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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): October 29, 2020**

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**SONIC AUTOMOTIVE, INC.**  
(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**1-13395**  
(Commission  
File Number)

**56-2010790**  
(IRS Employer  
Identification No.)

**4401 Colwick Road  
Charlotte, North Carolina**  
(Address of principal executive offices)

**28211**  
(Zip Code)

**Registrant's telephone number, including area code: (704) 566-2400**

**Not Applicable**  
(Former name or former address, if changed since last report.)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, par value \$0.01 per share	SAH	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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**Item 2.02. Results of Operations and Financial Condition.**

On October 29, 2020, Sonic Automotive, Inc. (the “Company”) issued a press release announcing its financial results for its fiscal third quarter ended September 30, 2020 (the “Earnings Press Release”). A copy of the Earnings Press Release is attached hereto as Exhibit 99.1 and a copy of the earnings call presentation materials is attached hereto as Exhibit 99.2.

**Item 7.01. Regulation FD Disclosure.**

On October 29, 2020, in the Earnings Press Release, the Company announced the approval of a quarterly cash dividend.

**Item 9.01. Financial Statements and Exhibits.**

(d) *Exhibits.*

Exhibit No.	Description
99.1	<a href="#">Press Release of Sonic Automotive, Inc., dated October 29, 2020.</a>
99.2	<a href="#">Earnings Call Presentation Materials.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

The information in this Current Report on Form 8-K, including Exhibits 99.1 and 99.2 attached hereto, is being furnished and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

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## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

### **SONIC AUTOMOTIVE, INC.**

October 29, 2020

By: /s/ STEPHEN K. COSS

Stephen K. Coss

Senior Vice President and General Counsel

## Sonic Automotive Reports All-Time Record Third Quarter Earnings

*Record EchoPark Revenues and Unit Sales Volume As Expansion Kicks Into High Gear*

CHARLOTTE, N.C. – October 29, 2020 -[Sonic Automotive, Inc.](#) (“Sonic” or the “Company”) ([NYSE:SAH](#)), one of the nation’s largest automotive retailers, today reported financial results for the third quarter ended September 30, 2020.

### Third Quarter Highlights

- All-time record earnings per diluted share from continuing operations of \$1.35 for the third quarter of 2020, an increase of 105% compared to \$0.66 for the third quarter of 2019 (included in the results for the third quarter of 2020 is a pre-tax gain of \$3.2 million, or \$0.06 per share, related to franchise disposals)
- Selling, general and administrative (“SG&A”) expenses as a percentage of gross profit were 68.3% for the third quarter of 2020, compared to 76.7% for the third quarter of 2019 (results for the third quarter of 2020 include an 80 basis point benefit related to a gain on franchise disposals)
- Total Sonic consolidated third quarter 2020 revenues of \$2.5 billion and gross profit of \$376.6 million
- All-time record EchoPark quarterly revenues of \$385.1 million, up 23.3% from the third quarter of 2019
- All-time record EchoPark quarterly retail sales volume of 15,127 units, up 14.5% from the third quarter of 2019
- Same store Franchised Dealerships Segment operating results for the third quarter of 2020, compared to the third quarter of 2019:
  - Revenues down 5.6%, gross profit up 1.5%
  - New vehicle unit sales volume down 14.6%; new vehicle gross profit per unit up 38.4%, to \$2,607
  - Retail used vehicle unit sales volume down 4.6%; retail used vehicle gross profit per unit up 3.9%, to \$1,307
  - Parts, service and collision repair gross profit down 3.9%, customer pay gross profit down 0.9%; gross margin up 130 basis points, to 49.2%
  - Finance and insurance (“F&I”) gross profit down 1.4%; total Franchised Dealerships Segment F&I gross profit per retail unit of \$1,810, up 10.0%

### Commentary

Jeff Dyke, Sonic’s and EchoPark’s President, commented, “Our third quarter results demonstrate the strength and resilience of our business model, driving the highest third quarter profit in our Company’s history. All business lines saw sequential improvement from the second quarter, with a combination of increasing consumer demand and enhanced operating efficiency and profitability as a result of the strategic actions our team took early in the pandemic. We believe the third quarter marks an inflection point in our Company’s path to more than double its total revenues and dramatically increase profitability in the next five years. We remain committed to providing our guests with an industry-leading vehicle purchase experience, offering a variety of options across the omni-channel spectrum to suit each individual’s needs. We continue to enhance our e-commerce platform to offer our guests a fully-integrated online and on-site sales experience at both our franchised dealership websites and [EchoPark.com](#), further supporting the long-term growth plans for our business.”

Mr. Dyke continued, “We are very pleased with our franchised dealerships’ performance during the quarter, which reflects steadily increasing automotive retail consumer demand and the extraordinary dedication of our teammates to continue to deliver exceptional results despite the challenges of the pandemic. As importantly, EchoPark achieved all-time record retail sales volume in the quarter, selling over 15,000 units at our 12 existing locations. Our guests continue to see incredible value in the inventory selection, pricing, and buying experience that EchoPark offers and we remain focused on accelerating the expansion of this brand nationally. Our recent EchoPark expansion in Greenville, South Carolina, Houston, Texas, and Nashville, Tennessee, plus expected new openings by year end in Plano, Texas and Atlanta, Georgia, continue to drive toward a 140-point nationwide distribution network, expected to retail over half a million pre-owned vehicles annually by 2025.”

Heath Byrd, Sonic’s and EchoPark’s Chief Financial Officer, commented, “We have continued to increase operating efficiency at both our franchised dealerships and EchoPark stores, driving improved profitability throughout our operations. Total SG&A expenses for the third quarter were down \$39.7 million, or 13.4%, year-over-year, while SG&A expenses as a percentage of gross profit were 68.3%, down 840 basis points from the year-ago quarter. Due to our ongoing cost-management initiatives, we are now a much leaner, more efficient organization than we were prior to the COVID-19 pandemic.”

### Third Quarter 2020 Operational Summary

For the third quarter of 2020, Sonic’s consolidated total revenues were \$2.5 billion, down 5.7% compared to the third quarter of 2019 and up 20.7% sequentially from the second quarter of 2020. EchoPark Segment revenues were \$385.1 million for the third quarter of 2020, representing a 23.3% increase from the third quarter of 2019 and a 22.1% increase sequentially from the second quarter of 2020. Franchised Dealerships Segment revenues were \$2.2 billion for the third quarter of 2020, representing a 9.5% decrease from the third quarter of 2019 and a 20.4% increase sequentially from \$1.8 billion in the second quarter of 2020.

Adjusted SG&A expenses as a percentage of gross profit (a non-GAAP measure) for the third quarter of 2020 were 69.1%, a decrease of 760 basis points compared to the third quarter of 2019, due primarily to ongoing cost-control measures consistent with the Company's stated goal of approximately \$84.0 million in permanent SG&A expense reductions annually.

Net income from continuing operations for the third quarter of 2020 was \$60.0 million, or \$1.35 per diluted share, compared to \$29.2 million, or \$0.66 per diluted share, for the third quarter of 2019. Adjusted net income from continuing operations (a non-GAAP measure) for the third quarter of 2020 was \$57.7 million, or \$1.29 per diluted share. Comparatively, adjusted net income from continuing operations (a non-GAAP measure) for the third quarter of 2019 was \$29.2 million, or \$0.66 per diluted share.

### **Dividend**

Sonic's Board of Directors approved a quarterly cash dividend of \$0.10 per share payable on January 15, 2021 to all stockholders of record on December 15, 2020.

### **Third Quarter 2020 Earnings Conference Call**

Senior management will host a conference call on Thursday, October 29, 2020 at 11:00 A.M. (Eastern) to discuss the quarter's results. To access the live broadcast of the call over the Internet, please go to [ir.sonicautomotive.com](http://ir.sonicautomotive.com). The conference call will also be available live by dialing in 15 minutes prior to the start of the call at:

Domestic: (833) 519-1243  
International: (914) 800-3816  
Conference ID: 2553839

A conference call replay will be available one hour following the call for 14 days and can be accessed by calling:

Domestic: (855) 859-2056  
International: (404) 537-3406  
Conference ID: 2553839

Investor presentation and earnings press release materials for the Company's earnings conference call will be accessible beginning the morning of the conference call on the Company's website at [ir.sonicautomotive.com](http://ir.sonicautomotive.com).

### **About Sonic Automotive**

Sonic Automotive, Inc., a Fortune 500 company based in Charlotte, North Carolina, is one of the nation's largest automotive retailers. Sonic can be reached on the web at [www.sonicautomotive.com](http://www.sonicautomotive.com).

### **About EchoPark Automotive**

EchoPark Automotive is a growing operating segment within the Company that specializes in pre-owned vehicle sales and provides a unique guest experience unlike traditional used car stores. More information about EchoPark Automotive can be found at [www.echopark.com](http://www.echopark.com).

### **Forward-Looking Statements**

Included herein are forward-looking statements, including statements regarding anticipated future revenue levels, future profitability, projected SG&A expense levels, pre-owned vehicle sales projections and the opening of additional EchoPark points. There are many factors that affect management's views about future events and trends of the Company's business. These factors involve risks and uncertainties that could cause actual results or trends to differ materially from management's views, including, without limitation, economic conditions in the markets in which we operate, new and used vehicle industry sales volume, anticipated future growth in our EchoPark Segment, the success of our operational strategies, the rate and timing of overall economic expansion or contraction, the effect of the COVID-19 pandemic and related government-imposed restrictions on operations, and the risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and other reports and information filed with the Securities and Exchange Commission (the "SEC"). The Company does not undertake any obligation to update forward-looking information, except as required under federal securities laws and the rules and regulations of the SEC.

### **Non-GAAP Financial Measures**

This press release and the attached financial tables contain certain non-GAAP financial measures as defined under SEC rules, such as adjusted net income from continuing operations, adjusted earnings per diluted share from continuing operations, adjusted SG&A expenses, and adjusted SG&A expenses as a percentage of gross profit. As required by SEC rules, the Company has provided reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures in the schedules

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included in this press release. The Company believes that these non-GAAP financial measures improve the transparency of the Company's disclosures and provide a meaningful presentation of the Company's results.

**Company Contacts**

**Investor Inquiries:**

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**Sonic Automotive, Inc.**  
**Results of Operations (Unaudited)**

