

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Group 1 Automotive Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question is from Edward Yruma – J.P. Morgan.

Edward Yruma – J.P. Morgan

Have you seen any impact in credit availability to your consumers? Is it much tougher to get subprime consumers financed and have rates ticked up?

John Rickel

As we've continued to monitor since August, we're still able to get those customers financed. In the last two months or so it has probably become a little more difficult in that banks are looking for maybe a few more stipulations, more proof of employment; in some cases we're seeing advance rates coming down a little bit, but by and large still not losing any sales over this and basically are able to get the customers bought.

Edward Yruma – J.P. Morgan

Got you. On your used performance I know that you mentioned obviously that the weaker SUV sales. Some of your competitors have been able to re-merchandise or add more software to help drive some of the used performance. Do you view some of your weakness during the quarter as an execution issue or is it really just related to the brands and the geographies that you're in?

Earl Hesterberg

I always think there is an execution issue. I always think we can do a better job and I saw some of that in the fourth quarter. Although by being a very truck-centric company because of our base of business in Texas and Oklahoma, I think we have a little more pressure maybe even than some other companies do.

You saw in the fourth quarter the Manheim data that showed truck and SUV prices at auctions declining if not double digits close to double digits.

Yet the way the business works is a lot of our trade-ins that come to a high percentage of our stores are full-sized trucks and SUVs and you know those things are worth less at the auction but you want to make a new car deal.

When you have that used vehicle on your lot, you know there's pressure if you take it to the auction where the values are declining. You also know the clock is running with our procedures that you eventually have to write it down so you retail that vehicle out for a lower gross margin. So it does become a bit of a vicious circle.

That said, we do have market data that tells us when these things are turning down at the auction and I do believe in some of our operations, not just in our truck areas but across the country, that we could have reacted more quickly in wholesaling some of these vehicles before the market dropped as far as it eventually dropped.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.