

SONIC AUTOMOTIVE INC  
Form 10-Q  
July 25, 2012  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2012

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission files number 1-13395

**SONIC AUTOMOTIVE, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: SONIC AUTOMOTIVE INC - Form 10-Q

**DELAWARE**  
(State or other jurisdiction of  
incorporation or organization)

**56-2010790**  
(I.R.S. Employer  
Identification No.)

**4401 Colwick Road, Charlotte, North Carolina**  
(Address of principal executive offices)

**28211**  
(Zip Code)

**(704) 566-2400**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such file). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act (check one).

Large Accelerated Filer  Accelerated Filer   
Non-Accelerated Filer  (Do not check if a smaller reporting company) Smaller Reporting Company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 18, 2012, there were 41,129,794 shares of Class A Common Stock and 12,029,375 shares of Class B Common Stock outstanding.

**Table of Contents****INDEX TO FORM 10-Q**

	Page
<b><u>PART I FINANCIAL INFORMATION</u></b>	
ITEM 1. <u>Unaudited Condensed Consolidated Financial Statements</u>	3
<u>Unaudited Condensed Consolidated Statements of Income – Second Quarter and Six-month Periods Ended June 30, 2012 and June 30, 2011</u>	3
<u>Unaudited Condensed Consolidated Statements of Comprehensive Income – Second Quarter and Six-month Periods Ended June 30, 2012 and June 30, 2011</u>	4
<u>Unaudited Condensed Consolidated Balance Sheets – June 30, 2012 and December 31, 2011</u>	5
<u>Unaudited Condensed Consolidated Statement of Stockholders – Equity – Six-month Period Ended June 30, 2012</u>	6
<u>Unaudited Condensed Consolidated Statements of Cash Flows – Six-month Periods Ended June 30, 2012 and June 30, 2011</u>	7
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	8
ITEM 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	21
ITEM 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	37
ITEM 4. <u>Controls and Procedures</u>	38
<b><u>PART II OTHER INFORMATION</u></b>	
ITEM 1. <u>Legal Proceedings</u>	39
ITEM 1A. <u>Risk Factors</u>	40
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	42
ITEM 6. <u>Exhibits</u>	43
<u>SIGNATURES</u>	46
<u>EXHIBIT INDEX</u>	47
EX-10.6	
EX-31.1	
EX-31.2	
EX-32.1	
EX-32.2	
EX-101	INSTANCE DOCUMENT
EX-101	SCHEMA DOCUMENT
EX-101	CALCULATION LINKBASE DOCUMENT
EX-101	LABELS LINKBASE DOCUMENT
EX-101	PRESENTATION LINKBASE DOCUMENT
EX-101	DEFINITION LINKBASE DOCUMENT

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1: Unaudited Condensed Consolidated Financial Statements.****SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Dollars and shares in thousands, except per share amounts)**