**Results of Operations - Consolidated**

	Three Months Ended September 30,		Better / (Worse)	Nine Months Ended September 30,		Better / (Worse)
	2020	2019	% Change	2020	2019	% Change
(In thousands, except per share amounts)						
Revenues:						
New vehicles	\$ 1,098,302	\$ 1,258,018	(12.7) %	\$ 2,957,794	\$ 3,529,106	(16.2)%
Used vehicles	946,028	914,272	3.5 %	2,604,957	2,620,264	(0.6)%
Wholesale vehicles	56,502	51,542	9.6 %	138,221	156,351	(11.6)%
Total vehicles	2,100,832	2,223,832	(5.5) %	5,700,972	6,305,721	(9.6)%
Parts, service and collision repair	320,929	352,047	(8.8) %	914,667	1,048,789	(12.8)%
Finance, insurance and other, net	126,784	126,841	— %	352,848	351,429	0.4 %
Total revenues	2,548,545	2,702,720	(5.7) %	6,968,487	7,705,939	(9.6)%
Cost of Sales:						
New vehicles	(1,035,624)	(1,202,710)	13.9 %	(2,804,314)	(3,363,603)	16.6 %
Used vehicles	(917,993)	(877,444)	(4.6) %	(2,517,421)	(2,509,699)	(0.3)%
Wholesale vehicles	(53,958)	(52,648)	(2.5) %	(136,260)	(159,437)	14.5 %
Total vehicles	(2,007,575)	(2,132,802)	5.9 %	(5,457,995)	(6,032,739)	9.5 %
Parts, service and collision repair	(164,403)	(183,107)	10.2 %	(475,964)	(546,067)	12.8 %
Total cost of sales	(2,171,978)	(2,315,909)	6.2 %	(5,933,959)	(6,578,806)	9.8 %
Gross profit	376,567	386,811	(2.6) %	1,034,528	1,127,133	(8.2)%
Selling, general and administrative expenses	(257,174)	(296,826)	13.4 %	(769,688)	(838,453)	8.2 %
Impairment charges	(26)	(1,124)	97.7 %	(268,859)	(3,076)	(8,640.5)%
Depreciation and amortization	(22,934)	(23,665)	3.1 %	(67,879)	(70,120)	3.2 %
Operating income (loss)	96,433	65,196	47.9 %	(71,898)	215,484	(133.4)%
Other income (expense):						
Interest expense, floor plan	(4,999)	(11,638)	57.0 %	(21,821)	(37,382)	41.6 %
Interest expense, other, net	(10,762)	(13,013)	17.3 %	(31,523)	(39,494)	20.2 %
Other income (expense), net	1	(5)	120.0 %	100	90	(11.1)%
Total other income (expense)	(15,760)	(24,656)	36.1 %	(53,244)	(76,786)	30.7 %
Income (loss) from continuing operations before taxes	80,673	40,540	99.0 %	(125,142)	138,698	(190.2)%
Provision for income taxes for continuing operations - benefit (expense)	(20,685)	(11,372)	(81.9) %	16,995	(40,430)	142.0 %
Income (loss) from continuing operations	59,988	29,168	105.7 %	(108,147)	98,268	(210.1)%
Discontinued operations:						
Income (loss) from discontinued operations before taxes	(234)	(223)	(4.9) %	(808)	(616)	(31.2)%
Provision for income taxes for discontinued operations - benefit (expense)	64	65	(1.5) %	231	179	29.1 %
Income (loss) from discontinued operations	(170)	(158)	(7.6) %	(577)	(437)	(32.0)%
Net income (loss)	\$ 59,818	\$ 29,010	106.2 %	\$ (108,724)	\$ 97,831	(211.1)%
Basic earnings (loss) per common share:						
Earnings (loss) per share from continuing operations	\$ 1.41	\$ 0.68	107.4 %	\$ (2.53)	\$ 2.28	(211.0)%
Earnings (loss) per share from discontinued operations	—	(0.01)	100.0 %	(0.02)	(0.01)	(100.0)%
Earnings (loss) per common share	\$ 1.41	\$ 0.67	110.4 %	\$ (2.55)	\$ 2.27	(212.3)%
Weighted-average common shares outstanding	42,510	43,078	1.3 %	42,687	42,995	0.7 %
Diluted earnings (loss) per common share:						
Earnings (loss) per share from continuing operations	\$ 1.35	\$ 0.66	104.5 %	\$ (2.53)	\$ 2.26	(211.9)%
Earnings (loss) per share from discontinued operations	(0.01)	—	(100.0)%	(0.02)	(0.01)	(100.0)%
Earnings (loss) per common share	\$ 1.34	\$ 0.66	103.0 %	\$ (2.55)	\$ 2.25	(213.3)%
Weighted-average common shares outstanding	44,577	44,203	(0.8) %	42,687	43,456	1.8 %
Dividends declared per common share	\$ 0.10	\$ 0.10	— %	\$ 0.30	\$ 0.30	— %

**Franchised Dealerships Segment - Reported**

	Three Months Ended September 30,			Better / (Worse)	Nine Months Ended September 30,			Better / (Worse)
	2020	2019		% Change	2020	2019		% Change
(In thousands, except unit and per unit data)								
Revenues:								
New vehicles	\$ 1,098,302	\$ 1,258,018		(12.7)%	\$ 2,957,794	\$ 3,529,106		(16.2)%
Used vehicles	615,565	648,006		(5.0)%	1,718,151	1,889,045		(9.0)%
Wholesale vehicles	48,526	44,517		9.0 %	119,474	140,770		(15.1)%
Total vehicles	1,762,393	1,950,541		(9.6)%	4,795,419	5,558,921		(13.7)%
Parts, service and collision repair	310,035	343,820		(9.8)%	886,534	1,027,382		(13.7)%
Finance, insurance and other, net	91,035	96,142		(5.3)%	254,465	266,171		(4.4)%
Total revenues	2,163,463	2,390,503		(9.5)%	5,936,418	6,852,474		(13.4)%
Gross Profit:								
New vehicles	62,678	55,308		13.3 %	153,480	165,503		(7.3)%
Used vehicles	34,385	37,623		(8.6)%	97,114	111,815		(13.1)%
Wholesale vehicles	2,556	(971)		363.2 %	2,116	(2,845)		174.4 %
Total vehicles	99,619	91,960		8.3 %	252,710	274,473		(7.9)%
Parts, service and collision repair	156,711	169,158		(7.4)%	439,272	503,311		(12.7)%
Finance, insurance and other, net	91,035	96,142		(5.3)%	254,465	266,171		(4.4)%
Total gross profit	347,365	357,260		(2.8)%	946,447	1,043,955		(9.3)%
Selling, general and administrative expenses	(231,882)	(274,585)		15.6 %	(697,796)	(773,915)		9.8 %
Impairment charges	(26)	—		(100.0)%	(268,859)	(26)		NM
Depreciation and amortization	(20,170)	(20,967)		3.8 %	(59,654)	(62,348)		4.3 %
Operating income (loss)	95,287	61,708		54.4 %	(79,862)	207,666		(138.5)%
Other income (expense):								
Interest expense, floor plan	(4,234)	(10,679)		60.4 %	(19,517)	(34,781)		43.9 %
Interest expense, other, net	(10,615)	(12,607)		15.8 %	(30,771)	(38,214)		19.5 %
Other income (expense), net	(4)	(5)		20.0 %	96	29		231.0 %
Total other income (expense)	(14,853)	(23,291)		36.2 %	(50,192)	(72,966)		31.2 %
Income (loss) before taxes	80,434	38,417		109.4 %	(130,054)	134,700		(196.6)%
Add: impairment charges	26	—		NM	268,859	26		NM
Segment income (loss)	\$ 80,460	\$ 38,417		109.4 %	\$ 138,805	\$ 134,727		3.0 %
Unit Sales Volume:								
New vehicles	24,100	30,147		(20.1)%	65,715	83,540		(21.3)%
Used vehicles	26,363	29,247		(9.9)%	76,374	85,530		(10.7)%
Wholesale vehicles	6,679	7,123		(6.2)%	18,416	22,231		(17.2)%
Retail new & used vehicles	50,463	59,394		(15.0)%	142,089	169,070		(16.0)%
Used:New Ratio	1.09	0.97		12.8 %	1.16	1.02		13.5 %
Gross Profit Per Unit:								
New vehicles	\$ 2,601	\$ 1,835		41.7 %	\$ 2,336	\$ 1,981		17.9 %
Used vehicles	\$ 1,304	\$ 1,286		1.4 %	\$ 1,272	\$ 1,307		(2.7)%
Finance, insurance and other, net	\$ 1,810	\$ 1,645		10.0 %	\$ 1,802	\$ 1,590		13.3 %

NM = Not Meaningful



*Franchised Dealerships Segment - Same Store*

	Three Months Ended September 30,			Better / (Worse)  % Change	Nine Months Ended September 30,			Better / (Worse)  % Change		
	2020	2019			2020	2019				
(In thousands, except unit and per unit data)										
Revenues:										
New vehicles	\$	1,092,360	\$	1,194,486	(8.5)%	\$	2,937,057	\$	3,329,926	(11.8)%
Used vehicles		613,097		620,278	(1.2)%		1,706,949		1,795,833	(4.9)%
Wholesale vehicles		48,326		42,880	12.7 %		118,744		134,038	(11.4)%
Total vehicles		1,753,783		1,857,644	(5.6)%		4,762,750		5,259,797	(9.4)%
Parts, service and collision repair		308,385		331,247	(6.9)%		878,191		981,967	(10.6)%
Finance, insurance and other, net		85,971		87,185	(1.4)%		238,328		241,483	(1.3)%
Total revenues	\$	2,148,139	\$	2,276,076	(5.6)%	\$	5,879,269	\$	6,483,247	(9.3)%
Gross Profit:										
New vehicles	\$	62,237	\$	52,657	18.2 %	\$	151,250	\$	157,799	(4.2)%
Used vehicles		34,261		34,592	(1.0)%		93,234		101,886	(8.5)%
Wholesale vehicles		2,676		(786)	440.5 %		2,331		(2,150)	208.4 %
Total vehicles		99,174		86,463	14.7 %		246,815		257,535	(4.2)%
Parts, service and collision repair		156,446		162,779	(3.9)%		435,484		479,904	(9.3)%
Finance, insurance and other, net		85,971		87,185	(1.4)%		238,328		241,483	(1.3)%
Total gross profit	\$	341,591	\$	336,427	1.5 %	\$	920,627	\$	978,922	(6.0)%
Unit Sales Volume:										
New vehicles		23,875		27,971	(14.6)%		64,955		76,653	(15.3)%
Used vehicles		26,216		27,490	(4.6)%		75,678		79,571	(4.9)%
Wholesale vehicles		6,638		6,545	1.4 %		18,271		20,274	(9.9)%
Retail new & used vehicles		50,091		55,461	(9.7)%		140,633		156,224	(10.0)%
Used:New Ratio		1.10		0.98	11.7 %		1.17		1.04	12.2 %
Gross Profit Per Unit:										
New vehicles	\$	2,607	\$	1,883	38.4 %	\$	2,329	\$	2,059	13.1 %
Used vehicles	\$	1,307	\$	1,258	3.9 %	\$	1,232	\$	1,280	(3.8)%
Finance, insurance and other, net	\$	1,722	\$	1,600	7.6 %	\$	1,706	\$	1,563	9.1 %

*EchoPark Segment - Reported*

	Three Months Ended September 30,		Better / (Worse) % Change	Nine Months Ended September 30,		Better / (Worse) % Change
	2020	2019		2020	2019	
(In thousands, except unit and per unit data)						
Revenues:						
Used vehicles	\$ 330,463	\$ 266,266	24.1 %	\$ 886,806	\$ 731,219	21.3 %
Wholesale vehicles	7,976	7,025	13.5 %	18,747	15,581	20.3 %
Total vehicles	338,439	273,291	23.8 %	905,553	746,800	21.3 %
Parts, service and collision repair	10,894	8,227	32.4 %	28,133	21,407	31.4 %
Finance, insurance and other, net	35,749	30,699	16.5 %	98,383	85,258	15.4 %
Total revenues	385,082	312,217	23.3 %	1,032,069	853,465	20.9 %
Gross Profit:						
Used vehicles	(6,350)	(795)	(698.7)%	(9,578)	(1,250)	(666.2)%
Wholesale vehicles	(12)	(135)	91.1 %	(155)	(241)	35.7 %
Total vehicles	(6,362)	(930)	584.1 %	(9,733)	(1,491)	552.8 %
Parts, service and collision repair	(185)	(218)	15.1 %	(569)	(589)	3.4 %
Finance, insurance and other, net	35,749	30,699	16.5 %	98,383	85,258	15.4 %
Total gross profit	29,202	29,551	(1.2)%	88,081	83,178	5.9 %
Selling, general and administrative expenses	(25,292)	(22,241)	(13.7)%	(71,892)	(64,538)	(11.4)%
Impairment charges	—	(1,124)	100.0 %	—	(3,050)	100.0 %
Depreciation and amortization	(2,764)	(2,698)	(2.4)%	(8,225)	(7,772)	(5.8)%
Operating income (loss)	1,146	3,488	(67.1)%	7,964	7,818	1.9 %
Other income (expense):						
Interest expense, floor plan	(765)	(959)	20.2 %	(2,304)	(2,601)	11.4 %
Interest expense, other, net	(147)	(406)	63.8 %	(752)	(1,280)	41.3 %
Other income (expense), net	5	—	100.0 %	4	61	(93.4)%
Total other income (expense)	(907)	(1,365)	33.6 %	(3,052)	(3,820)	20.1 %
Income (loss) before taxes	239	2,123	(88.7)%	4,912	3,998	22.9 %
Add: impairment charges	—	(1,124)	NM	—	(3,050)	NM
Segment income (loss)	\$ 239	\$ 3,247	(92.6)%	\$ 4,912	\$ 7,047	(30.3)%
Unit Sales Volume:						
Used vehicles	15,127	13,206	14.5 %	42,320	36,844	14.9 %
Wholesale vehicles	1,955	1,838	6.4 %	5,174	4,023	28.6 %

