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Group 1 Automotive Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator Instructions). We'll take our first question from John Murphy with Merrill Lynch.

John Murphy - Merrill Lynch

This quarter was probably one of the cleanest, we've seen in a long time really just from the disc ops perspective. And, I think it's probably the first time I remember that there being no disc ops included in the numbers. Obviously, the market is tough, so you're probably pulling back a little bit on the sale of some of your underperformers. But, is this a reflection given the pretty good results here, there is just not a lot of dogs left in the portfolio?

Earl Hesterberg

John, this is Earl. No, our company has only used discontinued ops at least in the four years I've been here, one quarter and that was when we exited the [Abu Karki] market. So, we have not used discontinued ops on any kind of ongoing or regular basis. And to answer your kind of qualitative question, no, I think if we were in a good market, we would still be trying to enhance our portfolio a bit more particularly with some of the domestic brands. But, realistically in this market there are not very many buyers.

John Murphy - Merrill Lynch

Okay. So it's a function of both sides of the equation?

Earl Hesterberg

Yes, that's correct.

John Murphy - Merrill Lynch

Okay. Then when we look at the cost savings and the ramp up from a \$100 to \$120 million, is that sort of an all out equal number, as if last year its been a 10 million unit market, and this year we're at 10 million market or should we be thinking of last year's levels essentially minus the 120?

John Rickel

John, this is John Rickel. Its basically last year's absolute levels less the 120.

John Murphy - Merrill Lynch

Okay. And the reason that we're focusing on the 120 is that you're expecting closer to 10 million units are?

John Rickel

Thats, correct.

John Murphy - Merrill Lynch

Got you. Then also in the liquidation in the pricing pressure you are seeing in the market inventory by some dealers, is that is that a lot more aggressive from some Chrysler and GM dealerships that you are facing in competition to your dealerships or is it kind of just really across the board?

Earl Hesterberg

Surprisingly, John, and this is Earl, it was across the board. In fact, some of the most aggressive selling in the first quarter were Japanese import brands. Maybe these dealers have never had such high inventory levels before. And now we are getting to the point in Q2, where at least our excess inventory now is centered on the domestic brand.

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