

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 8, 2004

Lithia Motors, Inc.

(Exact Name of Registrant as specified in its charter)

| | | |
|--|---|---|
| <u>Oregon</u> (State or other jurisdiction of incorporation) | <u>0-21789</u> (Commission File Number) | <u>93 - 0572810</u> (IRS Employer Identification No.) |
| <u>360 E. Jackson Street, Medford, Oregon</u> Address of Principal Executive Office | | <u>97501</u> Zip Code |

Registrant's telephone number including area code 541-776-6868
(Former name or former address, if changed since last report) Not applicable

Item 7. Financial Statements and Exhibits

- (a) Financial statements of business acquired.

Not applicable.

- (b) Pro forma financial information.

Not applicable.

- (c) Exhibits.

The following Exhibit is filed or furnished as part of this Report to the extent described in Item 9.

- (99) Investor Presentation

Item 9. Regulation FD Disclosure.

On April 8, 2004, Sid DeBoer, Chief Executive Officer, and other officers of Lithia Motors, Inc. will make the presentation attached as Exhibit 99 at the Morgan Stanley Global Automotive Conference. All of the information in the press release, appearing in Exhibit 99, is not filed but is furnished pursuant to Regulation FD.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LITHIA MOTORS, INC.
(Registrant)

Date: April 8, 2004

By: /s/ Kenneth E. Roberts
Kenneth E. Roberts
Assistant Secretary

EXHIBIT 99



Morgan Stanley
Global Automotive Conference
2004

Before we begin, ...

...the Company wants you to know that this presentation includes forward looking statements. These statements are necessarily subject to risk and uncertainty and actual results could differ materially due to certain risk factors, including without limitation economic conditions, acquisition risk factors and others set forth from time to time in the Company's filings with the SEC.

The Beginning... “Since 1946”

“Lithia” – It’s the water



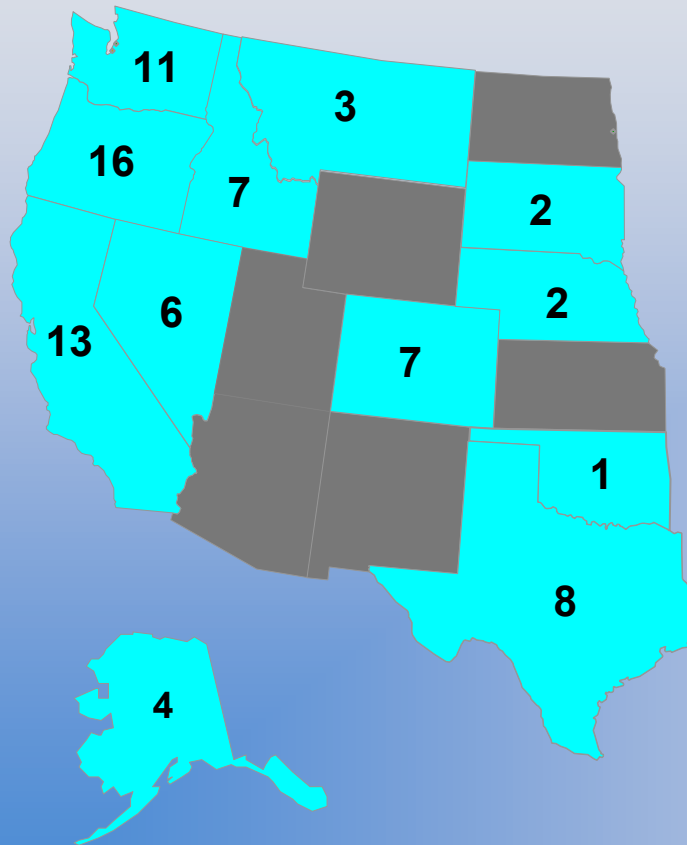
1947 Photo

Lithia Motors Inc.

- Established by Walt DeBoer in 1946 as a retailer of new and used vehicles in Ashland, Oregon
- Sid DeBoer takes control of store in 1968
 - ❖ Grew to \$140 million as a private company
- Became a public company December 18, 1996

Lithia - The Industry Operator

Store Locations



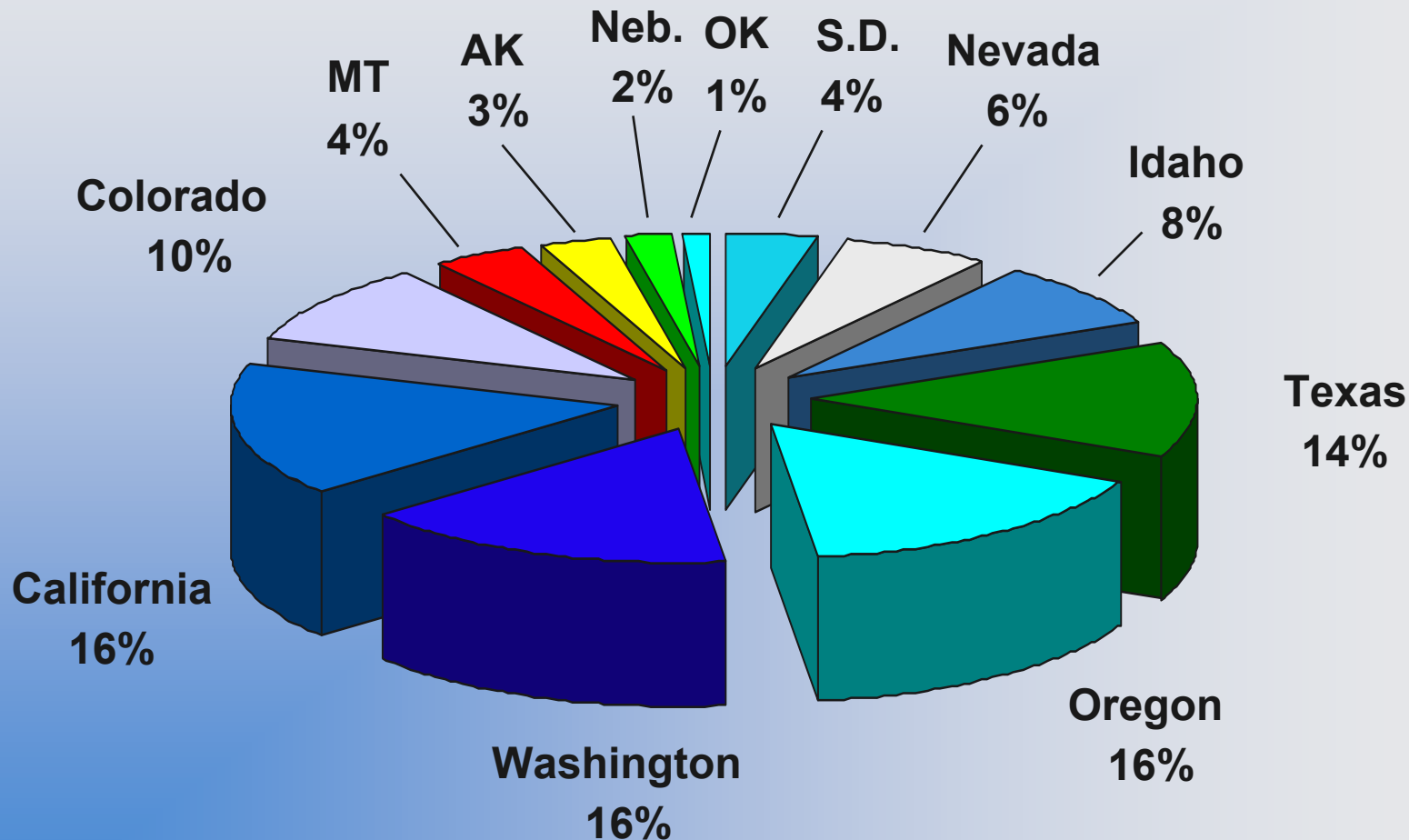
- I.P.O. in Dec. 1996 - 5 Stores
- 80 Stores in 12 states
- \$2.5Bn revenues in 2003
- The 8th largest U.S. auto retailers
- 21% E.P.S. CAGR
- Target 15-20% long-term E.P.S. growth

Industry Leading Management Team

| Name | Position | Years with Lithia | Automotive Experience |
|-------------------|--|-------------------|-----------------------|
| Sid DeBoer | Chairman and CEO (Board of Directors) | 40 | 40 |
| M.L. Dick Heimann | President and COO (Board of Directors) | 34 | 37 |
| R. Bradford Gray | Executive Vice President (Board of Directors) | 23 | 29 |
| Jeff DeBoer | Senior Vice President and CFO | 7 | 7 |
| Bryan DeBoer | Executive Vice President | 15 | 15 |
| Don Jones | Senior Vice President, Retail Operations | 15 | 20 |

Balanced Regional Revenue

Percent Share of Revenues by Region
(Pro-Forma for All Announced Acquisitions)



Offering Summary

| | <u>Date</u> | <u>Shares</u> | <u>Price</u> | <u>Raised</u> |
|------------|-------------|---------------|--------------|---------------|
| IPO: | 12/23/96 | 2,500,000 | \$11.00 | \$25,600,000 |
| Secondary: | 5/6/98 | 3,000,000 | \$14.50 | \$41,000,000 |
| Secondary: | 3/1/02 | 4,500,000 | \$18.25 | \$77,200,000 |

➤ Equity Raised: \$144 Million

➤ Retained Earnings 2003: \$151 Million

➤ Total Equity (raised + retained) \$295 Million

Internally Driven Growth Potential

Free Cash Flow & Same Store Sales

***Internally-Funded Acquisition
Growth (Free Cash Flow):*** 10%

Same-Store Growth: 5%

***Total Internal Growth
Potential:*** 15%

Quarterly Dividend for 4Q 2003

- \$0.07 Quarterly Dividend
- Payable March 19 to shareholders of record March 5th
- Now advantageous from a tax perspective
- First in our sector to offer a dividend!
 - ❖ Strong Cash Flows
 - ❖ Strong Balance Sheet (**33% LT/Debt to Cap. ratio**)
 - ❖ Will not materially affect growth plans

Valuation - Lithia

| | |
|-------------------------------|---------|
| ➤ Share Price Offering (1996) | \$11.00 |
|-------------------------------|---------|

| | |
|-------------------------------|-------|
| ➤ P/E (1997 Earnings: \$0.87) | 12.6x |
|-------------------------------|-------|

| | |
|---------------------|--------|
| ➤ Book Value (1996) | \$4.22 |
|---------------------|--------|

| | |
|--------------|------|
| ➤ Price/Book | 2.6x |
|--------------|------|

| | |
|-------------------------|---------|
| ➤ Share Price (4/01/04) | \$28.28 |
|-------------------------|---------|

| | |
|--|-------|
| ➤ Forward P/E (2004 Estimate - \$2.04) | 13.9x |
|--|-------|