NM = Not Meaningful

*EchoPark Segment - Same Store*

	Three Months Ended September 30,		Better / (Worse) % Change	Nine Months Ended September 30,		Better / (Worse) % Change
	2020	2019		2020	2019	
(In thousands, except unit and per unit data)						
Revenues:						
Used vehicles	\$ 281,959	\$ 266,266	5.9 %	\$ 790,302	\$ 731,219	8.1 %
Wholesale vehicles	7,195	7,025	2.4 %	17,418	15,581	11.8 %
Total vehicles	289,154	273,291	5.8 %	807,720	746,800	8.2 %
Parts, service and collision repair	9,673	8,227	17.6 %	25,524	21,407	19.2 %
Finance, insurance and other, net	30,523	30,588	(0.2)%	87,796	84,840	3.5 %
Total revenues	\$ 329,350	\$ 312,106	5.5 %	\$ 921,040	\$ 853,047	8.0 %
Gross Profit:						
Used vehicles	\$ (7,365)	\$ (2,501)	(194.5)%	\$ (13,197)	\$ (5,222)	(152.7)%
Wholesale vehicles	(17)	(135)	87.4 %	(156)	(240)	35.0 %
Total vehicles	(7,382)	(2,636)	180.0 %	(13,353)	(5,462)	144.5 %
Parts, service and collision repair	(95)	(218)	56.4 %	(395)	(568)	30.5 %
Finance, insurance and other, net	30,523	30,588	(0.2)%	87,796	84,840	3.5 %
Total gross profit	\$ 23,046	\$ 27,734	(16.9)%	\$ 74,048	\$ 78,810	(6.0)%
Unit Sales Volume:						
Used vehicles	12,869	13,206	(2.6)%	37,652	36,844	2.2 %
Wholesale vehicles	1,720	1,838	(6.4)%	4,715	4,023	17.2 %
Gross Profit Per Unit:						
Total used vehicle and F&I	\$ 1,800	\$ 2,127	(15.4)%	\$ 1,981	\$ 2,161	(8.3)%

*Selling, General and Administrative ("SG&A") Expenses - Consolidated*

	Three Months Ended September 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
<b>Reported:</b>				
Compensation	\$ 169,097	\$ 184,089	\$ 14,992	8.1 %
Advertising	9,455	15,856	6,401	40.4 %
Rent	13,846	12,721	(1,125)	(8.8) %
Other	64,776	84,160	19,384	23.0 %
Total SG&A expenses	<u>\$ 257,174</u>	<u>\$ 296,826</u>	<u>\$ 39,652</u>	13.4 %
<b>Items of interest:</b>				
Gain (loss) on franchise disposals	\$ 3,150	\$ —		
Total SG&A adjustments	<u>\$ 3,150</u>	<u>\$ —</u>		
<b>Adjusted:</b>				
Total adjusted SG&A expenses	<u>\$ 260,324</u>	<u>\$ 296,826</u>	\$ 36,502	12.3 %
<b>Reported:</b>				
SG&A expenses as a % of gross profit:				
Compensation	44.9 %	47.6 %	270 bps	
Advertising	2.5 %	4.1 %	160 bps	
Rent	3.7 %	3.3 %	(40) bps	
Other	17.2 %	21.7 %	450 bps	
Total SG&A expenses as a % of gross profit	<u>68.3 %</u>	<u>76.7 %</u>	<u>840 bps</u>	
<b>Items of interest:</b>				
Gain (loss) on franchise disposals	0.8 %	— %		
Total effect of adjustments	0.8 %	— %		
<b>Adjusted:</b>				
Total adjusted SG&A expenses as a % of gross profit	<u>69.1 %</u>	<u>76.7 %</u>	760 bps	

***Selling, General and Administrative ("SG&A") Expenses - Consolidated***

	Nine Months Ended September 30,		Better / (Worse)	
	2020	2019	Change	% Change
(In thousands)				
<b>Reported:</b>				
Compensation	\$ 483,784	\$ 549,470	\$ 65,686	12.0 %
Advertising	31,677	46,308	14,631	31.6 %
Rent	40,934	41,308	374	0.9 %
Other	213,293	201,367	(11,926)	(5.9) %
Total SG&A expenses	<u>\$ 769,688</u>	<u>\$ 838,453</u>	<u>\$ 68,765</u>	8.2 %
<b>Items of interest:</b>				
Gain (loss) on franchise disposals	\$ 3,150	\$ 46,680		
Executive transition costs	—	(6,264)		
Total SG&A adjustments	<u>\$ 3,150</u>	<u>\$ 40,416</u>		
<b>Adjusted:</b>				
Total adjusted SG&A expenses	<u>\$ 772,838</u>	<u>\$ 878,869</u>	<u>\$ 106,031</u>	12.1 %
<b>Reported:</b>				
SG&A expenses as a % of gross profit:				
Compensation	46.8 %	48.7 %	190 bps	
Advertising	3.1 %	4.1 %	100 bps	
Rent	4.0 %	3.7 %	(30) bps	
Other	20.5 %	17.9 %	(260) bps	
Total SG&A expenses as a % of gross profit	<u>74.4 %</u>	<u>74.4 %</u>	<u>— bps</u>	
<b>Items of interest:</b>				
Gain (loss) on franchise disposals	0.3 %	4.2 %		
Executive transition costs	— %	(0.6)%		
Total effect of adjustments	<u>0.3 %</u>	<u>3.6 %</u>		
<b>Adjusted:</b>				
Total adjusted SG&A expenses as a % of gross profit	<u>74.7 %</u>	<u>78.0 %</u>	330 bps	

*Earnings Per Share from Continuing Operations - Non-GAAP Reconciliation*

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Weighted-Average Shares	Amount	Per Share Amount	Weighted-Average Shares	Amount	Per Share Amount
(In thousands, except per share amounts)						
Diluted earnings (loss) and shares from continuing operations	44,577	\$ 59,988	\$ 1.35	44,203	\$ 29,168	\$ 0.66
Pre-tax items of interest:						
(Gain) loss on franchise disposals		\$ (3,150)			\$ —	
Total pre-tax items of interest		\$ (3,150)			\$ —	
Tax effect of above items		\$ 827			\$ —	
Adjusted diluted earnings (loss) and shares from continuing operations	44,577	<u>\$ 57,665</u>	<u>\$ 1.29</u>	44,203	<u>\$ 29,168</u>	<u>\$ 0.66</u>

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Weighted-Average Shares	Amount	Per Share Amount	Weighted-Average Shares	Amount	Per Share Amount
(In thousands, except per share amounts)						
Diluted earnings (loss) and shares from continuing operations <sup>(1)</sup>	42,687	\$ (108,147)	\$ (2.53)	43,456	\$ 98,268	\$ 2.26
Pre-tax items of interest:						
(Gain) loss on franchise disposals		\$ (3,150)			\$ (46,680)	
Executive transition costs		—			6,264	
Impairment charges		268,000			1,926	
Total pre-tax items of interest		\$ 264,850			\$ (38,490)	
Tax effect of above items		\$ (53,643)			\$ 12,902	
Adjusted diluted earnings (loss) and shares from continuing operations	43,864	<u>\$ 103,060</u>	<u>\$ 2.35</u>	43,456	<u>\$ 72,680</u>	<u>\$ 1.67</u>

(1) Basic Weighted-Average Shares Used For Nine Months Ended September 30, 2020 Due To Net Loss On GAAP Basis

# Sonic Automotive – Investor Presentation October 2020



EchoPark  
AUTOMOTIVE

Updated October 29, 2020



## → Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to future events, are not historical facts and are based on our current expectations and assumptions regarding our business, the economy and other future conditions. These statements can generally be identified by lead-in words such as “may,” “will,” “should,” “could,” “believe,” “expect,” “estimate,” “anticipate,” “intend,” “plan,” “foresee” and other similar words or phrases. Statements that describe our Company’s objectives, plans or goals are also forward-looking statements. Examples of such forward-looking information we may be discussing in this presentation include, without limitation, the effects of COVID-19 on operations, anticipated future new vehicle unit sales volume, anticipated future used vehicle unit sales volume, anticipated future parts, service and collision repair (“Fixed Operations”) gross profit, anticipated expense reductions, long-term annual revenue targets, anticipated future growth and profitability in our EchoPark Segment, anticipated openings of new EchoPark stores, anticipated future performance and growth of our Franchised Dealerships Segment, anticipated liquidity positions, anticipated industry new vehicle sales volume, the implementation of growth and operating strategies, including acquisitions of dealerships and properties, the return of capital to stockholders, anticipated future success and impacts from the implementation of our strategic initiatives, and earnings per share expectations.

You are cautioned that these forward-looking statements are not guarantees of future performance, involve risks and uncertainties and actual results may differ materially from those projected in the forward-looking statements as a result of various factors. These risks and uncertainties include, without limitation, economic conditions in the markets in which we operate, new and used vehicle industry sales volume, the success of our operational strategies, the rate and timing of overall economic expansion or contraction, and the risk factors described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019, the Company’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 and other reports and information filed with the Securities and Exchange Commission (the “SEC”).

These forward-looking statements, risks, uncertainties and additional factors speak only as of the date of this presentation. We undertake no obligation to update any such statements, except as required under federal securities laws and the rules and regulations of the SEC.



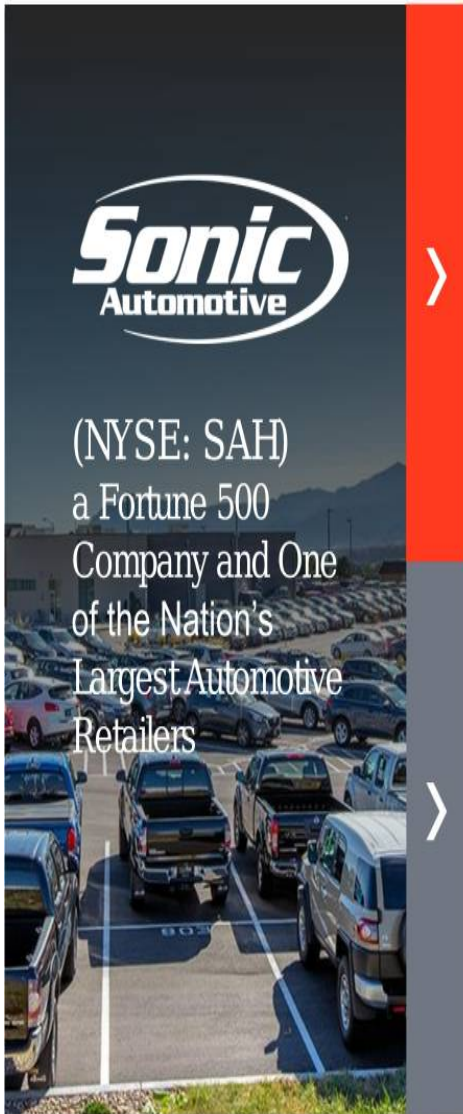




# Company Overview



## → Sonic Automotive: Who We Are



Our Core Franchised Dealerships Segment is a Full-Service Automotive Retailer, Selling New and Used Vehicles, Arranging F&I Product Sales, and Providing Parts, Service and Collision Repair



Our High Growth EchoPark Segment Offers a Unique Approach to Pre-Owned Vehicle and F&I Sales

Below-Market Pricing with a No Haggle Purchase Experience Drives Industry-Leading Used Vehicle Volume Throughput

### QUICK FACTS

97	14
Dealerships	Collision Centers

20+	12
Automotive Brands	States

\$10.5B	\$1.5B
Revenue	Gross Profit

114K	162K
New Vehicles Sold	Used Vehicles Sold

Note: Revenue, Gross Profit, New & Used Vehicles Sold are for FY 2019



## → Investment Highlights

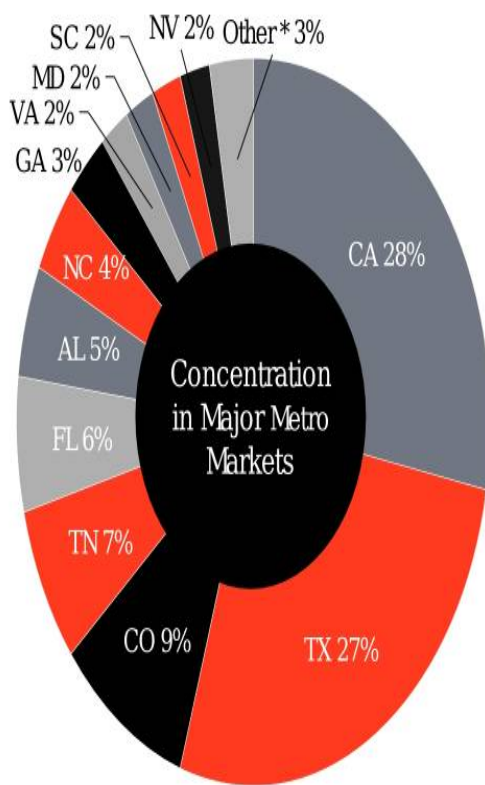




## → Revenue Composition

### BY GEOGRAPHY

Geographic Footprint, Revenue Streams and Brand Mix Offer Attractive Diversification Across the Automotive Retail Space



