



Asbury Automotive Group Announces First Quarter 2017 Financial Results

April 27, 2017

First quarter EPS from continuing operations of \$1.61 per diluted share

Record first quarter adjusted EPS from continuing operations of \$1.58 per diluted share (a non-GAAP measure), up 16% over adjusted prior year quarter

DULUTH, Ga., April 27, 2017 /PRNewswire/ -- Asbury Automotive Group, Inc. (NYSE: ABG), one of the largest automotive retail and service companies in the U.S., today reported net income for the first quarter 2017 of \$34.0 million, or \$1.61 per diluted share, compared to \$31.0 million, or \$1.27 per diluted share in the prior year quarter. It also reported adjusted income from continuing operations (a non-GAAP measure) for the first quarter 2017 of \$33.4 million, or \$1.58 per diluted share, compared to \$33.2 million, or \$1.36 per diluted share, in the prior year quarter, a 16% increase in adjusted earnings per share.

Income from continuing operations for the first quarter 2017 was adjusted for \$0.9 million of pre-tax legal settlement benefits, or \$0.03 per diluted share. Income from continuing operations for the first quarter 2016 was adjusted for \$3.4 million of pre-tax real estate related charges, or \$0.09 per diluted share. See attached reconciliation for reported adjustments related to both of these periods.

Total revenue for the first quarter remained flat at \$1.6 billion compared to the prior year period; total revenue on a same-store basis (a non-GAAP measure) was up 3% from the prior year period.

First Quarter 2017 Operational Summary

Same store:

- Total revenues increased 3%; gross profit increased 3%
- New vehicle revenue increased 1%; gross profit decreased 9%
- Used vehicle retail revenue increased 4%; gross profit decreased 2%
- Finance and insurance gross profit increased 9%
- Parts and service revenue increased 5%; gross profit increased 5%

All store:

- SG&A as a percentage of gross profit increased 10 basis points to 69.6%
- Total company adjusted income from operations (a non-GAAP measure) as a percentage of revenue was 4.6% down 10 basis points from the prior year
- Adjusted EPS from continuing operations increased 16%

First Quarter Strategic Highlights:

- Acquired a Chevrolet franchise and an Isuzu truck franchise in Indianapolis, Indiana
- Opened a Nissan add point in Cumming, Georgia
- Repurchased \$15 million of common stock

"Despite flat new vehicle industry sales and continued margin pressure, we are pleased to announce our 31st consecutive quarter of adjusted EPS growth," said Craig Monaghan, Asbury's President and Chief Executive Officer.

"Our ability to drive incremental used sales, enhance F&I PVR, and grow parts and service enabled us to deliver same-store gross profit growth of 3% and industry leading operating margins of 4.6%," said Asbury's Executive Vice President and Chief Operating Officer, David Hult.

The conference call will be simulcast live on the Internet and can be accessed by logging onto www.asburyauto.com or www.ccbn.com. A replay will be available at these sites for 30 days.

In addition, a live audio of the call will be accessible to the public by calling (877) 852-6579 (domestic), or (719) 325-4929 (international); passcode - 1223221. Callers should dial in approximately 5 to 10 minutes before the call begins.

A conference call replay will be available two hours following the call for seven days, and can be accessed by calling (888) 203-1112 (domestic), or (719) 457-0820 (international); passcode - 1223221.

About Asbury Automotive Group, Inc.

