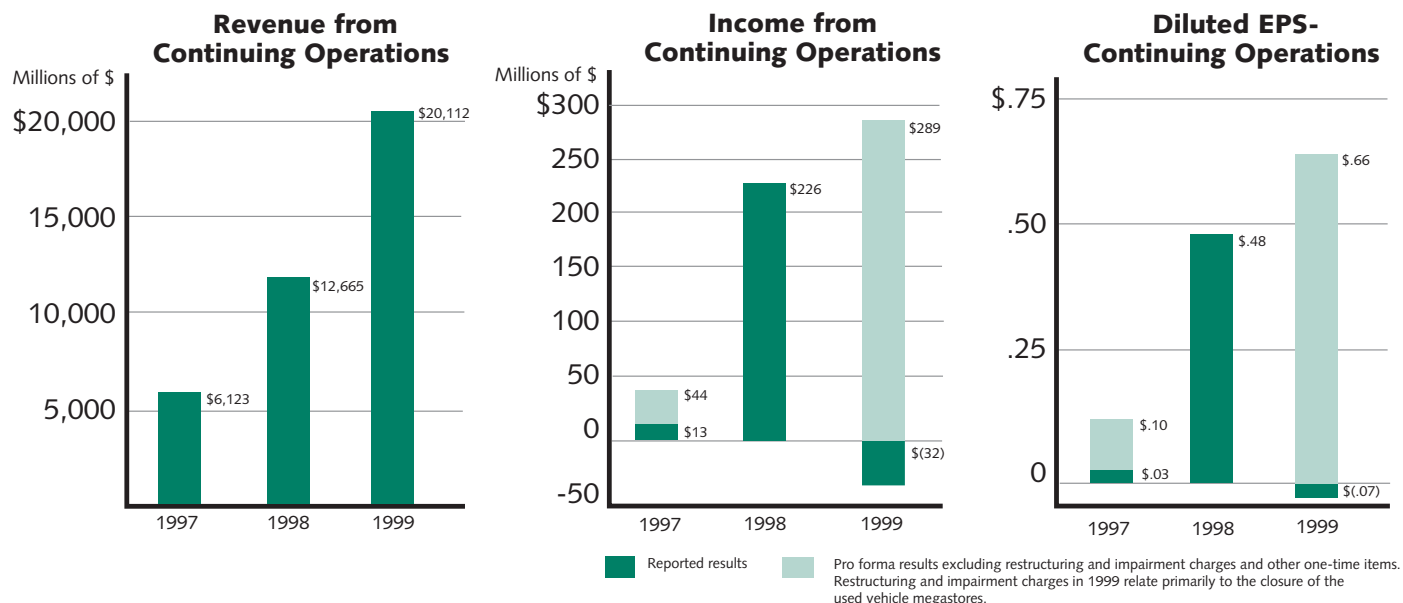


AUTONATION, INC. 1999 ANNUAL REPORT



## Financial Highlights

### Automotive Retail Operating Highlights



### Consolidated Balance Sheet Highlights

(in millions)	AS OF DECEMBER 31,		
	1997	1998	1999
Total Assets . . . . .	\$ 4,852.1	\$ 8,412.2	\$ 9,613.4
Long-term Debt . . . . .	\$ 261.1	\$ 520.9	\$ 836.1
Shareholders' Equity . . . . .	\$ 3,484.3	\$ 5,424.2	\$ 4,601.2
Shares Outstanding . . . . .	432.7	458.1	375.4

## Business Description

AutoNation, Inc. is the largest automotive retailer in the United States. We own and operate more than 400 new vehicle franchises from dealership locations in 26 major metropolitan markets in 19 states, predominantly in the Sunbelt.

Our business consists primarily of the sale, financing and servicing of new and used vehicles. We also provide other related services and products, such as parts and accessories, extended service contracts, aftermarket automotive products and collision repair services. The core brands of vehicles that we sell, representing approximately 90% of the new vehicles that we sold last year, are manufactured or distributed by General Motors Corporation, Ford Motor Company, DaimlerChrysler Corporation, Toyota Motor Sales, U.S.A., Inc., American Honda Motor Co., Inc. and Nissan North America, Inc. We also sell nearly all luxury vehicle brands, including Mercedes-Benz, BMW, Porsche and Lexus. In total, we offer 39 different brands of vehicles.

