

February 28, 2012



# **Sonic Automotive, Inc. Profits up 46%**

## **Record Revenues Exceed Industry Growth; SG&A at 4 Year Low**

CHARLOTTE, N.C., Feb. 28, 2012 /PRNewswire/ -- Sonic Automotive, Inc. (NYSE: SAH), one of the nation's largest automotive retailers, today reported 2011 fourth quarter adjusted earnings from continuing operations of \$25.4 million for a 46% increase over the prior year adjusted results. Adjusted earnings per diluted share increased 43% to \$0.43 compared to \$0.30 in the prior year quarter. The adjustments for both periods, which include primarily impairment and legal settlement charges in 2011 and income tax benefits and impairment charges in 2010, are detailed further in the attached tables.

For the full year 2011, the Company reported adjusted earnings from continuing operations of \$1.39 per diluted share compared to \$0.99 per diluted share in the prior year. The adjustments for both periods are detailed further in the attached tables.

### **2011 Highlights – New retail volume outpaces industry; Record Used Vehicle Growth; Expense leverage continues**

- Total Q4 revenues up 12% over prior year quarter; Up 14% for full year
- New vehicle retail volume up 15% in Q4; Exceeds industry growth of 10%
- Used vehicle volume up 11% for the quarter; Up 14% for full year; Record annual sales volume
- Parts and Service revenue up 3% in Q4; Up 5% for full year; Record sales volume
- Adjusted SG&A to gross profit down 220 bps to 76.6% for the quarter

Commenting on the overall results, Jeff Dyke, the Company's EVP of Operations noted, "Our new and used volume growth continues to exceed industry averages as our team implements our operating playbook strategy. Our team's focus on used car processes has produced double-digit volume growth for 11 consecutive quarters. This translates into a 15% compound annual growth rate over the last 4 years. We continue to believe there are significant future growth opportunities throughout the business as we continue the implementation of our strategic initiatives. The top line growth continued to drive incremental gross profit dollars which allowed us to further leverage our expense structure with fourth quarter adjusted SG&A to gross profit coming in at 76.6% which is the lowest level in several years."

### **2012 Outlook**

Commenting on the fourth quarter and the 2012 outlook, B. Scott Smith, the Company's President, said, "Sonic Automotive wrapped up one of the strongest years in our Company's

history. We have proven that our single-minded focus on delivering predictable, repeatable and sustainable processes through our Playbooks, coupled with our culture and plain, old-fashioned teamwork can produce superior results without the integration risk of acquisitions.

We expect to see continued steady growth in the automotive retailing sector and are targeting 2012 new vehicle industry volume of 13.5 million units. We currently expect earnings per share from continuing operations of between \$1.55 and \$1.65 for the full year 2012. We will have further comments on our 2012 outlook on our earnings call later today."

#### **Fourth 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".

A live audio of the call will be accessible to the public by calling (877) 791-3416. International callers dial (706) 643-0958. Callers should dial in approximately 10 minutes before the call begins.

A conference call replay will be available one hour following the call for seven days and can be accessed by calling: 800-585-8367, Conference ID: 14200, International callers dial (404) 537-3406.

#### **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 [www.sonicautomotive.com](http://www.sonicautomotive.com).

Included herein are forward-looking statements, including statements with respect to growth in new and used vehicle sales, future success and impacts from the implementation of our strategic initiatives, future new vehicle industry volume and expected earnings per share.

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 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, 2010 and the quarterly report on Form 10-Q for the quarter ending September 30, 2011. The Company does not undertake any obligation to update forward-looking information.

**Sonic Automotive, Inc.**

**Results of Operations (Unaudited)**

(In thousands, except per share, unit data and percentage amounts)

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This release contains certain non-GAAP financial measures as defined under SEC rules, such as, but not limited to, adjusted income from continuing operations, related earnings per share data and adjusted EBITDA. The Company has reconciled these measures to the most directly comparable GAAP measures 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.

