ASBURY AUTOMOTIVE GROUP INC
Form S-3
January 22, 2004

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As filed with the Securities and Exchange Commission on January 22, 2004

Registration No. 333-

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-3

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Asbury Automotive Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**01-0609375**
(State of Incorporation)	(I.R.S. Employer Identification Number)

Three Landmark Square, Suite 500
Stamford, Connecticut 06901
(203) 356-4400
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Kenneth B. Gilman
Chief Executive Officer
Asbury Automotive Group, Inc.
Three Landmark Square, Suite 500
Stamford, Connecticut 06901
(203) 356-4400
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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825 Eighth Avenue	**125 Broad Street**
New York, New York 10019	**New York, NY 10004**

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per unit(2)	Proposed maximum aggregate offering price(2)	Amount of registration fee
Common Stock, par value $.01 per share	11,500,000 Shares	$18.74	$215,510,000	$17,434.76

(1) Includes 1,500,000 shares that the underwriters have the option to purchase to cover over-allotments.

(2) Calculated pursuant to Rule 457(c), based on the average of the high and low prices of the Common Stock reported on the New York Stock Exchange Composite Tape on January 15, 2004 ($18.74 per share).

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated January 22, 2004.

Shares

Common Stock

All of the shares of common stock in the offering are being sold by the selling stockholders identified in this prospectus. Asbury will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

The common stock is listed on the New York Stock Exchange under the symbol "ABG". The last reported sale price of the common stock on January 21, 2004 was $19.20 per share.

See "Risk Factors" on page 12 to read about factors you should consider before buying shares of the common stock.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Initial price to public	$	$
Underwriting discount	$	$
Proceeds, before expenses, to the selling stockholders	$	$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from certain selling stockholders at the initial price to public less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2004.

Goldman, Sachs & Co.

Prospectus dated January , 2004.

MANUFACTURER DISCLAIMER

No manufacturer or distributor has been involved, directly or indirectly, in the preparation of this prospectus, the documents incorporated by reference herein or in the offering being made hereby. No manufacturer or distributor has been authorized to make any statements or representations in connection with this offering, and no manufacturer or distributor has any responsibility for the accuracy or completeness of this prospectus or for the offering.

PROSPECTUS SUMMARY

The following is a summary of some of the information contained in this prospectus. It may not contain all the information that is important to you. To understand this offering fully, you should read carefully the entire prospectus, including the risk factors beginning on page 12 and the financial statements. For the purposes of this prospectus, references to "Asbury," "Company," "we," "us" and "our" refer to Asbury Automotive Group, Inc., and unless the context otherwise requires, its subsidiaries and their respective predecessors in interest.

This prospectus and the reports filed with the SEC that are incorporated by reference herein include statistical data regarding the automotive retailing industry. Unless otherwise indicated, such data is taken or derived from information published by:

The Industry Analysis Division of the National Automobile Dealers Association, also known as "NADA," NADA Data 2003.

Automotive News 2003 Market Data Book.

CNW Marketing/Research.

Sales & Marketing Management 2002 Survey of Buying Power and Media Markets.

Bureau of Economic Analysis.

J.D. Power.

Wards Automotive.

Although we believe these industry sources are reliable, we have not independently researched or verified this information. Accordingly, investors should not place undue reliance on this information.

Business

Our Company

We are one of the largest automotive retailers in the United States, operating 138 franchises at 95 dealership locations as of September 30, 2003. We offer an extensive range of automotive products and services, including new and used vehicles and related financing and insurance, vehicle maintenance and repair services, replacement parts and service contracts. Our retail network is organized into nine regional dealership groups, or "platforms," which are located in 19 market areas that we believe represent attractive opportunities, generally due to the presence of relatively few dealerships and high rates of population and income growth. In April 2003, we acquired Mercedes-Benz of Fresno, with the intention of ultimately building a platform in Northern California through additional "tuck-in" acquisitions. Fresno represents our 20th market area. Our revenues for the twelve-month period ended September 30, 2003, were approximately $4.7 billion.