Note: Percentages are Percent of Total Revenue for FY 2019

\* Consists of Disposed Stores and Holding Companies



## → Revenue Composition – Diversified Revenue Streams

### Brand Distribution

Brand	% of Revenue	Franchise Brand	% of Revenue
Luxury	57%	BMW	23%
		Mercedes	11%
		Audi	6%
		Lexus	4%
		Land Rover	3%
		Porsche	3%
		Cadillac	3%
		MINI	2%
		Other Luxury (1)	2%
Import	24%	Honda	13%
		Toyota	8%
		Hyundai	1%
		Volkswagen	1%
		Other Import (2)	1%
EchoPark	11%	Non-Franchise	11%
Domestic	8%	Ford	4%
		General Motors (3)	4%

(1) Includes Volvo, Jaguar, Acura and Infiniti

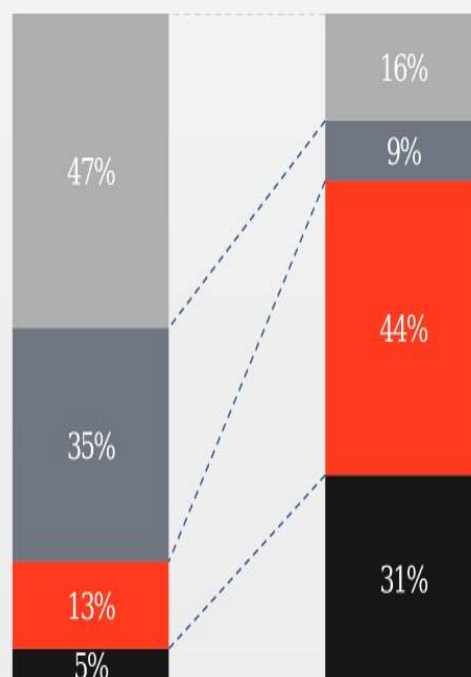
(2) Includes Nissan, Subaru and Kia

(3) Includes Chevrolet, GMC and Buick

Note: Percentages are Percent of Total Revenue for FY 2019

### Business Line Mix

- New Vehicle
- Used Vehicle (Including Wholesale)
- Parts, Service & Collision Repair ("Fixed Operations")
- Finance & Insurance ("F&I")



Revenue

Gross Profit

Note: Percentages are Percent of Total for FY 2019



## → EchoPark Automotive – A Unique Growth Story



The New Car Alternative™

Price. Quality. Convenience.

Focus On  
**Pre-Owned**  
Market – More Stable  
Than New Vehicle  
Market

**10% Below  
Market**  
Pricing With Simplified, Easy  
Purchase Experience

Unique, High Return  
Business Model

**1 to 4-Year-Old**  
Vehicles - Nearly New With  
Remaining OEM Warranty

**30% of Guests**  
Travel More Than 30 Minutes  
To Shop Our Inventory

Expansion Plan For 140+ Point  
Distribution Network By 2025





## → EchoPark – High Volume Model Drives Superior Returns

Ultra-Low Pricing



Attractive F&I



High Volume Throughput

May Yield Slightly Negative  
Front-End Gross Profit Per  
Unit

Higher Penetration Rates  
On F&I Products  
vs. Sonic Franchised Stores

5X Volume Per Store Per  
Month vs. Sonic Franchised  
Stores

Gross Profit Per Unit ("GPU")	Franchised Used	EchoPark	B (W)
Front-End Used Vehicle GPU	\$1,300	\$(100)	
F&I GPU	\$1,400	\$2,250	
Parts and Service Reconditioning GPU	\$500	-	
Total Used-Related GPU	\$3,200	\$2,150	(\$1,050)
Volume Differential Factor	x1	X5	
Pro Forma Comparative Used-Related Gross Profit	\$3,200	\$10,750	\$7,550

Note: Amounts are estimates of future results used for comparative modeling purposes. Actual store results may differ.



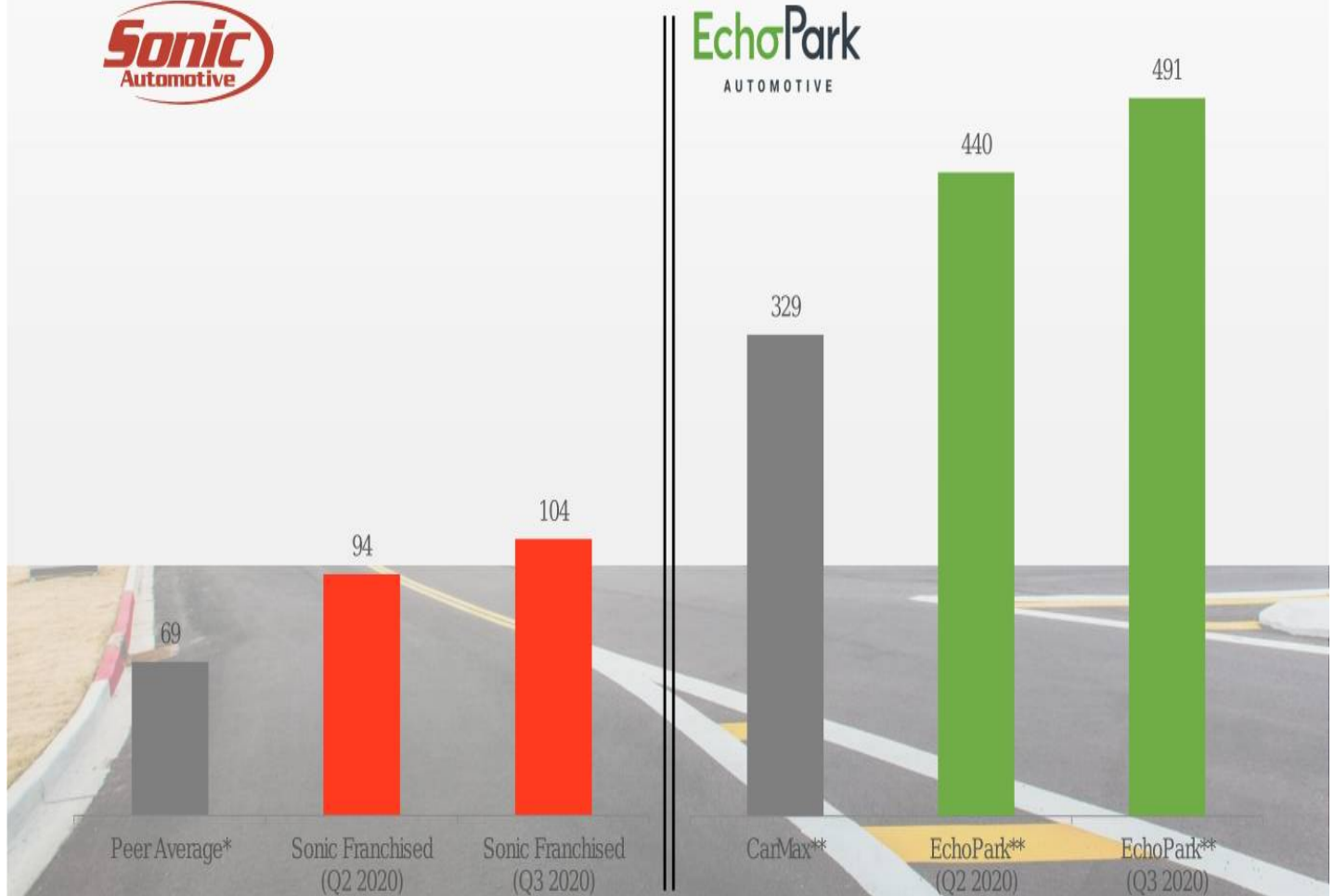
## → Complementary Relationship Between Segments





## → Industry-Leading Used Vehicle Volume Throughput

Retail Used Vehicle Unit Sales Per Store Per Month



Utilize Highly Efficient Inventory Sourcing, Pricing And Selling Processes To Maximize Throughput

\* Peer Average Is Store Count As Of And Unit Sales For The Quarter Ended June 30, 2020 (Q3 2020 Data Not Available As Of Date Of This Report) For ABG, AN, GPI, LAD And PAG

\*\* CarMax Data Is Store Count As Of And Unit Sales For The Quarter Ended August 31, 2020, EchoPark Data Includes Retail Hub Locations Open For At Least Two Full Months

Note: Data Source – Company Filings, Company Websites



## → Inventory Management Expertise

Used Vehicle Inventory Days' Supply



Low Inventory Days' Supply Reduces Risk Of Normal Fluctuations In Used Vehicle Valuations And Allows Us To Take Advantage Of Lower Wholesale Prices To Reduce Inventory Acquisition Cost –  
Data Analytics Tools Enable Accuracy, Consistency And Scalability Of Used Inventory Sourcing And Pricing

\* Peer Average Is As Of June 30, 2020 (September 30, 2020 Data Not Available As Of Date Of This Report) For ABG, AN, GPI, IAD And PAG

\*\* CarMax Data Is As Of August 31, 2020

Note: Data Source – Company Filings, Calculated Based On Trailing Quarter Cost Of Sales If Not Explicitly Disclosed



## → Strategic Direction

### Franchised Dealerships



### EchoPark



### Capital Allocation

Drive New And Used Vehicle Profit Growth Through Multiple Channels (Traditional Sale Or Lease, Online Selling, Alternative Sources Of Inventory)

Continued Growth Opportunity In Parts & Service, F&I

Ongoing Profitability Enhancement Through SG&A Expense Control, Inventory Management

Early Stage Strong Secular Growth Phase

Profitability Improving As Older Stores Continue To Mature

Expect 15 Retail Hub Locations And 2 Delivery & Buy Centers By The End Of 2020

Add 25 New Locations Annually In 2021-2025

Accelerated Growth Plan For 140+ Point Distribution Network Delivering 575,000 Unit Sales Annually By 2025

Opportunistic Divestitures Of Underperforming Or Capital-Intensive Franchised Dealerships