	Three Months Ended December 31,			Three Months Ended December 31,		
	2011	2011	2011	2010	2010	2010
	As Reported	Adjustments	As Adjusted	As Reported	Adjustments	As Adjusted
<b>Revenues</b>						
	\$	\$	\$	\$	\$	\$
New retail vehicles	1,134,337	-	1,134,337	975,849	-	975,849
Fleet vehicles	51,335	-	51,335	58,363	-	58,363
Total new vehicles	1,185,672	-	1,185,672	1,034,212	-	1,034,212
Used vehicles	488,152	-	488,152	437,258	-	437,258
Wholesale vehicles	48,141	-	48,141	40,705	-	40,705
Total vehicles	1,721,965	-	1,721,965	1,512,175	-	1,512,175
Parts, service and collision repair	292,400	-	292,400	285,357	-	285,357
Finance, insurance and other	56,433	-	56,433	47,361	-	47,361
Total revenues	2,070,798	-	2,070,798	1,844,893	-	1,844,893
Total gross profit	305,295	-	305,295	284,525	-	284,525
Selling, general and administrative expenses	(240,779)	6,816	(233,963)	(224,155)	-	(224,155)
Impairment charges	(991)	991	-	(117)	117	-
Depreciation and amortization	(10,586)	-	(10,586)	(9,381)	-	(9,381)
Operating income (loss)	52,939	7,807	60,746	50,872	117	50,989
Interest expense, floor plan	(4,871)	-	(4,871)	(5,921)	-	(5,921)
Interest expense, other, net	(14,697)	-	(14,697)	(15,319)	-	(15,319)
Interest expense, non-cash, convertible debt	(1,574)	-	(1,574)	(1,739)	-	(1,739)
Interest expense / amortization, non-cash, cash flow swaps	(161)	-	(161)	519	(519)	-
Other income (expense), net	(277)	-	(277)	(3)	-	(3)
Income (loss) from continuing operations before taxes	31,359	7,807	39,166	28,409	(402)	28,007
Provision for income taxes - benefit (expense)	(10,988)	(2,733)	(13,721)	37,409	(48,006)	(10,597)
Income (loss) from continuing operations	20,371	5,074	25,445	65,818	(48,408)	17,410
Income (loss) from discontinued operations	167	284	451	(1,464)	602	(862)
	\$	\$	\$	\$	\$	\$
Net income (loss)	20,538	5,358	25,896	64,354	(47,806)	16,548
<b>Diluted:</b>						
Weighted average common shares outstanding	64,467	-	64,467	66,042	-	66,042
Earnings (loss) per share from continuing operations	\$ 0.35	\$ 0.08	\$ 0.43	\$ 1.02	\$ (0.72)	\$ 0.30
Earnings (loss) per share from discontinued operations	-	-	-	(0.02)	-	(0.02)
	\$	\$	\$	\$	\$	\$
Earnings (loss) per share	0.35	0.08	0.43	1.00	(0.72)	0.28
<b>Gross Margin Data (Continuing Operations):</b>						
New retail vehicles	6.2%		6.2%	6.5%		6.5%
Fleet vehicles	3.3%		3.3%	3.5%		3.5%
Total new vehicles	6.1%		6.1%	6.3%		6.3%
Used vehicles	7.1%		7.1%	7.3%		7.3%
Wholesale vehicles	(2.2%)		(2.2%)	(2.7%)		(2.7%)
Parts, service and collision repair	49.1%		49.1%	49.4%		49.4%
Finance, insurance and other	100.0%		100.0%	100.0%		100.0%
Overall gross margin	14.7%		14.7%	15.4%		15.4%
<b>SG&amp;A Expenses (Continuing Operations):</b>						
	\$			\$		
Personnel	139,217			130,467		
Advertising	12,114			10,463		
Rent and rent related	30,648			32,204		

Other	58,800			51,021		
	\$	\$	\$	\$	\$	\$
Total	240,779	(6,816)	233,963	224,155	-	224,155
<b>SG&amp;A Expenses as % of Gross Profit</b>	<b>78.9%</b>		<b>76.6%</b>	<b>78.8%</b>		<b>78.8%</b>
<b>Operating Margin %</b>	<b>2.6%</b>		<b>2.9%</b>	<b>2.8%</b>		<b>2.8%</b>
<b>Unit Data (Continuing Operations):</b>						
New retail units	30,928			27,011		
Fleet units	1,940			2,289		
Total new units	32,868			29,300		
Used units	23,880			21,429		
Wholesale units	7,304			6,501		
<b>Other Data:</b>						
Continuing Operations revenue percentage changes:						
New retail vehicles	16.2%			20.2%		
Fleet vehicles	(12.0%)			14.9%		
Total new vehicles	14.6%			19.9%		
Used vehicles	11.6%			18.2%		
Parts, service and collision repair	2.5%			8.0%		
Finance, insurance and other	19.2%			24.2%		
Total revenues	12.2%			17.0%		

