

SONIC AUTOMOTIVE INC  
Form 10-Q  
May 08, 2015

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 March 31, 2015

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-13395

SONIC AUTOMOTIVE, INC.

(Exact name of registrant as specified in its charter)

Delaware 56-2010790  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

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4401 Colwick Road

Charlotte, North Carolina 28211  
(Address of principal executive offices) (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 Web site, 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 files). 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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 April 28, 2015, there were 38,841,740 shares of Class A common stock and 12,029,375 shares of Class B common stock outstanding.

SONIC AUTOMOTIVE, INC.

FORM 10-Q

FOR THE THREE MONTHS ENDED MARCH 31, 2015

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## PART I—FINANCIAL INFORMATION

## Item 1. Financial Statements.

## SONIC AUTOMOTIVE, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31,	
	2015	2014
	(Dollars and shares in thousands, except per share amounts)	
<b>Revenues:</b>		
New vehicles	\$1,202,323	\$1,146,620
Used vehicles	593,742	559,816
Wholesale vehicles	41,656	41,598
Total vehicles	1,837,721	1,748,034
Parts, service and collision repair	323,194	318,771
Finance, insurance and other, net	74,600	69,581
Total revenues	2,235,515	2,136,386
<b>Cost of Sales:</b>		
New vehicles	(1,138,973)	(1,079,947)
Used vehicles	(552,898 )	(519,123 )
Wholesale vehicles	(41,866 )	(41,691 )
Total vehicles	(1,733,737)	(1,640,761)
Parts, service and collision repair	(166,819 )	(166,625 )
Total cost of sales	(1,900,556)	(1,807,386)
Gross profit	334,959	329,000
Selling, general and administrative expenses	(270,862 )	(263,973 )
Impairment charges	(6,192 )	(3 )
Depreciation and amortization	(16,409 )	(14,381 )
Operating income (loss)	41,496	50,643
<b>Other income (expense):</b>		
Interest expense, floor plan	(4,778 )	(4,689 )
Interest expense, other, net	(13,219 )	(13,818 )
Other income (expense), net	90	97
Total other income (expense)	(17,907 )	(18,410 )
Income (loss) from continuing operations before taxes	23,589	32,233
Provision for income taxes - benefit (expense)	(9,200 )	(12,249 )
Income (loss) from continuing operations	14,389	19,984
<b>Discontinued operations:</b>		

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Income (loss) from operations and the sale of dealerships	(691 )	(965 )
Income tax benefit (expense)	269	367
Income (loss) from discontinued operations	(422 )	(598 )
Net income (loss)	\$13,967	\$19,386

Basic earnings (loss) per common share:

Earnings (loss) per share from continuing operations	\$0.28	\$0.38
Earnings (loss) per share from discontinued operations	(0.01 )	(0.01 )
Earnings (loss) per common share	\$0.27	\$0.37
Weighted average common shares outstanding	50,854	52,418

Diluted earnings (loss) per common share:

Earnings (loss) per share from continuing operations	\$0.28	\$0.38
Earnings (loss) per share from discontinued operations	(0.01 )	(0.02 )
Earnings (loss) per common share	\$0.27	\$0.36
Weighted average common shares outstanding	51,403	52,946

Dividends declared per common share	\$0.025	\$0.025
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See notes to condensed consolidated financial statements.

SONIC AUTOMOTIVE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended March 31, 2015    2014 (Dollars in thousands)	
Net income (loss)	\$13,967	\$19,386
Other comprehensive income (loss) before taxes:		
Change in fair value of interest rate swap agreements		