

February 27, 2018



# Sonic Automotive, Inc. Reports Fourth Quarter Results

## All-Time Record Revenue and Gross Profit - Increases Dividend

CHARLOTTE, N.C., Feb. 27, 2018 /PRNewswire/ -- Sonic Automotive, Inc. (NYSE: SAH), one of the nation's largest automotive retailers, today reported financial results for the fourth quarter and the full year of 2017.

- All-time record revenue and gross profit in the fourth quarter of 2017 of \$2.7 billion and \$384.1 million, respectively
- All-time record revenue and gross profit in the full year of 2017 of \$9.9 billion and \$1.5 billion, respectively
- Record annual retail unit sales in 2017 of 257,217 units
- Record F&I gross profit per retail unit of \$1,473 and \$1,411 for the fourth quarter and the full year of 2017, respectively
- Benefit of \$28.4 million related to the 2017 Tax Cuts and Jobs Act
- 20% increase in the quarterly dividend to \$0.06 per share

## Fourth Quarter and Full Year 2017 Results

### GAAP Basis

Net income from continuing operations for the fourth quarter of 2017 was \$62.1 million, or \$1.42 per diluted share. These results include a benefit of approximately \$28.4 million related to the change in the federal income tax rate from 35% to 21% in future periods and other items discussed below. Comparatively, net income from continuing operations for the fourth quarter of 2016 was \$38.0 million, or \$0.84 per diluted share.

Net income from continuing operations for the full year of 2017 was \$94.2 million, or \$2.12 per diluted share. The full year results for 2017 also include the benefit related to the federal income tax rate change. Comparatively, net income from continuing operations for the full year of 2016 was \$94.5 million, or \$2.06 per diluted share.

### Adjusted Basis

Adjusted net income from continuing operations and related earnings per diluted share are non-GAAP financial measures. The schedules included in this press release reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures.

Adjusted net income from continuing operations for the fourth quarter of 2017 was \$36.6 million, or \$0.84 per diluted share. The adjustments in the 2017 quarterly period relate to the benefit of the change in the federal income tax rate in future periods, a gain related to the

disposal of franchises, adjustments to physical damage accruals and charges related to fixed asset and franchise asset impairments and legal matters. Adjusted net income from continuing operations for the fourth quarter of 2016 was \$29.8 million, or \$0.66 per diluted share. The adjustments in the 2016 quarterly period relate to gains for a settlement with an original equipment manufacturer ("OEM") and the adjustment of physical damage loss accruals, offset partially by losses related to fixed asset impairments and lease exit charges.

Adjusted net income from continuing operations for the full year of 2017 was \$82.2 million, or \$1.85 per diluted share. The adjustments in the 2017 annual period relate to the benefit of the change in the federal income tax rate in future periods, gains related to the disposal of franchises and charges related to fixed asset and franchise asset impairments, debt refinance costs and legal matters. Adjusted net income from continuing operations for the full year of 2016 was \$92.3 million, or \$2.01 per diluted share. The adjustments in the 2016 annual period relate to gains for a settlement with an OEM, partially offset by charges related to physical damage losses, lease exit charges and fixed asset impairments.

### Commentary

Jeff Dyke, the Company's Executive Vice President of Operations, noted, "It was another outstanding fourth quarter as we excelled in the execution of our business model. We are very excited about the progress our team continues to make in executing our playbooks across all areas of our business. It is also important to note that our EchoPark business grew by nearly 167%, or over 2,800 units, for the quarter. We sold over 10,600 units for the year with nearly 4,500 units retailed in the fourth quarter as our business model is accelerating volume at a rapid pace. This represents a 100% increase in volume for EchoPark year-over-year. We expect our EchoPark brand to sell in the range of 25,000 cars in 2018, more than doubling 2017 volume. In just a few years, the EchoPark brand has become nearly 20% of Sonic's total pre-owned volume, and, given the volume increase we are experiencing with our model, we fully expect EchoPark to eclipse the volume we currently produce in our Sonic franchised dealerships over the next few years."

B. Scott Smith, the Company's Chief Executive Officer, noted, "We are proud to report all-time record revenues and gross profits in both the fourth quarter and full year of 2017. We value the partnerships we have with our manufacturers and their willingness and ability to continue to offer incentives driving the level of retail activity we've experienced. This level of retail activity enabled us to sell more vehicles than we ever have. We are also pleased to be able to return more capital to stockholders by increasing our quarterly dividend 20% to \$0.06 per share."