Description of Adjustments:	2011	2010
Continuing Operations:		
Lease exit adjustments and legal settlement charges	\$ 6,816	\$ -
Property impairment charges	991	117
Cash-flow swap ineffectiveness and amortization	-	(519)
	\$	
Total pre-tax adjustments	7,807	(402)
Tax effect of above items	(2,733)	152
Valuation allowance recovery	-	(48,158)
	\$	\$
Total adjustments	5,074	(48,408)
Discontinued Operations:		
	\$	\$
Lease exit adjustments	(798)	859
Total pre-tax adjustments	(798)	859
Tax effect of above items	1,082	(257)
	\$	\$
Total adjustments	284	602

#### Sonic Automotive, Inc.

#### Results of Operations (Unaudited)

(In thousands, except per share, unit data and percentage amounts)

This release contains certain non-GAAP financial measures as defined under SEC rules, such as, but not limited to, adjusted income from continuing operations, related earnings per share data and adjusted EBITDA. The Company has reconciled these measures to the most directly comparable GAAP measures 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.

Year Ended December 31,

Year Ended December 31,

	2011 As Reported	2011 Adjustments	2011 As Adjusted	2011 As Reported	2011 Adjustments	2011 As Adjusted
<b>Revenues</b>						
	\$	\$	\$	\$	\$	\$
New retail vehicles	4,037,066	-	4,037,066	3,438,988	-	3,438,988
Fleet vehicles	223,204	-	223,204	207,212	-	207,212
Total new vehicles	4,260,270	-	4,260,270	3,646,200	-	3,646,200
Used vehicles	2,037,348	-	2,037,348	1,776,581	-	1,776,581
Wholesale vehicles	173,569	-	173,569	149,041	-	149,041
Total vehicles	6,471,187	-	6,471,187	5,571,822	-	5,571,822
Parts, service and collision repair	1,181,643	-	1,181,643	1,128,054	-	1,128,054
Finance, insurance and other	218,444	-	218,444	180,968	-	180,968
Total revenues	7,871,274	-	7,871,274	6,880,844	-	6,880,844
Total gross profit	1,209,119	-	1,209,119	1,114,678	-	1,114,678
Selling, general and administrative expenses	(952,436)	6,816	(945,620)	(896,697)	647	(896,050)
Impairment charges	(1,151)	1,151	-	(249)	249	-
Depreciation and amortization	(40,684)	-	(40,684)	(35,110)	-	(35,110)
Operating income (loss)	214,848	7,967	222,815	182,622	896	183,518
Interest expense, floor plan	(19,639)	-	(19,639)	(21,536)	-	(21,536)
Interest expense, other, net	(60,682)	-	(60,682)	(63,343)	1,464	(61,879)
Interest expense, non-cash, convertible debt	(6,724)	-	(6,724)	(6,914)	-	(6,914)
Interest expense / amortization, non-cash, cash flow swaps	(760)	-	(760)	(4,883)	4,883	-
Other income (expense), net	(1,014)	-	(1,014)	(7,525)	7,665	140
Income (loss) from continuing operations before taxes	126,029	7,967	133,996	78,421	14,908	93,329
Provision for income taxes - benefit (expense)	(48,382)	(3,059)	(51,441)	17,504	(53,985)	(36,481)
Income (loss) from continuing operations	77,647	4,908	82,555	95,925	(39,077)	56,848
Income (loss) from discontinued operations	(1,393)	(387)	(1,780)	(5,996)	625	(5,371)
	\$	\$	\$	\$	\$	\$
Net income (loss)	76,254	4,521	80,775	89,929	(38,452)	51,477
<b>Diluted:</b>						
Weighted average common shares outstanding	65,464	-	65,464	65,794	-	65,794
Earnings (loss) per share from continuing operations	\$ 1.31	\$ 0.08	\$ 1.39	\$ 1.58	\$ (0.59)	\$ 0.99
Earnings (loss) per share from discontinued operations	(0.02)	(0.01)	(0.03)	(0.09)	0.01	(0.08)
	\$	\$	\$	\$	\$	\$
Earnings (loss) per share	1.29	0.07	1.36	1.49	(0.58)	0.91
<b>Gross Margin Data (Continuing Operations):</b>						
New retail vehicles	6.5%		6.5%	6.7%		6.7%
Fleet vehicles	3.2%		3.2%	3.0%		3.0%
Total new vehicles	6.3%		6.3%	6.5%		6.5%
Used vehicles	7.2%		7.2%	7.9%		7.9%
Wholesale vehicles	(3.3%)		(3.3%)	(3.4%)		(3.4%)
Parts, service and collision repair	49.1%		49.1%	49.8%		49.8%
Finance, insurance and other	100.0%		100.0%	100.0%		100.0%
Overall gross margin	15.4%		15.4%	16.2%		16.2%
<b>SG&amp;A Expenses (Continuing Operations):</b>						
	\$			\$		
Personnel	554,378			524,972		
Advertising	53,311			46,908		
Rent and rent related	124,917			129,354		
Other	219,830			195,463		
	\$	\$	\$	\$	\$	\$
Total	952,436	(6,816)	945,620	896,697	(647)	896,050
<b>SG&amp;A Expenses as % of Gross Profit</b>	<b>78.8%</b>		<b>78.2%</b>	<b>80.4%</b>		<b>80.4%</b>