Our platforms as of September 30, 2003, are as follows:

Platform (Regional Brand)	Market(s)
Nalley Automotive Group	Atlanta, Georgia
Plaza Motor Company	St. Louis, Missouri
David McDavid Automotive Group	Dallas-Fort Worth, Houston and Austin, Texas
Courtesy Dealership Group	Tampa, Florida
Coggin Automotive Company	Jacksonville, Orlando and Fort Pierce, Florida
Thomason Auto Group	Portland, Oregon
Crown Automotive Company	Greensboro, Chapel Hill, Fayetteville and Charlotte, North Carolina and Charlottesville and Richmond, Virginia
North Point Automotive Group	Little Rock, Arkansas and Texarkana, Texas
Gray Daniels Auto Group	Jackson, Mississippi

Our franchises include a diverse portfolio of 35 American, European, and Asian brands, and 67% of our new vehicle retail revenues for the nine months ended September 30, 2003, were from either luxury or mid-line import brands. We sell vehicles under the following brand names: Acura, Audi, BMW, Buick, Cadillac, Chevrolet, Chrysler, Dodge, Ford, GMC, Honda, Hyundai, Infiniti, Isuzu, Jaguar, Jeep, Kia, Land Rover, Lexus, Lincoln, Mazda, Mercedes-Benz, Mercury, MINI, Mitsubishi, Nissan, Pontiac, Porsche, Toyota, Volkswagen and Volvo. Additionally, we sell a limited number of heavy trucks under the Hino, Isuzu Trucks, Navistar and Peterbilt brands through our Atlanta platform.

We compete in a large and highly fragmented industry comprised of approximately 21,725 franchised dealerships. The U.S. automotive retailing industry is estimated to have annual sales of approximately $1 trillion, with the 100 largest dealer groups generating less than 10% of total sales revenues and controlling less than 10% of all franchised dealerships. We believe that further consolidation is likely due to increased capital requirements of dealerships, the number of dealership owners approaching retirement age, the limited number of viable exit strategies for dealership owners and the desire of certain manufacturers to strengthen their brand identity through consolidation of their franchised dealerships. We also believe that an opportunity exists for dealership groups with significant equity capital and experience in identifying, acquiring and professionally managing dealerships, to acquire additional dealerships, and we will continue to seek to acquire dealerships consistent with our business strategy.

Our Strengths

We believe our competitive strengths are as follows:

Diversified Revenue and Profit Streams

Our operations provide a diversified revenue and profit base that we believe mitigates the impact of fluctuating new car sales volumes. Used car sales and parts, service and collision repair sales generate higher profit margins than new car sales and tend to fluctuate less with economic cycles. Our finance and insurance business, substantially all of which is commission based, has no associated costs of goods sold and represented 3% of our total revenues and 18% of our total gross profit during the nine-month period ended September 30, 2003.

New Vehicles. Our franchises include a diverse portfolio of 35 American, European and Asian brands. We believe that our diverse brand, product and price mix enables us to reduce our exposure to specific product supply shortages and changing customer preferences. New

vehicle sales were approximately 61% of our total revenues and 28% of our total gross profit during the nine-month period ended September 30, 2003.

Used Vehicles. We sell used vehicles at virtually all our franchised dealerships. Retail sales of used vehicles, which generally have higher gross margins than new vehicles, have become an increasingly significant source of profit for us, making up approximately 25% of our total revenues and 15% of our total gross profit during the nine-month period ended September 30, 2003. We obtain used vehicles through customer trade-ins, auctions restricted to new vehicle dealers (offering off-lease, rental and fleet vehicles) and "open" auctions, which offer repossessed vehicles and vehicles sold by other dealers. We sell the majority of our used vehicles to retail customers. We dispose of used vehicles that are not purchased by retail customers through sales to other dealers and at auctions.

Parts, Service and Collision Repair ("fixed operations"). We sell parts and provide maintenance and repair service at all our franchised dealerships. In addition, we have 23 freestanding collision repair centers in close proximity to dealerships in substantially all of our platforms. Our dealerships and collision repair centers collectively operate approximately 2,230 service bays. Revenues from parts, service and collision repair centers were approximately 11% of our total revenues and 39% of our total gross profit during the nine-month period ended September 30, 2003. We believe that parts and service revenues are more stable than vehicle sales. Industry-wide, parts and service revenues have consistently increased over the last 20 years. We believe that this is due to the increased cost of maintaining vehicles, the added technical complexity of vehicles and the increased number of vehicles on the road.

Finance and Insurance. We arranged third-party customer financing on over 70% of the vehicles we sold during the nine-month period ended September 30, 2003. These transactions result in commissions being paid to us by the indirect lenders, including manufacturer- captive finance arms. In addition to finance commissions, these transactions create other highly profitable sales commission opportunities, including selling extended service contracts and various insurance-related products to the consumer. Our size and sales volume motivate vendors to provide these products to us at substantially reduced fees compared to industry norms, which results in competitive advantages as well as acquisition synergies. Profits from finance and insurance generated approximately 3% of our total revenues and 18% of our total gross profit during the nine-month period ended September 30, 2003. We earn sales-based commissions on substantially all of these products, while taking virtually no risk related to loan payments, insurance payments or investment performance, which are fully borne by third-parties.