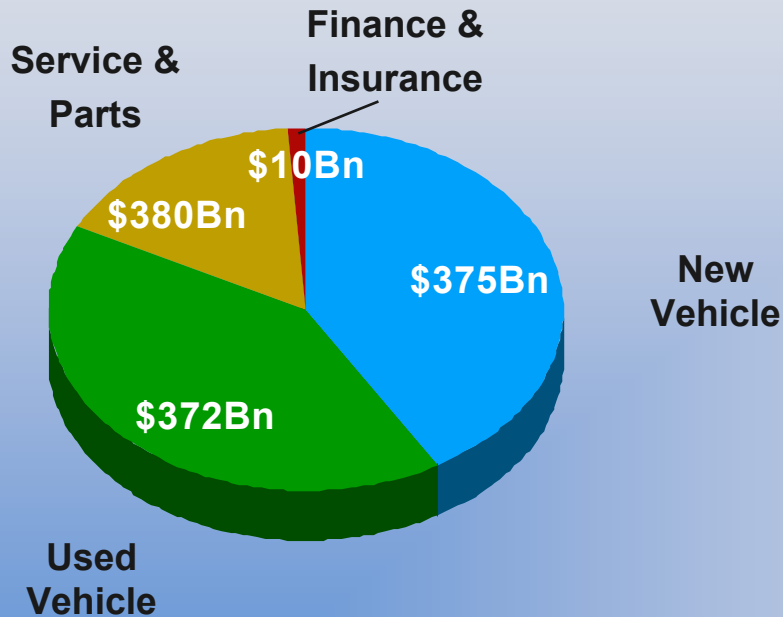
| | |
|---------------------|---------|
| ➤ Book Value (2003) | \$19.63 |
|---------------------|---------|

| | |
|--------------|------|
| ➤ Price/Book | 1.4x |
|--------------|------|

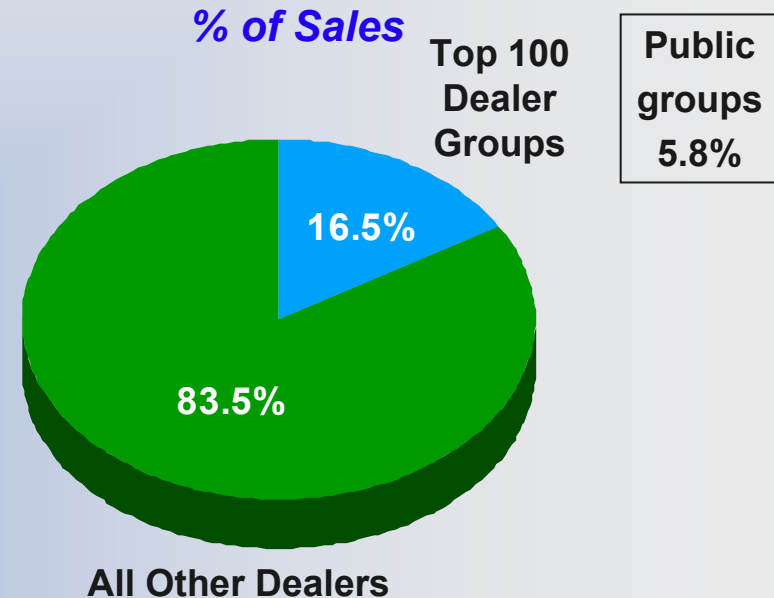
Strong Industry Dynamics

Huge and Fragmented Industry

Nearly \$1 Trillion Market



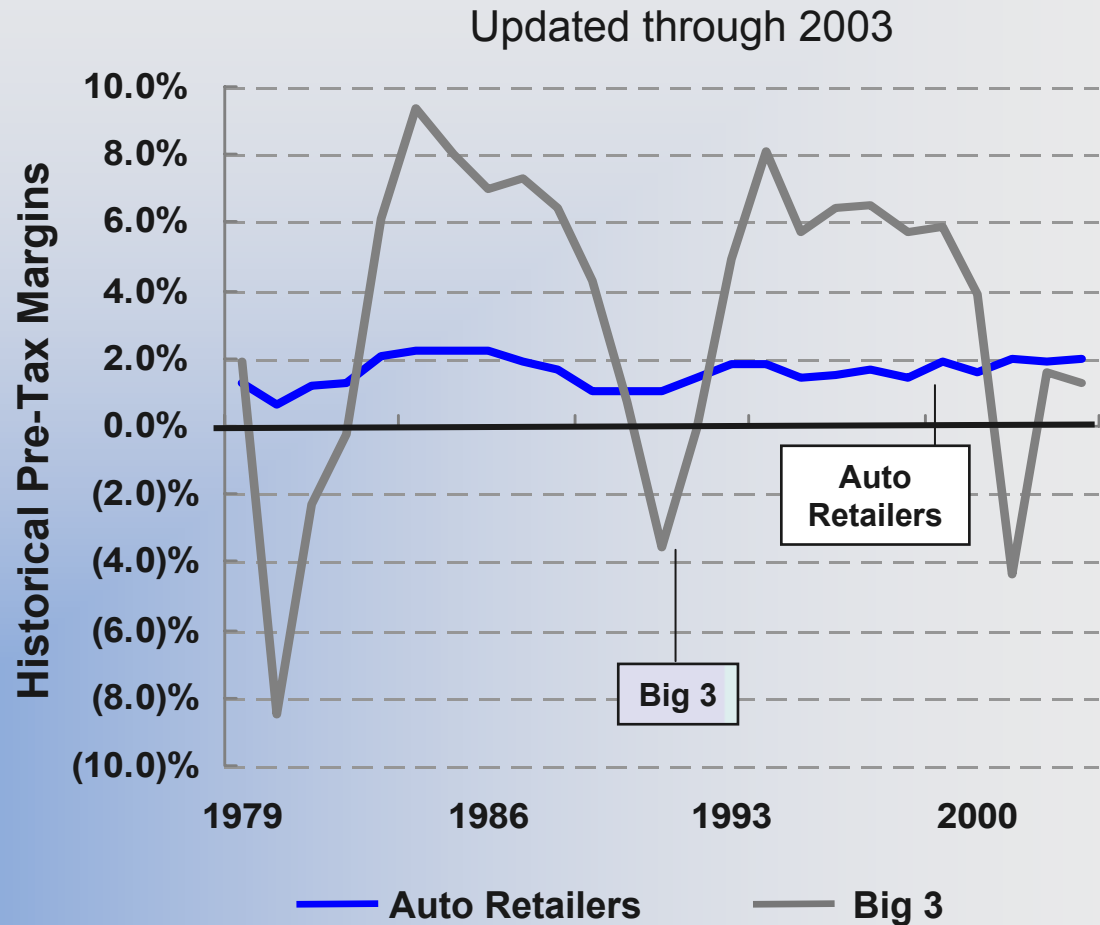
Highly Fragmented Sector



Source: Automotive News Data Center 2003

Stable Profitability

- Manufacturer incentives
- 50%+ variable costs
- Multiple brands
- Diversified profit sources



Big 3: GM and Ford North American Operations
DCX only provides operating margin data

Source: MSDW and NADA

Strong Underlying Sector Dynamics

- Tremendous manufacturer support
- Protected trade areas
- Counter-cyclical business lines; Gross margins historically improve in a downturn
- Involved in 100% of the product cycle
 - ❖ Sale and trade-in of new/used vehicles
 - ❖ Repair/Service of new/used vehicles
 - ❖ Finance/Warranty of new/used vehicles

Operations

Proven Execution of the Original Lithia Business Model

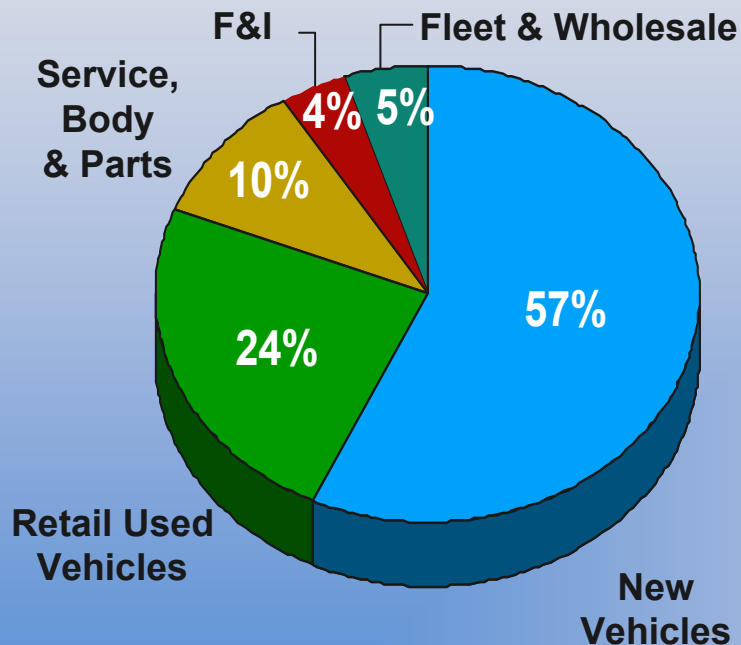
- Specialized operational support teams
- Common Computer System - Intranet
 - ❖ Centralized in Medford, OR
- Fully Integrated Sales Systems
- Common practices in all stores - uniform MIS
- Standardized asset management tools
- Platform building instead of buying
- Market specific Micro economies of scale

Macro Economies of Scale

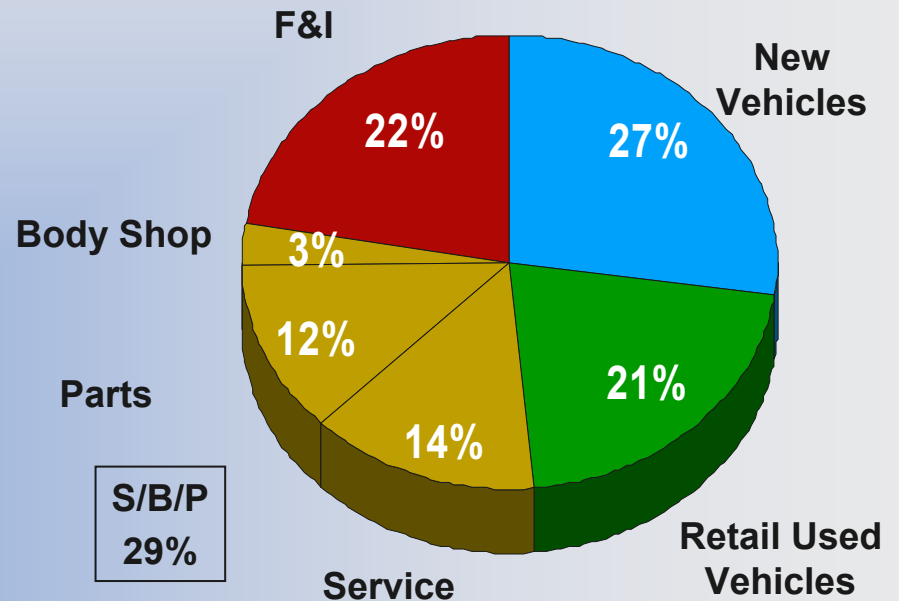
- Largest Dealer Group – highest margins in the sector
- Top Management spread over a large base
- Major Supplier Contracts
- Payroll & Accounting Services
- Lower Floorplan Expense
- Computer & Internet Services
- Advertising Expense
- Insurance