Asbury Automotive Group, Inc. ("Asbury"), a Fortune 500 company headquartered in Duluth, GA, is one of the largest automotive retailers in the U.S. Asbury currently operates 80 dealerships, consisting of 96 franchises, representing 29 domestic and foreign brands of vehicles. Asbury also operates 24 collision repair centers and 2 stand-alone used vehicle stores. Asbury offers customers an extensive range of automotive products and services, including new and used vehicle sales and related financing and insurance, vehicle maintenance and repair services, replacement parts and service contracts.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements other than historical fact, and may include statements relating to goals, plans, market conditions and projections regarding Asbury's financial position, liquidity, results of operations, market position and dealership portfolio, and other initiatives and future business strategy. These statements are based on management's current expectations and beliefs and involve significant risks and uncertainties that may cause results to differ materially from those set forth in the statements. These risks and uncertainties include, among other things, market factors, Asbury's relationships with, and the financial and operational stability of, vehicle manufacturers and other suppliers, acts of God or other incidents which may adversely impact supply from vehicle manufacturers and/or present retail sales challenges, risks associated with Asbury's indebtedness (including available borrowing capacity, compliance with its financial covenants and ability to refinance or repay such indebtedness, on favorable terms), Asbury's relationships with, and the financial stability of, its lenders and lessors, risks related to competition in the automotive retail and service industries, general economic conditions both nationally and locally, governmental regulations, legislation, adverse results in litigation and other proceedings, and Asbury's ability to execute its IT initiatives and other operational strategies, Asbury's ability to leverage gains from its dealership portfolio, Asbury's ability to capitalize on opportunities to repurchase its debt and equity securities or purchase properties that it currently leases, and Asbury's ability to stay within its targeted range for capital expenditures. There can be no guarantees that Asbury's plans for future operations will be successfully implemented or that they will prove to be commercially successful.

These and other risk factors that could cause actual results to differ materially from those expressed or implied in our forward-looking statements are and will be discussed in Asbury's filings with the U.S. Securities and Exchange Commission from time to time, including its most recent annual report on Form 10-K and any subsequently filed quarterly reports on Form 10-Q. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.

ASBURY AUTOMOTIVE GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME (In millions, except per share data)
(Unaudited)

	For the Three Months Ended March 31,		Increase (Decrease)	% Change
	2017	2016		
REVENUE:				
New vehicle	\$ 832.5	\$ 838.4	\$ (5.9)	(1) %
Used vehicle:				
Retail	415.4	413.1	2.3	1 %
Wholesale	46.4	47.8	(1.4)	(3) %
Total used vehicle	461.8	460.9	0.9	— %
Parts and service	191.5	189.2	2.3	1 %
Finance and insurance, net	65.9	62.3	3.6	6 %
TOTAL REVENUE	1,551.7	1,550.8	0.9	— %
GROSS PROFIT:				
New vehicle	40.4	44.7	(4.3)	(10) %
Used vehicle:				
Retail	33.0	34.7	(1.7)	(5) %
Wholesale	0.9	1.1	(0.2)	18 %
Total used vehicle	33.9	35.8	(1.9)	(5) %
Parts and service	119.9	118.0	1.9	2 %
Finance and insurance, net	65.9	62.3	3.6	6 %
TOTAL GROSS PROFIT	260.1	260.8	(0.7)	— %
OPERATING EXPENSES:				
Selling, general and administrative	181.1	181.2	(0.1)	— %
Depreciation and amortization	7.9	7.5	0.4	5 %
Other operating (income) expense, net	(1.2)	3.2	(4.4)	(138) %
INCOME FROM OPERATIONS	72.3	68.9	3.4	5 %
OTHER EXPENSES:				
Floor plan interest expense	5.3	4.4	0.9	20 %
Other interest expense, net	13.3	13.4	(0.1)	(1) %
Swap interest expense	0.6	0.8	(0.2)	(25) %
Total other expenses, net	19.2	18.6	0.6	3 %
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	53.1	50.3	2.8	6 %
Income tax expense	19.1	19.2	(0.1)	(1) %
INCOME FROM CONTINUING OPERATIONS	34.0	31.1	2.9	9 %
Discontinued operations, net of tax	—	(0.1)	0.1	100 %
NET INCOME	\$ 34.0	\$ 31.0	\$ 3.0	10 %
EARNINGS PER COMMON SHARE:				
Basic—				
Continuing operations	\$ 1.62	\$ 1.28	\$ 0.34	27 %
Discontinued operations	—	—	—	— %
Net income	\$ 1.62	\$ 1.28	\$ 0.34	27 %