B. Scott Smith continued, "Our plans in 2018 include growth in both our franchised and pre-owned businesses with several luxury open points being added in the Atlanta and Houston markets and multiple EchoPark openings in our Pre-Owned Stores Segment. In addition to the two EchoPark stores which have opened in the last 60 days in the San Antonio market, we expect to open a third store in San Antonio, two stores in the Charlotte market, and our first EchoPark store in Houston during 2018. The vast majority of our capital spending in 2018 will support the expansion of our EchoPark brand."

B. Scott Smith added, "We are continually evaluating the landscape of human mobility and the risks and opportunities that are on the horizon that may reshape our business. We believe the dealership model will continue to serve as the primary resource for consumers

for quite some time, but as consumers gravitate toward and accept other sources of mobility, we want to position Sonic to participate in those offerings. This would include partnerships or relationships with ride hailing, fractional ownership, subscription service or manufacturer promoted programs that satisfy a customer demand or need."

## **2018 Outlook**

B. Scott Smith also noted, "We anticipate new vehicle industry volume to be between 16.75 million and 17.0 million units. We project diluted earnings per share from continuing operations for 2018 to be between \$2.21 and \$2.45 per share. This range includes the effect of projected results and expansion of our Pre-Owned Stores Segment, which includes EchoPark. We are projecting a loss related to our Pre-Owned Stores Segment for 2018 of between \$0.08 and \$0.12 per diluted share. Prior to the change in the federal income tax rate, we expected our annual effective income tax rate to range between 38% and 40% each year. Going forward, and included in our 2018 estimate, we expect our annual effective income tax rate to range between 26% and 28% each year. We will have additional comments on our 2018 outlook in our earnings call later today."

## **Dividend**

Sonic's Board of Directors approved a quarterly dividend of \$0.06 per share payable in cash for our stockholders of record on March 15, 2018. The dividend will be payable on April 13, 2018.

## **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."

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

Domestic: (877) 450-3867  
International: (706) 643-0958  
Conference ID: 1288139

A conference call replay will be available one hour following the call for seven days and can be accessed by calling:

Domestic: (855) 859-2056  
International: (404) 537-3406  
Conference ID: 1288139

## **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). More information about EchoPark Automotive can be found at [www.echopark.com](http://www.echopark.com).

### Forward-Looking Statements

Included herein are forward-looking statements, including statements with respect to our 2018 earnings expectations, our projected annual effective income tax rate, 2018 new vehicle industry volume, projected results for our EchoPark brand, the anticipated expansion of both our franchised and pre-owned businesses in 2018 and our long-term strategy. There are many factors that affect management's views about future events and trends of the Company's business. These factors involve risks and uncertainties that could cause actual results or trends to differ materially from management's views, 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 ended December 31, 2016. The Company does not undertake any obligation to update forward-looking information, except as required under federal securities laws and the rules and regulations of the Securities and Exchange Commission (the "SEC").

### Non-GAAP Financial Measures

This press release and the attached financial tables contain certain non-GAAP financial measures as defined under SEC rules, such as adjusted net income from continuing operations and related earnings per diluted share, which exclude certain items disclosed in the attached financial tables. As required by SEC rules, the Company provides reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. The Company believes that these non-GAAP financial measures improve the transparency of the Company's disclosure, provide a meaningful presentation of the Company's results from its core business operations excluding the impact of items not related to the Company's ongoing core business operations, and improve the period-to-period comparability of the Company's results from its core business operations.

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

<p>This release contains certain non-GAAP financial measures (the "Adjusted" amounts) 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 financial measures (the "Reported" amounts) 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.</p>
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#### ***Results of Operations***