Strategically Deploy Capital To Accelerate EchoPark's Already Strong Growth

Continue To Monitor Acquisition Opportunities As Market Evolves



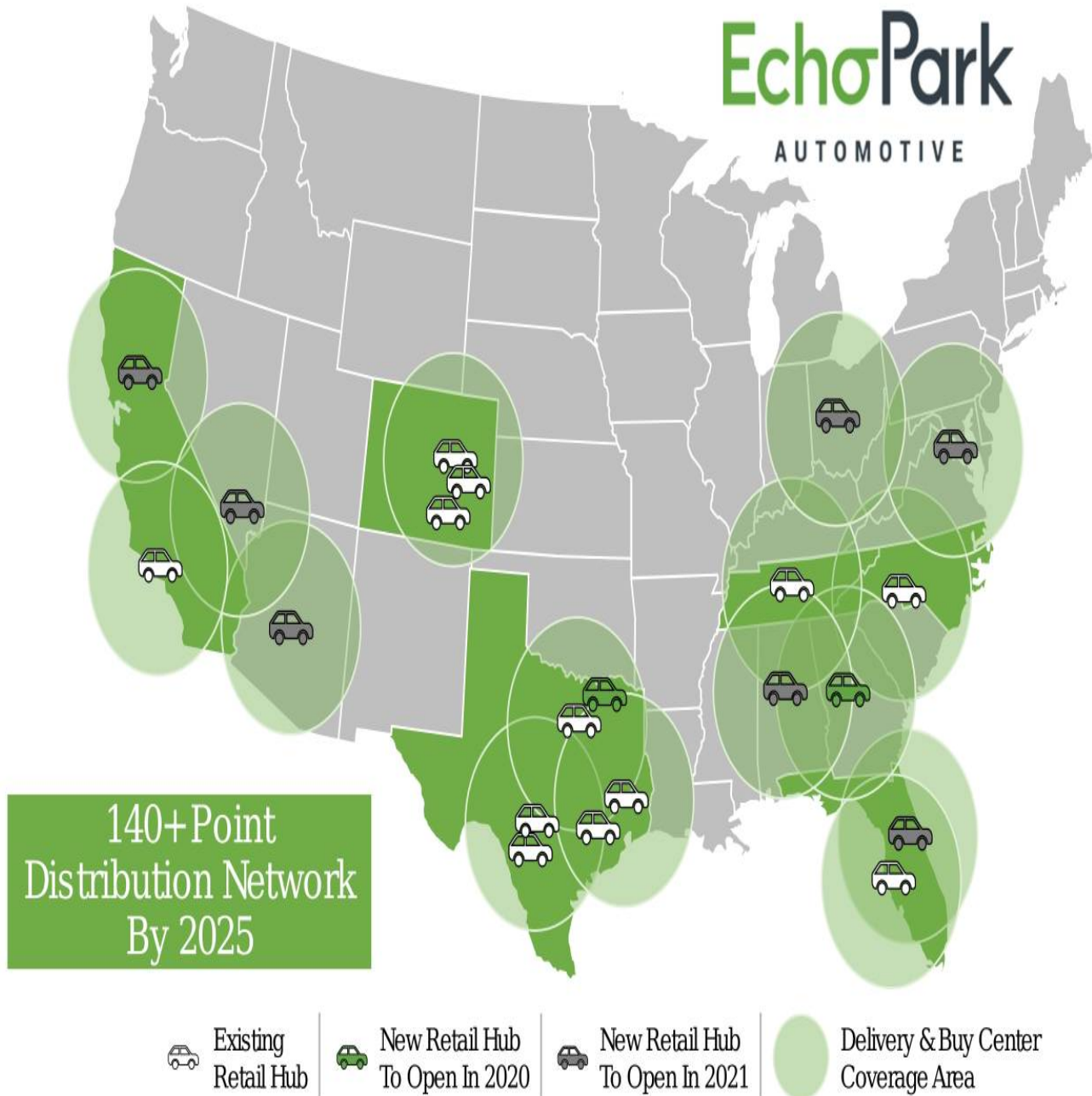




# EchoPark Accelerated Expansion Plan



## → EchoPark – Developing Nationwide Distribution Network



## → EchoPark – Modeled 4-Wall Economics At Maturity

(Modeled Metrics Assume 100% Maturity)	Delivery & Buy Center	Medium Retail Hub	Large Retail Hub
Average Monthly Retail Unit Volume	300	750	1,500
Average Vehicle Selling Price	\$ 20,500	\$ 20,500	\$ 20,500
Total Annual Revenues	\$ 82,000,000	\$ 210,000,000	\$ 420,000,000
Total Combined Gross Profit Per Unit Retailled ("GPU")	\$ 1,700	\$ 2,150	\$ 2,150
Target SG&A Expenses as % of Gross Profit	65%	60%	60%
Annual Pre-Tax Profit	\$ 2,100,000	\$ 7,200,000	\$ 14,400,000
Average Compensation Per Employee (with Fringe)	\$ 68,000	\$ 78,000	\$ 78,000
Total Headcount	7	105	170
Sales Experience Guide ("EG") Headcount	N/A	25	50
Average Retail Unit Sales Per EG Per Month	N/A	30.0	30.0
Target Inventory Days' Supply	N/A	30 Days	30 Days
Working Capital Investment	\$ -	\$ 15,000,000	\$ 31,000,000
Inventory Floor Plan Financing	\$ -	\$ (15,000,000)	\$ (31,000,000)
Capital Expenditures, Including Land (Varies By Market)	\$1-\$2 Million	\$7-\$12 Million	\$20-\$25 Million
Estimated Months to Breakeven	3-6 Months	6-9 Months	6-9 Months
Pre-Tax Return On Investment	55%+	35% - 50%	28% - 33%

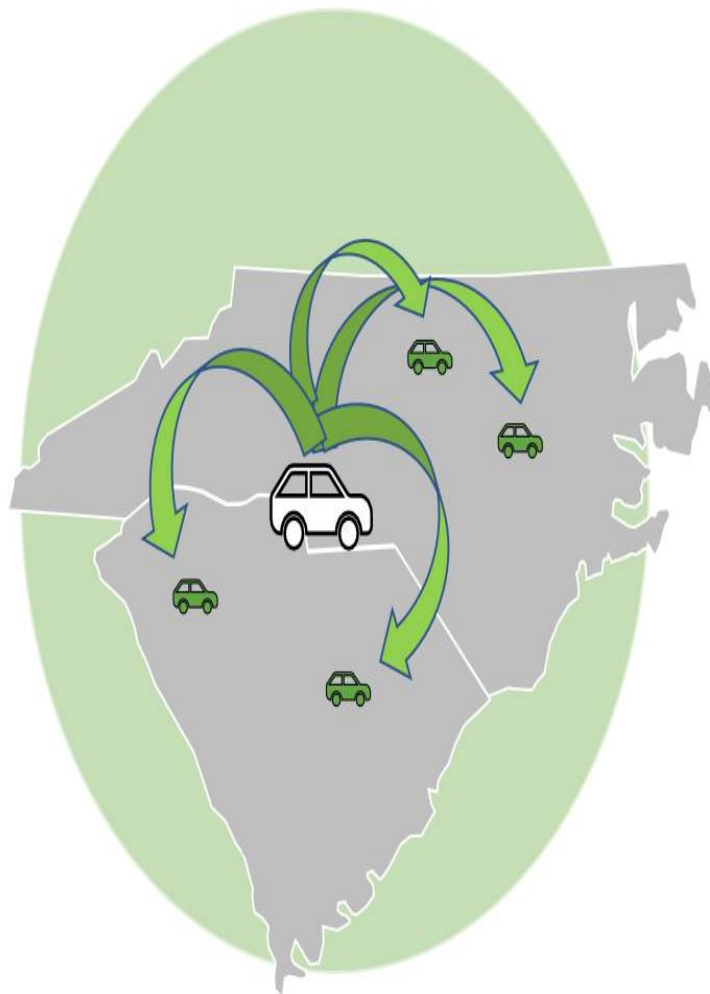
Note: Estimate average pre-tax losses of \$1.5 to \$2.0 million per new medium or large retail hub opening (~40% incurred in 3 months prior to opening, ~60% incurred post-opening prior to targeted breakeven). Pre-tax losses for new delivery & buy center locations are expected to be approximately \$0.2 million per location.

Note: Amounts are estimates of future results used for comparative modeling purposes. Actual store results may differ.





## → EchoPark – Delivery & Buy Center Rollout



Existing Retail Hub



Prospective New Market With  
Delivery & Buy Center

### Delivery & Buy Center Model

- Tremendous Operating Leverage Utilizing Existing Physical Store For Inventory Reconditioning
- Advertise Inventory In Surrounding Markets
- Complete E-Commerce Sales Into New Markets
- Inspect & Buy Vehicles From Guests After Appraisal With Car Cash App
- Arrange Next-To-Last-Mile Transit To EchoPark Delivery & Buy Center
- Guest Picks Up Vehicle At EchoPark Delivery & Buy Center Near Their Home

### Strategic Advantages

- Quick Entry Into New Markets With Minimal Capital Expenditures Or Overhead Costs
- Same Guest-Centric Purchase Experience And Convenience
- Efficient Blend Of Brick And Mortar And E-Commerce Distribution Network

### 2020 Delivery & Buy Center Openings

- Greenville, SC (Opened July 2020)
- Knoxville, TN



# → EchoPark – 5-Year Accelerated Growth Forecast

Total Revenues (In Billions)



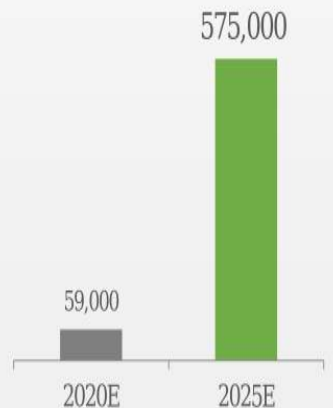
Pre-Tax Profit (In Millions)



EBITDA (In Millions)



Retail Unit Sales Volume



## Rate Of Expansion

- Expect to Open 25 Locations Per Year From 2021-2025
  - 20 Delivery & Buy Centers
  - 5 Medium Or Large Retail Hubs
  - See 4-Wall Model On Prior Slide

## Total Addressable Market

- ~20 Million 0-4 Year Old Vehicle Transactions Annually
- Existing 10 Stores Generate >300,000 Unique Leads On An Annualized Basis
- Rapid Expansion To Meet Current Demand And Considerable Upside Opportunity

Note: Amounts are estimates of future results used for modeling purposes. Actual results may differ materially.







# EchoPark Accelerated Expansion Plan Enablers



## → EchoPark – Brand Promise



Price. Quality. Convenience.



Up To 40% Below  
New Vehicle Price



Up To 10% Below  
Used Vehicle Market  
Price



High Quality, Low  
Mileage Vehicle With  
Existing Warranty



Transparent  
Guest-Centric  
Experience



New Car Feel  
Without The New  
Car Price



Zero Reported  
Accidents On  
CARFAX



Buy & Sell  
Your Way –  
On-Site Or Online



Complete Purchase  
In Under An Hour

The Full Omni-Channel Option



## → EchoPark – Full Omni-Channel Infrastructure





## → Buy & Sell Your Way



### Buy & Sell Your Way

- Our Blend Of Brick And Mortar And E-Commerce Strategies Allows Guests To Choose Their Preferred Buying Approach
- A Flexible, Guest-Centric Experience with Options
- Car Cash App Appraisal Technology Puts The Right Price On Trade-In Vehicle



### Buy On-Site

- Complete A Traditional Vehicle Purchase Experience With A Modern, Technology-Enabled Approach
- Can Be Completed In Under An Hour



### Begin Online, Finish On-Site

- Research Online, Utilize Chat, Text, Phone, Zoom To Reduce In-Person Process
- Includes Online Trade-In Appraisal & Review Of Financing Options
- Pick Up And Finalize Deal At A Dealership Or Delivery & Buy Center

