# Sonic Automotive, Inc. Diluted EPS Up 21\% 

## Continuing Operations Net Income Improves 20\%

CHARLOTTE, N.C., July 23, 2012 /PRNewswire/ -- Sonic Automotive, Inc. (NYSE: SAH), one of the nation's largest automotive retailers, today reported 2012 second quarter earnings from continuing operations of $\$ 27.5$ million for an $20 \%$ increase over the prior year results. Earnings from continuing operations per diluted share increased $21 \%$ to $\$ 0.46$ compared to $\$ 0.38$ in the prior year quarter.

## Q2 2012 Highlights - Record Quarterly Used Unit Volume; Continued to Improve Same Store Revenue Through Investments in the Base Business; Improvements Realized Across All Revenue Streams

- Total Q2 revenues up $12.3 \%$ over prior year quarter
- New vehicle retail revenue up $21.3 \%$
- Used vehicle revenue up 4.0\%
- Parts and Service revenue up 3.2\%
- SG\&A to gross profit \% up slightly to $77.8 \%$ from $77.5 \%$ in the prior year quarter

Second quarter 2012 results include 1) the unfavorable effect of approximately $\$ 0.03$ per fully diluted share related to a loss recorded on the repurchase of $\$ 20.2$ million principal amount of Sonic's 5\% Convertible Senior Notes and 2) the favorable effect of approximately $\$ 0.06$ per fully diluted share related to the settlement of certain tax matters.
B. Scott Smith, the Company's President, noted, "We continue to make progress improving all aspects of our business. During the second quarter, we have taken actions to improve our capital structure through the issuance of low-cost, long-term debt and the associated outstanding tender offer for our remaining 5\% Convertible Senior Notes. We have also settled an outstanding tax matter on terms favorable and acceptable to us. All the while, we have continued to lay the foundation to become one of America's best places to work and shop. Our dedication to customers we serve and our associates led to the results achieved this quarter."

Following up on B. Scott Smith's comments, Jeff Dyke, the Company's EVP of Operations noted, "We are extremely pleased with our double-digit revenue growth driven partially by record used vehicle unit volume. New and used vehicle unit volume growth fueled our fixed operations and F\&I business lines which were able to collectively increase gross profit by $\$ 13.2$ million. We are continuing to see the benefits of our technology and training investments. We believe the consistent execution of our processes coupled with our dedication to highly qualified associates will allow us to drive profitability and provide an

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exceptional customer experience."
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Subsequent to the end of the second quarter, Sonic's Board of Directors authorized an additional $\$ 100$ million to be used in the Company's share repurchase program. When combined with previously unused authorized amounts, Sonic has approximately $\$ 130$ million of total authorization from its Board of Directors to repurchase shares of the Company's Class A Common Stock.

## Second Quarter Earnings Conference Call

Senior management will host a conference call today at11:00 A.M. (Eastern) to discuss the quarter's results. To access the live broadcast of the call over the Internet go to: www.sonicautomotive.com, then click on "Our Company", then "Investor Relations", then "Earnings Conference Calls".

Presentation materials for the conference call can be accessed on the Company's website at www.sonicautomotive.com by clicking on the "Investor Relations" tab under "Our Company" and choosing "Webcasts \& Presentations".

The conference call will also be available live by dialing in 10 minutes prior to the start of the call at:

Domestic: 1.877.791.3416
International: 1.706.643.0958
Conference ID: 94848488
A conference call replay will be available one hour following the call for seven days and can be accessed by calling:

Domestic: 1.855.859.2056
International: 1.404.537.3406
Conference ID: 94848488

## About Sonic Automotive

Sonic Automotive, Inc., a Fortune 500 company based inCharlotte, N.C., is one of the nation's largest automotive retailers. Sonic can be reached on the web at www.sonicautomotive.com.

Included herein are forward-looking statements, including statements with respect to anticipated growth in new vehicle sales, and future success and impacts from the implementation of our strategic initiatives. There are many factors that affect management's views about future events and trends of the Company's business. These factors involve risk and uncertainties that could cause actual results or trends to differ materially from management's view, including without limitation, economic conditions in the markets in which we operate, new and used vehicle industry sales volume, the success of our operational strategies, the rate and timing of overall economic recovery or decline, and the risk factors described in the Company's annual report on Form 10-K for the year ending December 31, 2011 and quarterly report on Form 10-Q for the period endedMarch 31, 2012. The Company does not undertake any obligation to update forward-looking information.