Highly Variable Cost Structure

Our variable cost structure helps us manage expenses in a variety of economic environments, as the majority of our operating expenses consist of incentive-based compensation, vehicle carrying costs, advertising and other variable and controllable costs. For example, on average, approximately 70% of general manager compensation and virtually all salesperson compensation is variable, tied to profits, profit margins and certain other metrics.

Advantageous Brand Mix

We classify our primary franchise sales lines into luxury, mid-line import, mid-line domestic and value. Our current brand mix includes a high proportion of luxury and mid-line import franchises to total franchises. Our franchise mix contains a higher proportion of what we believe to be more desirable luxury and mid-line import brands than most other public automotive retailers. Luxury and

mid-line imports together accounted for approximately 67% of our new retail vehicle revenues during the nine-month period ended September 30, 2003, and comprised over half of our total franchises. Luxury and mid-line imports generate above average gross margins on sales, have greater customer loyalty and repeat purchases and utilize parts and service and maintenance services at the point of sale more frequently than mid-line domestic and value automobiles. Luxury and mid-line imports have also gained market share at the expense of mid-line domestics over time. We also believe that luxury vehicle sales are less susceptible to economic cycles than other types of vehicles.

Regional Platforms with Strong Local Brands

Each of our platforms was comprised of between 8 and 25 franchise locations as of September 30, 2003 and, for the twelve-month period ended September 30, 2003, sold an average of approximately 17,400 retail vehicles and generated an average of approximately $520 million in revenues. Each of our current platforms maintains a strong regional brand that has been enhanced through local advertising over many years. We believe that our cultivation of strong local brands can be beneficial because consumers may prefer to interact with a locally recognized brand; placing our franchises in one region under a single brand allows us to generate significant advertising savings; and our platforms can retain customers even as they purchase and service different automobile brands. Furthermore, we believe that the majority of our dealerships are located in geographic areas with above average population growth, relatively low dealer concentration and favorable franchise laws.

Experienced and Incentivized Management

Retail and Automotive Management Experience. We have a management team with extensive experience and expertise in the retail and automotive sectors. Kenneth B. Gilman, our president and chief executive officer, served for 25 years at Limited Brands (formerly The Limited, Inc.) where he served in such capacities as vice chairman and chief administrative officer. His most recent position was as chief executive officer of Lane Bryant. Robert D. Frank, our senior vice president of automotive operations, spent most of his 35-year career working in all aspects of automotive operations including serving as chief operating officer of the Larry Miller Group and as vice president of Chrysler's Asian operations. In addition, the former platform owners of five of our nine platforms, each with greater than 25 years of experience in the automotive retailing industry, continue to manage their respective platforms.

Incentivization at Every Level. We tie compensation to performance by relying upon an incentive-based pay system at both the platform and dealership levels. At the platform level all our senior management are compensated on an incentive-based pay system and the majority have a stake in our performance based upon their ownership of approximately 13.6% of our total equity as of September 30, 2003 (or approximately 10.8% after giving effect to this offering). We also create incentives at the dealership level. Each dealership is managed as a separate profit center by a trained and experienced general manager who has primary responsibility for decisions relating to inventory, advertising, pricing and personnel. We compensate our general managers based on dealership profitability, and the compensation of department managers and salespeople is similarly based upon departmental profitability and individual performance, respectively.

Our Strategy

Our objective is to be the most profitable automotive retailer in our platforms' respective markets. To achieve this objective, we intend to expand our higher margin businesses, emphasize

decentralized dealership operations while maintaining strong centralized administrative functions and grow through targeted acquisitions.

Focus on Higher Margin Products and Services

While new vehicle sales are critical to drawing customers to our dealerships, used vehicle retail sales, parts, service and collision repair and finance and insurance provide significantly higher profit margins and account for the majority of our profitability. In addition, we have discipline-specific executives at both the corporate and platform levels who focus on both increasing the penetration of current services and expanding the breadth of our offerings to customers. While each of our platforms operates independently in a manner consistent with its specific market's characteristics, each platform will pursue an integrated strategy to grow these higher margin businesses to enhance profitability and stimulate internal growth.

Parts, Service and Collision Repair. Each of our platforms offers parts, performs vehicle service work and operates collision repair centers, all of which provide important sources of recurring revenue with high gross profit margins. For the nine-month period ended September 30, 2003, gross profit generated from these businesses absorbed approximately 56% of our total operating expenses, excluding salespersons' compensation. We intend to continue to grow this higher-margin business and increase this cost absorption rate by adding new service bays, increasing capacity utilization of existing service bays and ensuring high levels of customer satisfaction within our parts, service and collision repair operations. In addition, given the increased sophistication of vehicles, our repair operations provide detailed expertise and state-of-the-art diagnostic equipment which we believe independent dealers cannot adequately provide. Finally, warranty work cannot be completed by independent dealers, as this work must be done at a certified dealership.

