

SONIC AUTOMOTIVE INC

Form 10-Q

April 27, 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 March 31, 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 x 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 x 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 x

As of April 19, 2012, there were 41,115,331 shares of Class A Common Stock and 12,029,375 shares of Class B Common Stock outstanding.

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(Dollars and shares in thousands, except per share amounts)

	First Quarter Ended March 31,	
	2012	2011
Revenues:		
New vehicles	\$ 1,064,453	\$ 972,493
Used vehicles	517,052	474,555
Wholesale vehicles	45,341	35,046
Total vehicles	1,626,846	1,482,094
Parts, service and collision repair	301,748	287,100
Finance, insurance and other	59,248	49,102
Total revenues	1,987,842	1,818,296
Cost of Sales:		
New vehicles	(999,633)	(912,996)
Used vehicles	(476,523)	(436,982)
Wholesale vehicles	(45,125)	(35,492)
Total vehicles	(1,521,281)	(1,385,470)
Parts, service and collision repair	(154,692)	(145,588)
Total cost of sales	(1,675,973)	(1,531,058)
Gross profit	311,869	287,238
Selling, general and administrative expenses	(247,480)	(229,016)
Impairment charges	(1)	(17)
Depreciation and amortization	(11,071)	(9,895)
Operating income (loss)	53,317	48,310
Other income (expense):		
Interest expense, floor plan	(4,473)	(5,365)
Interest expense, other, net	(15,080)	(15,359)
Interest expense, non-cash, convertible debt	(1,630)	(1,694)
Interest income (expense / amortization), non-cash, cash flow swaps	22	178
Other income (expense), net	19	71
Total other income (expense)	(21,142)	(22,169)
Income (loss) from continuing operations before taxes	32,175	26,141
Provision for income taxes - benefit (expense)	(12,709)	(10,457)
Income (loss) from continuing operations	19,466	15,684
Discontinued operations:		
Income (loss) from operations and the sale of dealerships	1,706	(1,094)

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Income tax benefit (expense)	(674)	374
Income (loss) from discontinued operations	1,032	(720)
Net income (loss)	\$ 20,498	\$ 14,964
Basic earnings (loss) per common share:		
Earnings (loss) per share from continuing operations	\$ 0.37	\$ 0.30
Earnings (loss) per share from discontinued operations	0.02	(0.02)
Earnings (loss) per common share	\$ 0.39	\$ 0.28
Weighted average common shares outstanding	52,224	52,416
Diluted earnings (loss) per common share:		
Earnings (loss) per share from continuing operations	\$ 0.33	\$ 0.27
Earnings (loss) per share from discontinued operations	0.02	(0.01)
Earnings (loss) per common share	\$ 0.35	\$ 0.26
Weighted average common shares outstanding	64,420	65,950
Dividends declared per common share	\$ 0.025	\$ 0.025
See notes to Unaudited Condensed Consolidated Financial Statements.		

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

	First Quarter Ended March 31,	
	2012	2011
Net income (loss)	\$ 20,498	\$ 14,964
Other comprehensive income (loss) before taxes:		
Change in fair value of interest rate swap agreements	2,807	3,281
Total other comprehensive income (loss) before taxes	2,807	3,281
Provision for income tax benefit (expense) related to components of other comprehensive income (loss)	(1,066)	(1,247)
Other comprehensive income (loss)	1,741	2,034
Comprehensive income (loss)	\$ 22,239	\$ 16,998

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)

	March 31, 2012	December 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,360	\$ 1,913
Receivables, net	255,001	303,279
Inventories	986,095	863,133
Other current assets	19,880	12,404
Total current assets	1,263,336	1,180,729
Property and Equipment, net	554,081	552,037
Goodwill	464,488	468,465
Other Intangible Assets, net	75,888	76,276
Other Assets	57,785	62,122
Total Assets	\$ 2,415,578	\$ 2,339,629
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Notes payable floor plan trade	\$ 489,579	\$ 469,027
Notes payable floor plan non-trade	422,404	399,314
Trade accounts payable	90,385	86,902
Accrued interest	9,294	12,117
Other accrued liabilities	178,550	177,707
Current maturities of long-term debt	12,052	11,608
Total current liabilities	1,202,264	1,156,675
Long-Term Debt	545,028	536,011
Other Long-Term Liabilities	122,963	124,201
Commitments and Contingencies		
Stockholders Equity:		
Class A convertible preferred stock, none issued	-	-
Class A common stock, \$0.01 par value; 100,000,000 shares authorized; 56,951,393 shares issued and 41,069,815 shares outstanding at March 31, 2012; 56,377,778 shares issued and 40,600,031 shares outstanding at December 31, 2011	570	564
Class B common stock; \$0.01 par value; 30,000,000 shares authorized; 12,029,375 shares issued and outstanding at March 31, 2012 and December 31, 2011	121	121
Paid-in capital	671,304	667,839
Retained earnings	143,551	124,383
Accumulated other comprehensive income (loss)	(19,749)	(21,490)
Treasury stock, at cost (15,881,578 Class A shares held at March 31, 2012 and 15,777,747 Class A shares held at December 31, 2011)	(250,474)	(248,675)
Total stockholders equity	545,323	522,742
Total Liabilities and Stockholders Equity	\$ 2,415,578	\$ 2,339,629

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See notes to Unaudited Condensed Consolidated Financial Statements.

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SONIC AUTOMOTIVE, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

(Dollars and shares in thousands)

	Class A Common Stock		Class B Common Stock		Paid-In Capital	Retained Earnings / (Accumulated Deficit)	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
	Shares	Amount	Shares	Amount					
BALANCE AT DECEMBER 31, 2011	56,378	\$ 564	12,029	\$ 121	\$ 667,839	\$ 124,383	\$ (248,675)	\$ (21,490)	\$ 522,742