**Three Months Ended  
December 31,**

**Twelve Months Ended  
December 31,**

	2017	2016	2017	2016
	(In thousands, except per share and unit data)			
Revenues:				
	\$	\$	\$	\$
New vehicles	1,485,749	1,408,327	5,295,051	5,234,505
Used vehicles	685,965	651,608	2,622,053	2,533,122
Wholesale vehicles	40,890	57,906	171,064	211,048
Total vehicles	2,212,604	2,117,841	8,088,168	7,978,675
Parts, service and collision repair	355,137	350,726	1,416,010	1,409,819
Finance, insurance and other, net	100,198	88,346	363,030	343,285
Total revenues	2,667,939	2,556,913	9,867,208	9,731,779
Gross profit	384,089	371,735	1,457,676	1,429,274
Selling, general and administrative expenses	(277,634)	(267,135)	(1,147,773)	(1,110,856)
Impairment charges	(6,079)	(1,824)	(9,394)	(8,063)
Depreciation and amortization	(23,192)	(20,144)	(88,944)	(77,446)
Operating income (loss)	77,184	82,632	211,565	232,909
Other income (expense):				
Interest expense, floor plan	(9,982)	(7,919)	(36,395)	(27,716)
Interest expense, other, net	(13,324)	(12,546)	(52,524)	(50,106)
Other income (expense), net	(32)	5	(14,522)	125
Total other income (expense)	(23,338)	(20,460)	(103,441)	(77,697)
Income (loss) from continuing operations before taxes	53,846	62,172	108,124	155,212
Provision for income taxes for continuing operations - benefit (expense)	8,282	(24,131)	(13,971)	(60,696)
Income (loss) from continuing operations	62,128	38,041	94,153	94,516
Income (loss) from discontinued operations	(176)	(405)	(1,170)	(1,323)
Net income (loss)	\$ 61,952	\$ 37,636	\$ 92,983	\$ 93,193
Diluted earnings (loss) per common share:				
Earnings (loss) per share from continuing operations	\$ 1.42	\$ 0.84	\$ 2.12	\$ 2.06
Earnings (loss) per share from discontinued operations	-	(0.01)	(0.03)	(0.03)
Earnings (loss) per common share	\$ 1.42	\$ 0.83	\$ 2.09	\$ 2.03
Weighted average common shares outstanding	43,682	45,341	44,358	45,948
Gross Margin Data (Continuing Operations):				
New vehicles	5.2%	5.2%	5.0%	5.0%
Used vehicles	5.1%	6.4%	5.9%	6.3%
Wholesale vehicles	(5.7%)	(3.3%)	(5.1%)	(3.5%)
Parts, service and collision repair	48.8%	48.4%	48.3%	47.8%
Finance, insurance and other	100.0%	100.0%	100.0%	100.0%
Overall gross margin	14.4%	14.5%	14.8%	14.7%
SG&A Expenses (Continuing Operations):				
	\$	\$	\$	\$
Compensation	172,515	167,724	692,935	674,617
Advertising	15,116	15,840	61,563	61,674
Rent	17,713	18,638	73,022	73,903
Other	72,290	64,933	320,253	300,662
Total SG&A expenses	277,634	267,135	1,147,773	1,110,856
SG&A expenses as % of gross profit	72.3%	71.9%	78.7%	77.7%
Operating Margin %	2.9%	3.2%	2.1%	2.4%
Unit Data (Continuing Operations):				
New units	36,531	35,562	135,663	136,003
Used units	31,740	29,621	123,489	119,174
Wholesale units	7,463	9,086	31,385	35,098

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

**Per Share Data**

Three Months Ended December 31, 2017						
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
(In thousands, except per share amounts)						
<b>Reported:</b>						
Earnings (loss) and shares	43,156	\$ 62,128	\$ (176)		\$ 61,952	
Effect of participating securities:						
Non-vested restricted stock		(57)	-		(57)	
Basic earnings (loss) and shares	43,156	\$ 62,071	\$ (176)	\$ (0.01)	\$ 61,895	\$ 1.43
Effect of dilutive securities:						
Stock compensation plans	526					
Diluted earnings (loss) and shares	43,682	\$ 62,071	\$ (176)	\$ -	\$ 61,895	\$ 1.42
<b>Adjustments:</b>						
Impairment charges		\$ 6,080	\$ -		\$ 6,080	
Storm damage		(1,378)	-		(1,378)	
Legal and other		1,496	-		1,496	
Gain on disposal		(1,507)	-		(1,507)	
Total adjustments before taxes		4,691	-		4,691	
Income tax effect of adjustments		(1,841)	-		(1,841)	
Non-recurring tax items		(28,409)	-		(28,409)	
Effect of adjustments, net of income taxes		\$ (25,559)	\$ -	\$ (0.01)	\$ (25,559)	\$ (0.59)
<b>Adjusted:</b>						
Earnings (loss) and diluted earnings (loss) per share (1)		\$ 36,569	\$ (176)	\$ (0.01)	\$ 36,393	\$ 0.83

(1) Net loss attributable to Pre-Owned Stores operations was \$0.04 per fully diluted share in the three months ended December 31, 2017.