Diluted—					
Continuing operations	\$ 1.61	\$ 1.27	\$ 0.34	27	%
Discontinued operations	—	—	—	—	%
Net income	<u>\$ 1.61</u>	<u>\$ 1.27</u>	\$ 0.34	27	%
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:					
Basic	21.0	24.3	(3.3)	(14)	%
Restricted stock	—	—	—	—	%
Performance share units	<u>0.1</u>	<u>0.1</u>	—	—	%
Diluted	<u>21.1</u>	<u>24.4</u>	(3.3)	(14)	%

ASBURY AUTOMOTIVE GROUP, INC.
KEY OPERATING HIGHLIGHTS (In millions, except per unit data)
(Unaudited)

	For the Three Months Ended		Increase (Decrease)	% Change
	March 31,			
	2017	2016		
Unit sales				
New vehicle:				
Luxury	5,114	5,626	(512)	(9) %
Import	13,674	13,484	190	1 %
Domestic	<u>4,678</u>	<u>4,919</u>	(241)	(5) %
Total new vehicle	23,466	24,029	(563)	(2) %
Used vehicle retail	20,067	19,736	331	2 %
Used to new ratio	85.5 %	82.1 %	340 bps	
Average selling price				
New vehicle	\$ 35,477	\$ 34,891	\$ 586	2 %
Used vehicle retail	20,701	20,931	(230)	(1) %
Average gross profit per unit				
New vehicle:				
Luxury	\$ 3,539	\$ 3,519	\$ 20	1 %
Import	1,046	1,253	(207)	(17) %
Domestic	1,710	1,626	84	5 %
Total new vehicle	1,722	1,860	(138)	(7) %
Used vehicle	1,644	1,758	(114)	(6) %
Finance and insurance, net	1,514	1,424	90	6 %
Front end yield (1)	3,200	3,238	(38)	(1) %
Gross margin				
New vehicle:				
Luxury	6.6 %	6.8 %	(20) bps	
Import	3.8 %	4.5 %	(70) bps	
Domestic	4.5 %	4.6 %	(10) bps	
Total new vehicle	4.9 %	5.3 %	(40) bps	
Used vehicle retail	7.9 %	8.4 %	(50) bps	
Parts and service	62.6 %	62.4 %	20 bps	
Total gross profit margin	16.8 %	16.8 %	— bps	
SG&A metrics				
Rent expense	\$ 6.9	\$ 7.8	\$ (0.9)	(12) %
Total SG&A as a percentage of gross profit	69.6 %	69.5 %	10 bps	
SG&A, excluding rent expense as a percentage of gross profit	67.0 %	66.5 %	50 bps	
Operating metrics				
Income from operations as a percentage of revenue	4.7 %	4.4 %	30 bps	
Income from operations as a percentage of gross profit	27.8 %	26.4 %	140 bps	
Adjusted income from operations as a percentage of revenue	4.6 %	4.7 %	(10) bps	
Adjusted income from operations as a percentage of gross profit	27.5 %	27.7 %	(20) bps	
Revenue mix				
New vehicle	53.7 %	54.1 %		
Used vehicle retail	26.8 %	26.6 %		
Used vehicle wholesale	3.0 %	3.1 %		
Parts and service	12.3 %	12.2 %		
Finance and insurance	4.2 %	4.0 %		
Total revenue	<u>100.0 %</u>	<u>100.0 %</u>		
Gross profit mix				
New vehicle	15.5 %	17.1 %		
Used vehicle retail	12.8 %	13.4 %		
Used vehicle wholesale	0.3 %	0.4 %		
Parts and service	46.1 %	45.2 %		

Finance and insurance	25.3 %	23.9 %
Total gross profit	<u>100.0 %</u>	<u>100.0 %</u>

(1) Front end yield is calculated as gross profit from new vehicles, used retail vehicles and finance and insurance (net), divided by combined new and used retail unit sales.