Diversified Businesses Drive Profitability

% of Sales



% of Gross Profit⁽¹⁾

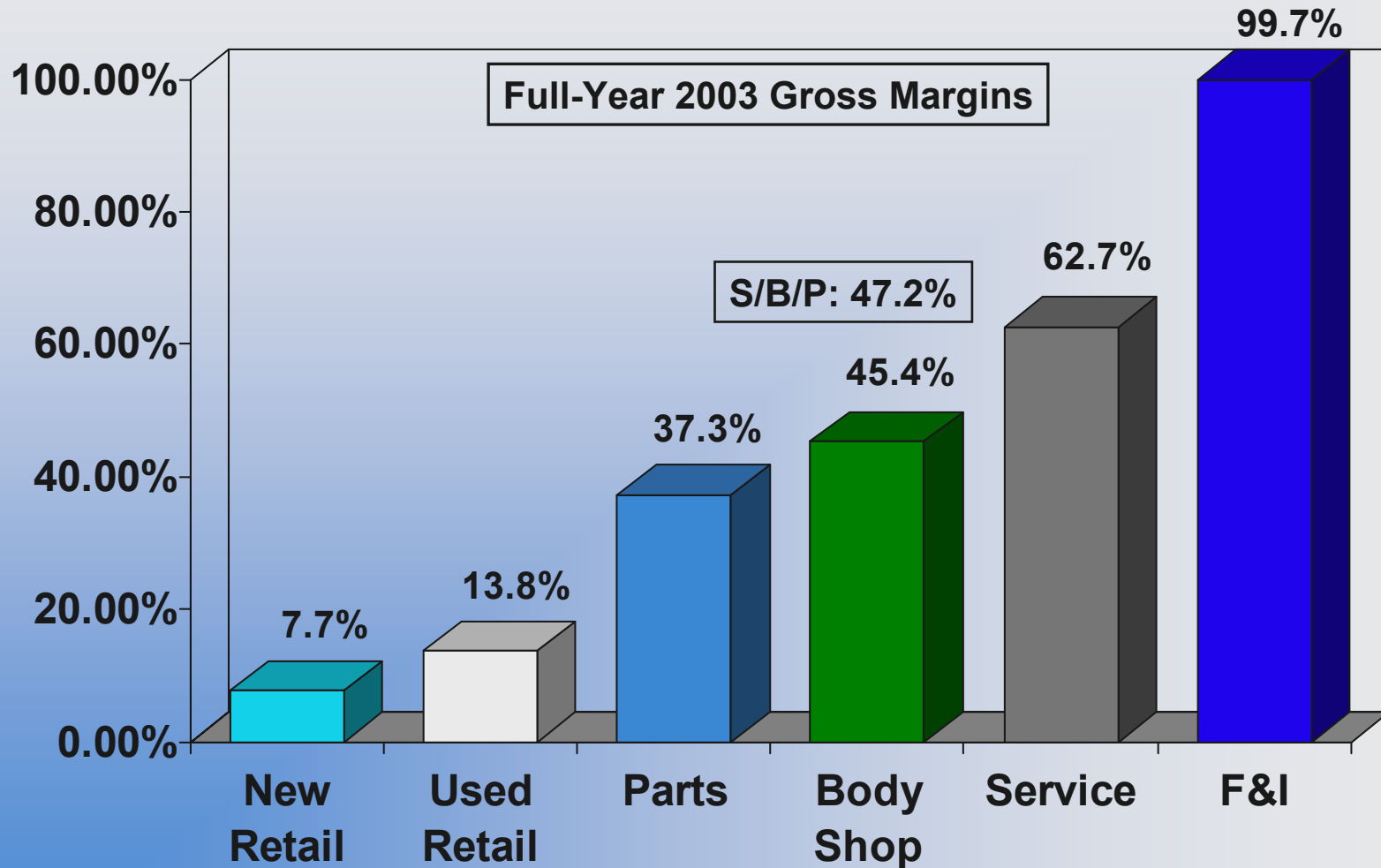


Full-Year 2003

Note: GPM: Gross Profit Margin

(1) Excludes fleet sales (0.3% of gross profit) and wholesale used vehicle sales (negative 0.1% contribution to gross profit).

High Margin Revenues



New Vehicles

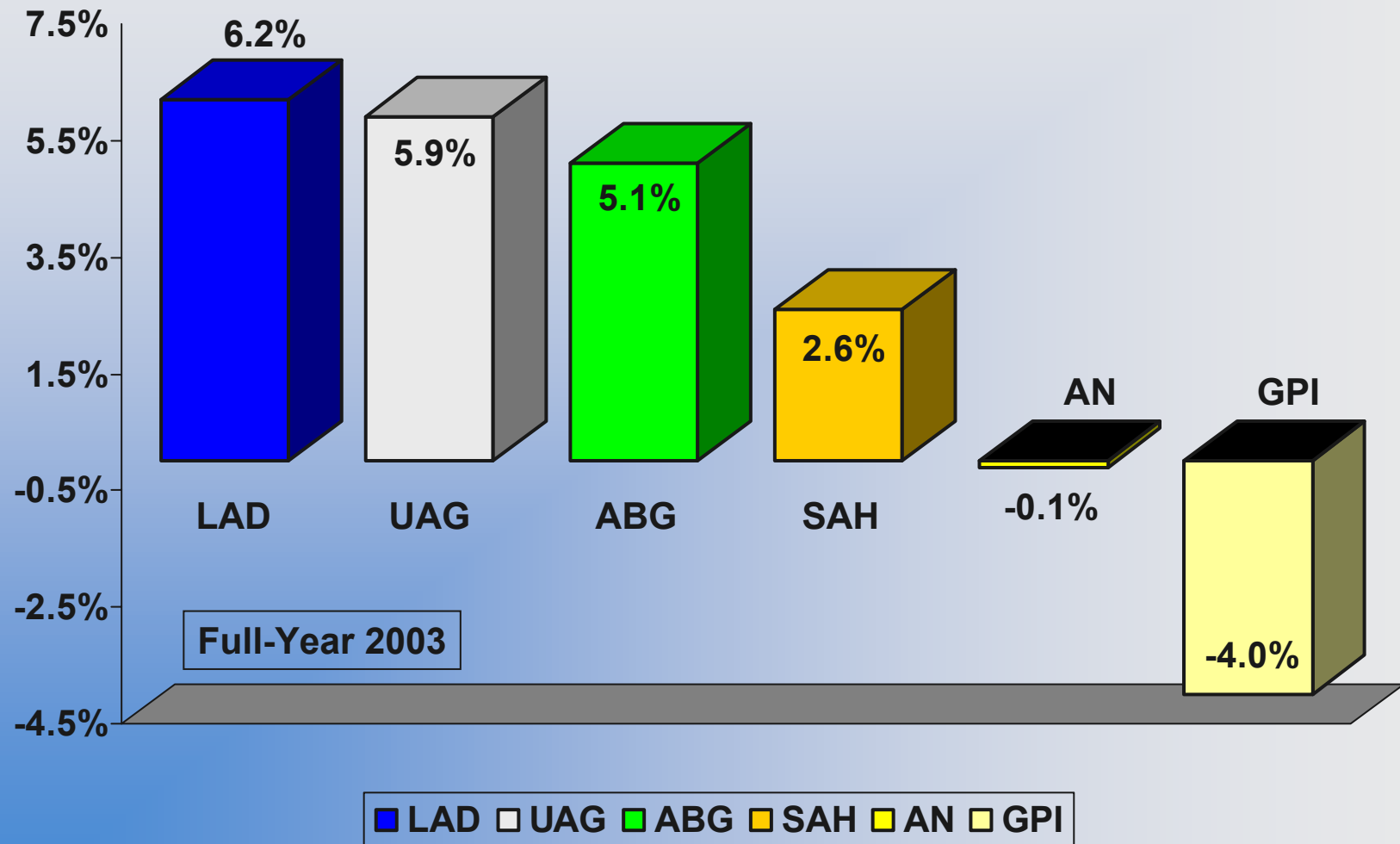
Promo Pricing – Drives New Vehicle Sales

- Low price on popular makes and models
- Low price on a large selection of vehicles (not just 1!)
- Options the customer wants at an affordable and competitive price
- Clear and understandable pricing which includes rebates
- Reduces haggling and speeds up the sales process

New Vehicles - Increase Market Share

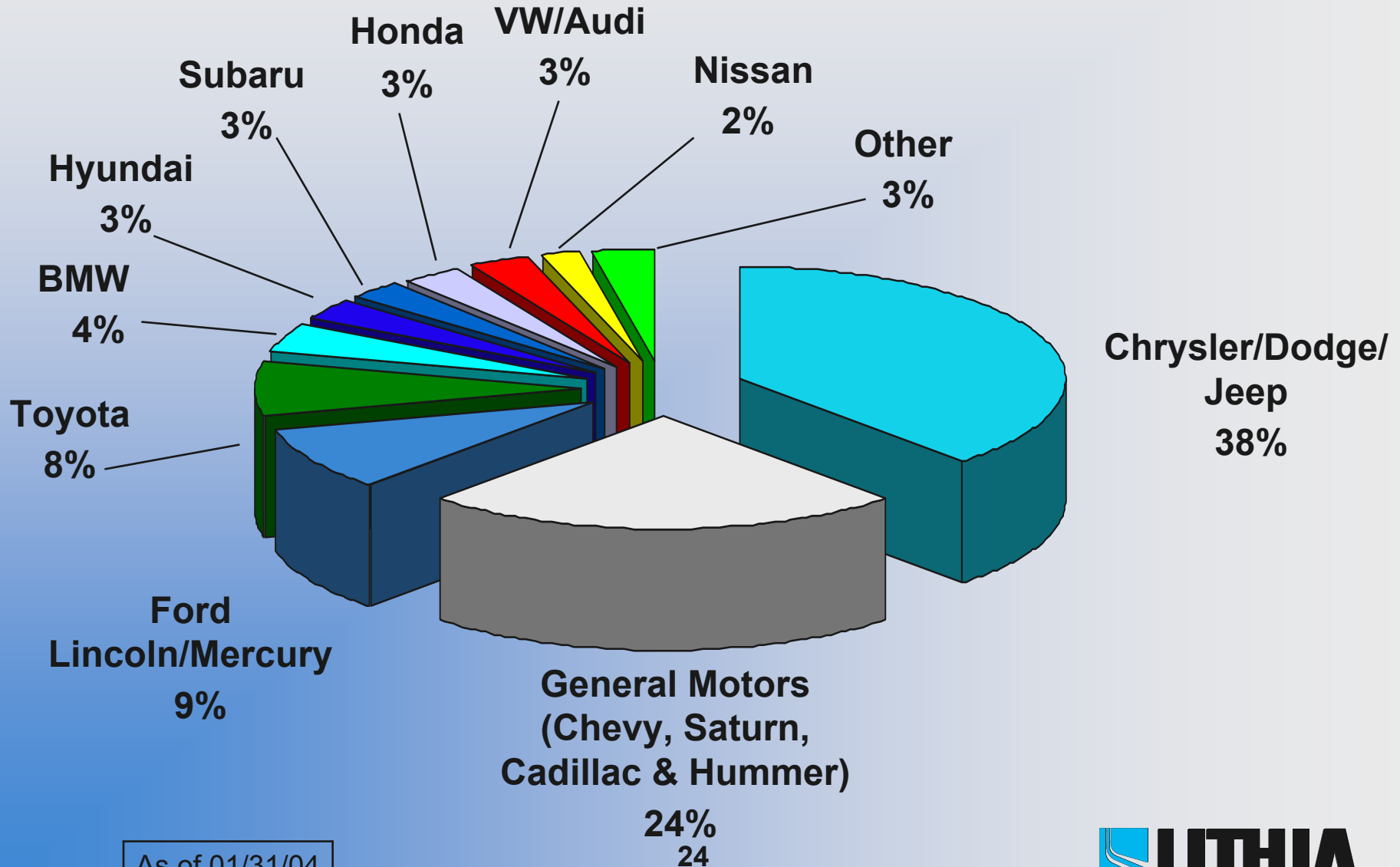
- Franchise - 79% in exclusive markets or with dominant market position
- Leverage manufacturers' new vehicle incentives, rebates and advertising
- Improve allocation of high demand vehicles
- Units in Operation drive profitable sales of other product lines
- Helps ensure future acquisition opportunities

New Vehicle Same Store Growth



Source: Stephens Inc.

