

SONIC AUTOMOTIVE INC
Form 10-Q
July 29, 2008
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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, 2008

OR

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

Commission file 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.)

6415 Idlewild Road, Suite 109, Charlotte, North Carolina
(Address of principal executive offices)

28212
(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 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 Smaller Reporting Company
(Do not check if a 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 24 2008, there were 28,053,002 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: Condensed Consolidated Financial Statements.****SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Dollars and shares in thousands except per share amounts)****(Unaudited)**

	Quarter Ended June 30,		Six Months Ended June 30,	
	2007	2008	2007	2008
Revenues:				
New vehicles	\$ 1,229,365	\$ 1,169,979	\$ 2,346,340	\$ 2,257,298
Used vehicles	351,333	379,522	670,590	749,310
Wholesale vehicles	98,260	82,467	203,972	166,802
Total vehicles	1,678,958	1,631,968	3,220,902	3,173,410
Parts, service and collision repair	283,478	294,608	561,606	587,581
Finance, insurance and other	52,352	52,943	99,129	103,636
Total revenues	2,014,788	1,979,519	3,881,637	3,864,627
Cost of Sales:				
New vehicles	(1,143,423)	(1,090,020)	(2,181,706)	(2,103,041)
Used vehicles	(318,690)	(347,258)	(607,138)	(684,059)
Wholesale vehicles	(99,496)	(84,269)	(205,287)	(169,706)
Total vehicles	(1,561,609)	(1,521,547)	(2,994,131)	(2,956,806)
Parts, service and collision repair	(139,482)	(147,217)	(278,142)	(294,309)
Total cost of sales	(1,701,091)	(1,668,764)	(3,272,273)	(3,251,115)
Gross profit	313,697	310,755	609,364	613,512
Selling, general and administrative expenses	(232,366)	(242,042)	(461,378)	(481,690)
Depreciation and amortization	(8,327)	(8,879)	(13,825)	(16,744)
Operating income	73,004	59,834	134,161	115,078
Other income / (expense):				
Interest expense, floor plan	(16,645)	(11,502)	(32,342)	(24,723)
Interest expense, other, net	(8,871)	(14,794)	(17,548)	(26,778)
Other income / (expense), net	74	26	90	97
Total other expense	(25,442)	(26,270)	(49,800)	(51,404)
Income from continuing operations before taxes	47,562	33,564	84,361	63,674
Provision for income taxes	(18,722)	(13,431)	(33,256)	(25,470)
Income from continuing operations	28,840	20,133	51,105	38,204
Discontinued operations:				
Loss from operations and the sale of discontinued franchises	(3,532)	(13,319)	(6,781)	(18,836)
Income tax benefit	1,060	3,997	2,035	5,651

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Loss from discontinued operations	(2,472)	(9,322)	(4,746)	(13,185)
Net income	\$ 26,368	\$ 10,811	\$ 46,359	\$ 25,019
Basic earnings (loss) per share:				
Earnings per share from continuing operations	\$ 0.67	\$ 0.50	\$ 1.19	\$ 0.94
Loss per share from discontinued operations	(0.06)	(0.23)	(0.11)	(0.32)
Earnings per share	\$ 0.61	\$ 0.27	\$ 1.08	\$ 0.62
Weighted average common shares outstanding	42,902	40,432	42,886	40,603
Diluted earnings (loss) per share:				
Earnings per share from continuing operations	\$ 0.62	\$ 0.49	\$ 1.11	\$ 0.92
Loss per share from discontinued operations	(0.05)	(0.22)	(0.10)	(0.30)
Earnings per share	\$ 0.57	\$ 0.27	\$ 1.01	\$ 0.62
Weighted average common shares outstanding	47,987	43,421	47,963	43,633
Dividends declared per common share	\$ 0.12	\$ 0.12	\$ 0.24	\$ 0.24

See notes to unaudited condensed consolidated financial statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31, 2007	June 30, 2008 (Unaudited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,514	\$ 11,381
Receivables, net	347,309	279,740
Inventories	1,093,017	1,156,208
Assets held for sale	87,342	114,263
Other current assets	35,879	36,477
Total current assets	1,580,061	1,598,069
Property and Equipment, net	286,591	396,841
Goodwill	1,276,074	1,250,363
Other Intangible Assets, net	111,342	108,684
Other Assets	28,676	28,565
Total Assets	\$ 3,282,744	\$ 3,382,522
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Notes payable floor plan trade	\$ 298,376	\$ 336,837
Notes payable floor plan non-trade	827,294	823,116
Trade accounts payable	66,026	61,636
Accrued interest	19,202	16,290
Other accrued liabilities	162,430	152,495
Liabilities associated with assets held for sale trade	25,057	12,124
Liabilities associated with assets held for sale non-trade	23,535	38,805
Current maturities of long-term debt	4,197	134,983
Total current liabilities	1,426,117	1,576,286
Long-Term Debt	697,800	647,652
Other Long-Term Liabilities	83,829	81,977
Deferred Income Taxes	144,170	142,290
Commitments and Contingencies		
Stockholders Equity:		
Class A convertible preferred stock, none issued		
Class A common stock, \$.01 par value; 100,000,000 shares authorized; 42,413,646 shares issued and 29,298,482 shares outstanding at December 31, 2007; 42,861,966 shares issued and 28,430,687 shares outstanding at June 30, 2008	424	428
Class B common stock; \$.01 par value; 30,000,000 shares authorized; 12,029,375 shares issued and outstanding at December 31, 2007 and June 30, 2008	121	121
Paid-in capital	488,983	500,528
Retained earnings	664,280	680,040
Accumulated other comprehensive income	(15,114)	(14,881)
Treasury stock, at cost (13,115,164 Class A shares held at December 31, 2007 and 14,431,279 Class A shares held at June 30, 2008)	(207,866)	(231,919)
Total stockholders equity	930,828	934,317

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Total Liabilities and Stockholders	Equity	\$ 3,282,744	\$ 3,382,522
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See notes to unaudited condensed consolidated financial statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Dollars and shares in thousands)

(Unaudited)

Accumulated