Finance and Insurance. We intend to continue to bolster our finance and insurance revenues by offering a broad range of conventional finance and lease alternatives to fund the purchase of new and used vehicles. In addition to offering these third-party financing products, we intend to expand our already broad offering of third-party products like credit insurance, extended service contracts, maintenance programs and a host of other niche products to meet all of our customer needs on a "one stop" shopping basis. Furthermore, based on size and scale, we believe we will be able to continue negotiating with lending institutions and product providers to increase our commissions on each of the products and services we sell. Moreover, continued in-depth sales training efforts and innovative computer technologies will serve as important tools in growing our finance and insurance profitability. We have increased platform finance and insurance revenue per vehicle retailed ("PVR") from $448 for the year ended December 31, 1998, to $818 for the nine months ended September 30, 2003. We have successfully increased our platform finance and insurance PVR each year since inception.

Decentralized Dealership Operations and Centralized Administrative and Strategic Functions

We believe that decentralized dealership operations on a platform basis enable our retail network to provide market-specific responses to sales, service, marketing and inventory requirements. These operations are complemented by centralized technology and strategic and financial controls, as well as sharing of best practices and market intelligence throughout the organization. While our administrative headquarters is located in Stamford, Connecticut, the day-to-day responsibility for the dealerships rests with each regional management team. Each of our platforms has a management structure that is intended to promote and reward entrepreneurial spirit and the achievement of team goals. Our platform management teams' thorough

understanding of their local markets enables them to effectively run day-to-day operations, market to customers, recruit new employees and gauge acquisition opportunities in their local markets. Corporate and platform management utilize computer-based management information systems to monitor each dealership's sales, profitability and inventory on a regular, detailed basis. In addition, the corporate headquarters coordinates a platform peer review process. On a rotating basis, each platform's operations are examined in detail by management from other platforms. Through this process, we identify areas for improvement and disseminate best practices company-wide.

Continued Growth Through Targeted Acquisitions

We intend to continue to grow through acquisitions. We will pursue tuck-in acquisitions to complement the related platforms by increasing brand diversity, market coverage and services. We will also seek to establish platforms in new markets through the purchase of multiple individual franchises over time or through the acquisition of large, profitable and well-managed dealership groups with leading market positions.

Tuck-In Acquisitions. One of our goals is to become the market leader in every region in which we operate a platform. We plan to acquire additional dealerships in each of the markets in which we operate, thereby increasing our brand mix, and the products and services offered in that market. Tuck-in acquisitions are typically rebranded immediately and operate thereafter under the respective platform's strong local brand name. From January 1, 2000, through September 30, 2003, we made 23 tuck-in acquisitions (representing 50 franchises). We believe that these acquisitions in the past and in the future will facilitate our regional operating efficiencies and cost savings in areas such as advertising and facility and personnel utilization. In addition, we have generally been able to improve the gross profit of tuck-in dealerships following acquisitions. We believe this is due to improvements in finance and insurance PVR, greater capacity utilization of service bays, improved management practices and enhanced unit sales volumes related to the strength of our local brand names.

Platform Acquisitions. We will seek to establish platforms in new geographic markets through multiple purchases of individual franchises over time or through acquisitions of large, profitable and well-managed dealership groups with leading market positions. We target metropolitan and high-growth suburban markets in which we are not currently present and platforms with superior operational and financial management personnel. We believe that the retention of existing high quality management who understand the local market enables acquired platforms to continue to operate efficiently. We also believe retention of the local, established brand name is important to attracting a broad and loyal customer base. We believe we are well positioned to pursue larger, established acquisition candidates as a result of our platform management retention strategies, the reputation of our existing platform managers as leaders in the automotive retailing industry, our size, our financial resources and our ability to offer our public equity as an acquisition currency.

Focus on Acquisitions Providing Geographic and Brand Diversity. By focusing on geographic and brand diversity, we seek to manage economic risk and drive growth and profitability. By having a presence in all major brands and by avoiding concentration with one manufacturer, we are well positioned to reduce our exposure to specific product supply shortages and changing customer preferences. At the same time, we will seek to continue to increase the proportion of our dealerships that are in markets with favorable demographic characteristics or that are franchises of fast-growing, high margin brands. In particular, we will focus on luxury dealerships and mid-line import dealerships. On an ongoing basis we will continue to evaluate the performance of our dealerships to determine if the sale of a particular dealership is advisable.

