

SONIC AUTOMOTIVE INC  
Form 10-Q  
October 23, 2014

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 September 30, 2014

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.)

4401 Colwick Road

28211

Edgar Filing: SONIC AUTOMOTIVE INC - Form 10-Q

Charlotte, North Carolina  
(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 October 17, 2014, there were 39,145,916 shares of Class A Common Stock and 12,029,375 shares of Class B Common Stock outstanding.

INDEX TO FORM 10-Q

	Page
<u>PART I – FINANCIAL INFORMATION</u>	3
ITEM 1. <u>Financial Statements</u>	3
<u>Unaudited Condensed Consolidated Statements of Income – Third Quarter and Nine Months Ended September 30, 2014 and September 30, 2013</u>	3
<u>Unaudited Condensed Consolidated Statements of Comprehensive Income – Third Quarter and Nine Months Ended September 30, 2014 and September 30, 2013</u>	4
<u>Unaudited Condensed Consolidated Balance Sheets – September 30, 2014 and December 31, 2013</u>	5
<u>Unaudited Condensed Consolidated Statement of Stockholders’ Equity – Nine Months Ended September 30, 2014</u>	6
<u>Unaudited Condensed Consolidated Statements of Cash Flows – Nine Months Ended September 30, 2014 and September 30, 2013</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>	22
ITEM 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	42
ITEM 4. <u>Controls and Procedures</u>	43
<u>PART II – OTHER INFORMATION</u>	44
ITEM 1A. <u>Risk Factors</u>	44
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
ITEM 6. <u>Exhibits</u>	46
<u>SIGNATURES</u>	48
<u>EXHIBIT INDEX</u>	49

## PART I—FINANCIAL INFORMATION

## Item 1: Financial Statements.

## SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Third Quarter Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(Dollars and shares in thousands, except per share amounts)			
Revenues:				
New vehicles	\$1,327,837	\$1,261,270	\$3,773,234	\$3,651,486
Used vehicles	583,570	559,848	1,747,254	1,625,006
Wholesale vehicles	41,433	42,731	127,797	134,556
Total vehicles	1,952,840	1,863,849	5,648,285	5,411,048
Parts, service and collision repair	325,740	309,600	973,646	913,290
Finance, insurance and other, net	77,024	68,747	223,340	203,461
Total revenues	2,355,604	2,242,196	6,845,271	6,527,799
Cost of Sales:				
New vehicles	(1,258,811)	(1,188,862)	(3,563,342)	(3,444,818)
Used vehicles	(542,325 )	(520,872 )	(1,627,842)	(1,510,391)
Wholesale vehicles	(42,519 )	(45,928 )	(130,290 )	(140,899 )
Total vehicles	(1,843,655)	(1,755,662)	(5,321,474)	(5,096,108)
Parts, service and collision repair	(170,460 )	(160,453 )	(506,361 )	(468,784 )
Total cost of sales	(2,014,115)	(1,916,115)	(5,827,835)	(5,564,892)
Gross profit	341,489	326,081	1,017,436	962,907
Selling, general and administrative expenses	(270,144 )	(254,564 )	(803,031 )	(748,479 )
Impairment charges	(208 )	(18 )	(215 )	(69 )
Depreciation and amortization	(14,235 )	(13,744 )	(43,047 )	(39,020 )
Operating income (loss)	56,902	57,755	171,143	175,339
Other income (expense):				
Interest expense, floor plan	(4,406 )	(5,463 )	(13,941 )	(16,267 )
Interest expense, other, net	(12,893 )	(13,553 )	(40,576 )	(42,302 )
Other income (expense), net	(1 )	29	98	(28,143 )
Total other income (expense)	(17,300 )	(18,987 )		