We also have built a rapidly growing e-commerce business. On *AutoNationDirect.com*, our primary web site, consumers can research and arrange to purchase, finance and insure a new or used vehicle. We offer an on-line inventory of over 100,000 vehicles, primarily from our franchised automotive dealerships. In 1999, we sold approximately 46,000 vehicles to customers via the Internet.

## A Letter to Shareholders

### Dear Shareholders:

There is little doubt: 1999 will be remembered as a pivotal year in AutoNation's history.

During the period, we redefined AutoNation's strategic direction and installed a new senior management team. We also cut overhead expenses dramatically, putting AutoNation in a strong position to capitalize on the opportunities we see in the U.S. automotive retail market.

And, as you might have guessed from the cover of this report, we determined that AutoNation has a “clicks-and-bricks” advantage no other e-commerce player, manufacturer or automotive dealer can match.

However, to appreciate these developments, it is useful to understand *why* AutoNation had to change.

**A need for focus.** When we operated as Republic Industries, Inc., we did so as a conglomerate of disparate businesses. We were in the waste services business. At one time, we were in the home security business. We also built a vehicle rental business that includes two of the industry's best known brands, Alamo Rent A Car and National Car Rental. However, it became apparent to the Company's Board of Directors that if AutoNation was to maximize the extraordinary opportunities in the automotive retail business, we would have to sharpen our focus. So we decided to divest all businesses unrelated to our core automotive retailing business – a process the Company expects to complete this year with the planned, tax-free spin-off of our automotive rental business – setting the stage for a new, singularly focused company. To reflect this sharpened focus, we changed our name to AutoNation, Inc. on April 6, 1999.

**A need for leadership.** The new AutoNation also needed new leadership, senior executives with a deep understanding of the automotive retail business. In three years' time, former Co-Chief Executive Officer Steve Berrard, along with many others, built a \$20-billion-a-year retailing enterprise from scratch – an unprecedented achievement. But despite our growth, AutoNation's stock suffered a steady decline. As we were proving ourselves adept at buying dealerships, the market was waiting to see how well we would operate the largest automotive retail group ever assembled.

This is why, in October 1999, both Steve and Wayne relinquished their titles as Co-CEOs and the Board appointed Michael J. Jackson as AutoNation's Chief Executive Officer. In his career at Mercedes-Benz

USA, Mike Jackson not only rose to become Chief Executive Officer and President, he also led a revival of one of the world's most respected brands. His leadership improved the fortunes of Mercedes-Benz's U.S. dealer body, of which he once was a part. In all, Mike brings over 28 years of industry experience to AutoNation from both the retail and the manufacturing side; a body of knowledge that makes him uniquely qualified to lead AutoNation to new levels.



(left to right)

**H. Wayne Huizenga, Chairman, Michael J. Jackson, Chief Executive Officer and Michael E. Maroone, President & Chief Operating Officer.**

*AutoNation is America's largest automotive retailer, on and off the web.*

Working alongside Mike is Mike Maroone, who in addition to being named President and Chief Operating Officer in August 1999, is one of the Company's original automotive retailers, a constant presence who has played a significant leadership role in AutoNation's rise to *Fortune* 100 status. He stewarded our innovative "Mile High" initiative in Denver in early 1999, proving the power of operating our dealerships under one local market brand. And he was the architect of a major program that resulted in common sales and service initiatives being installed last year at each of our more than 400 new vehicle franchises. Mike Maroone also led the creation of our automotive e-commerce business, which we believe will generate more than \$1.5 billion in revenue this year, making AutoNation the leading retailer of automobiles via the Internet.

**A need for tough decisions.** Together with the Board, Mike Jackson and Mike Maroone realized the need for tough decisions about the Company's core retail business. Chief among these was the decision to close the AutoNation USA used vehicle megastores.

### *AutoNation aims to become America's best-run and most profitable automotive retailer.*

With first-class land and facilities, the megastores proved to be expensive to operate and required significant management resources. The megastores also couldn't compete against a red-hot market for new vehicles, fueled by unprecedented factory incentives.

For these and other reasons, we decided to close 23 Company-owned AutoNation USA used vehicle megastores late in 1999. AutoNation senior management could no longer justify putting more and more resources into the megastores with little hope of a near-term return.

Our new senior management team also cut corporate overhead expenses. We eliminated \$100 million of expense through staff reductions and the elimination of initiatives that weren't bringing immediate value to our core business. This year, we're complementing these cost-cutting efforts with expense reductions in our dealerships. These moves will help us execute the strategy we have set as our course for this year and beyond.