## Sonic Automotive, Inc.

## Results of Operations (Unaudited)

(Dollars in thousands, except per share data)

|  | Second Quarter Ended June 30, |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
|  | 2012 |  | 2011 |  |
| Revenues |  |  |  |  |
| New retail vehicles | \$ | 1,176,781 | \$ | 969,828 |
| Fleet vehicles |  | 44,516 |  | 55,449 |
| Total new vehicles |  | 1,221,297 |  | 1,025,277 |
| Used vehicles |  | 550,040 |  | 529,107 |
| Wholesale vehicles |  | 43,984 |  | 41,136 |
| Total vehicles |  | 1,815,321 |  | 1,595,520 |
| Parts, service and collision repair |  | 304,570 |  | 295,094 |
| Finance, insurance and other |  | 65,338 |  | 55,369 |
| Total revenues |  | 2,185,229 |  | 1,945,983 |
| Total gross profit |  | 320,772 |  | 305,934 |
| Selling, general and administrative expenses |  | $(249,525)$ |  | $(237,092)$ |
| Impairment charges |  | (33) |  | (41) |
| Depreciation and amortization |  | $(11,390)$ |  | $(9,699)$ |
| Operating income (loss) |  | 59,824 |  | 59,102 |
| Interest expense, floor plan |  | $(5,053)$ |  | $(4,914)$ |
| Interest expense, other, net |  | $(12,712)$ |  | $(15,339)$ |
| Interest expense, non-cash, convertible debt |  | $(1,413)$ |  | $(1,715)$ |
| Interest income (expense/amortization), non-cash, cash flow |  |  |  |  |
| swaps |  | 83 |  | (464) |
| Other income (expense), net |  | $(2,550)$ |  | 15 |
| Income (loss) from continuing operations before taxes |  | 38,179 |  | 36,685 |
| Provision for income taxes - benefit (expense) |  | $(10,646)$ |  | $(13,691)$ |
| Income (loss) from continuing operations |  | 27,533 |  | 22,994 |
| Income (loss) from discontinued operations |  | 646 |  | $(1,643)$ |
| Net income (loss) | \$ | 28,179 | \$ | 21,351 |
| Diluted: |  |  |  |  |
| Weighted average common shares outstanding |  | 63,506 |  | 65,936 |
| Earnings (loss) per share from continuing operations | \$ | 0.46 | \$ | 0.38 |
| Earnings (loss) per share from discontinued operations |  | 0.01 |  | (0.03) |
| Earnings (loss) per share | \$ | 0.47 | \$ | 0.35 |
| Gross Margin Data (Continuing Operations): |  |  |  |  |
| New retail vehicles |  | 6.0\% |  | 6.8\% |
| Fleet vehicles |  | 2.8\% |  | 3.3\% |
| Total new vehicles |  | 5.8\% |  | 6.6\% |
| Used vehicles |  | 6.7\% |  | 7.4\% |
| Wholesale vehicles |  | (3.3\%) |  | (4.5\%) |
| Parts, service and collision repair |  | 48.9\% |  | 49.3\% |
| Finance, insurance and other |  | 100.0\% |  | 100.0\% |
| Overall gross margin |  | 14.7\% |  | 15.7\% |
| SG\&A Expenses (Continuing Operations): |  |  |  |  |
| Compensation | \$ | 148,569 | \$ | 137,888 |
| Advertising |  | 13,684 |  | 13,425 |
| Rent and rent related |  | 28,516 |  | 32,664 |
| Other |  | 58,756 |  | 53,115 |
| Total | \$ | 249,525 | \$ | 237,092 |
| SG\&A Expenses as \% of Gross Profit |  | 77.8\% |  | 77.5\% |
| Operating Margin \% |  | 2.7\% |  | 3.0\% |
| Unit Data (Continuing Operations): |  |  |  |  |
| New retail units |  | 34,396 |  | 28,125 |
| Fleet units |  | 1,630 |  | 2,151 |
| Total new units |  | 36,026 |  | 30,276 |
| Used units |  | 27,528 |  | 26,799 |
| Wholesale units |  | 7,939 |  | 6,310 |

