

BUY				HOLD			SELL						<b>HOLD</b>	RATING SINCE 09/26/2018	
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+			E
Annual Dividend Rate NA				Annual Dividend Yield NA			Beta 1.13			Market Capitalization \$3.5 Billion			52-Week Range \$32.83-\$51.99		Price as of 5/16/2019 \$39.73

Sector: Consumer Goods & Svcs | Sub-Industry: Automotive Retail | Source: S&P

### AN BUSINESS DESCRIPTION

AutoNation, Inc., through its subsidiaries, operates as an automotive retailer in the United States. The company operates through three segments: Domestic, Import, and Premium Luxury.

### STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	1.66	-15.31	-5.23

### GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	-5.29	-2.41	0.15
Net Income	-1.82	-8.35	-2.62
EPS	0.99	-3.55	4.42

### RETURN ON EQUITY (%)

	AN	Ind Avg	S&P 500
Q1 2019	14.16	51.20	15.83
Q1 2018	17.39	363.24	13.34
Q1 2017	17.81	83.10	12.81

### P/E COMPARISON

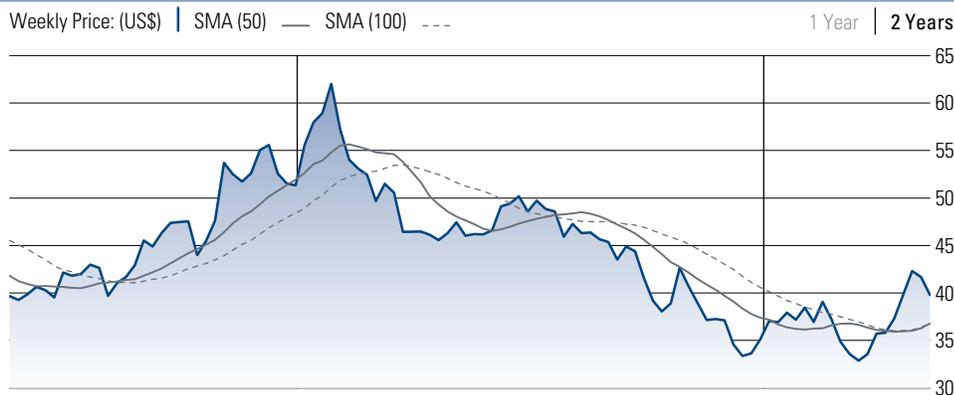


### EPS ANALYSIS<sup>1</sup> (\$)



NA = not available NM = not meaningful

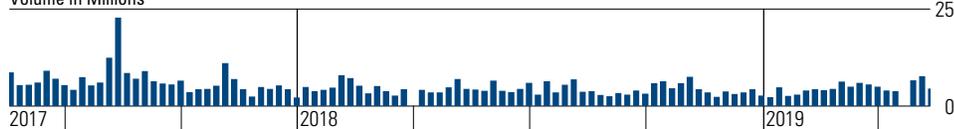
<sup>1</sup> Compustat fiscal year convention is used for all fundamental data items.



### Rating History



### Volume in Millions



COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

### RECOMMENDATION

We rate AUTONATION INC (AN) a HOLD. The primary factors that have impacted our rating are mixed - some indicating strength, some showing weaknesses, with little evidence to justify the expectation of either a positive or negative performance for this stock relative to most other stocks. The company's strengths can be seen in multiple areas, such as its attractive valuation levels and good cash flow from operations. However, as a counter to these strengths, we also find weaknesses including generally higher debt management risk, disappointing return on equity and a generally disappointing performance in the stock itself.

### HIGHLIGHTS

Net operating cash flow has increased to \$259.70 million or 30.69% when compared to the same quarter last year. The firm also exceeded the industry average cash flow growth rate of -3.74%.

Despite the weak revenue results, AN has outperformed against the industry average of 20.0%. Since the same quarter one year prior, revenues slightly dropped by 5.3%. The declining revenue has not hurt the company's bottom line, with increasing earnings per share.

