GROUP 1 AUTOMOTIVE INC
Form 8-K
February 19, 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): February 19, 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 9. REGULATION FD DISCLOSURE

On February 19, 2003, Group 1 Automotive, Inc., a Delaware corporation, announced its financial results for the fourth quarter and full year ended December 31, 2002. The text of the press release is set forth below:

NEWS RELEASE GROUP 1 AUTOM
950 Echo Lane, Suite 100, Houston,

AT GROUP 1:	Chairman, President and CEO	B.B. Hollingsworth, Jr.	(713)
	EVP, CFO and Treasurer	Scott L. Thompson	(713)
	Manager, Investor Relations	Kim Paper	(713)
AT Fleishman-Hillard:	Investors/Media	Russell A. Johnson	(713)

FOR IMMEDIATE RELEASE
WEDNESDAY, FEB. 19, 2003

GROUP 1 AUTOMOTIVE POSTS RECORD NET INCOME IN 2002; FOURTH-QUARTER 2002 EARNINGS EXCEED REVISED EXPECTATIONS

FIFTH CONSECUTIVE YEAR OF EPS GROWTH; COMPANY CONFIRMS GUIDANCE - EPS GROWTH TO CONTINUE IN 2003

HOUSTON, FEB. 19, 2003--GROUP 1 AUTOMOTIVE, INC. (NYSE: GPI), a Fortune 500 specialty retailer, today reported more than $1 billion in revenues and $0.53 diluted earnings per share compared to $0.68 in fourth quarter 2001, which was one of the best periods in the history of the automobile industry.

"Although our operating results are down from fourth quarter last year, as we compare against the exceptional financial results realized a year ago, we continue to generate significant earnings and cash flow. We are benefiting from our diverse revenue streams despite the challenge of operating in a soft U.S. economy and a challenging used car environment," said B.B. Hollingsworth Jr., Group 1's chairman, president and chief executive officer. This marks the Company's fifth consecutive year of earnings per share growth.

HIGHLIGHTS:
- Q4 REVENUES TOP $1.0 BILLION
- Q4 GROSS MARGIN EXPANDS TO 15.4 PERCENT VS. 14.7 PERCENT
- FULL-YEAR NET INCOME INCREASED 21.0 PERCENT TO $67.1 MILLION
- FULL-YEAR DILUTED EPS UP 8.1 PERCENT TO $2.80

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SUMMARY RESULTS OF OPERATIONS (UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED DECEMBER 31,		TWELVE MONTHS END DECEMBER 31,	
	2002	2001	2002	2
REVENUES	$ 1,032.6	$ 1,039.9	$ 4,214.4	$
GROSS PROFIT	$ 159.5	$ 153.0	$ 652.3	$
INCOME FROM OPERATIONS	$ 28.6	$ 33.8	$ 137.6	$
NET INCOME	$ 12.3	$ 16.2	$ 67.1	$
DILUTED EARNINGS PER SHARE	$ 0.53	$ 0.68	$ 2.80	$

RESULTS FOR THE FOURTH QUARTER
For the fourth quarter ended Dec. 31, 2002, revenues were $1.0 billion, consistent with the same period last year. After a 21.4 percent increase in same store revenues in the fourth quarter of 2001, the Company experienced a 14.1 percent decline in same store revenues in the fourth quarter of 2002. This decline was offset by revenues contributed by dealerships acquired during the

year. New vehicle retail sales fell 1.9 percent, on a unit sales decrease of 3.8 percent. Used vehicle retail sales fell 9.3 percent, with retail unit sales 11.8 percent lower. Parts and service and finance and insurance revenues grew 16.6 percent and 3.9 percent, respectively.

Net income decreased 23.9 percent to $12.3 million from $16.2 million, resulting in diluted earnings per share of $0.53 from $0.68 a year ago, a 22.1 percent reduction. Average shares outstanding decreased 1.8 percent to 23.2 million as the Company repurchased common stock.

Gross margin for the quarter increased to 15.4 percent compared with 14.7 percent during the year-ago period, as vehicle sales slowed and other higher margin revenues increased. Income from operations was $28.6 million versus $33.8 million, a 15.6 percent decrease. Operating margin was 2.8 percent compared with 3.3 percent during the year-ago period.

Hollingsworth stated, "We have focused this quarter on the very successful integration of our new Los Angeles platform, on cost control and on our underperforming operations in Atlanta, South Florida and Dallas." Hollingsworth further noted that from a brand standpoint Honda and Toyota were among the strongest performers. "Our record of 20 consecutive quarters of double-digit year-over-year earnings per share growth ended, but we are proud of that achievement and look forward to the opportunities of a new year," he added.

