

July 23, 2013



# Sonic Automotive, Inc. Adjusted Diluted EPS Up 11%

## Reaffirms Full Year Guidance

CHARLOTTE, N.C., July 23, 2013 /PRNewswire/ -- Sonic Automotive, Inc. (NYSE: SAH), one of the nation's largest automotive retailers, today reported 2013 second quarter adjusted earnings from continuing operations of \$26.4 million. Adjusted earnings from continuing operations per diluted share increased 11.1% to \$0.50 compared to an adjusted \$0.45 in the prior year quarter. Adjusted results in the second quarter of 2013 exclude a pre-tax charge of approximately \$29.0 million, or \$0.34 per diluted share, related to costs associated with retiring its outstanding 9.0% Senior Subordinated Notes due 2018 (the "9% Notes"). Adjusted results in the second quarter of 2012 exclude a pre-tax charge of approximately \$2.6 million, or \$0.03 per diluted share, related to a loss recorded on the repurchase of \$20.2 million principal amount of Sonic's 5% Convertible Senior Notes and the favorable effect of approximately \$0.06 per fully diluted share related to the settlement of certain tax matters.

## Q2 2013 Highlights

- New retail revenue up 5.1% over prior year quarter
- Pre-owned volume per store per month at 89 units, revenue up 0.8%
- Total revenue up 3.8% compared to the prior year quarter
- Fixed operations gross profit up \$6.5 million, or 4.5%, compared to the prior year quarter
- Finance and insurance gross profit up 8.6% and profit per retail unit of \$1,148
- SG&A to gross profit % was flat at 76.6% compared to prior year quarter
- Completed the retirement of 9% Notes through the issuance of 5%, 10-year notes

B. Scott Smith, the Company's President, noted, "I'm pleased that we grew our earnings per share by more than 11% in the quarter despite our margin challenges associated with our True Price process execution. Our investment strategy remains the same. We continue to focus on investing in our base business, owning our real estate and strengthening our balance sheet."

"In May, we announced the acquisition of Murray Mercedes Benz of Denver and Murray BMW of Denver which we expect to close in the third quarter. Both operations are brands that we operate very well and are in one of the best markets in the country."

"In addition, during June we also executed the most successful bond offering in the Company's history securing 5% financing on \$300.0 million, moving our nearest maturity out to 2022."

"I'm pleased to reiterate our earnings guidance that was originally given at the beginning of the year. We are targeting fully diluted earnings per share from continuing operations at \$1.93-\$2.03 for the full year 2013."

The Company's EVP of Operations, Jeff Dyke, commented, "Training on True Price and the development of our Customer Experience model and related technologies continued in the second quarter. We are learning a great deal. It's been an amazing first six months of the year as we continue to evolve. We have stores within brand lines that are showing substantial growth over the prior year as the stores gain the experience needed to execute our True Price process. We are very excited about the progress and potential that we see in our stores and the feedback we are receiving from our customers as we work toward using technology, process and transparency to enhance trust and eliminate the wasteful time and energy it takes to buy a vehicle."

"We are confident that over the next 18 months the rollout of these processes and the commitment we are making to a seamless, paperless transaction that includes our sales associates handling the entire Customer Experience transaction will provide us with infinite opportunities for growth and a significant competitive advantage. An example of the technologies we are developing for use on Apple's iPhone and iPad products can be found on Apple's website at either: <http://www.apple.com/iphone/business/profiles/sonic-automotive/> or <http://www.apple.com/ipad/business/profiles/sonic-automotive/>."

## **Second Quarter Earnings Conference Call**

Senior management will host a conference call today at 11:00 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](http://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](http://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: 14097096

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: 14097096

## **About Sonic Automotive**

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

Included herein are forward-looking statements, including statements with respect to anticipated growth in used 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, 2012 and quarterly report on Form 10-Q for the period ended March 31, 2013. The Company does not undertake any obligation to update forward-looking information.

