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Group 1 Automotive Inc Q3 2008 Earnings Call Transcript.

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of John Murphy - Merrill Lynch.

John Murphy - Merrill Lynch

John, you guys did some work on your coverage at the beginning of this year. We worked with the banks to get some more head room on your max leverage covenants and I was just wondering if we went into some tougher times next year which it looks like we are heading into, if there might be the need to rework some of your covenants, how that process worked earlier this year and if you think the banks will be willing to work with you and how you would work through that process?

John Rickel

John, this is John Rickel. At present we really don't anticipate needing to rework the covenant, so it's kind of point one. We've looked at it under a variety of scenarios and are comfortable [inaudible] that we are performing.

To your second point though, we do think that if situation would worsen materially or something unexpected would occur, the banks have shown a willingness to have those discussions, but recognize there's a price involved which is why we are very focused right now on continuing to work on the business, deliver the results and really work on strengthening the balance sheet, because I really don't want to have to go do that if we don't have to and right now we don't anticipate it.

John Murphy - Merrill Lynch

And then on SG&A, we look at your program to a cut \$35 million and that's great. I was just wondering also as times get tougher and we think about SG&A, if you could just paint a little more color around what portion of SG&A is variable and what portion is fixed and as we go forward, if things get tougher, is it going to be more personnel and advertising cuts or there are other areas that you might be able to get into a little bit deeper in the cost curve?

Earl Hesterberg

John it's Earl. I don't want to imply that we believe that \$35 million is enough at this moment. Personally I think that we're going to need to go deeper than that. We're trying to get a fix for the current sales travel rate, which until we have a month of data in October and then maybe into November, it's hard to tell where the current true sales rate is in the industry, but I don't think we're sized properly yet.

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