	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
<b>Revenues:</b>				
New vehicles	\$ 1,221,297	\$ 1,025,277	\$ 2,285,750	\$ 1,997,770
Used vehicles	550,040	529,107	1,067,092	1,003,662
Wholesale vehicles	43,984	41,136	89,325	76,182
<b>Total vehicles</b>	<b>1,815,321</b>	<b>1,595,520</b>	<b>3,442,167</b>	<b>3,077,614</b>
Parts, service and collision repair	304,570	295,094	606,318	582,195
Finance, insurance and other	65,338	55,369	124,587	104,471
<b>Total revenues</b>	<b>2,185,229</b>	<b>1,945,983</b>	<b>4,173,072</b>	<b>3,764,280</b>
<b>Cost of Sales:</b>				
New vehicles	(1,149,946)	(957,432)	(2,149,579)	(1,870,428)
Used vehicles	(513,313)	(490,072)	(989,836)	(927,054)
Wholesale vehicles	(45,418)	(43,000)	(90,544)	(78,491)
<b>Total vehicles</b>	<b>(1,708,677)</b>	<b>(1,490,504)</b>	<b>(3,229,959)</b>	<b>(2,875,973)</b>
Parts, service and collision repair	(155,780)	(149,545)	(310,472)	(295,134)
<b>Total cost of sales</b>	<b>(1,864,457)</b>	<b>(1,640,049)</b>	<b>(3,540,431)</b>	<b>(3,171,107)</b>
Gross profit	320,772	305,934	632,641	593,173
Selling, general and administrative expenses	(249,525)	(237,092)	(497,005)	(466,109)
Impairment charges	(33)	(41)	(34)	(58)
Depreciation and amortization	(11,390)	(9,699)	(22,461)	(19,595)
<b>Operating income (loss)</b>	<b>59,824</b>	<b>59,102</b>	<b>113,141</b>	<b>107,411</b>
<b>Other income (expense):</b>				
Interest expense, floor plan	(5,053)	(4,914)	(9,527)	(10,280)
Interest expense, other, net	(12,712)	(15,339)	(27,791)	(30,698)
Interest expense, non-cash, convertible debt	(1,413)	(1,715)	(3,043)	(3,409)
Interest income (expense / amortization), non-cash, cash flow swaps	83	(464)	105	(286)
Other income (expense), net	(2,550)	15	(2,530)	88
<b>Total other income (expense)</b>	<b>(21,645)</b>	<b>(22,417)</b>	<b>(42,786)</b>	<b>(44,585)</b>
<b>Income (loss) from continuing operations before taxes</b>	<b>38,179</b>	<b>36,685</b>	<b>70,355</b>	<b>62,826</b>
Provision for income taxes - benefit (expense)	(10,646)	(13,691)	(23,354)	(24,147)
<b>Income (loss) from continuing operations</b>	<b>27,533</b>	<b>22,994</b>	<b>47,001</b>	<b>38,679</b>
<b>Discontinued operations:</b>				
Income (loss) from operations and the sale of dealerships	1,345	(997)	3,049	(2,092)
Income tax benefit (expense)	(699)	(646)	(1,373)	(272)

Edgar Filing: SONIC AUTOMOTIVE INC - Form 10-Q

Income (loss) from discontinued operations	646	(1,643)	1,676	(2,364)
Net income (loss)	\$ 28,179	\$ 21,351	\$ 48,677	\$ 36,315
Basic earnings (loss) per common share:				
Earnings (loss) per share from continuing operations	\$ 0.52	\$ 0.43	\$ 0.88	\$ 0.73
Earnings (loss) per share from discontinued operations	0.01	(0.03)	0.03	(0.05)
Earnings (loss) per common share	\$ 0.53	\$ 0.40	\$ 0.91	\$ 0.68
Weighted average common shares outstanding	52,593	52,461	52,409	52,438
Diluted earnings (loss) per common share:				
Earnings (loss) per share from continuing operations	\$ 0.46	\$ 0.38	\$ 0.79	\$ 0.65
Earnings (loss) per share from discontinued operations	0.01	(0.03)	0.02	(0.04)
Earnings (loss) per common share	\$ 0.47	\$ 0.35	\$ 0.81	\$ 0.61
Weighted average common shares outstanding	63,506	65,936	63,963	65,943
Dividends declared per common share	\$ 0.025	\$ 0.025	\$ 0.05	\$ 0.05

See notes to Unaudited Condensed Consolidated Financial Statements.

**Table of Contents****SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(Dollars in thousands)**

	<b>Second Quarter Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net income (loss)	\$ 28,179	\$ 21,351	\$ 48,677	\$ 36,315
Other comprehensive income (loss) before taxes:				
Change in fair value of interest rate swap agreements	(2,746)	(4,944)	61	(1,663)
Total other comprehensive income (loss) before taxes	(2,746)	(4,944)	61	(1,663)
Provision for income tax benefit (expense) related to components of other comprehensive income (loss)	1,044	1,879	(22)	632
Other comprehensive income (loss)	(1,702)			