**Sonic Automotive, Inc. Results of Operations (Unaudited)**

(Dollars and shares in thousands, except per share amounts)

This release contains certain non-GAAP financial measures (the "Adjusted" columns) as defined under SEC rules, such as, but not limited to, adjusted income from continuing operations and related earnings per share data. The Company has reconciled these measures to the most directly comparable GAAP measures (the "Reported" columns) in the release. The Company believes that these non-GAAP financial measures improve the transparency of the Company's disclosure by providing period-to-period comparability of the Company's results from operations.

	Second Quarter Ended June 30, 2013			Second Quarter Ended June 30, 2012		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues:						
	\$		\$	\$		\$
New retail vehicles	1,199,709	\$ -	1,199,709	1,141,729	\$ -	1,141,729
Fleet vehicles	47,452	-	47,452	43,925	-	43,925
Total new vehicles	1,247,161	-	1,247,161	1,185,654	-	1,185,654
Used vehicles	538,977	-	538,977	534,637	-	534,637
Wholesale vehicles	40,032	-	40,032	42,552	-	42,552
Total vehicles	1,826,170	-	1,826,170	1,762,843	-	1,762,843
Parts, service and collision repair	307,046	-	307,046	295,340	-	295,340
Finance, insurance and other	69,220	-	69,220	63,763	-	63,763
Total revenues	2,202,436	-	2,202,436	2,121,946	-	2,121,946

Gross profit	323,806	-	323,806	312,852	-	312,852
Selling, general and administrative expenses	(248,090)	-	(248,090)	(239,751)	-	(239,751)
Impairment charges	(36)	-	(36)	(33)	-	(33)
Depreciation and amortization	(13,144)	-	(13,144)	(11,210)	-	(11,210)
Operating income (loss)	62,536	-	62,536	61,858	-	61,858
Other income (expense):						
Interest expense, floor plan	(5,591)	-	(5,591)	(4,857)	-	(4,857)
Interest expense, other, net	(14,390)	788	(13,602)	(13,835)	-	(13,835)
Other income (expense), net	(28,265)	28,235	(30)	(2,553)	2,578	25
Total other income (expense)	(48,246)	29,023	(19,223)	(21,245)	2,578	(18,667)
Income (loss) from continuing operations before taxes	14,290	29,023	43,313	40,613	2,578	43,191
Provision for income taxes - benefit (expense)	(5,573)	(11,319)	(16,892)	(11,615)	(4,574)	(16,189)
Income (loss) from continuing operations	8,717	17,704	26,421	28,998	(1,996)	27,002
Income (loss) from discontinued operations	199	-	199	(819)		(819)
Net income (loss)	\$ 8,916	\$ 17,704	\$ 26,620	\$ 28,179	\$ (1,996)	\$ 26,183
Diluted earnings (loss) per common share:						
Earnings (loss) per share from continuing operations	\$ 0.16	\$ 0.34	\$ 0.50	\$ 0.48	\$ (0.03)	\$ 0.45
Earnings (loss) per share from discontinued operations	0.01	(0.01)	-	(0.01)	-	(0.01)
Earnings (loss) per common share	\$ 0.17	\$ 0.33	\$ 0.50	\$ 0.47	\$ (0.03)	\$ 0.44

Weighted average common shares outstanding	52,942		52,942	63,506		63,506
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Gross Margin Data  
(Continuing Operations):

New retail vehicles	5.5%		5.5%	6.0%		6.0%
Fleet vehicles	2.6%		2.6%	2.8%		2.8%
Total new vehicles	5.4%		5.4%	5.9%		5.9%
Used vehicles	7.0%		7.0%	6.7%		6.7%
Wholesale vehicles	(4.9%)		(4.9%)	(2.9%)		(2.9%)
Parts, service and collision repair	49.2%		49.2%	49.0%		49.0%
Finance, insurance and other	100.0%		100.0%	100.0%		100.0%
Overall gross margin	14.7%		14.7%	14.7%		14.7%