New Vehicle Revenue by Brand



Used Vehicles

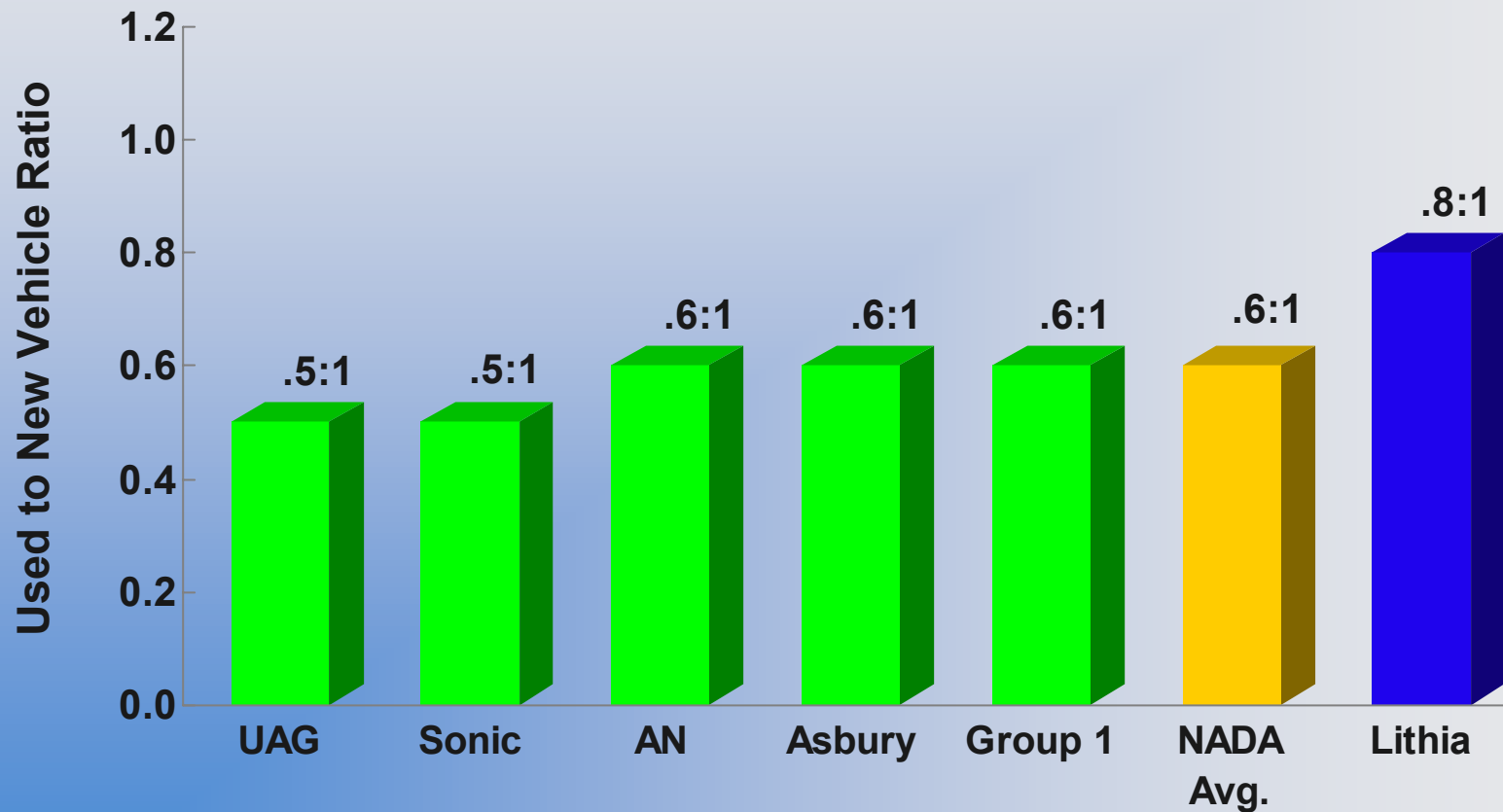
Promo Pricing – Drives Used Vehicle Sales

- \$99 dollars down delivers!
- Vehicles grouped by price and payment level
- Clear and understandable pricing which includes warranty
- Reduces haggling and speeds up the sales process
- Resolves the biggest issues for salespeople and the customer!
 - Price
 - Down Payment
 - Monthly Payment

Used Vehicles - Lithia's Advantages

- Higher gross margins than new
- Centralized purchasing of late model vehicles
- Market stabilizing – margins improving (2Q - 4Q 2003)
- More stable than new in recessions
- Regionalized wholesale auctions of unwanted trades

The Used Vehicle Opportunity



Full-Year 2003

Finance & Insurance

Finance & Insurance

- Automatic Sale: without significant expense
 - ❖ Financing, Lifetime Oil, Service Contracts, Other
- 95% of the customers finance
 - ❖ Lithia penetration rate 75%
- Increase staffing
- Fixed pricing and uniform practices
- Competitive financing - good for the customer

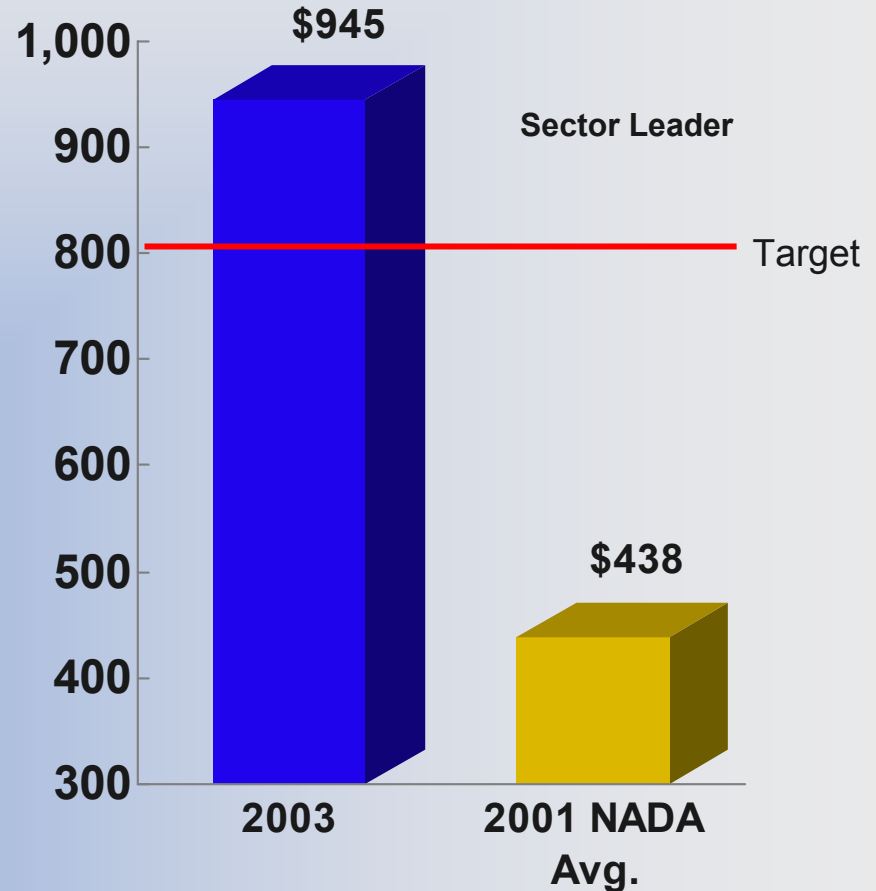
Maximizing the F&I Opportunity

Non-Recourse Business

F&I Penetration



F&I per Vehicle (\$)



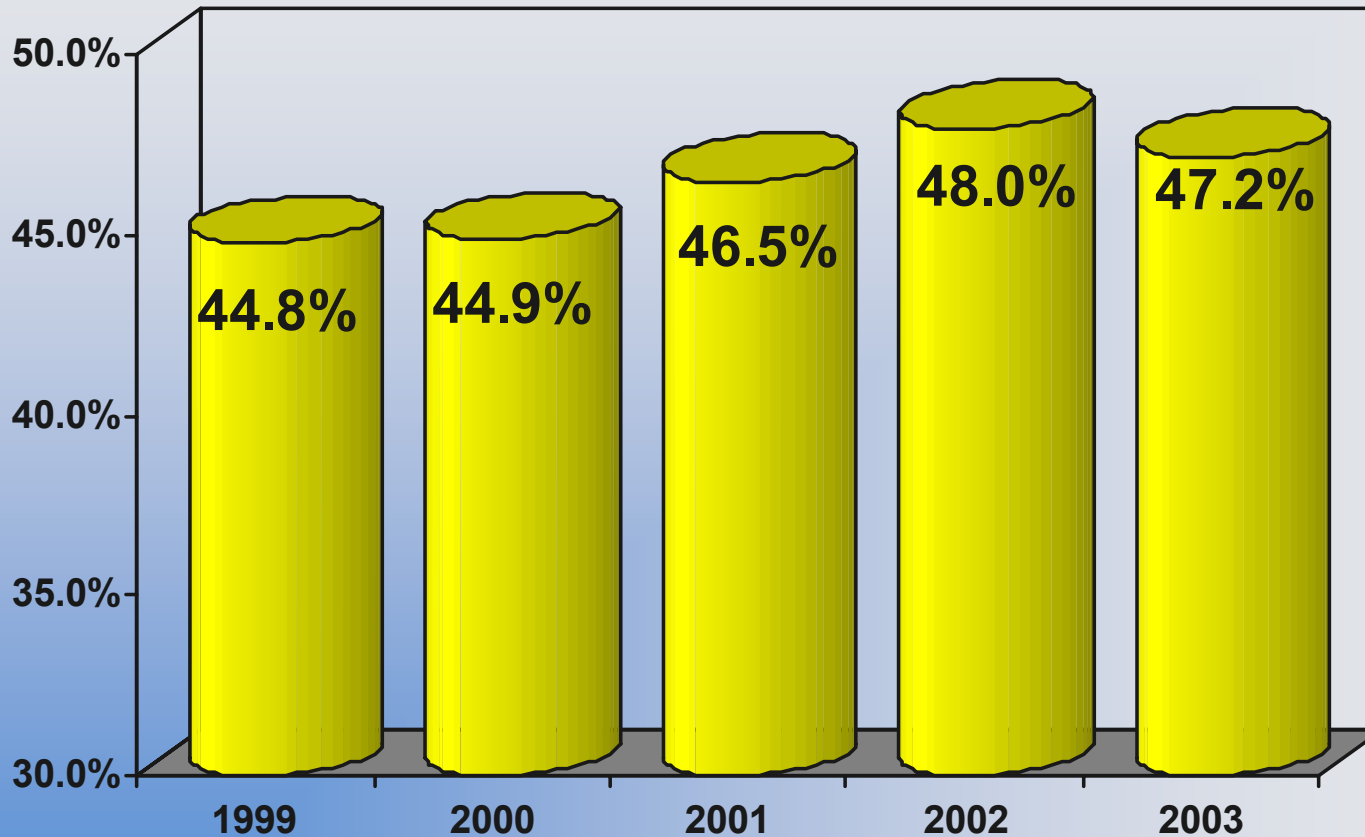
Parts/Service & Body Shop

Parts/Service & Body Shop

Stable and Less-cyclical


- Absorbs significant amount of dealership fixed costs
- Exclusive manufacturer warranty and service contracts
- Variable pricing structure
- Lifetime oil contracts — 34% of all sales customers
- Maintains customer loyalty
- 47.2% Gross margins
- Grow Body Shops by 5% annually

Improvements in Gross Margin




■ Parts & Service Gross Margin

Internet - Overlaying it all




Investor Relations Stores Employment Contact Us Inventory & Research About Lithia




What's Hot @ LITHIA.com

- [Latest Press Release](#)
- [Driving America Ad](#)



Driving America

Looking for Directions to your new car?