<b>Operating Margin %</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>2.7%</b>
<b>Unit Data (Continuing Operations):</b>				
New retail units	<b>114,132</b>		98,820	
Fleet units	<b>8,626</b>		8,331	
Total new units	<b>122,758</b>		107,151	
Used units	<b>102,874</b>		90,290	
Wholesale units	<b>26,630</b>		24,128	
<b>Other Data:</b>				
Continuing Operations revenue percentage changes:				
New retail vehicles	<b>17.4%</b>		14.1%	
Fleet vehicles	<b>7.7%</b>		(3.6%)	
Total new vehicles	<b>16.8%</b>		12.9%	
Used vehicles	<b>14.7%</b>		22.4%	
Parts, service and collision repair	<b>4.8%</b>		5.2%	
Finance, insurance and other	<b>20.7%</b>		17.0%	
Total revenues	<b>14.4%</b>		13.6%	

Description of Adjustments:	2011	2010
Continuing Operations:		
	\$	\$
Hail storm related expenses	-	647
Lease exit adjustments and legal settlement charges	6,816	-
Property impairment charges	1,151	249
Cash-flow swap ineffectiveness and amortization	-	4,883
Debt restructuring charges	-	1,464
Loss on debt extinguishment	-	7,665
	\$	\$
Total pre-tax adjustments	7,967	14,908
Tax effect of above items	(3,059)	(5,827)
Valuation allowance recovery	-	(48,158)
	\$	\$
Total adjustments	<u>4,908</u>	<u>(39,077)</u>
Discontinued Operations:		
	\$	\$
Lease exit adjustments	(798)	859
	\$	\$
Total pre-tax adjustments	(798)	859
Tax effect of above items	411	(234)
	\$	\$
Total adjustments	<u>(387)</u>	<u>625</u>

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

Three Months Ended December 31, 2011							
As Reported:	Weighted Average Shares	Income		Loss From Discontinued Operations		Net Income	
		From Continuing Operations		From Discontinued Operations		Net Income	
		Per Share	Per Share	Per Share	Per Share	Per Share	Per Share
		Amount	Amount	Amount	Amount	Amount	Amount

		\$		\$		\$	
Earnings (loss) and shares	52,194	20,371		167		20,538	
Effect of participating securities:							
Non-vested restricted stock and stock units	-	(266)		-		(266)	
		\$	\$	\$	\$	\$	\$
Basic earnings (loss) and shares	52,194	20,105	0.39	167	-	20,272	0.39
Effect of dilutive securities:							
Contingently convertible debt (5.0% Convertible Notes)	11,713	2,330		-		2,330	
Stock compensation plans	560						
		\$	\$	\$	\$	\$	\$
Diluted earnings (loss) and shares	64,467	22,435	0.35	167	-	22,602	0.35
Adjustments (net of tax):							
Lease exit adjustments and legal settlement charges		\$ 4,430	\$ 0.07	\$ 284	\$ -	\$ 4,714	\$ 0.07
Property impairment charges		644	0.01	-	-	644	0.01
		\$	\$	\$	\$	\$	\$
Total adjustments		5,074	0.08	284	-	5,358	0.08
Adjusted:							
		\$		\$		\$	
Diluted earnings (loss) per share		0.43		-		0.43	