The debt-to-equity ratio is very high at 2.45 and currently higher than the industry average, implying increased risk associated with the management of debt levels within the company. Along with this, the company manages to maintain a quick ratio of 0.15, which clearly demonstrates the inability to cover short-term cash needs.

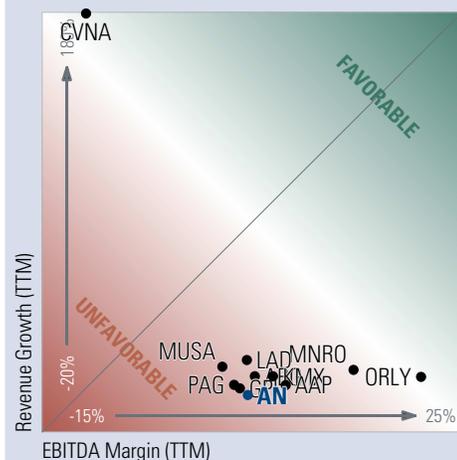
The company's current return on equity has slightly decreased from the same quarter one year prior. This implies a minor weakness in the organization. In comparison to the other companies in the Specialty Retail industry and the overall market, AUTONATION INC's return on equity is significantly below that of the industry average and is below that of the S&P 500.

Sector: Consumer Goods & Svcs | Automotive Retail | Source: S&P

Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta <b>1.13</b>	Market Capitalization <b>\$3.5 Billion</b>	52-Week Range <b>\$32.83-\$51.99</b>	Price as of 5/16/2019 <b>\$39.73</b>
-----------------------------------	------------------------------------	---------------------	---	---	---

### PEER GROUP ANALYSIS

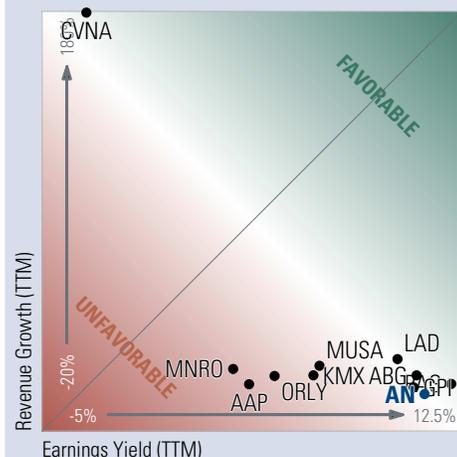
#### REVENUE GROWTH AND EBITDA MARGIN\*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$1.4 Billion and \$27.6 Billion. Companies with NA or NM values do not appear.

\*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

#### REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -2.4% and 179.4%. Companies with NA or NM values do not appear.

### INDUSTRY ANALYSIS

The specialty retail industry includes very well-known home improvement, apparel, automotive, and other narrow-focus stores such as Home Depot (HD), TJX Companies (TJX), Lowe's Companies (LOW), Gap (GPS), Bed Bath & Beyond (BBBY), Ross Stores (ROST), O'Reilly Automotive (ORLY), CarMax (KMX), and Build-A-Bear Workshop (BBW).

The variety of product focuses targeted by specialty retail companies is very diverse. These include but are not limited to home improvement goods, pharmaceutical & beauty, shoes, electronics, and office supplies. Also included are stores narrowly focused on music, books, wine, games, rentals, vitamins, lumber, sporting goods, toys, jewelry, and fashion apparel for men, women, and teddy bears.

Some of the larger specialty retail companies also profit from the extension of credit to their customers with branded credit cards.

Companies in this industry are judged based on the metric of same-store sales, a measurement that shows if stores open for more than one year are increasing top line revenue or shrinking.