Three Months Ended December 31, 2016						
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
(In thousands, except per share amounts)						
<b>Reported:</b>						
Earnings (loss) and shares	44,764	\$ 38,041	\$ (405)		\$ 37,636	
Effect of participating securities:						
Non-vested restricted stock		(22)	-		(22)	
Basic earnings (loss) and shares	44,764	\$ 38,019	\$ (405)	\$ (0.01)	\$ 37,614	\$ 0.84
Effect of dilutive securities:						
Stock compensation plans	577					
Diluted earnings (loss) and shares (2)	45,341	\$ 38,019	\$ (405)	\$ (0.01)	\$ 37,614	\$ 0.83
<b>Adjustments:</b>						
Impairment charges		\$ 1,824	\$ -		\$ 1,824	

OEM settlement	(14,836)	-	(14,836)		
Storm damage	(612)	-	(612)		
Legal and other	201	450	651		
Total adjustments before taxes	(13,423)	450	(12,973)		
Income tax effect of adjustments	5,210	(153)	5,057		
Effect of adjustments, net of income taxes	<u>\$ (8,213)</u>	<u>\$ (0.18)</u>	<u>\$ 297</u>	<u>\$ 0.01</u>	<u>\$ (0.17)</u>

**Adjusted:**

Earnings (loss) and diluted earnings (loss) per share					
(2)	<u>\$ 29,828</u>	<u>\$ 0.66</u>	<u>\$ (108)</u>	<u>\$ -</u>	<u>\$ 29,720</u>
					<u>\$ 0.66</u>

(2) Net loss attributable to Pre-Owned Stores operations was \$0.03 per fully diluted share in the three months ended December 31, 2016.

**Per Share Data**

Twelve Months Ended December 31, 2017						
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
(In thousands, except per share amounts)						
<b>Reported:</b>						
Earnings (loss) and shares	43,997	\$ 94,153	\$ (1,170)	\$ 92,983		
Effect of participating securities: Non-vested restricted stock		(85)	-	(85)		
Basic earnings (loss) and shares	43,997	\$ 94,068	\$ 2.14	\$ (1,170)	\$ (0.03)	\$ 92,898
Effect of dilutive securities: Stock compensation plans	361					
Diluted earnings (loss) and shares	44,358	\$ 94,068	\$ 2.12	\$ (1,170)	\$ (0.03)	\$ 92,898
						\$ 2.09
<b>Adjustments:</b>						
Impairment charges		\$ 9,393	\$ -	\$ 9,393		
Storm damage		8,593	-	8,593		
Legal and other		2,306	-	2,306		
Lease exit adjustments		992	-	992		
Gain on disposal		(9,997)	-	(9,997)		
Loss on debt extinguishment		15,268	-	15,268		
Total adjustments before taxes		26,555	-	26,555		
Income tax effect of adjustments		(10,423)	-	(10,423)		
Non-recurring tax items		(28,055)	-	(28,055)		
Effect of adjustments, net of income taxes		<u>\$ (11,923)</u>	<u>\$ (0.27)</u>	<u>\$ -</u>	<u>\$ 0.01</u>	<u>\$ (11,923)</u>
						<u>\$ (0.26)</u>
<b>Adjusted:</b>						
Earnings (loss) and diluted earnings (loss) per share						
(3)	82,230	<u>\$ 1.85</u>	<u>\$ (1,170)</u>	<u>\$ (0.02)</u>	<u>\$ 81,060</u>	<u>\$ 1.83</u>

(3) Net loss attributable to Pre-Owned Stores operations was \$0.25 per fully diluted share in the twelve months ended December 31, 2017.

Twelve Months Ended December 31, 2016						
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

(In thousands, except per share amounts)						
<b>Reported:</b>						
Earnings (loss) and shares	45,637	\$ 94,516		\$ (1,323)		\$ 93,193
Effect of participating securities:						
Non-vested restricted stock		(52)		-		(52)
		\$		\$		\$
Basic earnings (loss) and shares	45,637	94,464	2.07	(1,323)	(0.03)	93,141
Effect of dilutive securities:						
Stock compensation plans	311					
		\$		\$		\$
Diluted earnings (loss) and shares	45,948	94,464	2.06	(1,323)	(0.03)	93,141
		\$		\$		\$
<b>Adjustments:</b>						
		\$		\$		\$
Impairment charges		7,913		-		7,913
OEM settlement		(14,836)		-		(14,836)
Storm damage		2,990		-		2,990
Legal and other		100		-		100
Lease exit adjustments		200		927		1,127
Total adjustments before taxes		(3,633)		927		(2,706)
Income tax effect of adjustments		1,394		(341)		1,053
Effect of adjustments, net of income taxes		\$ (2,239)	\$ (0.05)	\$ 586	\$ 0.01	\$ (1,653)
						\$ (0.04)
<b>Adjusted:</b>						
Earnings (loss) and diluted earnings (loss) per share		\$	\$	\$	\$	\$
(4)		92,277	2.01	(737)	(0.02)	91,540
						1.99

(4) Net loss attributable to Pre-Owned Stores operations was \$0.17 per fully diluted share in the twelve months ended December 31, 2016.