RECORD PERFORMANCE FOR FULL YEAR
For the year, revenues reached $4.2 billion, a 5.5 percent increase from $4.0 billion for 2001. New vehicle retail sales grew 6.5 percent on a 4.8 percent increase in unit sales. Used vehicle retail sales decreased 2.9 percent on a retail unit sales decline of 3.3 percent. Parts and service and finance and insurance revenues grew 11.7 percent and 14.8 percent, respectively.

Gross margin for 2002 increased to 15.5 percent compared with 15.2 percent in 2001. Income from operations rose 4.8 percent to $137.6 million from $131.3 million, and operating margin remained stable at 3.3 percent. Diluted earnings per share increased 8.1 percent to $2.80 on net income of $67.1 million, compared with $2.59 per diluted share on net income of $55.4 million, for the previous year.

ACQUISITION PROGRAM
During the fourth quarter, Group 1 acquired a new Toyota franchise in the Boston market area, expanding the Ira platform to 14 automobile franchises. The Company also purchased new Lincoln and Mercury

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franchises in Amarillo, Texas bringing the Gene Messer platform to 17 automobile franchises. The new Ira Toyota and the Gene Messer Lincoln-Mercury franchises began operations in December 2002 with expected annual revenues of $41 million. For the year, the Company completed 21 franchise acquisitions with annual aggregate revenues of $827 million, while it disposed of five dealerships with $51 million of annualized revenues, as part of its previously stated acquisition strategy for 2002.

In January of this year, the Company completed the acquisition of Bob Howard Ford-Lincoln-Mercury, and the divestiture of the Bob Howard Mercedes-Benz dealership in Oklahoma City, Okla. In total, these transactions are expected to add net revenues of $84 million in 2003.

MANAGEMENT'S OUTLOOK
"We expect another strong new vehicle market in 2003, although perhaps lower than 2002. With our ability to adjust our cost structure, combined with

successful integration of recent acquisitions, and expected increases in parts and service revenues, we have confidence in confirming the range of our diluted earnings per share guidance for 2003 of $3.10 to $3.30. Earnings growth is expected to emanate from a combination of acquisitions and improved dealership performance, as well as common stock repurchases, as warranted," commented Hollingsworth. In 2002, the Company repurchased 983,000 shares of its common stock at an average price of $24.20.

Group 1 continues to seek strategic tuck-in acquisitions to augment its current markets, as well as platform acquisitions to enter new markets, targeting to add dealerships with aggregate revenues of approximately $800 million. "We have one of the strongest balance sheets in the industry which allows us to implement our growth plan without reliance on the equity market," commented Hollingsworth.

FOURTH-QUARTER CONFERENCE CALL

Group 1 will hold a conference call to discuss fourth-quarter and full-year results at 10 a.m. ET on Wednesday, Feb. 19, 2003. The call can be accessed live and will be available for replay over the Internet via www.vcall.com, or through Group 1's website, www.group1auto.com, for 30 days.

ABOUT GROUP 1 AUTOMOTIVE, INC.

Group 1 owns 73 automotive dealerships comprised of 114 franchises, 29 different brands, and 25 collision service centers located in California, Colorado, Florida, Georgia, Louisiana, Massachusetts, New Mexico, Oklahoma and Texas. Through its dealerships and Internet sites, the Company sells new and used cars and light trucks; arranges related financing, vehicle service and insurance contracts; provides maintenance and repair services; and sells replacement parts.

GROUP 1 AUTOMOTIVE CAN BE REACHED ON THE INTERNET AT WWW.GROUP1AUTO.COM

This press release contains "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These statements include statements regarding our plans, goals, beliefs or current expectations, including those plans, goals, beliefs and expectations of our officers and directors with respect to, among other things:

- earnings per share for the year ending 2003
- the completion of future acquisitions
- operating cash flows and availability of capital
- future stock repurchases
- capital expenditures
- changes in sales volumes in the new and used vehicle and parts and service markets

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- business trends, including incentives, new vehicle sales, product cycles and interest rates

- ability to adjust cost structure

Any such forward-looking statements are not assurances of future performance and involve risks and uncertainties. Actual results may differ materially from anticipated results in the forward-looking statements for a number of reasons, including:

- the future economic environment, including consumer confidence, interest rates, the level of manufacturer incentives and the availability of consumer credit may affect the demand for new and

used vehicles and parts and service sales
- regulatory environment, adverse legislation, or unexpected litigation
- our principal automobile manufacturers, especially Ford, Toyota/Lexus, GM and DaimlerChrysler may not continue to produce or make available to us vehicles that are in high demand by our customers
- requirements imposed on us by our manufacturers may affect our acquisitions and capital expenditures related to our dealership facilities
- our dealership operations may not perform at expected levels or achieve expected improvements
- we may not achieve expected future cost savings and our future costs could be higher than we expected
- available capital resources and various debt agreements may limit our ability to repurchase shares
- available capital resources may limit our ability to complete acquisitions
- available capital resources may limit our ability to complete construction of new or expanded facilities
- our cost of financing could increase significantly
- new accounting standards could materially impact our reported earnings per share
- we may not reach agreement with additional acquisition candidates
- we may not be able to adjust our cost structure
- we may lose key personnel
- competition in our industry may impact our operations or our ability to complete acquisitions
- we may not achieve expected sales volumes from the franchises granted to us

This information and additional factors that could affect our operating results and performance will be described in our Form 10-K, set forth under the headings "Business-Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." We urge you to carefully consider those factors.

All forward-looking statements attributable to us are qualified in their entirety by this cautionary statement.

FINANCIAL TABLES TO FOLLOW

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

	THREE MONTHS ENDED DECEMBER 31,		
	2002	2001	
REVENUES:			
New vehicle retail sales	$619,599	$631,886	$2,
Used vehicle retail sales	217,490	239,879	
Used vehicle wholesale sales	56,856	45,906	
Parts & service	106,672	91,472	
Finance & insurance, net	31,981	30,766	

Total revenues	1,032,598	1,039,909	4,
COST OF SALES:			
New vehicle retail sales	572,954	582,195	2,
Used vehicle retail sales	193,748	215,535	
Used vehicle wholesale sales	59,806	48,660	
Parts & service	46,575	40,488	
Total cost of sales	873,083	886,878	3,
Gross Profit	159,515	153,031	
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	127,945	114,667	
DEPRECIATION AND AMORTIZATION EXPENSE	3,020	4,550	
Income from operations	28,550	33,814	
OTHER EXPENSE:			
Floorplan interest expense	(5,557)	(4,770)	
Other interest expense, net	(2,310)	(2,809)	
Other expense, net	(855)	(176)	
INCOME BEFORE INCOME TAXES	19,828	26,059	
PROVISION FOR INCOME TAXES	7,534	9,902	
NET INCOME	$12,294	$16,157	
Basic earnings per share	$0.55	$0.74	
Diluted earnings per share	$0.53	$0.68	
Weighted average shares outstanding:			
Basic	22,463,715	21,840,113	22,
Diluted	23,212,442	23,636,958	23,
OTHER DATA:			
Gross margin	15.4%	14.7%	
Operating margin	2.8%	3.3%	
Pretax income margin	1.9%	2.5%	
Same store revenues	-14.1%	21.4%	
Manufacturer floorplan assistance	$6,292	$7,386	
Retail new vehicles sold	22,756	23,652	
Retail used vehicles sold	15,124	17,143	
Total retail sales	37,880	40,795	

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

	DECEMBER 31, 2002	DECEM
	(unaudited)	(au
ASSETS:		
Current assets:		
Cash	$24,333	
Contracts-in-transit and vehicle receivables	178,623	
Inventories	622,205	
Other assets	77,877	
Total current assets	903,038	
Property, plant and equipment	116,270	
Intangible assets	368,786	
Investments and deferred costs from insurance and vehicle service contract sales	32,637	
Other assets	3,034	
Total assets	$1,423,765	
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Current liabilities:		
Floorplan notes payable	$652,538	
Other interest-bearing liabilities	997	
Accounts payable and accrued expenses	155,748	
Total current liabilities	809,283	
Debt	83,222	
Other liabilities	38,656	
Total liabilities before deferred revenues	931,161	
Deferred revenues	49,187	
Stockholders' equity	443,417	
Total liabilities and stockholders' equity	$1,423,765	
OTHER DATA:		
Working capital	$93,755	
Current ratio	1.12	
Long-term debt to capitalization	16%	
Last 12 months return on average equity	16%	

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In accordance with General Instruction B.2. of Form 8-K, the information contained in such press release 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.

February 19, 2003	By:	/s/ Scott L. Thompson
Date		Scott L. Thompson, Executive Vice President Chief Financial Officer and Treasurer