RECENT DEVELOPMENTS

On December 2, 2003, we announced the termination of our proposed agreement to acquire the Bob Baker Auto Group of San Diego, California. The planned acquisition, announced in 2002, was subject to customary closing conditions, including approvals from all relevant manufacturers. All manufacturers gave their approvals promptly with the exception of Ford Motor Company ("Ford") and Toyota Motor Sales, U.S.A., Inc. ("Toyota"). We had been working through the approval process with Toyota and believe that an approval ultimately would have been reached. However, we could not attain approval from Ford and attempts to carve Baker's Ford dealership out of the acquisition proved to be too complex and ultimately led to the deal's termination. We incurred a pre-tax charge of approximately $2.5 million in the fourth quarter of 2003 to write off previously capitalized expenses related to the proposed acquisition.

In November 2003, we closed two acquisitions in Greenville, South Carolina consisting of two locations and three franchises for approximately $11 million in cash, which was funded under our Committed Credit Facility. In January 2004, we closed an acquisition in Little Rock, Arkansas consisting of two locations and two franchises for approximately $9 million in cash. As of January 20, 2004, we had executed contracts to acquire four additional franchises, including three in the Southern California market and one in the northern California market, representing combined annual revenues of approximately $260 million, as well as signed letters of intent to acquire an additional dealership with annual revenue of approximately $60 million.

On December 23, 2003, we issued our 8% Senior Subordinated Notes due 2014 in the aggregate principal amount of $200 million, receiving net proceeds of $193.3 million. We used a portion of the net proceeds to repay all of our net borrowings under our Committed Credit Facility and retained the balance for general corporate purposes, including acquisitions. Simultaneously with the issuance of these notes, we permanently reduced the total availability of our Committed Credit Facility from $450 to $250 million. As of December 31, 2003, we had $250 million available under our Committed Credit Facility.

Our principal executive offices are located at 3 Landmark Square, Suite 500, Stamford, Connecticut 06901. Our telephone number is (203) 356-4400. Information contained on our website or that can be accessed through our website is not incorporated by reference in this prospectus. You should not consider information contained on our website or that can be accessed through our website to be part of this prospectus.

THE OFFERING

Common stock offered by the selling stockholders	shares(1)
Common stock outstanding before and after this offering	32,434,409 shares
Use of proceeds	We will not receive any proceeds from the sale of the common stock.
Risk factors	See "Risk Factors" beginning on page 12, as well as the information contained in this prospectus for a discussion of factors a prospective investor should carefully consider before deciding to invest in our common stock.
New York Stock Exchange symbol	ABG

The number of shares of common stock outstanding before and after this offering is based on the number of shares outstanding as of January 15, 2004, and does not include 3,002,333 shares of common stock reserved for future issuance under our stock option and incentive plans or 2,796,488 shares issuable upon exercise of outstanding options at a weighted average exercise price of $15.02 per share as of December 31, 2003.

(1) Assumes no exercise of underwriters' over-allotment option.

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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The summary below presents our historical consolidated financial and other data and should be read in conjunction with the consolidated financial statements and related notes appearing elsewhere in this prospectus and incorporated by reference herein. The financial data for and as of the years ended December 31, 2000, 2001 and 2002 is derived from our audited financial statements, which are included elsewhere in this prospectus. The financial statements for and as of the years ended December 31, 2000, 2001 and 2002 were audited by Deloitte & Touche LLP, independent auditors. The financial data for and as of the nine months ended September 30, 2002 and 2003, is unaudited and includes all adjustments, consisting of normal recurring accruals which we consider necessary for a fair presentation of the financial position and the results of operations for these periods.

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
	2000	**2001**	**2002**	**2002**	**2003**
				(Unaudited)	
Income Statement Data:	**(dollars in thousands, except per unit data)**				
Revenues:					
New vehicle	$ 2,326,538	$ 2,480,202	$ 2,644,798	$ 2,007,252	$ 2,184,833
Used vehicle	1,000,182	1,102,922	1,158,144	887,247	915,845
Parts, service and collision repair	415,959	467,739	498,800	373,941	411,858
Finance and insurance, net	84,667	102,179	115,159	87,721	100,497