Our vision is to become more than simply "America's largest automotive retailer." AutoNation aims to become America's best-run and most profitable automotive retailer. We will achieve this:

**By making AutoNation the industry's low-cost operator.** The return on our automotive investment will easily surpass those of our peers if we leverage AutoNation's unique scale by operating from a lower cost basis.

**By creating superior buying and ownership experiences for consumers.** We want to create no-hassle environments in our dealerships that distinguish AutoNation from our competitors and make our dealerships the ones to which consumers will return for repeat business. We will also achieve this on the Internet with an on-line buying experience that is the industry's largest "direct" model.

**By building a national e-commerce brand that complements strong, local market dealership brands.** Backed by the country's largest automotive retail network, we intend to build a powerful national on-line brand. Plus, we have already seen from our "Mile High" initiative in Denver the market power that's unleashed when our dealerships are consolidated under a strong, local market brand.

We'll be creating local market brands in markets where we reach sufficient critical mass. Each of these bricks-and-mortar brands will promote the further growth of our national e-commerce brand.

This three-point blueprint is our strategic direction for 2000. Yes, we will continue to buy dealerships, but our acquisition activities will be focused in markets where we can achieve the critical mass that offers a sustainable competitive advantage or where we can leverage our e-commerce capabilities. Once we have demonstrated success in these markets, we will resume a more aggressive acquisition strategy.

And, yes, we will continue to strive to win "Customers for Life," because it is those three out of four vehicle buyers who never return to the average dealership that remain this Company's greatest opportunity.

And, yes, we'll continue to have national ambitions, only this time they will be more easily realized on-line, where we are not constrained by bricks and mortar, and where we clearly have a competitive advantage by being the on-line automotive player that owns the country's largest group of new vehicle franchises. This is the "clicks-and-bricks" opportunity that we believe will be a major driver of AutoNation's value going forward.

Consider this: In 1999, our first full year of automotive e-commerce, AutoNation generated \$1 billion in Internet-related revenue, at profitable margins. Our goal for this year is Internet-related revenue of \$1.5 billion. As this "clicks" part of our business builds on the strength of our "bricks," we believe shareholders will be rewarded.

And our "bricks" remain sound, as these full-year 1999 financial results illustrate:

- **Revenue increased 59% to \$20 billion.**
- **Pro forma store-level operating income grew 48% to \$666 million.**
- **Same-store new vehicle unit sales grew 11.5%, outpacing the overall industry by more than 30%.**

We'd like to make one final point: We're encouraged by the consensus of support for our strategy that we have received from the financial community, manufacturers and from our senior management, dealers and associates. These groups now agree that we have a strategy which will drive growth in sales and profits, and lead to stronger brands and shopping experiences consumers will value.

This shared optimism about our future is long overdue, and is the payoff for persevering through the challenging year that we had in 1999. Thank you for your continued support.



H. Wayne Huizenga  
Chairman of the Board  
AutoNation, Inc.



Michael J. Jackson  
Chief Executive Officer  
AutoNation, Inc.



Michael E. Maroone  
President & Chief Operating Officer  
AutoNation, Inc.



“Our strategy is to become the industry's low-cost operator, to create unique experiences for customers and to brand those experiences at a national and local market level. ”

– *Mike Jackson, Chief Executive Officer*

**Last October, Michael J. Jackson joined AutoNation as Chief Executive Officer.**

The former President and Chief Executive Officer of Mercedes-Benz USA, Inc., brings more than 28 years of automotive retail and marketing experience. Along with President and Chief Operating Officer Michael E. Maroone, Mr. Jackson has formed a senior management team that has sharpened AutoNation's strategic focus. Mr. Maroone, an experienced automotive retailer, and Mr. Jackson met recently to discuss the future of AutoNation.

**Q. What is AutoNation's strategy under its new senior management team?**

*Mr. Jackson:* Our strategy is based on a three-point business model that calls for becoming the industry's low-cost operator, creating unique experiences for customers and branding those experiences at a national and local market level.

When we execute this strategy we will be more than the industry's largest player, we'll be its best player.

**Q. Are you attacking the cost issue first?**

*Mr. Maroone:* Absolutely. We are using our position as America's largest automotive retailer to drive down costs, not just on a temporary basis, but on a sustainable basis.

*Mr. Jackson:* Remember, our scale gives us a competitive edge. Take the cost of local advertising, insurance and dealership supplies. We can certainly purchase these items less expensively than our competitive set.