#### PEER GROUP: Specialty Retail

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
<b>AN</b>	<b>AUTONATION INC</b>	<b>39.73</b>	<b>3,544</b>	<b>9.13</b>	<b>21,134.70</b>	<b>394.30</b>
PAG	PENSKE AUTOMOTIVE GROUP INC	45.20	3,781	8.29	22,602.60	463.10
CVNA	CARVANA CO	69.34	3,062	NM	1,955.47	-61.75
ORLY	O'REILLY AUTOMOTIVE INC	352.57	27,598	21.30	9,664.36	1,340.73
MUSA	MURPHY USA INC	83.73	2,694	15.22	12,375.30	179.60
MNRO	MONRO INC	80.82	2,675	33.68	1,198.61	80.42
LAD	LITHIA MOTORS INC	114.41	2,557	10.18	12,011.42	270.04
ABG	ASBURY AUTOMOTIVE GROUP INC	79.63	1,554	9.41	6,936.00	168.80
GPI	GROUP 1 AUTOMOTIVE INC	77.73	1,439	9.53	11,548.63	160.61
KMX	CARMAX INC	75.94	12,621	15.85	19,145.59	842.41
AAP	ADVANCE AUTO PARTS INC	157.28	11,280	27.45	9,580.55	423.85

The peer group comparison is based on Major Automotive Retail companies of comparable size.

Sector: Consumer Goods & Svcs | Automotive Retail | Source: S&P

Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta <b>1.13</b>	Market Capitalization <b>\$3.5 Billion</b>	52-Week Range <b>\$32.83-\$51.99</b>	Price as of 5/16/2019 <b>\$39.73</b>
-----------------------------------	------------------------------------	---------------------	---	---	---

### COMPANY DESCRIPTION

AutoNation, Inc., through its subsidiaries, operates as an automotive retailer in the United States. The company operates through three segments: Domestic, Import, and Premium Luxury. It offers a range of automotive products and services, including new and used vehicles; and parts and services, such as automotive repair and maintenance, and wholesale parts and collision services. The company also provides automotive finance and insurance products comprising vehicle services and other protection products, as well as arranges finance for vehicle purchases through third-party finance sources. As of December 31, 2018, it owned and operated 326 new vehicle franchises from 239 stores located primarily in metropolitan markets in the Sunbelt region. The company was founded in 1991 and is headquartered in Fort Lauderdale, Florida.

AUTONATION INC  
200 SW 1st Avenue  
Fort Lauderdale, FL 33301  
USA  
Phone: 954-769-6000  
<http://www.autonation.com>

### STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of AN shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
<b>Growth</b>	<b>3.0</b> out of 5 stars	★	★	★	☆	☆
Measures the growth of both the company's income statement and cash flow. On this factor, AN has a growth score better than 50% of the stocks we rate.		weak				strong
<b>Total Return</b>	<b>2.0</b> out of 5 stars	★	★	☆	☆	☆
Measures the historical price movement of the stock. The stock performance of this company has beaten 30% of the companies we cover.		weak				strong
<b>Efficiency</b>	<b>4.0</b> out of 5 stars	★	★	★	★	☆
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 70% of the companies we review.		weak				strong
<b>Price volatility</b>	<b>2.0</b> out of 5 stars	★	★	☆	☆	☆
Measures the volatility of the company's stock price historically. The stock is less volatile than 30% of the stocks we monitor.		weak				strong
<b>Solvency</b>	<b>3.0</b> out of 5 stars	★	★	★	☆	☆
Measures the solvency of the company based on several ratios. The company is more solvent than 50% of the companies we analyze.		weak				strong
<b>Income</b>	<b>0.5</b> out of 5 stars	☆	☆	☆	☆	☆
Measures dividend yield and payouts to shareholders. This company pays no dividends.		weak				strong

### THE STREET RATINGS RESEARCH METHODOLOGY

TheStreet Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

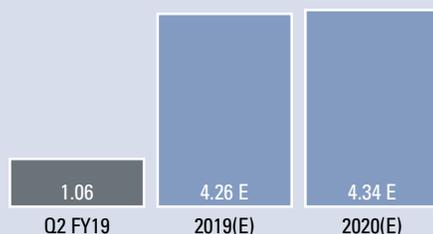
Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