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

**New Vehicles**

	Three Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
(In thousands, except units and per unit data)				
<b>Reported:</b>				
Revenue	\$ 1,485,749	\$ 1,408,327	\$ 77,422	5.5%
Gross profit	\$ 77,888	\$ 73,916	\$ 3,972	5.4%
Unit sales	36,531	35,562	969	2.7%
Revenue per unit	\$ 40,671	\$ 39,602	\$ 1,069	2.7%
Gross profit per unit	\$ 2,132	\$ 2,079	\$ 53	2.5%
Gross profit as a % of revenue	5.2%	5.2%	-	bps
	Twelve Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
(In thousands, except units and per unit data)				
<b>Reported:</b>				
Revenue	\$ 5,295,051	\$ 5,234,505	\$ 60,546	1.2%
Gross profit	\$ 264,926	\$ 260,594	\$ 4,332	1.7%
Unit sales	135,663	136,003	(340)	(0.2%)
Revenue per unit	\$ 39,031	\$ 38,488	\$ 543	1.4%
Gross profit per unit	\$ 1,953	\$ 1,916	\$ 37	1.9%
Gross profit as a % of revenue	5.0%	5.0%	-	bps
	Three Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change

	(In thousands, except units and per unit data)			
<b>Same Store:</b>				
Revenue	\$ 1,476,819	\$ 1,390,744	\$ 86,075	6.2%
Gross profit	\$ 76,689	\$ 74,198	\$ 2,491	3.4%
Unit sales	36,305	34,920	1,385	4.0%
Revenue per unit	\$ 40,678	\$ 39,827	\$ 851	2.1%
Gross profit per unit	\$ 2,112	\$ 2,125	\$ (13)	(0.6%)
Gross profit as a % of revenue	5.2%	5.3%	(10)	bps

	Twelve Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
	(In thousands, except units and per unit data)			
<b>Same Store:</b>				
Revenue	\$ 5,204,867	\$ 5,170,372	\$ 34,495	0.7%
Gross profit	\$ 259,220	\$ 259,668	\$ (448)	(0.2%)
Unit sales	133,047	133,606	(559)	(0.4%)
Revenue per unit	\$ 39,121	\$ 38,699	\$ 422	1.1%
Gross profit per unit	\$ 1,948	\$ 1,944	\$ 4	0.2%
Gross profit as a % of revenue	5.0%	5.0%	-	bps

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

**Used Vehicles**

	Three Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
	(In thousands, except units and per unit data)			
<b>Reported:</b>				
Revenue	\$ 685,965	\$ 651,608	\$ 34,357	5.3%
Gross profit	\$ 34,891	\$ 41,464	\$ (6,573)	(15.9%)
Unit sales	31,740	29,621	2,119	7.2%
Revenue per unit	\$ 21,612	\$ 21,998	\$ (386)	(1.8%)
Gross profit per unit	\$ 1,099	\$ 1,400	\$ (301)	(21.5%)
Gross profit as a % of revenue	5.1%	6.4%	(130)	bps

	Twelve Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
	(In thousands, except units and per unit data)			
<b>Reported:</b>				
Revenue	\$ 2,622,053	\$ 2,533,122	\$ 88,931	3.5%
Gross profit	\$ 154,903	\$ 158,585	\$ (3,682)	(2.3%)
Unit sales	123,489	119,174	4,315	3.6%
Revenue per unit	\$ 21,233	\$ 21,256	\$ (23)	(0.1%)
Gross profit per unit	\$ 1,254	\$ 1,331	\$ (77)	(5.8%)
Gross profit as a % of revenue	5.9%	6.3%	(40)	bps

	Three Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
	(In thousands, except units and per unit data)			
<b>Same Store:</b>				
Revenue	\$ 625,914	\$ 638,427	\$ (12,513)	(2.0%)
Gross profit	\$ 33,068	\$ 36,661	\$ (3,593)	(9.8%)
Unit sales	28,685	28,849	(164)	(0.6%)
Revenue per unit	\$ 21,820	\$ 22,130	\$ (310)	(1.4%)
Gross profit per unit	\$ 1,153	\$ 1,271	\$ (118)	(9.3%)
Gross profit as a % of revenue	5.3%	5.7%	(40)	bps