	For the Year Ended December 31,			For the Nine Months Ended September 30,	
Total revenues	3,827,346	4,153,042	4,416,901	3,356,161	3,613,033
Cost of sales	3,256,123	3,507,111	3,719,013	2,826,316	3,051,497
Gross profit	571,223	645,931	697,888	529,845	561,536
Selling, general and administrative expenses	431,944	500,017	539,541	403,284	437,419
Depreciation and amortization	22,612	27,721	19,136	14,280	15,007
Income from operations	116,667	118,193	139,211	112,281	109,110
Floor plan interest expense	(34,552)	(26,065)	(17,860)	(13,059)	(14,263)
Other interest expense	(41,200)	(44,481)	(38,423)	(28,748)	(30,038)
Interest income	5,802	2,499	1,200	945	450
Net loss from unconsolidated affiliates	(6,066)	(3,248)	(100)	(100)	
Gain (loss) on the sale of assets	(1,533)	(384)	(75)	(48)	(454)
Loss on extinguishment of debt		(1,433)			
Other income (expense)	815	1,909	(428)	(114)	10
Total other expense, net	(76,734)	(71,203)	(55,686)	(41,124)	(44,295)
Income before income tax expense, minority interest and discontinued operations	39,933	46,990	83,525	71,157	64,815
Income tax expense	(3,570)	(4,980)	(39,215)	(34,285)	(25,287)
Minority interest(1)	(9,740)	(1,240)			
Income from continuing operations	26,623	40,770	44,310	36,872	39,528
Discontinued operations	4,092	3,414	(6,225)	(4,286)	(3,914)
Net income	$ 30,715	$ 44,184	$ 38,085	$ 32,586	$ 35,614
Other Operating Data:					
Gross profit percentage(2)	14.9%	15.6%	15.8%	15.8%	15.5%
Operating profit percentage(3)	3.0%	2.8%	3.2%	3.3%	3.0%
Income from continuing operations per diluted share	N/A	N/A	$ 1.49(4)	$ 1.26(4)	$ 1.21
Finance and insurance platform gross profit PVR(5)	$ 583	$ 673	$ 751	$ 746	$ 818
New vehicle retail units sold	90,925	93,195	95,197	73,072	75,141
Used vehicle retail units sold	54,177	58,612	58,076	44,479	46,145
Franchises	119	131	131	128	138

	As of December 31,			As of September 30, 2003	
	2000	2001	2002	Actual	As Adjusted(6)
			(in thousands)		
				(unaudited)	
Balance sheet data:					
Cash and cash equivalents	$ 47,241	$ 60,506	$ 22,613	$ 48,804	$ 98,038
Inventories	558,164	496,054	591,839	560,268	560,268
Working capital	150,481	147,617	167,141	208,307	258,141
Total assets	1,408,223	1,465,013	1,605,644	1,676,093	1,732,067
Floor plan notes payable	499,332	451,375	528,591	488,502	488,502
Total debt (excluding floor plan notes payable)	471,664	538,337	475,152	535,804	591,778

	As of December 31,			As of September 30, 2003	
Total equity	325,883	347,907	426,951	454,529	454,529

(1) On April 30, 2000, the then parent company (our predecessor) and the minority owners of our subsidiaries reached an agreement whereby their respective equity interests were transferred into escrow and subsequently into Asbury Automotive Oregon L.L.C. in exchange for equity interests in Asbury Automotive Oregon L.L.C. We refer to this transaction as the "minority member transaction." Following the minority member transaction, the then parent company changed its name to Asbury Automotive Holdings L.L.C. and Asbury Automotive Oregon L.L.C. changed its name to Asbury Automotive Group L.L.C. Substantially all minority interests in our subsidiaries were eliminated effective April 30, 2000, in connection with the minority member transaction.

(2) Gross profit percentage is calculated by dividing gross profit by total revenues.

(3) Operating profit percentage is calculated by dividing income from operations by total revenues.

(4) Income from continuing operations per diluted share for the year ended December 31, 2002 and the nine months ended September 30, 2002 is based on pro forma income from continuing operations, which assumes that we were taxed as a "C" corporation for all twelve months of the year ended December 31, 2002 and all nine months of the nine month period ended September 30, 2002, and excludes the one-time charge for our conversion from an L.L.C. to a corporation. The following table reconciles net income to pro forma income from continuing operations and basic weighted average shares outstanding to pro forma diluted shares outstanding for the purpose of calculating pro forma income from continuing operations per diluted share.

	For the Year Ended December 31, 2002	For the Nine Months Ended September 30, 2002
		(Unaudited)
	(dollar amounts in thousands except per share data)	
Net income	$ 38,085	$ 32,586
Pro forma adjustments:		
Pro forma income tax expense before conversion to a corporation	(5,299)	(5,588)
Tax adjustment upon conversion from an L.L.C. to a corporation	11,553	11,553
Discontinued operations	6,225	4,286
Pro forma income from continuing operations	$ 50,564	$ 42,837
Net income per diluted share	$ 1.15	$ 0.99
Pro forma adjustments:		
Pro forma income tax expense before conversion to a corporation per diluted share	(0.16)	(0.17)

	For the Year Ended December 31, 2002	For the Nine Months Ended September 30, 2002
Tax adjustment upon conversion from an L.L.C. to a corporation per diluted share	0.35	0.35
Discontinued operations per diluted share	0.19	0.13
Adjustment for 4,500 shares issued on March 14, 2002 as if offered on January 1, 2002	(0.04)	(0.04)
Pro forma income from continuing operations per diluted share	$ 1.49	$ 1.26