Searching our website for new and preowned vehicles is easy. You will get all the details you need on our in-stock vehicles. Just select a state below to get started.

Select a State:

Brands @ Lithia.com

| | | | | |
|--------|----------|----------|----------|-----------|
| | | | | |
| audi | chrysler | cadillac | mercedes | chevrolet |
| | | | | |
| dodge | ford | gmc | honda | hyundai |
| | | | | |
| kia | lincoln | mazda | mercury | nissan |
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| saturn | isuzu | subaru | toyota | vw |
| | | | | |
| suzuki | jeep | hummer | volvo | |

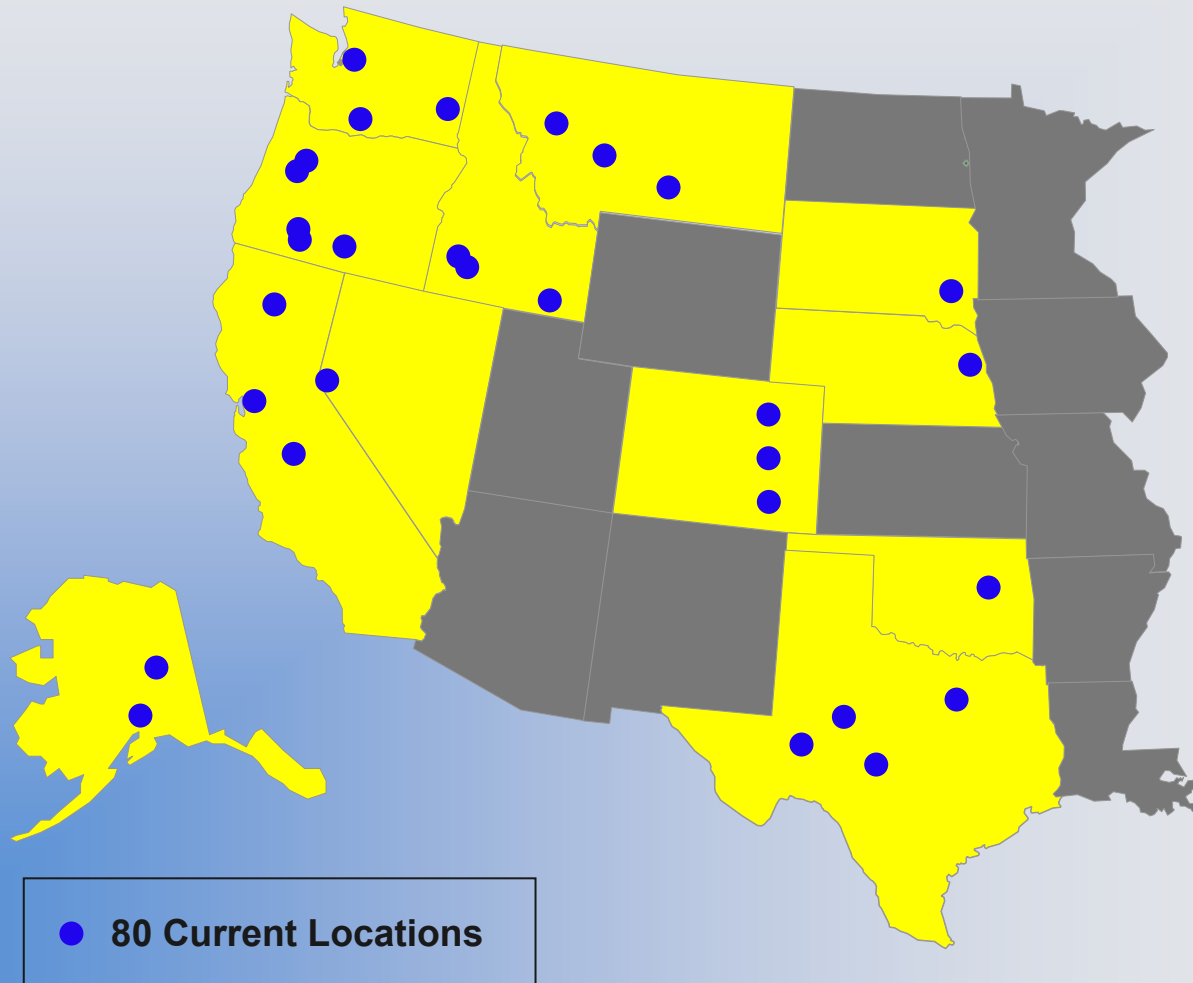
- CRM partnership with ADP
- Vehicle and Price Research
- “Right Relationship 360”
system for customer
management and retention

- Internet Lead Management
- Showroom Control
- Data mining, management reporting
- Enhanced E-commerce capabilities

Acquisition Strategy

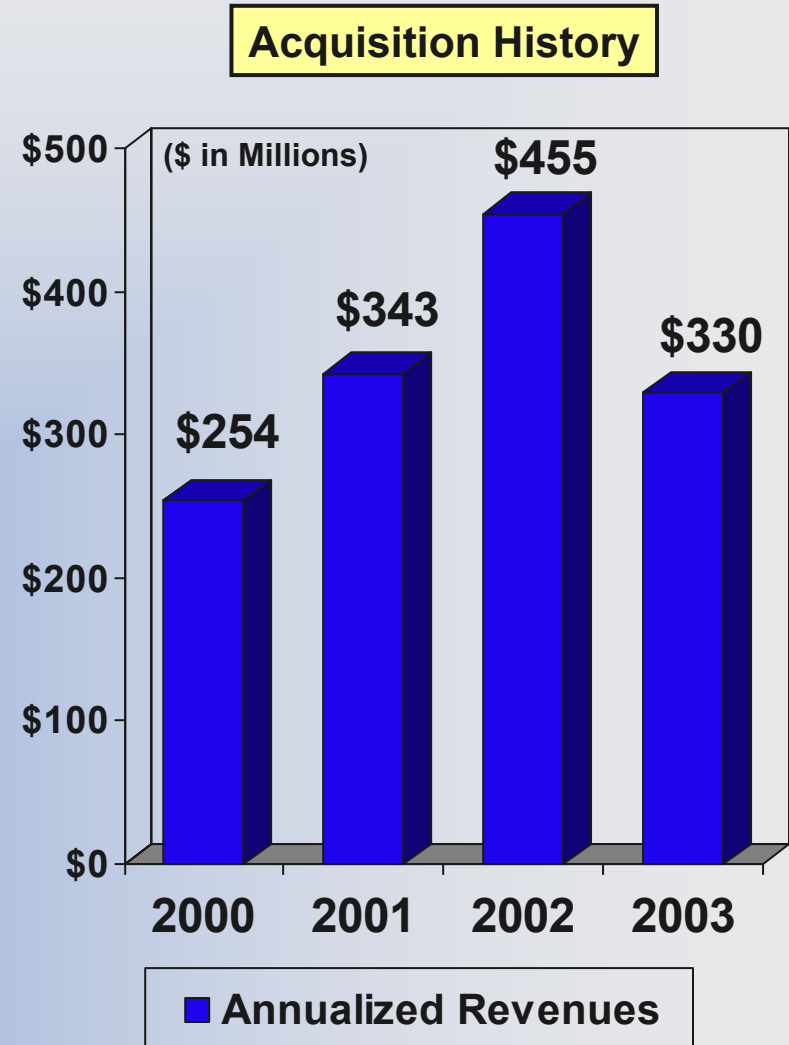
Acting on the Opportunity

70 Current Target Markets West of the Mississippi



Successful Acquisition Strategy

- **Consistent Acquisition Growth**
- **Goal: Average at least 15% a year in annualized revenues to existing revenue base.**
- **When the economy softens we see more and better acquisition opportunities**
- **Acquisition/Operation strategy is manufacturer friendly**



Industry Ripe for Acquisitions by Lithia

- Exit strategy for retirement
- No clear succession plan
- Increasing capital requirements
- Manufacturers desire best practices/efficiencies
- Weak recent economic environment
- Time to buy is now - greater availability of stores



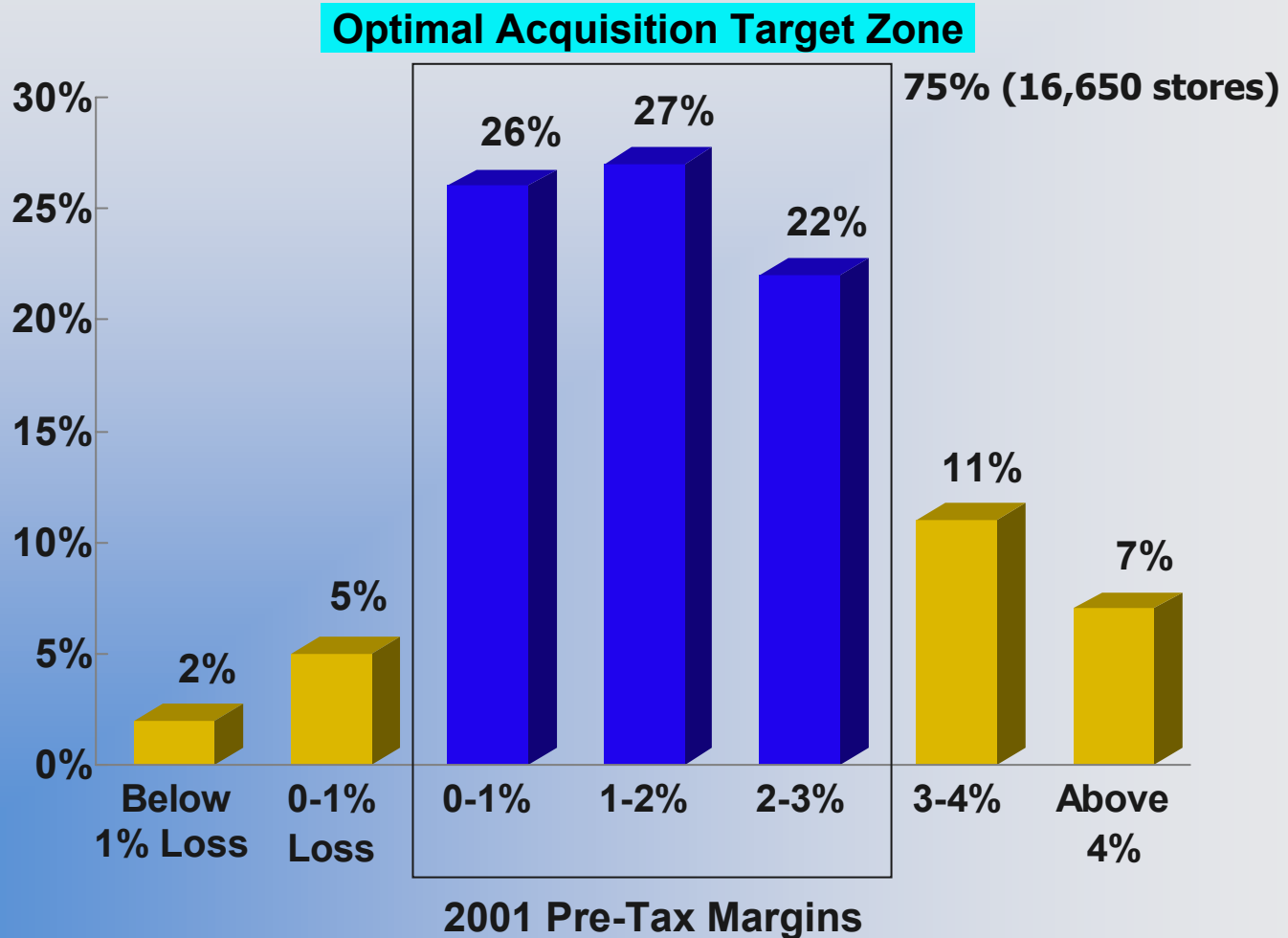
"Average Dealer"