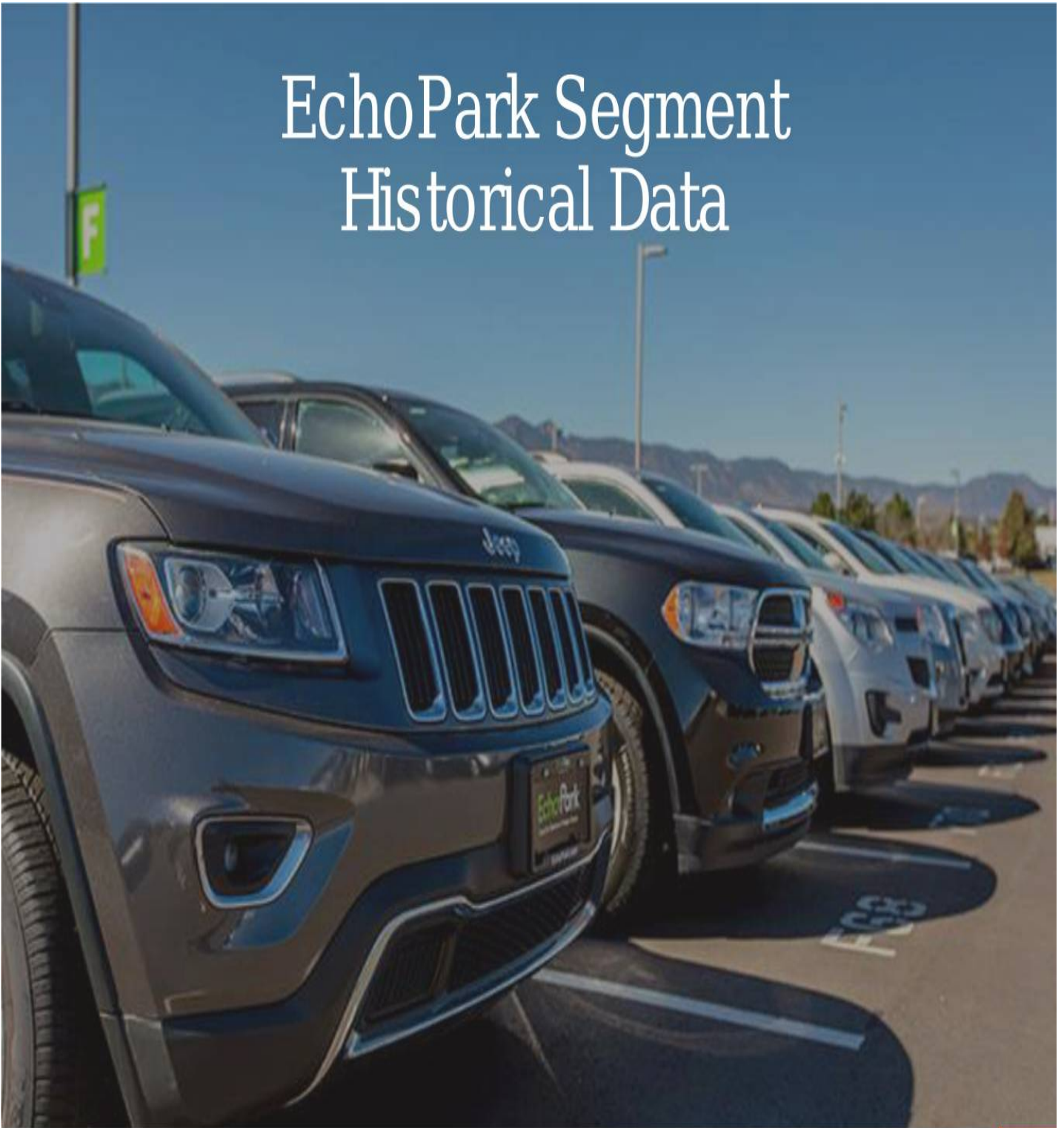


### Buy Online

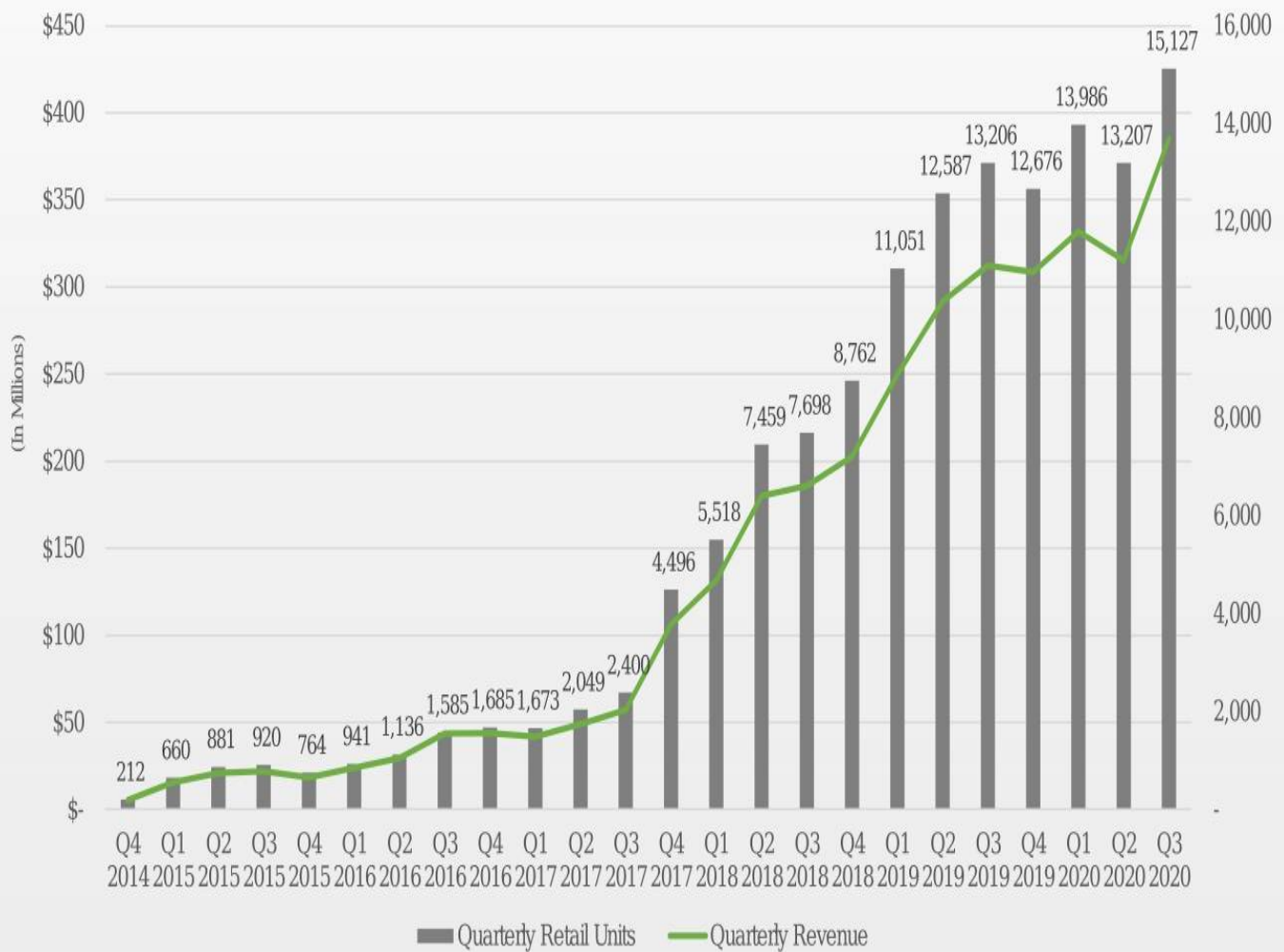
- Complete An E-Commerce Transaction In Minutes
- Select Insurance Products And Arrange Financing
- Pick Up Vehicle At The Store Or Curbside At Our Delivery & Buy Center

Represents ~15% Of Q3 2020 Vehicle  
Sales Transactions

# EchoPark Segment Historical Data



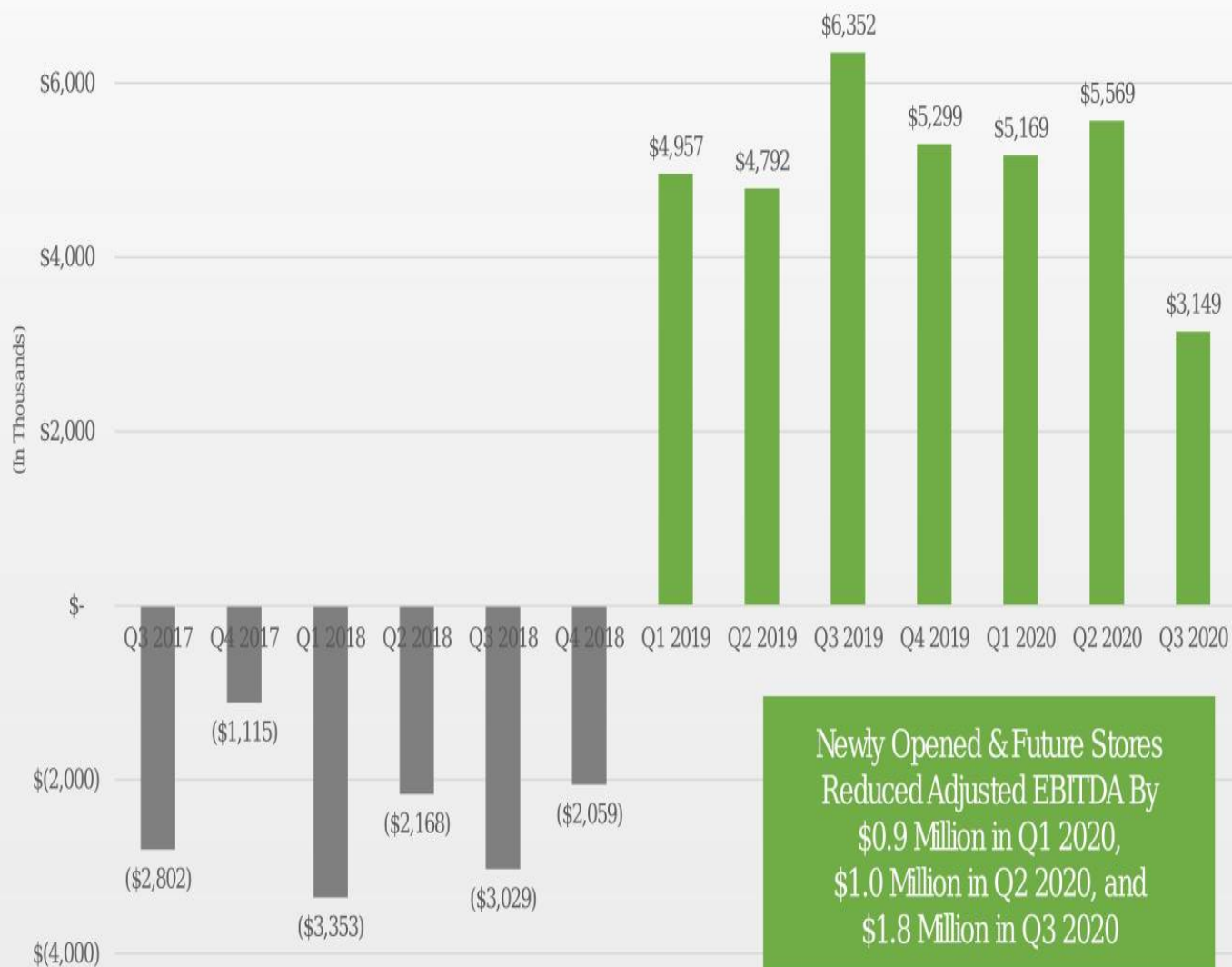
## → EchoPark – Growth Path



Post-COVID-19, We Expect To Return To High Rate Of Revenue And Unit Sales Volume Growth From Maturity Of Existing Markets And New Market Openings



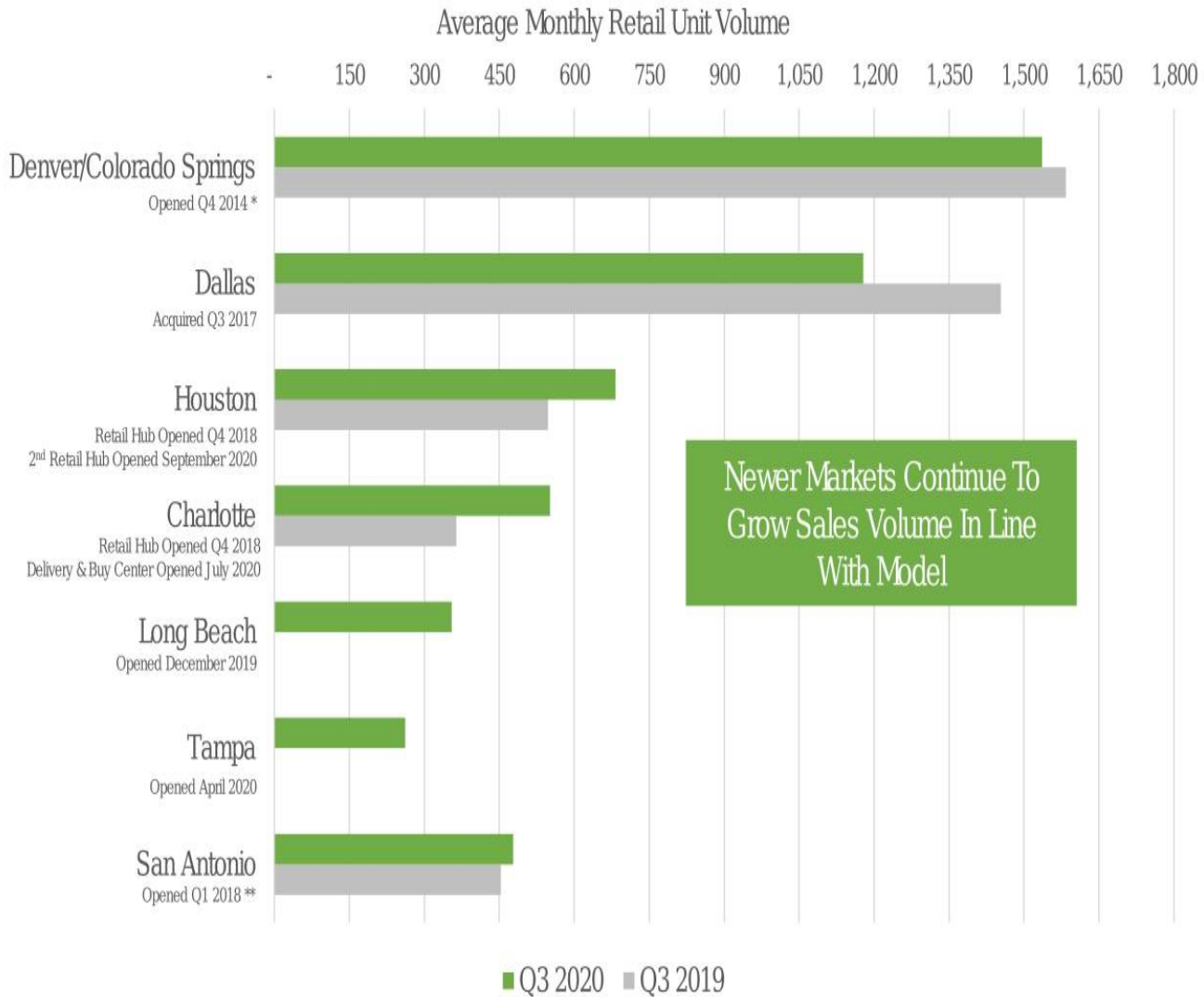
## → EchoPark – Adjusted EBITDA Trend



Note: Refer To Appendix For Calculation And Reconciliation of Adjusted EBITDA (A Non-GAAP Measure)