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Pro forma common shares and share equivalents:		
Weighted average shares outstanding:		
Basic	33,065	32,813
Adjustment for 4,500 shares offered March 14, 2002 as if offered on January 1, 2002	887	1,187
Pro forma basic shares	33,952	34,000
Shares issuable with respect to additional common share equivalents (stock options)	8	21
Pro forma diluted shares	33,960	34,021

(5) "Finance and insurance platform gross profit per vehicle retailed ("PVR")" excludes revenue resulting from corporate negotiated contracts, which is not attributable to the retail vehicles sold during each reporting period. We believe that this measure provides a more accurate measure of our finance and insurance performance than finance and insurance PVR. Finance and insurance gross profit PVR was $829 for the nine-month period ended September 30, 2003. Finance and insurance gross profit PVR is determined by dividing the number of vehicles sold at retail into our total finance and insurance revenue, which included revenues generated by corporate negotiated contracts of $1.3 million for the nine-month period ended September 30, 2003. Total finance and insurance revenue and total vehicles sold at retail were $100.5 million and 121,286 for the nine-month period ended September 30, 2003, respectively.

(6) The "As Adjusted" amounts are stated on a pro forma basis to reflect the issuance of our 8% Senior Subordinated Notes due 2014, issued on December 23, 2003, and the application of the net proceeds thereof.

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RISK FACTORS

You should carefully consider the following risks and other information in this prospectus before deciding to invest in our common stock. If any of the following risks and uncertainties actually occur, our business' financial condition or operating results may be materially and adversely affected. In this event, the trading price of our common stock may decline and you may lose part or all of your investment.

Risk Factors Related To Our Dependence On Vehicle Manufacturers

If we fail to obtain renewals of one or more of our franchise agreements on favorable terms, if substantial franchises are terminated, or if certain manufacturers' rights under their agreements with us are triggered, our operations may be significantly compromised.

Each of our dealerships operates under the terms of a franchise agreement with the manufacturer (or manufacturer-authorized distributor) of each vehicle brand it carries. Our dealerships may obtain new vehicles from manufacturers, sell new vehicles and display vehicle manufacturers' trademarks only to the extent permitted under franchise agreements. As a result of our dependence on these franchise rights, manufacturers exercise a great deal of control over our day-to-day operations and the terms of our franchise agreements govern key aspects of our operations, acquisition strategy and capital spending.

Each of our franchise agreements provides the manufacturer with the right to terminate the agreement or refuse to renew it after the expiration of the term of the agreement under specified circumstances. We cannot assure you we will be able to renew any of our existing franchise agreements or that we will be able to obtain renewals on favorable terms. Specifically, many of our franchise agreements provide that the manufacturer may terminate the agreement or direct us to divest the subject dealership if the dealership undergoes a change of control. Some of our franchise agreements also provide the manufacturer with the right of first refusal to purchase from us any franchise we seek to sell. Provisions such as these may provide manufacturers with superior bargaining positions in the event that they seek to terminate our franchise agreements or renegotiate the agreements on terms that are disadvantageous to us. Our results of operations may be materially and adversely affected to the extent that our franchise rights become compromised or our operations restricted due to the terms of our franchise agreements or if we lose substantial franchises.

In addition, we have agreements with Toyota which provide that in the event that our payment obligations under our Committed Credit Facility or our 9% Senior Subordinated Notes due 2012 are accelerated or demand for payment is made under our subsidiaries' guarantees of the Committed Credit Facility or our 9% Senior Subordinated Notes due 2012, Toyota will have the right to purchase our Toyota and Lexus dealerships for cash at their fair market value, unless the acceleration or demand is waived within a cure period of no less than 30 days after Toyota's exercise of its right to purchase. If fair market value cannot be agreed by the parties, it will be determined by an independent nationally recognized and experienced appraiser. We also have an agreement with Ford that provides if any of the lenders of our Committed Credit Facility or floor plan facilities accelerate those payment obligations, or if we are notified of any default under our Committed Credit Facility, then Ford may exercise its right to acquire our Ford, Lincoln and Mercury dealerships for their fair market value.

Manufacturers' stock ownership restrictions limit our ability to issue additional equity, which may hamper our ability to meet our financing needs or carry out our acquisition strategy.