ASBURY AUTOMOTIVE GROUP, INC.
SAME STORE OPERATING HIGHLIGHTS (In millions)
(Unaudited)

	For the Three Months Ended		Increase (Decrease)	%
	March 31,			
	2017	2016		
Revenue				
New vehicle:				
Luxury	\$ 272.8	\$ 284.7	\$ (11.9)	(4) %
Import	377.5	355.7	21.8	6 %
Domestic	164.9	165.0	(0.1)	— %
Total new vehicle	<u>815.2</u>	<u>805.4</u>	9.8	1 %
Used Vehicle:				
Retail	405.9	389.5	16.4	4 %
Wholesale	44.9	45.8	(0.9)	(2) %
Total used vehicle	<u>450.8</u>	<u>435.3</u>	15.5	4 %
Parts and service	189.0	179.2	9.8	5 %
Finance and insurance	64.6	59.2	5.4	9 %
Total revenue	<u>\$ 1,519.6</u>	<u>\$ 1,479.1</u>	\$ 40.5	3 %
Gross profit				
New vehicle:				
Luxury	\$ 18.1	\$ 19.3	\$ (1.2)	(6) %
Import	14.2	16.4	(2.2)	(13) %
Domestic	7.1	7.5	(0.4)	(5) %
Total new vehicle	<u>39.4</u>	<u>43.2</u>	(3.8)	(9) %
Used Vehicle:				
Retail	32.0	32.6	(0.6)	(2) %
Wholesale	0.9	1.3	(0.4)	(31) %
Total used vehicle	<u>32.9</u>	<u>33.9</u>	(1.0)	(3) %
Parts and service:				
Customer pay	65.3	63.1	2.2	3 %
Warranty	20.1	16.5	3.6	22 %
Wholesale parts	5.2	5.0	0.2	4 %
Parts and service, excluding reconditioning and preparation	90.6	84.6	6.0	7 %
Reconditioning and preparation	27.6	27.8	(0.2)	(1) %
Total parts and service	<u>118.2</u>	<u>112.4</u>	5.8	5 %
Finance and insurance	64.6	59.2	5.4	9 %
Total gross profit	<u>\$ 255.1</u>	<u>\$ 248.7</u>	\$ 6.4	3 %
SG&A expense	<u>\$ 177.4</u>	<u>\$ 172.3</u>	\$ 5.1	3 %
SG&A expense as a percentage of gross profit	<u>69.5 %</u>	<u>69.3 %</u>	20 bps	

Same store amounts consist of information from dealerships for identical months in each comparative period, commencing with the first month we owned the dealership. Additionally, amounts related to divested dealerships are excluded from each comparative period.

ASBURY AUTOMOTIVE GROUP, INC.
SAME STORE OPERATING HIGHLIGHTS (Continued)
(Unaudited)

	For the Three Months Ended		Increase (Decrease)	%
	March 31,			
	2017	2016		

Unit sales

New vehicle:				
Luxury	5,114	5,517	(403)	(7) %
Import	13,566	12,914	652	5 %
Domestic	4,281	4,587	(306)	(7) %
Total new vehicle	22,961	23,018	(57)	— %
Used vehicle retail	19,555	18,447	1,108	6 %
Used to new ratio	85.2 %	80.1 %	510 bps	

Average selling price

New vehicle	\$ 35,504	\$ 34,990	\$ 514	1 %
Used vehicle retail	20,757	21,115	(358)	(2) %

Average gross profit per unit

New vehicle:				
Luxury	\$ 3,539	\$ 3,498	\$ 41	1 %
Import	1,047	1,270	(223)	(18) %
Domestic	1,658	1,635	23	1 %
Total new vehicle	1,716	1,877	(161)	(9) %
Used vehicle retail	1,636	1,767	(131)	(7) %
Finance and insurance, net	1,519	1,428	91	6 %
Front end yield (1)	3,199	3,256	(57)	(2) %