	Twelve Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change

(In thousands, except units and per unit data)					
<b>Same Store:</b>					
Revenue	\$	2,476,967	\$	2,488,866	\$ (11,899) (0.5%)
Gross profit	\$	143,690	\$	148,069	\$ (4,379) (3.0%)
Unit sales		115,916		116,450	(534) (0.5%)
Revenue per unit	\$	21,369	\$	21,373	\$ (4) (0.0%)
Gross profit per unit	\$	1,240	\$	1,272	\$ (32) (2.5%)
Gross profit as a % of revenue		5.8%		5.9%	(10) bps

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

**Wholesale Vehicles**

		Three Months Ended December 31,		Better / (Worse)	
		2017	2016	Change	% Change
(In thousands, except units and per unit data)					
<b>Reported:</b>					
Revenue	\$	40,890	\$	57,906	\$ (17,016) (29.4%)
Gross profit (loss)	\$	(2,334)	\$	(1,890)	\$ (444) (23.5%)
Unit sales		7,463		9,086	(1,623) (17.9%)
Revenue per unit	\$	5,479	\$	6,373	\$ (894) (14.0%)
Gross profit (loss) per unit	\$	(313)	\$	(208)	\$ (105) (50.5%)
Gross profit (loss) as a % of revenue		(5.7%)		(3.3%)	(240) bps

		Twelve Months Ended December 31,		Better / (Worse)	
		2017	2016	Change	% Change
(In thousands, except units and per unit data)					
<b>Reported:</b>					
Revenue	\$	171,064	\$	211,048	\$ (39,984) (18.9%)
Gross profit (loss)	\$	(8,714)	\$	(7,316)	\$ (1,398) (19.1%)
Unit sales		31,385		35,098	(3,713) (10.6%)
Revenue per unit	\$	5,451	\$	6,013	\$ (562) (9.3%)
Gross profit (loss) per unit	\$	(278)	\$	(208)	\$ (70) (33.7%)
Gross profit (loss) as a % of revenue		(5.1%)		(3.5%)	(160) bps

		Three Months Ended December 31,		Better / (Worse)	
		2017	2016	Change	% Change
(In thousands, except units and per unit data)					
<b>Same Store:</b>					
Revenue	\$	40,134	\$	56,784	\$ (16,650) (29.3%)
Gross profit (loss)	\$	(2,297)	\$	(1,644)	\$ (653) (39.7%)
Unit sales		7,170		8,776	(1,606) (18.3%)
Revenue per unit	\$	5,597	\$	6,470	\$ (873) (13.5%)
Gross profit (loss) per unit	\$	(320)	\$	(187)	\$ (133) (71.1%)
Gross profit (loss) as a % of revenue		(5.7%)		(2.9%)	(280) bps

		Twelve Months Ended December 31,		Better / (Worse)	
		2017	2016	Change	% Change
(In thousands, except units and per unit data)					
<b>Same Store:</b>					
Revenue	\$	165,308	\$	207,263	\$ (41,955) (20.2%)
Gross profit (loss)	\$	(8,181)	\$	(6,694)	\$ (1,487) (22.2%)
Unit sales		29,978		34,108	(4,130) (12.1%)
Revenue per unit	\$	5,514	\$	6,077	\$ (563) (9.3%)
Gross profit (loss) per unit	\$	(273)	\$	(196)	\$ (77) (39.3%)
Gross profit (loss) as a % of revenue		(4.9%)		(3.2%)	(170) bps

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

**Parts, Service and Collision Repair ("Fixed Operations")**

	Three Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
<b>Reported:</b>	<b>(In thousands)</b>			
Revenue				
Customer pay	\$ 140,285	\$ 139,550	\$ 735	0.5%
Warranty	69,771	67,656	2,115	3.1%
Wholesale parts	41,445	43,337	(1,892)	(4.4%)
Internal, sublet and other	103,636	100,183	3,453	3.4%
Total	<u>\$ 355,137</u>	<u>\$ 350,726</u>	<u>\$ 4,411</u>	1.3%
Gross profit				
Customer pay	\$ 74,748	\$ 73,958	\$ 790	1.1%
Warranty	38,273	36,973	1,300	3.5%
Wholesale parts	7,149	7,450	(301)	(4.0%)
Internal, sublet and other	53,277	51,519	1,758	3.4%
Total	<u>\$ 173,447</u>	<u>\$ 169,900</u>	<u>\$ 3,547</u>	2.1%
Gross profit as a % of revenue				
Customer pay	53.3%	53.0%	30	bps
Warranty	54.9%	54.6%	30	bps
Wholesale parts	17.2%	17.2%	0	bps
Internal, sublet and other	51.4%	51.4%	0	bps
Total	48.8%	48.4%	40	bps