**Q. How promising is AutoNation's business case under your new strategy?**

*Mr. Jackson:* As we execute our business model we expect to create operating margins that are substantially higher than the industry's average. The other thing that's wonderful about the automotive retailing business is that it generates a great deal of cash.

*Mr. Maroone:* That's right. Last year, after tax, our franchises generated about \$300 million in free cash flow, and that's after investing over \$140 million of capital expenditures back into the business.

**Q. In 1999 you closed the AutoNation USA used vehicle megastores. At one point they were the focus of this company. What happened?**

*Mr. Jackson:* The AutoNation USA used vehicle megastores were a great marketing success. But the megastores also had a very high expense structure and a great deal of volatility on the inventory side.

Then, you had a relatively unexpected development: a great market for new vehicles. New vehicle sales soared as manufacturers dumped billions of dollars of incentives into the marketplace. That was devastating for anyone trying to manage a large inventory of used vehicles and it left the Company with a risk-reward equation for the megastores that did not make sense. So last December, when we made the very tough decision to close the megastores, we knew it was absolutely the right thing to do for shareholders.

**Q. Will the Company have a national brand?**

*Mr. Jackson:* Yes, on-line, where we intend to make our e-commerce brand the national brand of our company. We believe consumers will find our e-commerce brand to be very compelling.



**“Last year, after tax, our franchises generated about \$300 million in free cash flow, and that’s after investing over \$140 million of capital expenditures back into the business.”**

**– Mike Maroone, President and Chief Operating Officer**

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**Q. How will AutoNation's e-commerce business support its bricks-and-mortar stores?**

*Mr. Jackson:* Through cross-promotional opportunities we create with the bricks-and-mortar brands we build in specific markets. We know automotive retailing is very much a local business. People buy and have their cars serviced near where they live and work. So in each of the markets where we have a critical mass, we intend to establish dominant local brands that will represent a collection of our stores. These stores will also enjoy the power of a national brand through AutoNation’s e-commerce brand.

**Q. Does this mean your e-commerce business becomes an increasingly important part of the AutoNation business plan?**

*Mr. Maroone:* Yes. That's because our e-commerce strategy is both offensive and defensive. It's defensive in the sense that we've established a foothold early on in the e-commerce game to make sure that no one encroaches on our business. It's offensive in that our dealership web sites allow us to serve customers in a way they've never been served before: on their own terms. Our web sites also put us in contact with customers who might otherwise never visit our dealerships.

*Mr. Jackson:* Every other automotive retailing web site is aspiring to be what AutoNation already is. No other site owns as many franchises and dealerships as we do. These web sites either have to buy through us, or another dealer, which adds costs to their business model. Meanwhile, we've used our scale to offer the largest on-line inventory of vehicles ever assembled – 100,000 cars and light trucks at low, no-haggle prices. No other single retailer has that.

### Q. Can you really make money selling automobiles via the Internet? Most "dot coms" lose money, don't they?

*Mr. Jackson:* I know its not fashionable, but we're making money on-line, and we intend to make money in the future. We make money on-line because we source the product directly and our people have the pricing and inventory management expertise.

### Q. Will the local market brands that you envision for your bricks-and-mortar stores be similar to the "John Elway AutoNation USA" brand you launched in Denver? In other words, a single dealer name?

*Mr. Jackson:* Yes, we'll likely pick one of the better-known dealer names in a given area, or some other logical name if a dealer name is not available. A lot was learned from Denver and those lessons are now being applied in Tampa, where we launched a second market brand in December, 1999. We'll probably have to do one more test market of our "market brand" concept sometime in 2000 to perfect this business model.



### Q. What kind of new customer experiences are you creating at the store level?

*Mr. Maroone:* Today, there are three areas where we're improving the customer experience in each of our dealerships.



First, is the finance process, where we offer customers a fully-disclosed, open-book menu of options. No games here. The customer knows what his base payment will be, what his rate will be, and what other opportunities he has to purchase other products, such as warranties.

The second area is the Internet sales process, which we have designed to provide up-front information to customers about pricing and availability in a seamless transaction from the web site to the showroom.

The third area is our service business, where this past year we have installed advanced production systems in most of our service departments that make us more efficient at providing convenient and affordable vehicle service. We can now promise the customer when his vehicle is going to be done and how much it's going to cost, with a full guarantee of satisfaction.