Gross margin

New vehicle:			
Luxury	6.6 %	6.8 %	(20) bps
Import	3.8 %	4.6 %	(80) bps
Domestic	4.3 %	4.5 %	(20) bps
Total new vehicle	4.8 %	5.4 %	(60) bps
Used vehicle retail	7.9 %	8.4 %	(50) bps
Parts and service:			
Parts and service, excluding reconditioning and preparation	47.9 %	47.2 %	70 bps
Parts and service, including reconditioning and preparation	62.5 %	62.7 %	(20) bps
Total gross profit margin	16.8 %	16.8 %	— bps

Same store amounts consist of information from dealerships for identical months in each comparative period, commencing with the first month we owned the dealership. Additionally, amounts related to divested dealerships are excluded from each comparative period.

(1) Front end yield is calculated as gross profit from new vehicles, used retail vehicles and finance and insurance (net), divided by combined new and used retail unit sales.

ASBURY AUTOMOTIVE GROUP, INC.

Additional Disclosures (In millions)

(Unaudited)

	March 31, 2017	December 31, 2016	Increase (Decrease)	% Change
SELECTED BALANCE SHEET DATA				
Cash and cash equivalents	\$ 3.1	\$ 3.4	\$ (0.3)	(9) %
New vehicle inventory	780.2	720.6	59.6	8 %
Used vehicle inventory	146.5	132.7	13.8	10 %
Parts inventory	42.4	41.6	0.8	2 %
Total current assets	1,348.6	1,332.4	16.2	1 %
Floor plan notes payable	811.6	781.8	29.8	4 %
Total current liabilities	1,153.4	1,104.9	48.5	4 %
CAPITALIZATION:				
Long-term debt (including current portion)	\$ 923.0	\$ 926.7	\$ (3.7)	— %
Shareholders' equity	298.2	279.7	18.5	7 %
Total	\$ 1,221.2	\$ 1,206.4	\$ 14.8	1 %

	March 31, 2017	December 31, 2016
DAYS SUPPLY		
New vehicle inventory	74	61
Used vehicle inventory	32	30

Days supply of inventory is calculated based on new and used inventory levels at the end of each reporting period and a 30-day historical cost of sales.

Brand Mix - New Vehicle Revenue by Brand-

	For the Three Months Ended March 31,	
	2017	2016
Luxury:		
Mercedes-Benz	7 %	7 %
Lexus	6 %	7 %
BMW	5 %	7 %
Acura	4 %	4 %
Infiniti	3 %	4 %
Other luxury	8 %	6 %
Total luxury	33 %	35 %
Imports:		
Honda	17 %	16 %
Nissan	13 %	11 %
Toyota	11 %	12 %
Other imports	5 %	5 %
Total imports	46 %	44 %
Domestic:		
Ford	12 %	13 %
Chevrolet	4 %	2 %
Dodge	3 %	2 %
Other domestics	2 %	4 %
Total domestic	21 %	21 %
Total New Vehicle Revenue	100 %	100 %

ASBURY AUTOMOTIVE GROUP INC.

Supplemental Disclosures
(Unaudited)