	Twelve Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
<b>Reported:</b>	<b>(In thousands)</b>			
Revenue				
Customer pay	\$ 555,463	\$ 582,557	\$ (27,094)	(4.7%)
Warranty	282,926	240,415	42,511	17.7%
Wholesale parts	168,459	176,870	(8,411)	(4.8%)
Internal, sublet and other	409,162	409,977	(815)	(0.2%)
Total	<u>\$ 1,416,010</u>	<u>\$ 1,409,819</u>	<u>\$ 6,191</u>	0.4%
Gross profit				
Customer pay	\$ 296,834	\$ 314,791	\$ (17,957)	(5.7%)
Warranty	156,082	129,924	26,158	20.1%
Wholesale parts	28,989	30,754	(1,765)	(5.7%)
Internal, sublet and other	201,626	198,657	2,969	1.5%
Total	<u>\$ 683,531</u>	<u>\$ 674,126</u>	<u>\$ 9,405</u>	1.4%
Gross profit as a % of revenue				
Customer pay	53.4%	54.0%	(60)	bps
Warranty	55.2%	54.0%	120	bps
Wholesale parts	17.2%	17.4%	(20)	bps
Internal, sublet and other	49.3%	48.5%	80	bps
Total	48.3%	47.8%	50	bps

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

**Parts, Service and Collision Repair ("Fixed Operations")**

	Three Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
<b>Same Store:</b>	<b>(In thousands)</b>			
Revenue				
Customer pay	\$ 139,804	\$ 137,954	\$ 1,850	1.3%

Warranty	69,420	66,722	2,698	4.0%
Wholesale parts	41,372	42,870	(1,498)	(3.5%)
Internal, sublet and other	101,080	98,393	2,687	2.7%
Total	<u>\$ 351,676</u>	<u>\$ 345,939</u>	<u>\$ 5,737</u>	1.7%
Gross profit				
Customer pay	\$ 74,495	\$ 73,080	\$ 1,415	1.9%
Warranty	38,141	36,461	1,680	4.6%
Wholesale parts	7,135	7,369	(234)	(3.2%)
Internal, sublet and other	52,255	50,637	1,618	3.2%
Total	<u>\$ 172,026</u>	<u>\$ 167,547</u>	<u>\$ 4,479</u>	2.7%
Gross profit as a % of revenue				
Customer pay	53.3%	53.0%	30	bps
Warranty	54.9%	54.6%	30	bps
Wholesale parts	17.2%	17.2%	0	bps
Internal, sublet and other	51.7%	51.5%	20	bps
Total	48.9%	48.4%	50	bps

	Twelve Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
<b>Same Store:</b>	(In thousands)			
Revenue				
Customer pay	\$ 548,768	\$ 575,641	\$ (26,873)	(4.7%)
Warranty	278,882	236,931	41,951	17.7%
Wholesale parts	166,831	174,962	(8,131)	(4.6%)
Internal, sublet and other	396,702	403,654	(6,952)	(1.7%)
Total	<u>\$ 1,391,183</u>	<u>\$ 1,391,188</u>	<u>\$ (5)</u>	(0.0%)
Gross profit				
Customer pay	\$ 293,272	\$ 310,919	\$ (17,647)	(5.7%)
Warranty	154,025	128,161	25,864	20.2%
Wholesale parts	28,669	30,443	(1,774)	(5.8%)
Internal, sublet and other	195,432	194,835	597	0.3%
Total	<u>\$ 671,398</u>	<u>\$ 664,358</u>	<u>\$ 7,040</u>	1.1%
Gross profit as a % of revenue				
Customer pay	53.4%	54.0%	(60)	bps
Warranty	55.2%	54.1%	110	bps
Wholesale parts	17.2%	17.4%	(20)	bps
Internal, sublet and other	49.3%	48.3%	100	bps
Total	48.3%	47.8%	50	bps