Our Differentiated Acquisition Approach

- Focus on average operators with major brands
- Unique market focus
 - ❖ Regional focus - 79% in dominant/exclusive markets
 - ❖ Select metro opportunities
- Requires significant investment in infrastructure
 - ❖ Integration Teams & Uniform Systems

Our Opportunity

22,199 independent stores operated by 14,000 dealers



Source: NADA

Disciplined Acquisition Profiling

Discipline

- Pay 3.0x-4.0x trailing; 1.5-2.5x forward EBITDA
- Target minimum 15% ROIC
- Accretive transactions
- Experienced M&A team
- Apply the Lithia business model
- Cash purchases

Case Study: Texas Acquisitions (Stable Market)

2003 (Full-Year Lithia Ownership) vs. 2001 (Previous Owner)

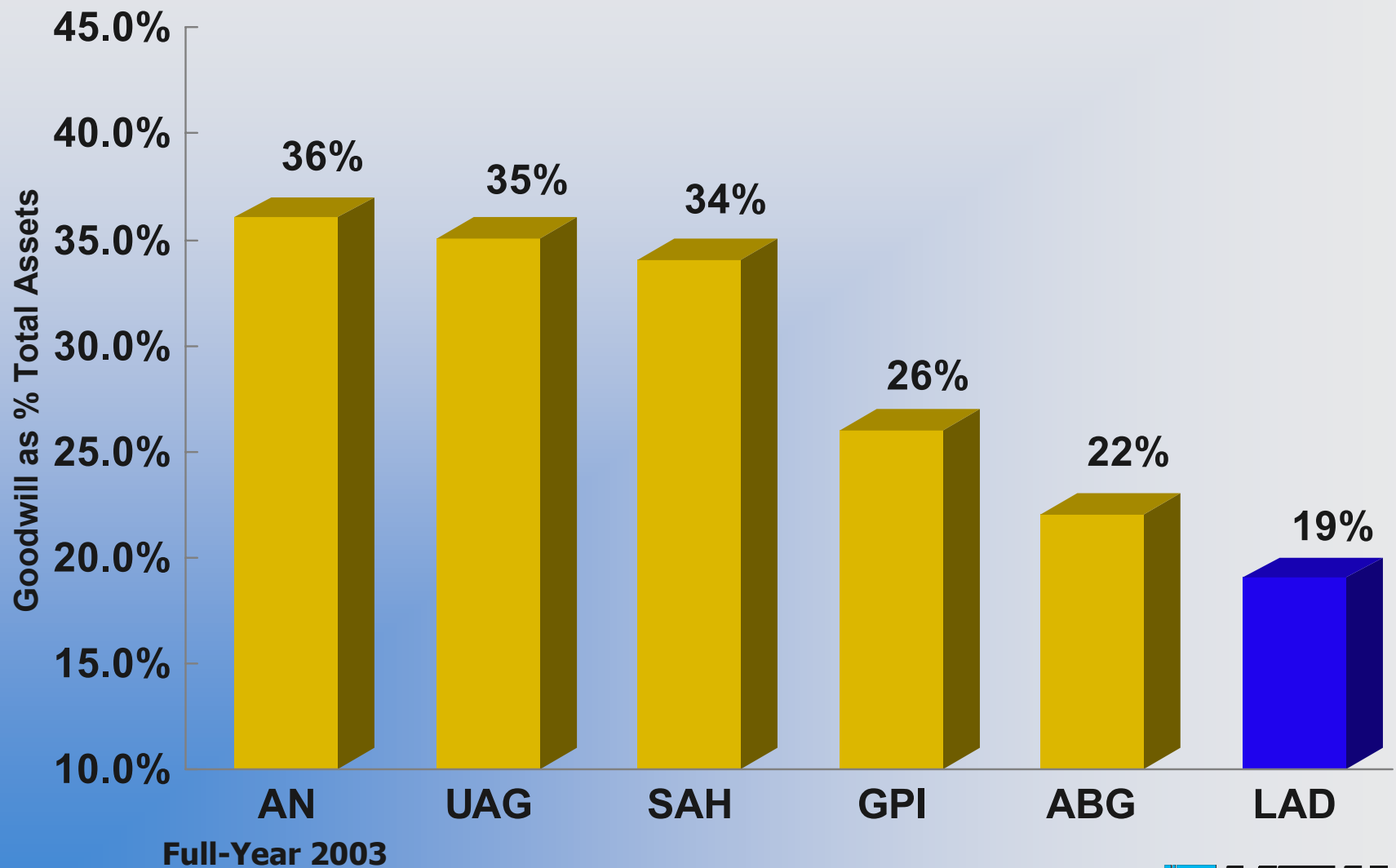
- 7 Stores acquired in 2002
- Brands: Chrysler/Dodge/Jeep(3), Chevrolet (3), Honda (1)
- Total Retail Sales +7.5%
- Total SG&A Margin: -50 basis points
- Pre-Tax Margin: +100 basis points
- Pre-Tax Profits: +38%
- After Tax ROI (2003): 20%

Case Study: Omaha Ford

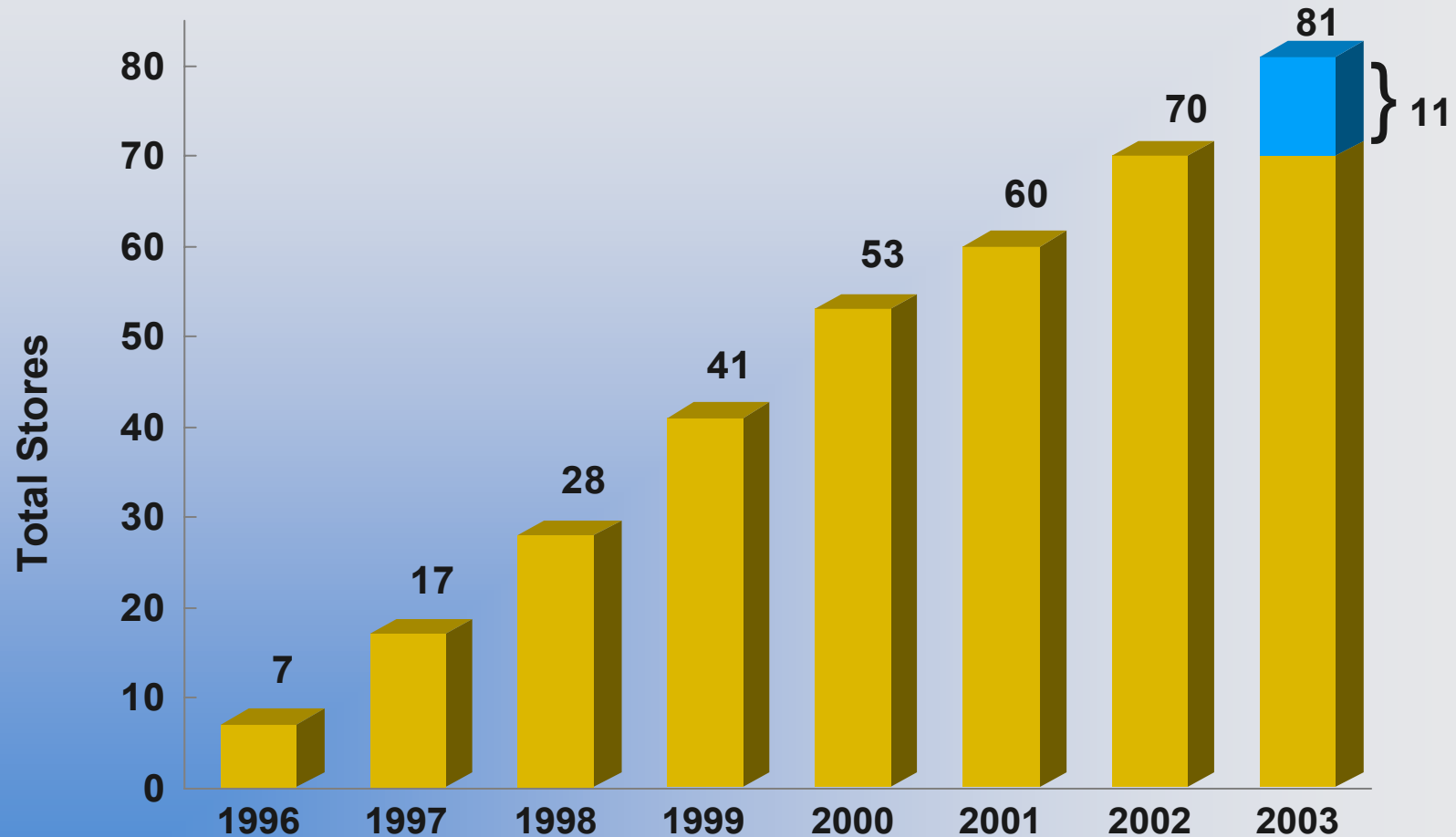
February YTD 2004 vs. February YTD 2003

- Benefits of getting the right management and Lithia's systems in place!
- Total Retail Sales +3.3%
- Gross Profit Margin: 19.1% vs. 14.7%
- Total SG&A Margin: 15.1% vs. 19.7%
- Pre-Tax Margin: 3.6% vs. -6.4%
- Gross Profit New/Unit: + \$591 (124 vs. 139 units)
- Gross Profit Used/Unit: + \$472 (148 vs. 73 units)
- F & I per Retail Unit: + \$67