Some of our automobile franchise agreements prohibit transfers of any ownership interests of a dealership or, in some cases, its parent. Our agreements with several manufacturers provide that, under certain circumstances, we may lose the franchise if a person or entity acquires an ownership interest in us above a specified level (ranging from 20% to 50% depending on the particular

manufacturer's restrictions) or if a person or entity acquires the right to vote 20% or more of our common stock without the approval of the applicable manufacturer. This trigger level can fall to as low as 5% if another vehicle manufacturer or a person with a criminal record is the entity acquiring the ownership interest or voting rights. One manufacturer, Toyota, in addition to imposing the restrictions previously mentioned, provides that we may be required to sell our Toyota franchises (including Lexus) if without its consent the owners of our equity prior to our initial public offering cease to control a majority of our voting stock or if Timothy C. Collins ceases to indirectly control us. In connection with this offering, we are seeking Toyota's consent to the reduction of the percentage of common stock held by the owners of our equity prior to our initial public offering to less than a majority of the outstanding common stock, provided that, in any event, the percentage held by owners of our equity prior to our initial public offering does not decline to less than a percentage to be specified in such consent. Timothy C. Collins will continue to control such shares of our common stock.

Violations by our shareholders of these ownership restrictions are generally outside of our control and may result in the termination or non-renewal of one or more franchises, which may have a material adverse effect on us. These restrictions may also prevent or deter prospective acquirers from acquiring control of us and, therefore, may adversely impact the value of our common stock.

Manufacturers' restrictions on acquisitions and financing activities may limit our future growth.

We are required to maintain certain performance standards and to obtain the consent of the applicable manufacturer before we can acquire any additional dealership franchises. We cannot assure you that manufacturers will consent to future acquisitions, which may deter us from being able to take advantage of a market opportunity. Obtaining manufacturer consents for acquisitions may also take a significant amount of time, which may negatively affect our ability to acquire an attractive target. Moreover, delays in obtaining manufacturer consents may impact our ability to issue additional equity in the time necessary to take advantage of a market opportunity dependent on ready financing or an equity issuance. In addition, under an applicable franchise agreement, a manufacturer usually has a right of first refusal to acquire a dealership that we seek to acquire.

Many vehicle manufacturers place limits on the total number of franchises that any group of affiliated dealerships may obtain. A manufacturer may place generic limits on the number of franchises or share of total franchises or vehicle sales maintained by an affiliated dealership group on a national, regional or local basis. Manufacturers may also tailor these types of restrictions to particular dealership groups. Our current franchise mix has caused us to reach the present franchise ceiling, set by agreement or corporate policy, with Acura, and we are close to our franchise ceiling with Toyota, Lexus and Jaguar. While we have not reached a numerical limit with Ford, we have a dispute over whether our performance should limit additional acquisitions at this time. We have an action plan agreement with Honda pursuant to which we can make acquisitions provided we are meeting performance standards and limit the number of acquisitions per specified time frames. We are currently negotiating a framework agreement with Toyota. Unless we negotiate favorable terms with Toyota and other manufacturers or receive the consent of manufacturers, we may be prevented from making further acquisitions upon reaching the limits or if we fail to maintain performance standards provided for in our agreements.

As a condition to granting their consent to our acquisitions, a number of manufacturers may impose additional restrictions on us. Manufacturers' restrictions typically prohibit:

- material changes in the ownership or control of our company or extraordinary corporate transactions such as a merger, sale of a substantial amount of assets or any change in our board of directors or management;

- the removal of a dealership general manager without the consent of the manufacturer; and

- the use of dealership facilities to sell or service new vehicles of other manufacturers.

Agreements with manufacturers impose capital requirements on individual subsidiaries and restrict our ability to apply dealership earnings or assets to our consolidated indebtedness and operations, which could impede or complicate financing transactions.

Manufacturers may direct us to apply our resources to capital projects that we may not otherwise have chosen to do and may direct us to implement costly capital improvements to dealership facilities as a condition to renewing our franchise agreements with them or for their consent to a proposed acquisition. These factors, either alone or in combination, could cause us to divert our financial resources to capital projects from uses that management believes may be of higher long-term value to us.

Our failure to meet a manufacturer's consumer satisfaction and financial and sales performance requirements may adversely affect our ability to acquire new dealerships and our profitability.

Many manufacturers attempt to measure customers' satisfaction with their purchase and warranty service experiences through rating systems which are generally known as consumer satisfaction indexes ("CSI"), which augment manufacturers' monitoring of dealerships' financial and sales performance. Manufacturers may use these performance indicators, as well as sales performance numbers, as factors in evaluating applications for additional acquisitions. The components of these performance indicators have been modified by various manufacturers from time to time in the past, and we cannot assure you that these components will not be further modified or replaced by different systems in the future. Some of our dealerships have had difficulty from time to time meeting these standards. We cannot assure that we will be able to comply with these standards in the future. A manufacturer may refuse to consent to our acquisition of one of its franchises if it determines our dealerships do not comply with its performance st