## Other Data:

| Continuing Operations revenue percentage changes: |  |
| :--- | ---: |
| New retail vehicles | $\mathbf{2 1 . 3 \%}$ |
| Fleet vehicles | $\mathbf{( 1 9 . 7 \% )}$ |
| Total new vehicles | $19.1 \%$ |
| Used vehicles | $\mathbf{4 . 0 \%}$ |
| Parts, service and collision repair | $\mathbf{3 . 2 \%}$ |
| Finance, insurance and other | $18.0 \%$ |
| Total revenues | $12.3 \%$ |

## Sonic Automotive, Inc.

Results of Operations (Unaudited)
(Dollars in thousands, except per share data)


## Gross Margin Data (Continuing Operations):

| New retail vehicles | $\mathbf{6 . 1 \%}$ | $6.6 \%$ |
| :--- | :---: | :---: |
| Fleet vehicles | $\mathbf{3 . 1 \%}$ | $3.2 \%$ |
| Total new vehicles | $\mathbf{6 . 0 \%}$ | $6.4 \%$ |
| Used vehicles | $\mathbf{7 . 2 \%}$ | $7.6 \%$ |
| Wholesale vehicles | $\mathbf{( 1 . 4 \% )}$ | $(3.0 \%)$ |
| Parts, service and collision repair | $\mathbf{4 8 . 8 \%}$ | $49.3 \%$ |
| Finance, insurance and other | $\mathbf{1 0 0 . 0 \%}$ | $100.0 \%$ |
| Overall gross margin | $\mathbf{1 5 . 2 \%}$ | $15.8 \%$ |


|  | \$ |  |  |  |
| :---: | :---: | :---: | :---: | :---: |
| Compensation |  | 296,102 | \$ | 272,689 |
| Advertising |  | 26,727 |  | 26,865 |
| Rent and rent related |  | 57,209 |  | 62,455 |
| Other |  | 116,967 |  | 104,100 |
|  | \$ |  |  |  |
| Total |  | 497,005 | \$ | 466,109 |
| SG\&A Expenses as \% of Gross Profit |  | 78.6\% |  | 78.6\% |
| Operating Margin \% |  | 2.7\% |  | 2.9\% |

## Unit Data (Continuing Operations):

| New retail units | $\mathbf{6 4 , 0 8 1}$ | 54,828 |
| :--- | ---: | ---: |
| Fleet units | $\mathbf{3 , 3 3 5}$ | 4,639 |
| Total new units | $\mathbf{6 7 , 4 1 6}$ | 59,467 |
| Used units | $\mathbf{5 4 , 0 7 5}$ | 51,694 |
| Wholesale units | $\mathbf{1 5 , 4 6 5}$ | 11,893 |

Other Data:
Continuing Operations revenue percentage changes:
New retail vehicles 16.9\%
Fleet vehicles
(24.1\%)

Total new vehicles 14.4\%
Used vehicles 6.3\%

Parts, service and collision repair 4.1\%
Finance, insurance and other 19.3\%
Total revenues 10.9\%

Sonic Automotive, Inc.
Earnings Per Share Reconciliation (Unaudited)
(Dollars in thousands, except per share data)

|  | Second Quarter Ended June 30, 2012 |  |  |  |  |  |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
|  |  | Income (Loss) From Continuing Operations |  | Income (Loss) From Discontinued Operations |  | Net Income (Loss) |  |
|  | Weighted Average Shares | Amount |  | Amount |  | Amount |  |
| Earnings (loss) and shares | 52,593 | $\begin{gathered} \$ \\ 27.533 \end{gathered}$ |  | \$ |  | $\begin{gathered} \$ \\ 28 \\ 17 \end{gathered}$ |  |
| Effect of participating |  |  |  |  |  |  |  |
| securities: <br> Non-vested <br> restricted stock and stock units |  | (429) |  | - |  | (429) |  |
| Basic earnings (loss) and |  | \$ | \$ | \$ | \$ | \$ | \$ |
| shares <br> Effect of dilutive securities: | 52,593 | 27,104 | 0.52 | 646 | 0.01 | 27,750 | 0.53 |