Sector: Consumer Goods &amp; Svcs | Automotive Retail | Source: S&amp;P

Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta <b>1.13</b>	Market Capitalization <b>\$3.5 Billion</b>	52-Week Range <b>\$32.83-\$51.99</b>	Price as of 5/16/2019 <b>\$39.73</b>
-----------------------------------	------------------------------------	---------------------	---	---	---

### Consensus EPS Estimates<sup>2</sup> (\$)

IBES consensus estimates are provided by Thomson Financial



### INCOME STATEMENT

	Q1 FY19	Q1 FY18
Net Sales (\$mil)	4,981.80	5,259.90
EBITDA (\$mil)	229.80	215.50
EBIT (\$mil)	185.70	175.50
Net Income (\$mil)	92.00	93.70

### BALANCE SHEET

	Q1 FY19	Q1 FY18
Cash & Equiv. (\$mil)	49.60	57.50
Total Assets (\$mil)	10,914.30	10,220.30
Total Debt (\$mil)	6,826.60	6,382.70
Equity (\$mil)	2,785.80	2,471.90

### PROFITABILITY

	Q1 FY19	Q1 FY18
Gross Profit Margin	17.05%	16.01%
EBITDA Margin	4.61%	4.09%
Operating Margin	3.73%	3.34%
Sales Turnover	1.94	2.12
Return on Assets	3.61%	4.20%
Return on Equity	14.16%	17.39%

### DEBT

	Q1 FY19	Q1 FY18
Current Ratio	0.82	0.86
Debt/Capital	0.71	0.72
Interest Expense	66.80	60.60
Interest Coverage	2.78	2.90

### SHARE DATA

	Q1 FY19	Q1 FY18
Shares outstanding (mil)	89	91
Div / share	0.00	0.00
EPS	1.02	1.01
Book value / share	31.23	27.07
Institutional Own %	NA	NA
Avg Daily Volume	995,898	692,261

<sup>2</sup> Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

### FINANCIAL ANALYSIS

AUTONATION INC's gross profit margin for the first quarter of its fiscal year 2019 has increased when compared to the same period a year ago. Sales and net income have dropped, however the growth has outpaced the average competitor within the industry. AUTONATION INC has very weak liquidity. Currently, the Quick Ratio is 0.15 which clearly shows a lack of ability to cover short-term cash needs. The company's liquidity has decreased from the same period last year.

During the same period, stockholders' equity ("net worth") has increased by 12.69% from the same quarter last year. The key liquidity measurements indicate that the company is in a position in which financial difficulties could develop in the near future.

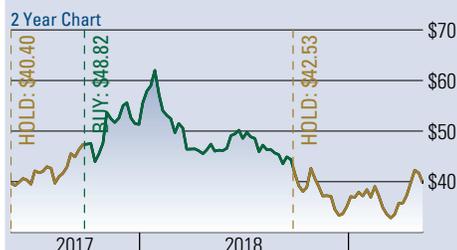
**STOCKS TO BUY:** TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit [www.TheStreetRatings.com](http://www.TheStreetRatings.com).

Sector: Consumer Goods &amp; Svcs | Automotive Retail | Source: S&amp;P

Annual Dividend Rate <b>NA</b>	Annual Dividend Yield <b>NA</b>	Beta <b>1.13</b>	Market Capitalization <b>\$3.5 Billion</b>	52-Week Range <b>\$32.83-\$51.99</b>	Price as of 5/16/2019 <b>\$39.73</b>
-----------------------------------	------------------------------------	---------------------	---	---	---

### RATINGS HISTORY

Our rating for AUTONATION INC has not changed since 9/26/2018. As of 5/16/2019, the stock was trading at a price of \$39.73 which is 23.6% below its 52-week high of \$51.99 and 21.0% above its 52-week low of \$32.83.



### MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
9/26/18	\$42.53	Downgrade	Buy	Hold
9/26/17	\$48.82	Upgrade	Hold	Buy
5/16/17	\$40.40	No Change	Hold	Hold

Price reflects the closing price as of the date listed, if available

### RATINGS DEFINITIONS & DISTRIBUTION OF THE STREET RATINGS

(as of 5/16/2019)

**42.16% Buy** - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

**31.98% Hold** - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

**25.87% Sell** - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

**TheStreet Ratings**  
 14 Wall Street, 15th Floor  
 New York, NY 10005  
[www.thestreet.com](http://www.thestreet.com)

Research Contact: 212-321-5381

Sales Contact: 866-321-8726

### VALUATION

**HOLD.** AUTONATION INC's P/E ratio indicates a significant discount compared to an average of 23.74 for the Specialty Retail industry and a significant discount compared to the S&P 500 average of 21.73. For additional comparison, its price-to-book ratio of 1.27 indicates a significant discount versus the S&P 500 average of 3.30 and a significant discount versus the industry average of 16.42. The price-to-sales ratio is well below both the S&P 500 average and the industry average, indicating a discount. Upon assessment of these and other key valuation criteria, AUTONATION INC proves to trade at a discount to investment alternatives.

Price/Earnings	1	2	3	4	5
					premium

**AN 9.13** Peers **23.74**

- Discount. A lower P/E ratio than its peers can signify a less expensive stock or lower growth expectations.
- AN is trading at a significant discount to its peers.

Price/Projected Earnings	1	2	3	4	5
					premium

**AN 9.15** Peers **18.67**

- Discount. A lower price-to-projected earnings ratio than its peers can signify a less expensive stock or lower future growth expectations.
- AN is trading at a significant discount to its peers.

Price/Book	1	2	3	4	5
					premium

**AN 1.27** Peers **16.42**

- Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- AN is trading at a significant discount to its peers.

Price/Sales	1	2	3	4	5
					premium

**AN 0.17** Peers **1.71**

- Discount. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- AN is trading at a significant discount to its industry on this measurement.

Price/CashFlow	1	2	3	4	5
					premium

**AN 6.20** Peers **16.86**

- Discount. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- AN is trading at a significant discount to its peers.

Price to Earnings/Growth	1	2	3	4	5
					premium

**AN NM** Peers **3.08**

- Neutral. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- AN's negative PEG ratio makes this valuation measure meaningless.

Earnings Growth	1	2	3	4	5
	lower				higher

**AN -3.55** Peers **31.03**

- Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- However, AN is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth	1	2	3	4	5
	lower				higher

**AN -2.41** Peers **10.16**

- Lower. A sales growth rate that trails the industry implies that a company is losing market share.
- AN significantly trails its peers on the basis of sales growth.

### DISCLAIMER:

The opinions and information contained herein have been obtained or derived from sources believed to be reliable, but TheStreet Ratings cannot guarantee its accuracy and completeness, and that of the opinions based thereon. Data is provided via the COMPUSTAT® Xpressfeed product from Standard & Poor's, a division of The McGraw-Hill Companies, Inc., as well as other third-party data providers.

TheStreet Ratings is a division of TheStreet, Inc., which is a publisher. This research report contains opinions and is provided for informational purposes only. You should not rely solely upon the research herein for purposes of transacting securities or other investments, and you are encouraged to conduct your own research and due diligence, and to seek the advice of a qualified securities professional, before you make any investment. None of the information contained in this report constitutes, or is intended to constitute a recommendation by TheStreet Ratings of any particular security or trading strategy or a determination by TheStreet Ratings that any security or trading strategy is suitable for any specific person. To the extent any of the information contained herein may be deemed to be investment advice, such information is impersonal and not tailored to the investment needs of any specific person. Your use of this report is governed by TheStreet, Inc.'s Terms of Use found at <http://www.thestreet.com/static/about/terms-of-use.html>.