Lithia Motors reports 11% increase in 2006 sales

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Lithia Motors yesterday announced that full-year 2006 sales increased 11% to $3.17 billion as compared to $2.85 billion in the same period last year. New vehicle sales increased 13%, used vehicle sales increased 7%, finance/insurance sales increased 12% and parts/service sales increased 14%.

Full-year 2006 net income from continuing operations was $40.3 million as compared to $56.0 million in 2005. Diluted earnings per share from continuing operations were $1.91 including the $0.12 effect of accounting for equity compensation under FAS123(R), and the $0.05 effect of accounting for derivative instruments and hedging activities under SFAS 133.

Full-year 2006 earnings per share from continuing operations, excluding the effect of accounting for equity compensation under FAS123(R) and excluding the accounting for derivative instruments and hedging activities SFAS 133, were $2.08 as compared to $2.53 in the same period last year.

Sid DeBoer, Lithiaâ€™s Chairman and CEO, commented, â€œWe were able to drive positive same-store sales growth in all business lines for the full-year 2006 and the result was total same-store revenue growth of 3.7%. New vehicle same store sales for Lithia grew 4.8% as compared to an industry that saw total sales down nearly 3%. Total same-store gross profit for the year increased 2.1%. One highlight was in parts and service, where we saw our same store customer pay business increase 7% for the year.â€•

â€œIn the fourth quarter we were successful in our efforts to reduce inventories. Our new vehicle dayâ€™s supply at the end of December was more than 30 days below December 2005 levels, and 8 days below our average levels for the end of the year. At the end of January our dayâ€™s supply of new vehicle inventory had dropped another 11 days. This positions our inventories well going into the first quarter of 2007.â€•

â€œOur focus on pushing new vehicle sales in the fourth quarter combined with the fact that fuel costs continued to stabilize, lead to a sequential increase in truck and SUV sales, as a percent of total sales, from the third to the fourth quarter of the year. Additionally, interest rates have continued to remain steady, and combined with the lower inventory position this should help ensure no further increases in flooring costs.â€•

â€œFull year earnings were lower than last year due to a combination of factors. First, there was a 29 cent difference in year over year earnings due to an accounting change for equity compensation under FAS123(R), and a change year over year in derivative instruments and hedging activities under FAS 133. Effective January 1, 2007, we expect that the derivative transactions will qualify for fair value accounting as hedge transactions.â€•

â€œOther factors that impacted full-year and fourth quarter earnings were higher inventory flooring costs resulting from higher inventory levels and higher interest rates; lower retail vehicle gross profit margins due to poor inventory mix; L2 start-up costs; and the increased costs resulting from company-wide operational initiatives that we have been implementing throughout the year,â€• concluded Mr. DeBoer.

For the fourth quarter, total sales increased 12% to $735.8 million from $655.3 million in the same period last year. New vehicle sales increased 18%, used vehicle sales were even with last year, finance/insurance sales increased 8%, and parts/service sales increased 16%.

For the fourth quarter, Lithiaâ€™s net income from continuing operations was $6.6 million as compared to $11.8 million in the fourth quarter of 2005. Diluted earnings per share from continuing operations were $0.32, including the $0.03 effect of accounting for equity compensation under FAS123(R) and the $0.01 effect of accounting for derivative instruments and hedging activities under SFAS 133.

Fourth quarter earnings per share from continuing operations, excluding the affect of accounting for equity compensation under FAS123(R) and excluding the accounting for derivative instruments and hedging activities under SFAS 133, were $0.36 as compared to $0.54 in the same period last year..

Jeffrey B. DeBoer, Senior Vice President and CFO added, â€œFor the full-year 2006 we completed acquisitions with approximately $470 million in annualized revenues. This represents over 16% growth on our 2005 total revenues of $2.85 billion.â€•

"Our guidance for the full-year 2007 is included in the table below. As was outlined in more detail in our earnings press release for the period ended September 30, 2006; operational projects and initiatives; start up costs for our first independent used vehicle retail outlets; increased company