

SONIC AUTOMOTIVE INC

Form 10-Q

July 25, 2012

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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)

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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.

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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
Revenues:				
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
Total vehicles	1,815,321	1,595,520	3,442,167	3,077,614
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
Total revenues	2,185,229	1,945,983	4,173,072	3,764,280
Cost of Sales:				
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)
Total vehicles	(1,708,677)	(1,490,504)	(3,229,959)	(2,875,973)
Parts, service and collision repair	(155,780)	(149,545)	(310,472)	(295,134)
Total cost of sales	(1,864,457)	(1,640,049)	(3,540,431)	(3,171,107)
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)
Operating income (loss)	59,824	59,102	113,141	107,411
Other income (expense):				
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
Total other income (expense)	(21,645)	(22,417)	(42,786)	(44,585)
Income (loss) from continuing operations before taxes	38,179	36,685	70,355	62,826
Provision for income taxes - benefit (expense)	(10,646)	(13,691)	(23,354)	(24,147)
Income (loss) from continuing operations	27,533	22,994	47,001	38,679
Discontinued operations:				
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)

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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.

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	Second Quarter Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
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)			