Three Months Ended December 31, 2010							
	Weighted Average Shares	Income		Loss From		Net Income	
		From Continuing Operations		Discontinued Operations			
		Amount	Per Share Amount	Amount	Per Share Amount	Amount	Per Share Amount
As Reported:							
Earnings (loss) and shares	52,401	\$ 65,818		\$ (1,464)		\$ 64,354	
Effect of participating securities:							
Non-vested restricted stock and stock units	-	(630)		-		(630)	
		\$	\$	\$	\$	\$	\$
Basic earnings (loss) and shares	52,401	65,188	1.24	(1,464)	(0.02)	63,724	1.22
Effect of dilutive securities:							
Contingently convertible debt (5.0% Convertible Notes)	12,890	2,313		3		2,316	
Stock compensation plans	751						
		\$	\$	\$	\$	\$	\$
Diluted earnings (loss) and shares	66,042	67,501	1.02	(1,461)	(0.02)	66,040	1.00
Adjustments (net of tax):							
Property impairment charges		\$ 73	\$ -	\$ -	\$ -	\$ 73	\$ -
Cash-flow swap ineffectiveness and amortization		(323)	-	-	-	(323)	-
Lease exit adjustments		-	-	602	-	602	-
Valuation allowance recovery		(48,158)	(0.72)	-	-	(48,158)	(0.72)
		\$	\$	\$	\$	\$	\$
Total adjustments		(48,408)	(0.72)	602	-	(47,806)	(0.72)
Adjusted:							
		\$		\$		\$	
Diluted earnings (loss) per share		0.30		(0.02)		0.28	

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

		Year Ended December 31, 2011					
		Income		Loss From		Net Income	
		From Continuing Operations		Discontinued Operations			
		Weighted Average Shares	Per Share Amount	Per Share Amount	Per Share Amount	Amount	Per Share Amount
As Reported:							
	Earnings (loss) and shares	52,358	\$ 77,647	\$ (1,393)		\$ 76,254	
	Effect of participating securities:						
	Non-vested restricted stock and stock units	-	(958)	-		(958)	
			\$	\$	\$	\$	\$
	Basic earnings (loss) and shares	52,358	76,689	1.46	(1,393)	(0.02)	75,296 1.44
	Effect of dilutive securities:						
	Contingently convertible debt (5.0% Convertible Notes)	12,517	9,300	-		9,300	
	Stock compensation plans	589					
			\$	\$	\$	\$	\$
	Diluted earnings (loss) and shares	65,464	85,989	1.31	(1,393)	(0.02)	84,596 1.29
Adjustments (net of tax):							
	Lease exit adjustments and legal settlement charges		\$ 4,199	\$ 0.07	\$ (387)	\$ (0.01)	\$ 3,812 0.06
	Property impairment charges		709	0.01	-	-	709 0.01
			\$	\$	\$	\$	\$
	Total adjustments		4,908	0.08	(387)	(0.01)	4,521 0.07
Adjusted:							
			\$	\$	\$	\$	\$
	Diluted earnings (loss) per share		1.39		(0.03)		1.36

		Year Ended December 31, 2010					
		Income		Loss From		Net Income	
		From Continuing Operations		Discontinued Operations			
		Weighted Average Shares	Per Share Amount	Per Share Amount	Per Share Amount	Amount	Per Share Amount
As Reported:							
	Earnings (loss) and shares	52,214	\$ 95,925	\$ (5,996)		\$ 89,929	
	Effect of participating securities:						
	Non-vested restricted stock and stock units	-	(921)	-		(921)	
			\$	\$	\$	\$	\$
	Basic earnings (loss) and shares	52,214	95,004	1.82	(5,996)	(0.12)	89,008 1.70
	Effect of dilutive securities:						
	Contingently convertible debt (5.0% Convertible Notes)	12,890	9,022	31		9,053	
	Stock compensation plans	690					
			\$	\$	\$	\$	\$
	Diluted earnings (loss) and shares	65,794	104,026	1.58	(5,965)	(0.09)	98,061 1.49
Adjustments (net of tax):							
	Hail storm related expenses		\$ 394	\$ -	\$ -	\$ -	\$ 394 -



Property impairment charges	152	-	-	-	152	-
Cash-flow swap ineffectiveness and amortization	2,974	0.05	-	-	2,974	0.05
Debt restructuring charges	892	0.01	-	-	892	0.01
Loss on debt extinguishment	4,669	0.07	-	-	4,669	0.07
Lease exit adjustments	-	-	625	0.01	625	0.01
Valuation allowance recovery	(48,158)	(0.72)	-	-	(48,158)	(0.72)
	\$	\$	\$	\$	\$	\$
Total adjustments	(39,077)	(0.59)	625	0.01	(38,452)	(0.58)

Adjusted:

	\$	\$	\$	\$	\$	\$
Diluted earnings (loss) per share	0.99			(0.08)		0.91

SOURCE Sonic Automotive, Inc.