12,837	20,395	37,536	27,935	19,000
EBITDAR	69,632	116,695	163,248	179,246	185,000
Deduct:					
Rent Expense	(11,121)	(19,943)	(28,348)	(30,668)	(36,000)
EBITDA	\$58,511	\$96,752	\$134,900	\$148,578	\$148,000

The following table reconciles net cash provided by operating activities to Adjusted EBITDA, Adjusted EBITDAR, EBITDAR and EBITDA for the periods presented:

	Year Ended December 31,				
	1998	1999	2000	2001	2002
Net cash provided by operating activities	\$9,520	\$50,611	\$74,591	\$74,268	\$73,000
Add (deduct):					
Current income taxes	18,703	18,163	18,644	35,205	33,000
Other interest expense, net, excluding floorplan interest expense	4,027	10,052	15,500	13,863	9,000
Provision for doubtful accounts	(356)	(1,153)	(1,176)	(1,732)	(1,000)
Gain (loss) on sale of assets	115	53	87	(120)	(1,000)
Gain on sale of franchises			1,048		
Loss on repurchase of senior subordinated notes					(1,000)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:					
Contracts-in-transit and vehicle receivables	14,757	22,613	21,001	12,720	37,000
Accounts receivable	4,544	4,717	1,930	4,996	3,000
Inventories	(44)	49,079	78,480	(68,472)	107,000
Prepays expenses and other assets	2,661	3,487	2,167	6,689	8,000
Floorplan notes payable	1,730	(68,584)	(113,424)	81,126	(142,000)
Accounts payable, accrued expenses and deferred revenues	(9,983)	(12,681)	(1,484)	(37,900)	
Adjusted EBITDA	45,674	76,357	97,364	120,643	129,000
Add:					
Rent expense	11,121	19,943	28,348	30,668	36,000

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Adjusted EBITDAR	56,795	96,300	125,712	151,311	165,795
Add:					
Floorplan interest expense	12,837	20,395	37,536	27,935	19,935
EBITDAR	69,632	116,695	163,248	179,246	185,730
Deduct:					
Rent Expense	(11,121)	(19,943)	(28,348)	(30,668)	(36,039)
EBITDA	\$58,511	\$96,752	\$134,900	\$148,578	\$149,691

Rent Adjusted Total Debt is calculated as follows:

	December 31,			
	1998	1999	2000	2001
Current maturities of long-term debt	2,966	1,076	1,506	1,687
Debt, net of current maturities	42,821	15,285	45,949	10,497
Senior Subordinated Notes	-	97,889	94,444	85,002
Rent Expense - Last Twelve Months (times 8)	88,968	159,544	226,784	245,344
Rent Adjusted Total Debt	134,755	273,794	368,683	342,530

In accordance with General Instruction B.2. of Form 8-K, the information contained in this report shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such a filing.

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.

August 4, 2003

Date

By: /s/Scott L. Thompson

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