SG&A Expenses  
(Continuing Operations):

Compensation	\$ 149,528		\$ 143,508			
Advertising	13,718		12,554			
Rent and rent related	25,927		26,707			
Other	58,917		56,982			
Total SG&A expenses	\$ 248,090	\$ -	\$ 248,090	\$ 239,751	\$ -	\$ 239,751
SG&A expenses as % of gross profit	76.6%		76.6%	76.6%		76.6%
Operating Margin %	2.8%		2.8%	2.9%		2.9%

Unit Data (Continuing Operations):

New retail units	33,685		33,115
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Fleet units	1,717	1,608
Total new units	35,402	34,723
Used units	26,599	26,525
Wholesale units	7,257	7,630

(1) Represents double-carry interest on 9.0% Notes.

(2) Represents loss on extinguishment of 9.0% Notes.

(3) Represents loss on repurchase of a portion of the 5.0% Convertible Notes.

(4) Includes tax adjustments related to the settlement of certain tax matters.

### Sonic Automotive, Inc. Results of Operations (Unaudited)

(Dollars and shares in thousands, except per share amounts)

	Six Months Ended June 30, 2013			Six Months Ended June 30, 2012		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues:						
New retail vehicles	\$ 2,300,818	\$ -	\$ 2,300,818	\$ 2,127,761	\$ -	\$ 2,127,761
Fleet vehicles	89,399	-	89,399	89,283	-	89,283
Total new vehicles	2,390,217	-	2,390,217	2,217,044	-	2,217,044
Used vehicles	1,065,158	-	1,065,158	1,036,501	-	1,036,501
Wholesale vehicles	91,825	-	91,825	86,225	-	86,225
Total vehicles	3,547,200	-	3,547,200	3,339,770	-	3,339,770
Parts, service and collision repair	603,689	-	603,689	587,895	-	587,895

Finance, insurance and other	134,714	-	134,714	121,347	-	121,347
Total revenues	4,285,603	-	4,285,603	4,049,012	-	4,049,012
Gross profit	636,826	-	636,826	616,606	-	616,606
Selling, general and administrative expenses	(493,914)	-	(493,914)	(476,900)	-	(476,900)
Impairment charges	(51)	-	(51)	(34)	-	(34)
Depreciation and amortization	(25,278)	-	(25,278)	(22,105)	-	(22,105)
Operating income (loss)	117,583	-	117,583	117,567	-	117,567
Other income (expense):						
Interest expense, floor plan	(10,804)	-	(10,804)	(9,120)	-	(9,120)
Interest expense, other, net	(28,749)	788	(1) (27,961)	(30,244)	-	(30,244)
Other income (expense), net	(28,170)	28,235	(2) 65	(2,533)	2,578	(3) 45
Total other income (expense)	(67,723)	29,023	(38,700)	(41,897)	2,578	(39,319)
Income (loss) from continuing operations before taxes	49,860	29,023	78,883	75,670	2,578	78,248
Provision for income taxes - benefit (expense)	(19,445)	(11,319)	(30,764)	(25,527)	(4,574)	(4) (30,101)
Income (loss) from continuing operations	30,415	17,704	48,119	50,143	(1,996)	48,147
Income (loss) from discontinued operations	(208)	-	(208)	(1,466)	-	(1,466)
Net income (loss)	\$ 30,207	\$ 17,704	\$ 47,911	\$ 48,677	\$ (1,996)	\$ 46,681

Diluted earnings (loss) per common share:

Earnings (loss) per share from continuing operations	\$ 0.57	\$ 0.33	\$ 0.90	\$ 0.83	\$ (0.03)	\$ 0.80
Earnings (loss) per share from discontinued operations	-	-	-	(0.02)	-	(0.02)
Earnings (loss) per common share	<u>\$ 0.57</u>	<u>\$ 0.33</u>	<u>\$ 0.90</u>	<u>\$ 0.81</u>	<u>\$ (0.03)</u>	<u>\$ 0.78</u>
Weighted average common shares outstanding	52,937		52,937	63,963		63,963