Build vs. Buy

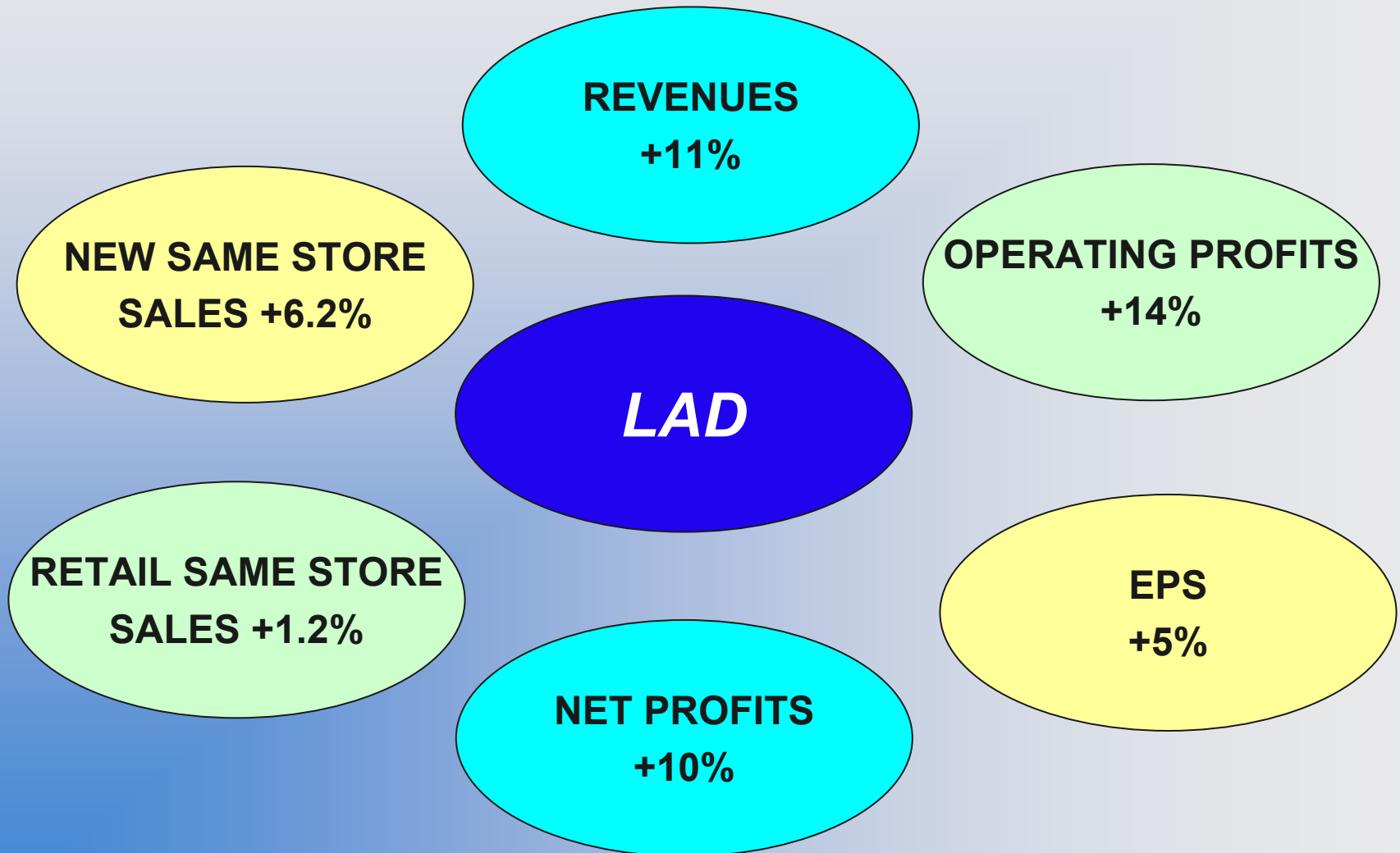


Disciplined Acquisition Strategy

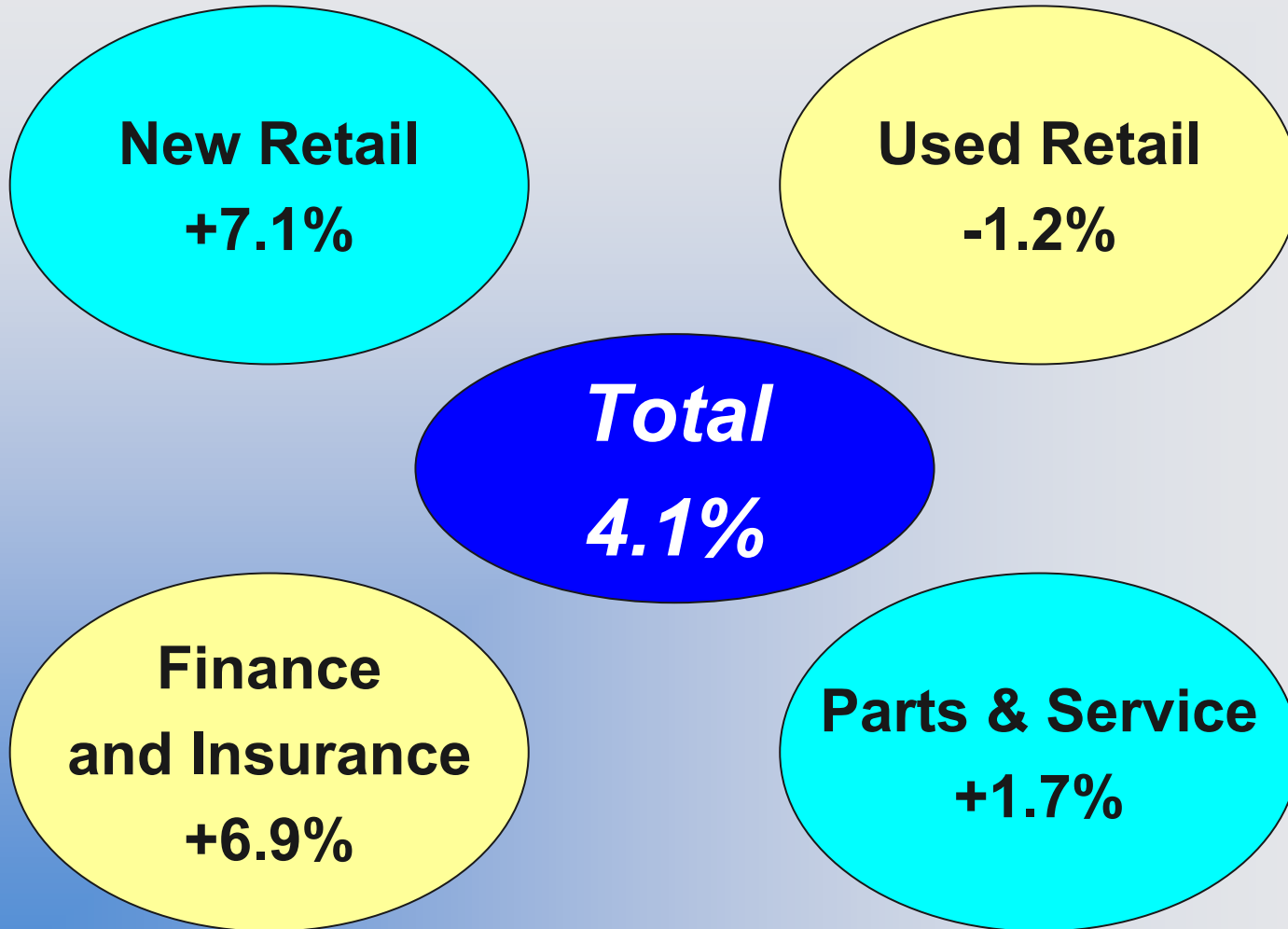


Financial Review

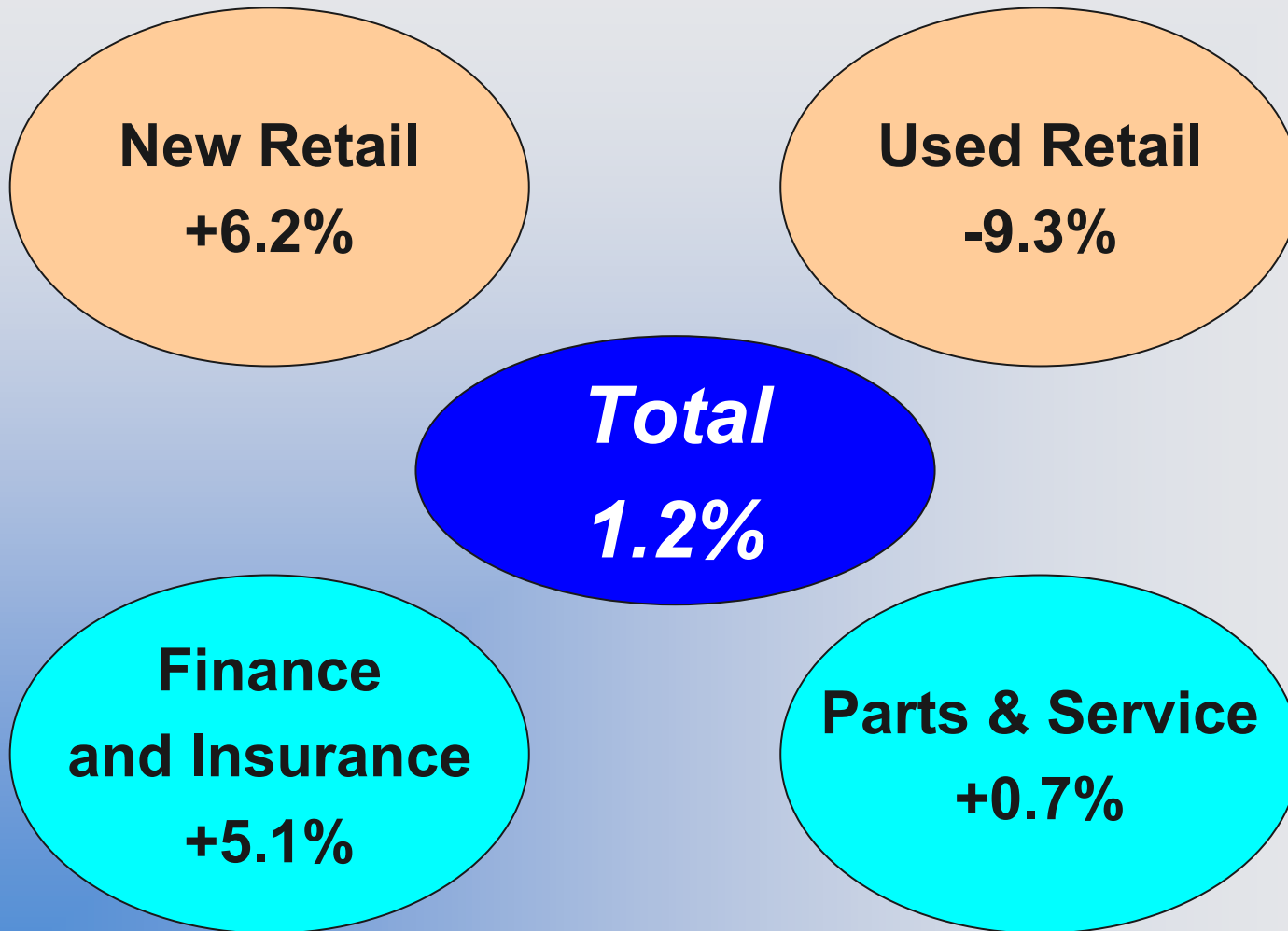
2003 Performance



Same-Store Sales Growth Rates (6-Year)

