

SONIC AUTOMOTIVE INC

Form 10-Q

July 26, 2013

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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, 2013

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, 2013, there were 40,767,025 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,	
	2013	2012	2013	2012
Revenues:				
New vehicles	\$ 1,247,161	\$ 1,185,654	\$ 2,390,217	\$ 2,217,044
Used vehicles	538,977	534,637	1,065,158	1,036,501
Wholesale vehicles	40,032	42,552	91,825	86,225
Total vehicles	1,826,170	1,762,843	3,547,200	3,339,770
Parts, service and collision repair	307,046	295,340	603,689	587,895
Finance, insurance and other	69,220	63,763	134,714	121,347
Total revenues	2,202,436	2,121,946	4,285,603	4,049,012
Cost of Sales:				
New vehicles	(1,179,371)	(1,115,715)	(2,255,958)	(2,083,387)
Used vehicles	(501,368)	(498,918)	(989,519)	(961,384)
Wholesale vehicles	(41,975)	(43,791)	(94,970)	(87,231)
Total vehicles	(1,722,714)	(1,658,424)	(3,340,447)	(3,132,002)
Parts, service and collision repair	(155,916)	(150,670)	(308,330)	(300,404)
Total cost of sales	(1,878,630)	(1,809,094)	(3,648,777)	(3,432,406)
Gross profit	323,806	312,852	636,826	616,606
Selling, general and administrative expenses	(248,090)	(239,751)	(493,914)	(476,900)
Impairment charges	(36)	(33)	(51)	(34)
Depreciation and amortization	(13,144)	(11,210)	(25,278)	(22,105)
Operating income (loss)	62,536	61,858	117,583	117,567
Other income (expense):				
Interest expense, floor plan	(5,591)	(4,857)	(10,804)	(9,120)
Interest expense, other, net	(14,390)	(13,835)	(28,749)	(30,244)
Other income (expense), net	(28,265)	(2,553)	(28,170)	(2,533)
Total other income (expense)	(48,246)	(21,245)	(67,723)	(41,897)
Income (loss) from continuing operations before taxes	14,290	40,613	49,860	75,670
Provision for income taxes - benefit (expense)	(5,573)	(11,615)	(19,445)	(25,527)
Income (loss) from continuing operations	8,717	28,998	30,415	50,143
Discontinued operations:				
Income (loss) from operations and the sale of dealerships	361	(1,089)	(377)	(2,265)
Income tax benefit (expense)	(162)	270	169	799
Income (loss) from discontinued operations	199	(819)	(208)	(1,466)

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Net income (loss)	\$	8,916	\$	28,179	\$	30,207	\$	48,677
Basic earnings (loss) per common share:								
Earnings (loss) per share from continuing operations	\$	0.16	\$	0.54	\$	0.57	\$	0.94
Earnings (loss) per share from discontinued operations		0.01		(0.01)		-		(0.03)
Earnings (loss) per common share	\$	0.17	\$	0.53	\$	0.57	\$	0.91
Weighted average common shares outstanding		52,597		52,593		52,591		52,409
Diluted earnings (loss) per common share:								
Earnings (loss) per share from continuing operations	\$	0.16	\$	0.48	\$	0.57	\$	0.83
Earnings (loss) per share from discontinued operations		0.01		(0.01)		-		(0.02)
Earnings (loss) per common share	\$	0.17	\$	0.47	\$	0.57	\$	0.81
Weighted average common shares outstanding		52,942		63,506		52,937		63,963
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,	
	2013	2012	2013	2012
Net income (loss)	\$ 8,916	\$ 28,179	\$ 30,207	\$ 48,677
Other comprehensive income (loss) before taxes:				
Change in fair value of interest rate swap agreements	10,146	(2,746)	13,027	61
Provision for income tax benefit (expense) related to:				
Change in fair value of interest rate swap agreements	(3,856)	1,044	(4,950)	(22)
Other comprehensive income (loss)	6,290	(1,702)	8,077	39
Comprehensive income (loss)	\$ 15,206	\$ 26,477	\$ 38,284	\$ 48,716

See notes to Unaudited Condensed Consolidated Financial Statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)