Gross Margin Data  
(Continuing  
Operations):

New retail vehicles	5.7%		5.7%	6.2%		6.2%
Fleet vehicles	2.8%		2.8%	3.1%		3.1%
Total new vehicles	5.6%		5.6%	6.0%		6.0%
Used vehicles	7.1%		7.1%	7.2%		7.2%
Wholesale vehicles	(3.4%)		(3.4%)	(1.2%)		(1.2%)
Parts, service and collision repair	48.9%		48.9%	48.9%		48.9%
Finance, insurance and other	100.0%		100.0%	100.0%		100.0%
Overall gross margin	14.9%		14.9%	15.2%		15.2%

SG&A Expenses  
(Continuing  
Operations):

Compensation	\$ 298,108			\$ 285,692		
Advertising	27,150			24,609		
Rent and rent related	52,324			53,493		
Other	116,332			113,106		



Total SG&A expenses	\$ 493,914	\$ -	\$ 493,914	\$ 476,900	\$ -	\$ 476,900
SG&A expenses as % of gross profit	77.6%		77.6%	77.3%		77.3%
Operating Margin %	2.7%		2.7%	2.9%		2.9%
Unit Data (Continuing Operations):						
New retail units	64,275			61,605		
Fleet units	3,210			3,291		
Total new units	67,485			64,896		
Used units	53,068			52,003		
Wholesale units	15,650			14,805		

(1) Represents double-carry interest on 9.0% Notes.

(2) Represents loss on extinguishment of 9.0% Notes.

(3) Represents loss on repurchase of a portion of the 5.0% Convertible Notes.

(4) Includes tax adjustments related to the settlement of certain tax matters.

### Sonic Automotive, Inc. Results of Operations (Unaudited)

(Dollars and shares in thousands, except per share amounts)

#### Second Quarter Ended June 30, 2013

	Income (Loss)	Income (Loss)	
	From Continuing	From Discontinued	
	Operations	Operations	Net Income (Loss)

	Weighted Average Shares	Per Share Amount	Per Share Amount	Per Share Amount	Per Share Amount	Per Share Amount
Reported:						
Earnings (loss) and shares	52,597	\$ 8,717	\$ 199	\$ 8,916		
Effect of participating securities:						
Non-vested restricted stock and stock units		(71)	-	(71)		
Basic earnings (loss) and shares	52,597	\$ 8,646	\$ 0.16	\$ 199	\$ 0.01	\$ 8,845
Effect of dilutive securities:						
Stock compensation plans	345					
Diluted earnings (loss) and shares	52,942	\$ 8,646	\$ 0.16	\$ 199	\$ 0.01	\$ 8,845
Adjustments (net of tax):						
Double-carry Interest		\$ 481	\$ 0.01	\$ -	\$ -	\$ 481
Debt Extinguishment Charges		17,223	0.33	-	-	17,223
Effect of Two-class Method & Rounding		-	-	-	(0.01)	-
Total adjustments		\$ 17,704	\$ 0.34	\$ -	\$ (0.01)	\$ 17,704
Adjusted:						
Diluted earnings (loss) per share			\$ 0.50	\$ -		\$ 0.50

Second Quarter Ended June 30, 2012

Income (Loss)

Income (Loss)