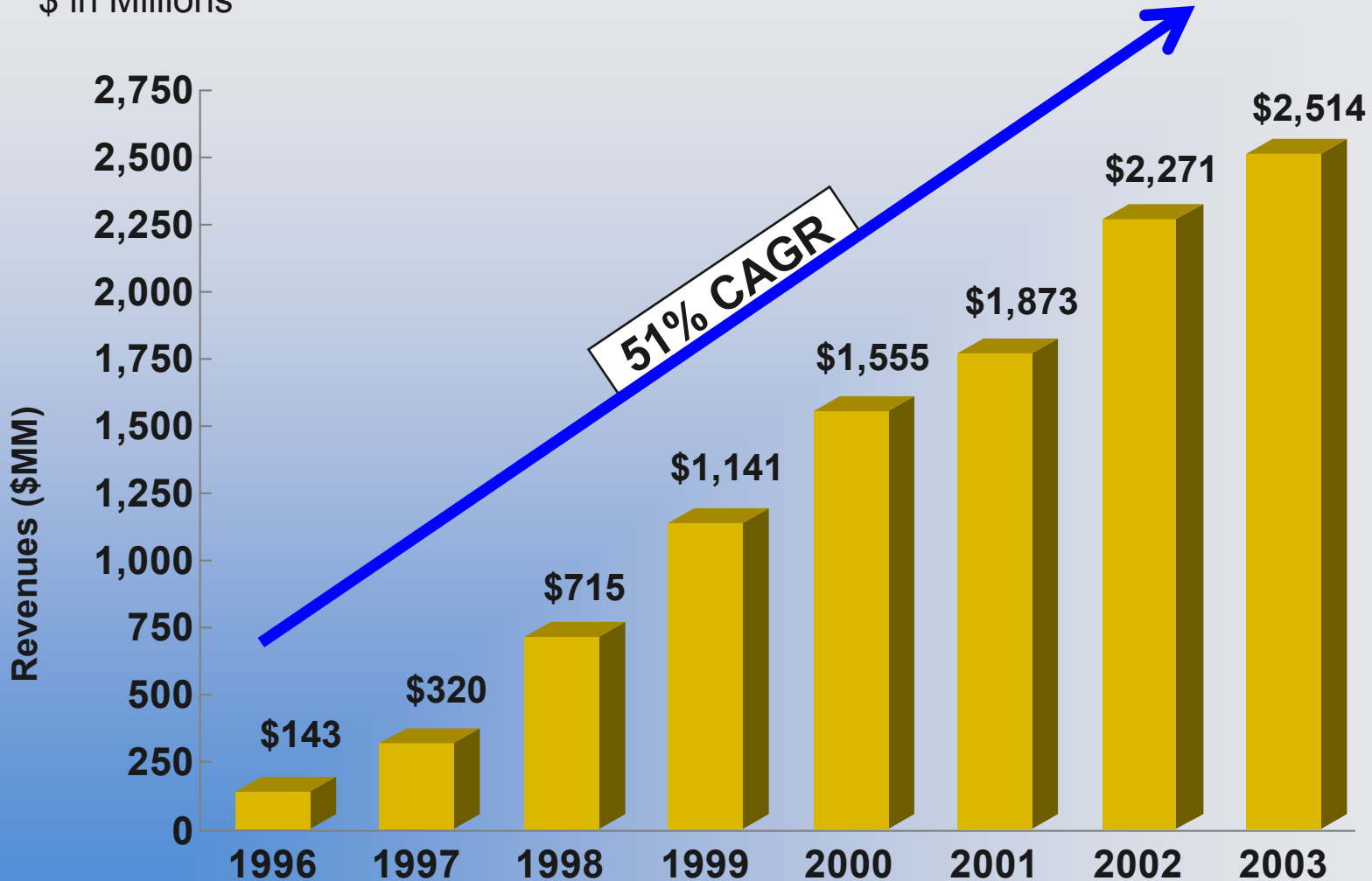


Same-Store Sales Growth Rates (2003)

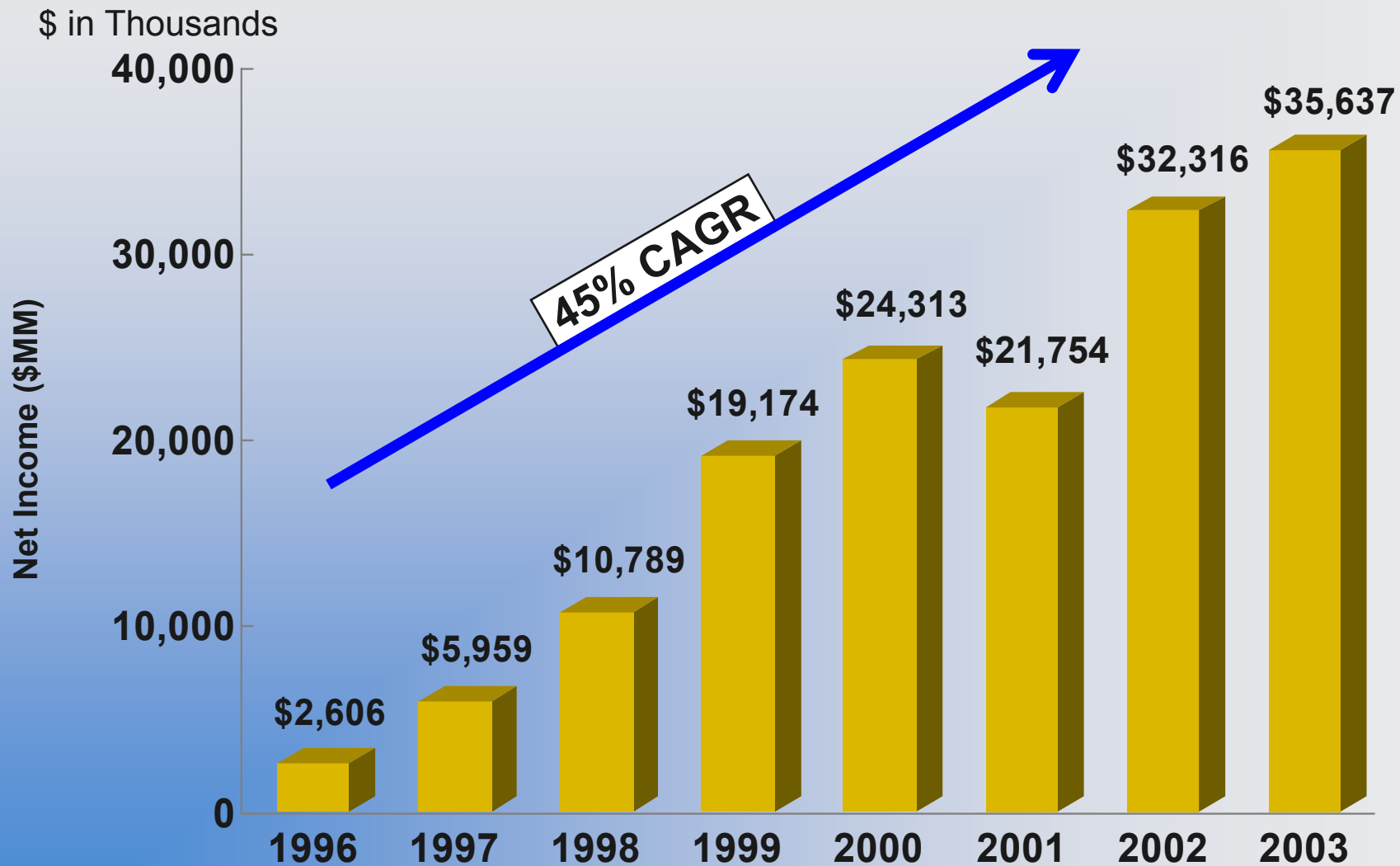


Strong Annual Revenue Growth

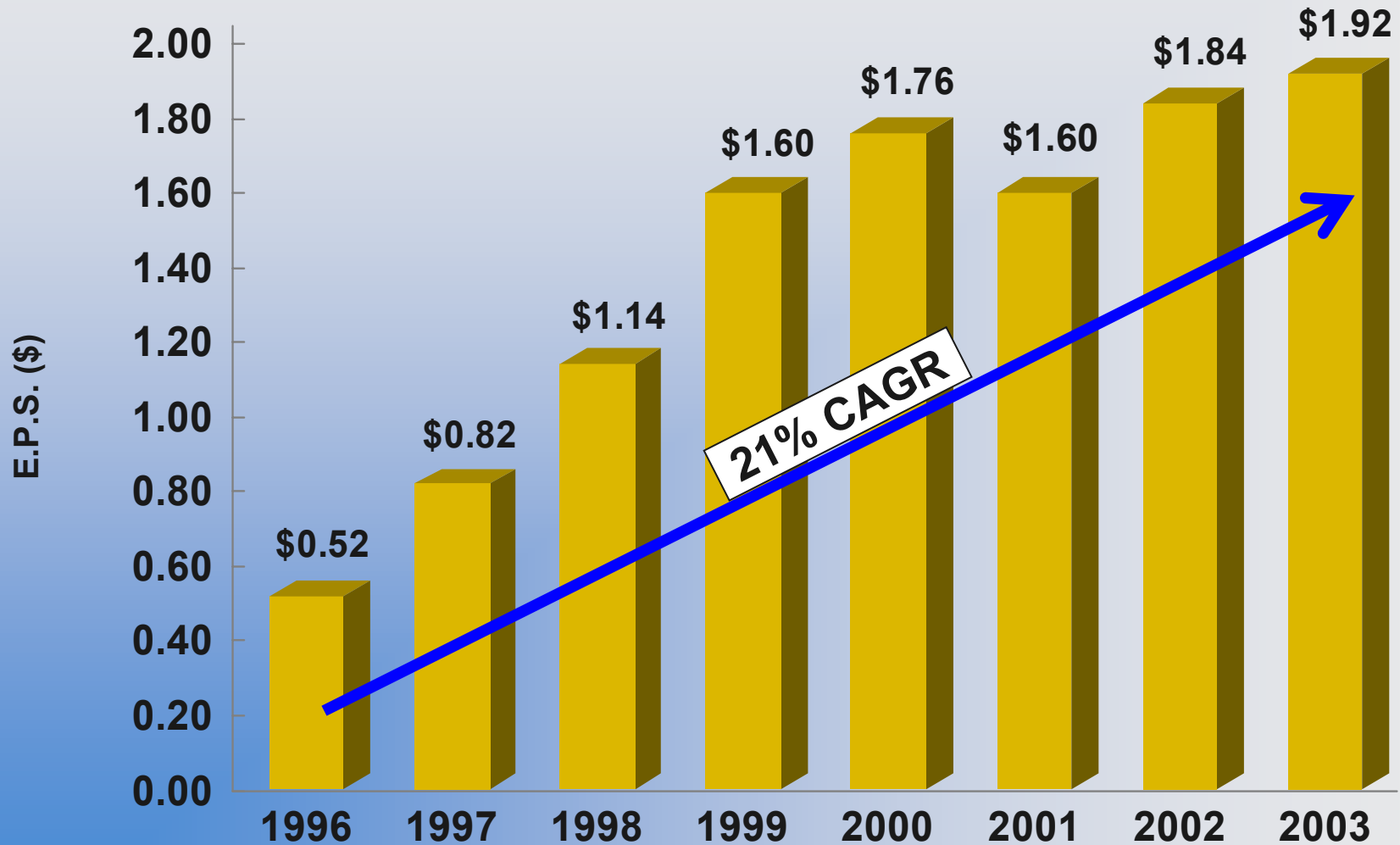
\$ in Millions



Net Income Growth



Earnings Per Share Growth



Conclusion

Key Investment Highlights

- 30+ years auto retail operating experience
- Proven execution of *The Lithia Business Model*
- Differentiated acquisition strategy and successful track record
- Long-term growth opportunity