### Q. Will AutoNation be a one-price retailer?

*Mr. Jackson:* Strategically, we remain absolutely committed to the one-price concept. But we're going to be more selective about choosing the right moment to convert to one-price. On-line, we already offer a one-price sales process. You select a specific vehicle, and we quote you a price right then and there.



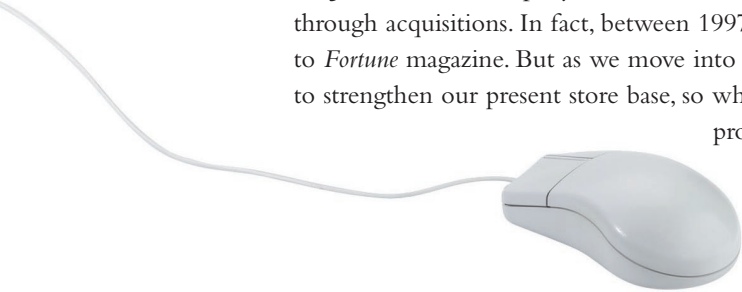
**Q. How quickly is “one-price” pricing spreading at the store level?**

*Mr. Maroone:* We see a price convergence phenomenon occurring in the bricks-and-mortar world that isn't as rapid as the one we see happening in the virtual world. Internet shoppers have done their homework; they know what vehicles should be selling for. That's had the effect of narrowing the negotiation bandwidth for prices, with most on-line consumers now refusing to pay “list” prices for commodity products. As that bandwidth continues to narrow in the bricks-and-mortar world, we'll be presented with more opportunities to convert our stores to one-price environments.



**Q. AutoNation's early years were marked by explosive growth, primarily through acquisitions. Will the Company continue buying dealerships?**

*Mr. Jackson:* The Company went from zero to \$20 billion in annual revenue in three-and-a-half years, primarily through acquisitions. In fact, between 1997 and 1998, we were the fastest-growing company in America, according to *Fortune* magazine. But as we move into 2000, our objective is clear and different: to bring our costs in line and to strengthen our present store base, so when we're ready to grow again, we'll be a much stronger, much more profitable company. In 2001, we should be in a position to grow again by acquiring dealerships in new markets.



*Mr. Maroone:* Meanwhile, we'll pay cash to buy dealerships this year, primarily in target markets where we're trying to achieve critical mass. Our acquisitions this year will be more focused on markets where we can achieve a sustainable competitive advantage or where we can leverage our e-commerce capabilities.

**Q. Has Wall Street been fair to AutoNation?**

*Mr. Jackson:* Fairness is not the issue. We know there's value in this company that is not being recognized. It's our responsibility to make that value more apparent to all of our key audiences.

Today, we're pleased to say that Wall Street is more supportive than ever regarding AutoNation's strategy. Every major AutoNation constituency is saying “Yes” to the strategy we've put on the table. That's a new dynamic at AutoNation. Everyone is now saying, “Okay. Do it. Execute it.” And as we execute that strategy, I believe it's inevitable that AutoNation's true value will be realized.

## Board of Directors

(left to right)

**John J. Melk, Rick L. Burdick,  
Robert J. Brown, Harris W. Hudson,  
H. Wayne Huizenga, Michael J. Jackson,  
George D. Johnson, Jr., Irene B. Rosenfeld,  
Michael G. DeGroot, J.P. Bryan**



**H. Wayne Huizenga\***  
Chairman of the Board

**Michael J. Jackson\***  
Chief Executive Officer

**Harris W. Hudson\***  
Vice Chairman of the Board

\* Executive Committee Member,  
Board of Directors

**Robert J. Brown**  
Chairman & Chief Executive Officer  
B&C Associates, Inc.  
*(a management consulting and public  
relations firm)*

**J. P. Bryan**  
Chairman & Chief Executive Officer  
Bellwether Exploration Co.  
*(an oil and gas company)*

**Rick L. Burdick**  
Partner  
Akin, Gump, Strauss, Hauer & Feld, L.L.P.  
*(a law firm)*

**Michael G. DeGroot**  
Chairman & Chief Executive Officer  
Century Business Services, Inc.  
*(a provider of professional business  
services and products)*

**George D. Johnson, Jr.**  
President & Chief Executive Officer  
Extended Stay America, Inc.  
*(an economy extended stay lodging chain)*

**John J. Melk**  
Chairman of the Board, President  
& Chief Executive Officer  
H<sub>2</sub>O Plus, L.P.  
*(a bath and skin product manufacturer  
and distributor)*