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

**Finance, Insurance and Other, Net ("F&I")**

	Three Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
	(In thousands, except per unit data)			
<b>Reported:</b>				
Revenue	\$ 100,198	\$ 88,346	\$ 11,852	13.4%
Gross profit per retail unit (excludes fleet)	\$ 1,473	\$ 1,363	\$ 110	8.1%
	Twelve Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
	(In thousands, except per unit data)			
<b>Reported:</b>				
Revenue	\$ 363,030	\$ 343,285	\$ 19,745	5.8%
Gross profit per retail unit (excludes fleet)	\$ 1,411	\$ 1,354	\$ 57	4.2%
	Three Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
	(In thousands, except per unit data)			
<b>Same Store:</b>				

Revenue	\$	92,015	\$	85,224	\$	6,791	8.0%
Gross profit per retail unit (excludes fleet)	\$	1,421	\$	1,344	\$	77	5.7%

	Twelve Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
	(In thousands, except per unit data)			
Same Store:				
Revenue	\$ 343,987	\$ 334,205	\$ 9,782	2.9%
Gross profit per retail unit (excludes fleet)	\$ 1,392	\$ 1,345	\$ 47	3.5%

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

**Selling, General and Administrative ("SG&A") Expenses**

	Three Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
(In thousands)				
<b>Reported:</b>				
	\$	\$	\$	
Compensation	172,515	167,724	(4,791)	(2.9%)
Advertising	15,116	15,840	724	4.6%
Rent	17,713	18,638	925	5.0%
Other	72,290	64,933	(7,357)	(11.3%)
	\$	\$	\$	
Total SG&A expenses	277,634	267,135	(10,499)	(3.9%)
<b>Adjustments:</b>				
	\$	\$		
OEM settlement	-	14,836		
Storm damage	1,378	612		
Legal and other	(1,496)	(201)		
Gain on disposal	1,507	-		
	\$	\$		
Total SG&A adjustments	1,389	15,247		
<b>Adjusted:</b>				
	\$	\$	\$	
Total adjusted SG&A expenses	279,023	282,382	3,359	1.2%
<b>Reported:</b>				
SG&A expenses as a % of gross profit				
Compensation	44.9%	45.1%	20	bps
Advertising	3.9%	4.3%	40	bps
Rent	4.6%	5.0%	40	bps
Other	18.9%	17.5%	(140)	bps
Total SG&A expenses as a % of gross profit	72.3%	71.9%	(40)	bps
<b>Adjustments:</b>				
OEM settlement	0.0%	4.0%		
Storm damage	0.3%	0.2%		
Legal and other	(0.3%)	(0.1%)		
Gain on disposal	0.3%	0.0%		
Total effect of adjustments	0.3%	4.1%		
<b>Adjusted:</b>				
Total adjusted SG&A as a % of gross profit	72.6%	76.0%	340	bps

**Selling, General and Administrative ("SG&A") Expenses**

	Twelve Months Ended December 31,		Better / (Worse)	
	2017	2016	Change	% Change
	(In thousands)			
<b>Reported:</b>				
Compensation	\$ 692,935	\$ 674,617	\$ (18,318)	(2.7%)
Advertising	61,563	61,674	111	0.2%
Rent	73,022	73,903	881	1.2%
Other	320,253	300,662	(19,591)	(6.5%)
Total SG&A expenses	\$ 1,147,773	\$ 1,110,856	\$ (36,917)	(3.3%)
<b>Adjustments:</b>				
OEM settlement	\$ -	\$ 14,836		
Storm damage	(8,593)	(2,990)		
Legal and other	(2,306)	(100)		
Gain on disposal	9,997	-		
Lease exit adjustments	(992)	(200)		
Total SG&A adjustments	\$ (1,894)	\$ 11,546		
<b>Adjusted:</b>				
Total adjusted SG&A expenses	\$ 1,145,879	\$ 1,122,402	\$ (23,477)	(2.1%)
<b>Reported:</b>				
SG&A expenses as a % of gross profit				
Compensation	47.5%	47.2%	(30)	bps
Advertising	4.2%	4.3%	10	bps
Rent	5.0%	5.2%	20	bps
Other	22.0%	21.0%	(100)	bps
Total SG&A expenses as a % of gross profit	78.7%	77.7%	(100)	bps
<b>Adjustments:</b>				
OEM settlement	0.0%	1.0%		
Storm damage	0.5%	(0.2%)		
Legal and other	0.1%	(0.0%)		
Gain on disposal	(0.7%)	0.0%		
Lease exit adjustments	0.1%	(0.0%)		
Total effect of adjustments	(0.1%)	0.8%		
<b>Adjusted:</b>				
Total adjusted SG&A as a % of gross profit	78.6%	78.5%	(10)	bps

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