## → EchoPark – Market Maturity Comparison



\* This Market Converted To Current EchoPark 1-4 Year Old Vehicle Inventory And Pricing Model In Q2 2018

\*\* This Market Began To Pilot An Outlet Model Selling 1-8 Year Old Vehicles In November 2019







# Franchised Dealerships Segment



## → Franchised Dealerships



84 Franchised  
Dealerships



20+ Brands, Luxury  
Weighted

New & Used Vehicle Sales  
Parts & Service (P&S)  
Finance & Insurance (F&I)



14 Collision  
Repair Centers



20 Major  
Metropolitan  
Markets

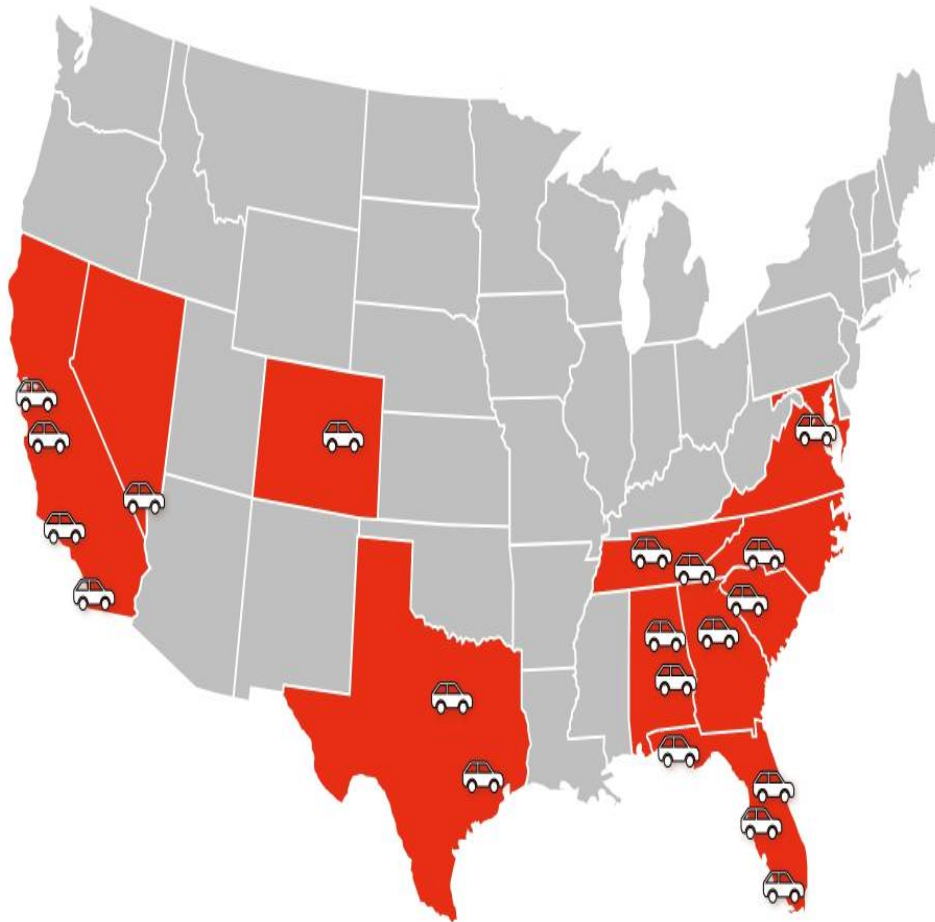
Focused On Inventory Mix and Attractive Pricing  
to Drive Growth and Profitability



**Sonic**  
Automotive



## → Franchised Dealerships – Geographic Footprint



Headquartered in  
Charlotte, NC



84 Stores, 20+ Brands,  
14 Collision Repair Centers

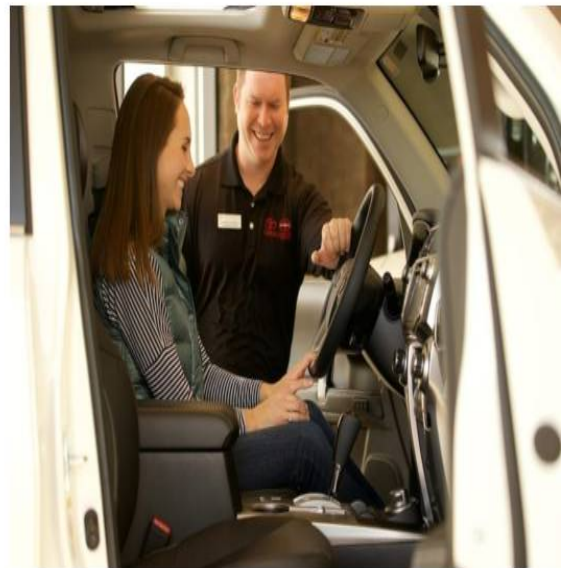
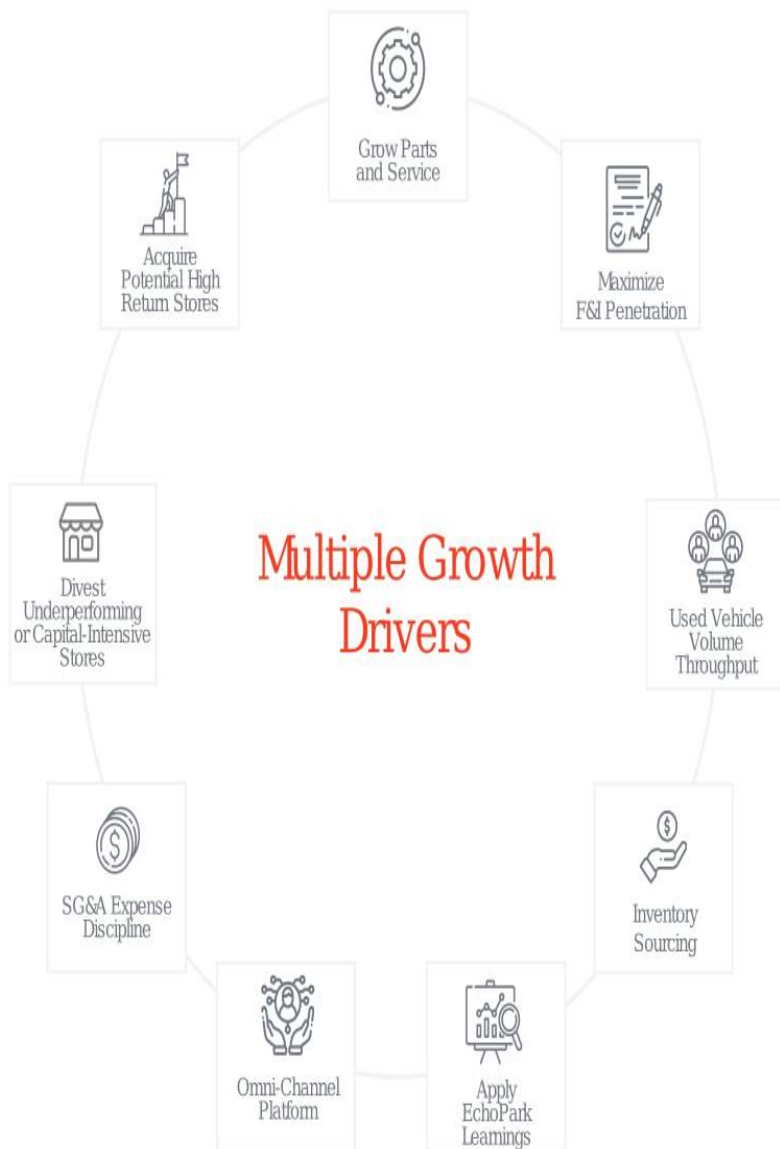


Platforms in Major  
Metro Markets





## → Franchised Dealerships – Strategic Levers



# Q3 2020 Financial Snapshot





## → Q3 2020 – Consolidated Continuing Operations

(In millions, except per share data)	Q3 2020	Better/(Worse) than Q3 2019	
		\$	%
Revenues	\$2,548.5	(\$154.2)	(5.7%)
Gross profit	\$376.6	(\$10.2)	(2.6%)
SG&A expenses <sup>(1)</sup>	\$257.2	\$39.7	13.4%
SG&A expenses as % of gross profit <sup>(1)</sup>	68.3%		840 bps
Earnings from continuing operations before taxes <sup>(1)</sup>	\$80.7	\$40.1	99.0%
Continuing Ops:			
Net income <sup>(2)</sup>	\$60.0	\$30.8	105.7%
Diluted earnings per share <sup>(2)</sup>	\$1.35	\$0.69	104.5%

Revenues & Gross Profit Lower Due To The Effect Of Franchise Disposals (\$99 Million Of Revenue, \$13 Million Of Gross Profit Change From Q3 2019) And Impact Of COVID-19 Pandemic

SG&A Expense Reductions Continue To Drive Profit And EPS Growth In Q3 2020

(1) Q3 2020 Includes \$3.2 Million Pre-Tax Benefit, Worth 80 Basis Points As A % Of Gross Profit, Related To Gain On Franchise Disposals

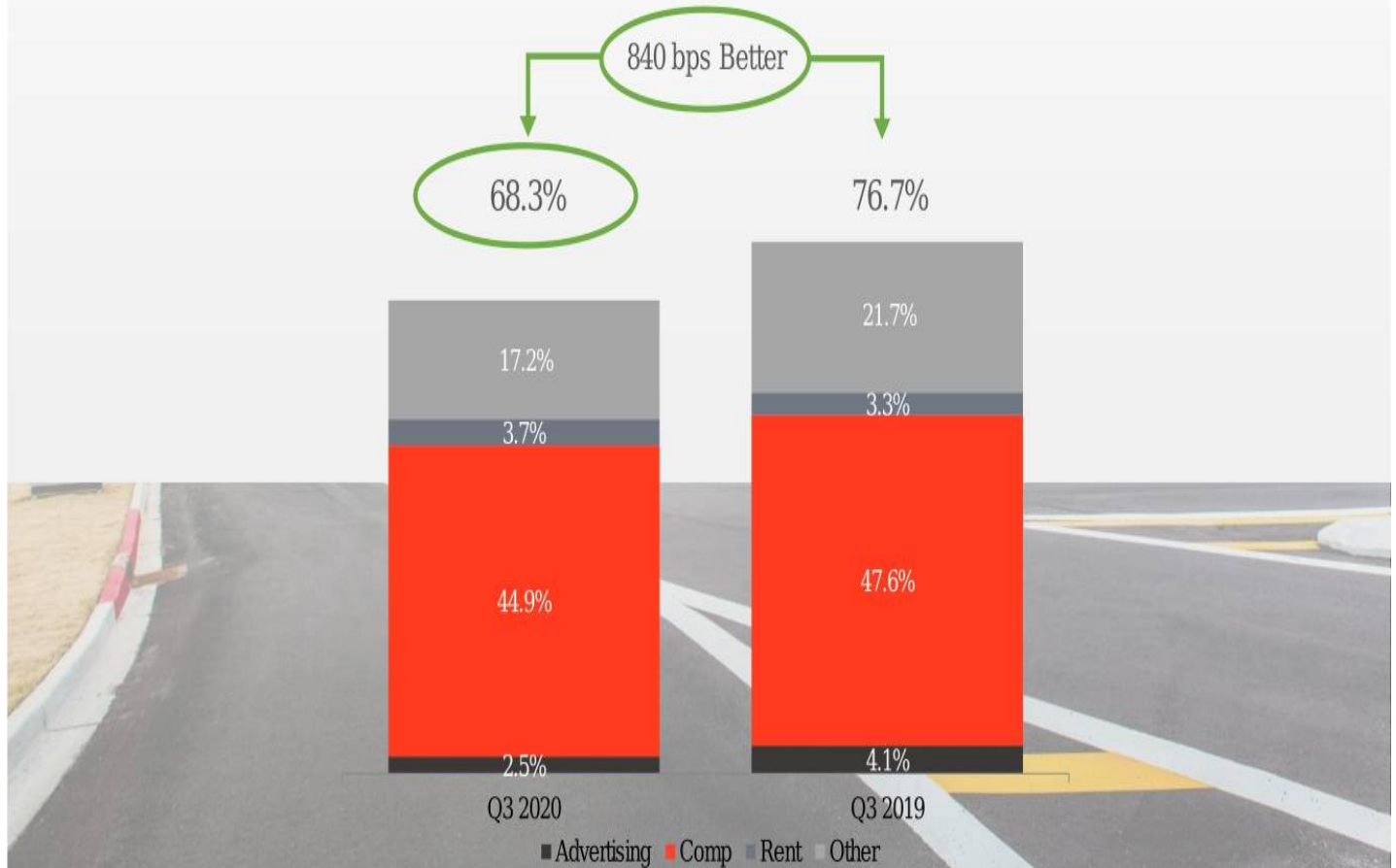
(2) Q3 2020 Includes \$2.3 Million After-Tax Benefit, Worth \$0.06 Per Share, Related To Gain On Franchise Disposals