Non-GAAP Financial Disclosure and Reconciliation

In addition to evaluating the financial condition and results of our operations in accordance with GAAP, from time to time management evaluates and analyzes results and any impact on the Company of strategic decisions and actions relating to, among other things, cost reduction, growth, and profitability improvement initiatives, and other events outside of normal, or "core," business and operations, by considering certain alternative financial measures not prepared in accordance with GAAP. These measures include "Adjusted leverage ratio," "Adjusted income from operations," "Adjusted income from continuing operations," and "Adjusted diluted earnings per share ("EPS") from continuing operations." Further, management assesses the organic growth of our revenue and gross profit on a same store basis. We believe that our assessment on a same store basis represents an important indicator of comparative financial performance and provides relevant information to assess our performance at our existing locations. Same store amounts consist of information from dealerships for identical months in each comparative period, commencing with the first month we owned the dealership. Additionally, amounts related to divested dealerships are excluded from each comparative period. Non-GAAP measures do not have definitions under GAAP and may be defined differently by and not be comparable to similarly titled measures used by other companies. As a result, any non-GAAP financial measures considered and evaluated by management are reviewed in conjunction with a review of the most directly comparable measures calculated in accordance with GAAP. Management cautions investors not to place undue reliance on such non-GAAP measures, but also to consider them with the most directly comparable GAAP measures. In their evaluation of results from time to time, management excludes items that do not arise directly from core operations, or are otherwise of an unusual or non-recurring nature. Because these non-core, unusual or non-recurring charges and gains materially affect Asbury's financial condition or results in the specific period in which they are recognized, management also evaluates, and makes resource allocation and performance evaluation decisions based on, the related non-GAAP measures excluding such items. In addition to using such non-GAAP measures to evaluate results in a specific period, management believes that such measures may provide more complete and consistent comparisons of operational performance on a period-over-period historical basis and a better indication of expected future trends. Management discloses these non-GAAP measures, and the related reconciliations, because it believes investors use these metrics in evaluating longer-term period-over-period performance, and to allow investors to better understand and evaluate the information used by management to assess operating performance.

The following tables provide reconciliations for our non-GAAP metrics:

	For the Twelve Months Ended	
	March 31, 2017	December 31, 2016
	(Dollars in millions)	
<u>Adjusted leverage ratio:</u>		
Long-term debt (including current portion)	\$ 923.0	\$ 926.7

Calculation of earnings before interest, taxes, depreciation and amortization ("EBITDA"):

Income from continuing operations	\$	170.2	\$	167.2
Add:				
Depreciation and amortization		31.0		30.7
Income tax expense		100.4		100.6
Swap and other interest expense		56.0		56.2
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	\$	<u>357.6</u>	\$	<u>354.7</u>
Non-core items - (income) expense:				
Legal settlements	\$	(7.5)	\$	(6.6)
Real estate-related charges		2.3		5.7
Gain on divestitures		(45.5)		(45.5)
Total non-core items		<u>(50.7)</u>		<u>(46.4)</u>
Adjusted EBITDA	\$	<u>306.9</u>	\$	<u>308.3</u>
Adjusted leverage ratio		<u>3.0</u>		<u>3.0</u>

For the Three Months Ended
March 31,

	2017	2016
	(In millions, except per share data)	
<u>Adjusted income from operations:</u>		
Income from operations	\$ 72.3	\$ 68.9
Real estate-related charges	—	3.4
Legal settlements	(0.9)	—
Adjusted income from operations	<u>\$ 71.4</u>	<u>\$ 72.3</u>
<u>Adjusted income from continuing operations:</u>		
Income from continuing operations	\$ 34.0	\$ 31.1
Non-core items - (income) expense:		
Legal settlements	(0.9)	—
Real estate-related charges	—	3.4
Income tax benefit	0.3	(1.3)
Total non-core items	<u>(0.6)</u>	<u>2.1</u>
Adjusted income from continuing operations	<u>\$ 33.4</u>	<u>\$ 33.2</u>
<u>Adjusted diluted earnings per share (EPS) from continuing operations:</u>		
Net income	\$ 1.61	\$ 1.27
Discontinued operations, net of tax	—	—
Income from continuing operations	<u>\$ 1.61</u>	<u>\$ 1.27</u>
Total non-core items	<u>(0.03)</u>	<u>0.09</u>
Adjusted diluted EPS from continuing operations	<u>\$ 1.58</u>	<u>\$ 1.36</u>
Weighted average common shares outstanding - diluted	<u>21.1</u>	<u>24.4</u>

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/asbury-automotive-group-announces-first-quarter-2017-financial-results-300446804.html>

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