	Weighted Average Shares	From Continuing		From Discontinued		Net Income (Loss)	
		Operations		Operations			
		Per	Per	Per	Per	Per	Per
		Share	Share	Share	Share	Share	Share
	Amount	Amount	Amount	Amount	Amount	Amount	
Reported:							
Earnings (loss) and shares	52,593	\$ 28,998		\$ (819)		\$ 28,179	
Effect of participating securities:							
Non-vested restricted stock and stock units		(452)		-		(452)	
Basic earnings (loss) and shares	52,593	\$ 28,546	\$ 0.54	\$ (819)	\$ (0.01)	\$ 27,727	\$ 0.53
Effect of dilutive securities:							
Contingently convertible debt (5.0% Convertible Notes)	10,535	1,856		33		1,889	
Stock compensation plans	378						
Diluted earnings (loss) and shares	63,506	\$ 30,402	\$ 0.48	\$ (786)	\$ (0.01)	\$ 29,616	\$ 0.47
Adjustments (net of tax):							
Debt Extinguishment Charges		\$ 1,572	\$ 0.03	\$ -	\$ -	\$ 1,572	\$ 0.03
Settlement of Tax Matters		(3,568)	(0.06)	-	-	(3,568)	(0.06)
Total adjustments		\$ (1,996)	\$ (0.03)	\$ -	\$ -	\$ (1,996)	\$ (0.03)
Adjusted:							
Diluted earnings (loss) per share			\$ 0.45		\$ (0.01)		\$ 0.44

**Six Months Ended June 30, 2013**

	Income (Loss)		Income (Loss)		Net Income (Loss)	
	From Continuing		From Discontinued			
	Operations		Operations			
Weighted	Per		Per		Per	
Average	Share		Share		Share	
Shares	Amount	Amount	Amount	Amount	Amount	Amount
Reported:						
Earnings (loss) and shares	52,591	\$ 30,415	\$ (208)		\$ 30,207	
Effect of participating securities:						
Non-vested restricted stock and stock units		(237)	-		(237)	
Basic earnings (loss) and shares	52,591	\$ 30,178	\$ 0.57	\$ (208)	\$ -	\$ 29,970
Effect of dilutive securities:						
Stock compensation plans	346					
Diluted earnings (loss) and shares	52,937	\$ 30,178	\$ 0.57	\$ (208)	\$ -	\$ 29,970
Adjustments (net of tax):						
Double-carry Interest		\$ 481	\$ 0.01	\$ -	\$ -	\$ 481
Debt Extinguishment Charges		17,223	0.33	-	-	17,223
Effect of Two-class Method & Rounding		-	(0.01)	-	-	-
Total adjustments		\$ 17,704	\$ 0.33	\$ -	\$ -	\$ 17,704
Adjusted:						

Diluted earnings (loss) per share	\$ 0.90	\$ -	\$ 0.90
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**Six Months Ended June 30, 2012**

	Weighted Average Shares	Income (Loss) From Continuing Operations		Income (Loss) From Discontinued Operations		Net Income (Loss)	
		Amount	Per Share Amount	Amount	Per Share Amount	Amount	Per Share Amount
Reported:							
Earnings (loss) and shares	52,409	\$ 50,143		\$ (1,466)		\$ 48,677	
Effect of participating securities:							
Non-vested restricted stock and stock units		(777)		-		(777)	
Basic earnings (loss) and shares	52,409	\$ 49,366	\$ 0.94	\$ (1,466)	\$ (0.03)	\$ 47,900	\$ 0.91
Effect of dilutive securities:							
Contingently convertible debt (5.0% Convertible Notes)	11,106	3,981		80		4,061	
Stock compensation plans	448						
Diluted earnings (loss) and shares	63,963	\$ 53,347	\$ 0.83	\$ (1,386)	\$ (0.02)	\$ 51,961	\$ 0.81
Adjustments (net of tax):							
Debt Extinguishment Charges		\$ 1,572	\$ 0.03	\$ -	\$ -	\$ 1,572	\$ 0.03
Settlement of Tax Matters		(3,568)	(0.06)	-	-	(3,568)	(0.06)

	_____	_____	_____	_____	_____	_____
	\$	\$	\$		\$	\$
Total adjustments	(1,996)	(0.03)	-	-	(1,996)	(0.03)
Adjusted:						
		_____		_____		_____
Diluted earnings (loss) per share		\$ 0.80		\$ (0.02)		\$ 0.78
		_____		_____		_____

SOURCE Sonic Automotive, Inc.