**Irene B. Rosenfeld**  
President  
Kraft Foods, Canada  
*(a manufacturer and distributor of  
packaged food and food service products)*

## Management Committee

Led by **Michael J. Jackson**, Chief Executive Officer



**Michael E. Maroone**  
President & Chief  
Operating Officer



**Robert F. Dwors**  
Senior Vice President,  
Corporate Real Estate  
Services



**Karen L.  
McKemie**  
Senior Vice President,  
Network Initiatives



**Mike Shad**  
Senior District  
Vice President,  
South Florida District



**Thomas S. Butler**  
Senior Vice President,  
Corporate Development



**Thomas W.  
Eggleston**  
Senior Vice President,  
e-Commerce



**Stephen C.  
Moore**  
Senior Vice President,  
District Operations



**Peter C. Smith**  
Senior Vice President,  
Human Resources



**James J. Donahue, Jr.**  
Senior Vice President,  
Corporate  
Communications



**Jonathan P.  
Ferrando**  
Senior Vice President,  
General Counsel &  
Secretary



**Mitchell D.  
Pierce**  
Senior District  
Vice President,  
Southwest District



**Kevin P. Westfall**  
President,  
AutoNation Financial  
Services



**John R. Drury**  
Senior Vice President,  
Brand Development



**Patricia A. McKay**  
Senior Vice President,  
Finance & Controller,  
Acting Chief Financial  
Officer



**John F. Rizzo**  
Senior Vice President,  
Industry Relations



**John M.  
Zimmerman**  
Senior Vice President,  
Investor Relations

## Corporate Information

### Headquarters

AutoNation, Inc.

110 S.E. 6th Street, Fort Lauderdale, FL 33301

Telephone: (954) 769-7000

[www.AutoNation.com](http://www.AutoNation.com)

### Investor Contact and Information Requests

*Shareholders, securities analysts, portfolio managers, representatives of financial institutions, requests for the Annual Report, 10-K, quarterly reports and other corporate literature, please call (954) 769-7339 or write AutoNation, Inc., Investor Relations, at the above address.*

### Notice of Annual Meeting

The Annual Meeting of Shareholders of AutoNation, Inc. will be held at 11:00 a.m., May 16, 2000, at The Broward Center for the Performing Arts, Fort Lauderdale, Florida.

### Common Stock Information

Since April 6, 1999, the Company's Common Stock has traded on the New York Stock Exchange ("NYSE") under the symbol "AN." From June 20, 1997 through April 5, 1999, the Company's Common Stock traded on the NYSE under the symbol "RII." Prior to that date, the Common Stock was listed on the Nasdaq Stock Market-National Market ("Nasdaq") and traded under the symbol "RWIN."

At March 14, 2000, there were approximately 361,000,000 shares of Common Stock outstanding, held by approximately 5,300 holders of record.

### Common Stock Transfer Agent and Registrar

*For inquiries regarding address changes, stock transfers, lost shares or other account matters, please contact:*

First Chicago Trust Company, A Division of Equiserve

P.O. Box 2500

Jersey City, NJ 07303-2500

Telephone: (800) 519-3111

First Chicago Trust Company, A Division of Equiserve, has a telephone response center to service shareholder accounts.

Registered owners of AutoNation common stock may call the center at (800) 519-3111 between 8:30 a.m. and 7:00 p.m., Monday - Friday (EST), to inquire about address changes, stock transfers, lost shares and other account matters. Shareholders with e-mail addresses can send account inquiries electronically to [equiserve.com](mailto:equiserve.com). Internet users can access information on <http://www.equiserve.com>.

### Independent Certified Public Accountants

Arthur Andersen LLP

100 N.E. 3rd Avenue, Fort Lauderdale, FL 33301

*Some of the statements and information contained throughout this Annual Report constitute "forward-looking statements" within the meaning of the Federal Private Securities Litigation Reform Act of 1995. The forward-looking statements describe our expectations, plans and intentions about our business, financial condition, results of operations, cash flows and prospects, and known and involve unknown risks, uncertainties and other factors which may cause our actual results, performance, or achievements to be materially different from any future results, performance, or achievements, expressed or implied, by the forward-looking statements.*



**America's largest  
automotive retailer,  
on and off the web.**

**AutoNation.**

110 S.E. 6TH STREET, FORT LAUDERDALE, FL 33301  
WWW.AUTO NATION.COM