## → Q3 2020 – Consolidated SG&A Expenses As % Of Gross Profit

Expect To Reduce SG&A Expenses By Approximately \$84 Million Annualized On Go-Forward Basis At 17 Million SAAR Levels, Compared To Pre-COVID-19 Levels



Excluding \$3.2 Million Pre-Tax Gain on Franchise Disposals, Q3 2020 SG&A Expenses As % Of Gross Profit Were 69.1%, Down 760 Basis Points From Q3 2019

Refer To Appendix For Calculation And Reconciliation of Adjusted SG&A Expenses As % Of Gross Profit (A Non-GAAP Measure)

## → Strong Balance Sheet And Liquidity

	September 30, 2020	December 31, 2019
	(In Millions)	
Cash and cash equivalents	\$ 125.7	\$ 29.1
Availability under the 2016 Revolving Credit Facility	189.1	230.7
Availability under our used vehicle floor plan facilities <sup>(1)</sup>	-	17.1
Availability under the 2019 Mortgage Facility	5.8	3.1
Availability under the 2020 Line Of Credit Facility	57.0	-
Floor plan deposit balance	73.2	-
Total available liquidity resources	\$ 450.8	\$ 280.0

	Covenant Requirement*	September 30, 2020	December 31, 2019
Liquidity ratio	≥1.05	1.17	1.11
Fixed charge coverage ratio	≥1.20	1.85	1.60
Total lease adjusted leverage ratio	≤5.75	2.94	3.21
Net debt to Adjusted EBITDA ratio <sup>(2)</sup>		1.55	2.20

Strategic Management Actions Have Increased Available Liquidity During The COVID-19 Pandemic

\* As Defined In The 2016 Revolving Credit Facility and 2019 Mortgage Facility

(1) During Q2 2020 Sonic Converted Its Used Vehicle Floor Plan Facilities From A Borrowing Base To A VIN-Specific Floor Plan Line. The September 30, 2020 Availability Under This Line Was \$91.7 Million.

(2) Refer To Appendix For Calculation And Reconciliation Of Adjusted EBITDA (A Non-GAAP Measure) and Net Debt To Adjusted EBITDA Ratio (A Non-GAAP Measure)



## → Capital Expenditure Discipline

Gross Capital Expenditures (In Millions)



Strict Capital Allocation Strategy Prioritizes Highest Return On Investment

Actual YTD Q3 2020 Gross Capital Expenditures Of \$92.1 Million, \$38.9 Million Net Of Mortgage Proceeds



# APPENDIX



## → Non-GAAP Reconciliation – Segment Income

(In millions, except unit data)	Franchised Dealerships Segment		EchoPark Segment		Consolidated	
	Q3 2020	Q3 2019	Q3 2020	Q3 2019	Q3 2020	Q3 2019
Revenues	\$ 2,163.5	\$ 2,390.5	\$ 385.1	\$ 312.2	\$ 2,548.5	\$ 2,702.7
Gross profit	\$ 347.4	\$ 357.3	\$ 29.2	\$ 29.6	\$ 376.6	\$ 386.8
SG&A expenses	\$ 231.9	\$ 274.6	\$ 25.3	\$ 22.2	\$ 257.2	\$ 296.8
Adjusted segment income	\$ 77.2	\$ 38.4	\$ 0.2	\$ 3.2	\$ 77.4	\$ 41.6
Gain on franchise disposals	3.2	-	-	-	3.2	-
Segment income	\$ 80.4	\$ 38.4	\$ 0.2	\$ 3.2	\$ 80.6	\$ 41.6
Impairment charges	-	-	-	(1.1)	-	(1.1)
Earnings (loss) from continuing operations before taxes	\$ 80.4	\$ 38.4	\$ 0.2	\$ 2.1	\$ 80.6	\$ 40.5
Adjusted earnings (loss) from continuing operations before taxes	\$ 77.2	\$ 38.4	\$ 0.2	\$ 3.2	\$ 77.4	\$ 41.6
Gain on franchise disposals	3.2	-	-	-	3.2	-
Impairment charges	-	-	-	(1.1)	-	(1.1)
Earnings (loss) from continuing operations before taxes	\$ 80.4	\$ 38.4	\$ 0.2	\$ 2.1	\$ 80.6	\$ 40.5
Adjusted net income (loss) from continuing operations					\$ 57.7	\$ 29.2
Gain on franchise disposals (before taxes)					3.2	-
Tax effect of items of interest					(0.9)	-
Net income (loss) from continuing operations					\$ 60.0	\$ 29.2
New vehicle unit sales volume	24,100	30,147	-	-	24,100	30,147
Retail used vehicle unit sales volume	26,363	29,247	15,127	13,206	41,490	42,453

Note: Segment Income (Loss) Defined As Earnings (Loss) From Continuing Operations Before Taxes And Impairment Charges





## → Non-GAAP Reconciliation – Adjusted Earnings Per Share

	Q3 2020			Q3 2019		
	Weighted-Average Shares	Amount	Per Share Amount	Weighted-Average Shares	Amount	Per Share Amount
(In thousands, except per share amounts)						
Diluted earnings (loss) and shares from continuing operations	44,577	\$ 59,988	\$ 1.35	44,203	\$ 29,168	\$ 0.66
Items of interest:						
Gain on franchise disposals		(3,150)			-	
Total pre-tax items of interest		\$ (3,150)			\$ -	
Tax effect of items of interest		827			-	
Adjusted diluted earnings (loss) and shares from continuing operations	44,577	<u>\$ 57,665</u>	\$ 1.29	44,203	<u>\$ 29,168</u>	\$ 0.66

## → Non-GAAP Reconciliation – Adjusted SG&A Expenses

	Q3 2020	Q3 2019	Better/ (Worse)	
			Change	% Change
Reported :	(In thousands)			
Compensation	\$ 169,097	\$ 184,089	\$ 14,992	8.1 %
Advertising	9,455	15,856	6,401	40.4 %
Rent	13,846	12,721	(1,125)	(8.8)%
Other	64,776	84,160	19,384	23.0 %
Total SG&A expenses	<u>\$ 257,174</u>	<u>\$ 296,826</u>	<u>\$ 39,652</u>	13.4 %
Items of interest:				
Gain on franchise disposals	3,150	-		
Total SG&A Adjustments	<u>\$ 3,150</u>	<u>\$ -</u>		
Adjusted :				
Total adjusted SG&A expenses	<u>\$ 260,324</u>	<u>\$ 296,826</u>	\$ 36,502	12.3 %
Reported				
SG&A expenses as a % of gross profit				
Compensation	44.9%	47.6%	270	bps
Advertising	2.5%	4.1%	160	bps
Rent	3.7%	3.3%	(40)	bps
Other	17.2%	21.7%	450	bps
Total SG&A expenses as a % of gross profit	68.3%	76.7%	840	bps
Items of interest:				
Gain on franchise disposals	0.8 %	- %		
Total effect of adjustments	0.8 %	- %		
Adjusted				
Total SG&A expenses as a % of gross profit	<u>69.1%</u>	<u>76.7%</u>	760	bps

## → Non-GAAP Reconciliation – Adjusted EBITDA

(In thousands)	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	LTM* Q3 2020
Net Income (Loss)	\$ 86,311	\$ 93,193	\$ 92,983	\$ 51,650	\$ 144,137	\$ (62,418)
Provision For Income Taxes	55,962	59,899	13,198	22,645	54,954	(2,522)
Income (Loss) Before Taxes	<u>\$ 142,273</u>	<u>\$ 153,092</u>	<u>\$ 106,181</u>	<u>\$ 74,295</u>	<u>\$ 199,091</u>	<u>\$ (64,940)</u>
Non-Floor Plan Interest	49,524	48,034	50,531	52,049	50,475	42,278
Depreciation and Amortization	72,130	81,034	92,127	96,652	95,646	93,631
Stock-Based Compensation Expense	9,814	11,165	11,119	11,853	10,797	11,241
Loss (Gain) On Exit Of Leased Dealerships	1,848	1,386	2,157	1,709	(170)	-
Impairment Charges	17,955	8,063	9,394	29,514	20,768	286,551
Loss (Gain) On Debt Extinguishment	-	(6)	14,607	-	6,690	6,690
Long-Term Compensation Charges	-	-	-	32,522	-	-
Loss (Gain) on Franchise Disposals	<u>(2,748)</u>	<u>48</u>	<u>(9,980)</u>	<u>(39,307)</u>	<u>(74,812)</u>	<u>(31,514)</u>
Adjusted EBITDA	<u>\$ 290,796</u>	<u>\$ 302,816</u>	<u>\$ 276,136</u>	<u>\$ 259,287</u>	<u>\$ 308,485</u>	<u>\$ 343,937</u>
Long-Term Debt (Including Current Portion)	\$ 814,581	\$ 882,678	\$ 1,024,703	\$ 945,083	\$ 706,886	\$ 733,597
Cash and Equivalents	(3,625)	(3,108)	(6,352)	(5,854)	(29,103)	(125,739)
Floor Plan Deposit Balance	(74,000)	(10,000)	(3,000)	-	-	(73,180)
Net Debt	<u>\$ 736,956</u>	<u>\$ 869,570</u>	<u>\$ 1,015,351</u>	<u>\$ 939,229</u>	<u>\$ 677,783</u>	<u>\$ 534,678</u>
Net Debt To Adjusted EBITDA Ratio	2.53	2.87	3.68	3.62	2.20	1.55

\* LTM Q3 2020 Is For The Twelve Month Period Ended September 30, 2020. Balance Sheet Amounts For LTM Q3 2020 Are As Of September 30, 2020.



## → Non-GAAP Reconciliation – Adjusted EBITDA

	Q3 2020				Q3 2019			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)				(In thousands)			
Net Income (Loss)				\$ 59,818				\$ 29,010
Provision For Income Taxes				20,620				11,307
Income (Loss) Before Taxes	\$ 80,434	\$ 239	\$ (235)	\$ 80,438	\$ 38,417	\$ 2,123	\$ (223)	\$ 40,317
Non-Floor Plan Interest	9,781	147	-	9,928	12,011	402	-	12,413
Depreciation And Amortization	21,004	2,763	-	23,767	21,561	2,703	-	24,264
Stock-Based Compensation Expense	3,153	-	-	3,153	2,681	-	-	2,681
Impairment Charges	26	-	-	26	-	1,124	-	1,124
Gain On Franchise Disposals	(3,388)	-	-	(3,388)	823	-	-	823
Adjusted EBITDA	\$ 111,010	\$ 3,149	\$ (235)	\$ 113,924	\$ 75,493	\$ 6,352	\$ (223)	\$ 81,622

	Q2 2020				Q2 2019			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)				(In thousands)			
Net Income (Loss)				\$ 30,791				\$ 26,599
Provision For Income Taxes				6,353				10,009
Income (Loss) Before Taxes	\$ 34,856	\$ 2,577	\$ (289)	\$ 37,144	\$ 35,129	\$ 1,693	\$ (213)	\$ 36,608
Non-Floor Plan Interest	8,938	234	-	9,172	12,599	431	-	13,030
Depreciation And Amortization	20,514	2,758	-	23,272	21,736	2,668	-	24,404
Stock-Based Compensation Expense	2,971	-	-	2,971	2,612	-	-	2,612
Impairment Charges	833	-	-	833	-	-	-	-
Gain On Franchise Disposals	1,117	-	-	1,117	356	-	-	356
Adjusted EBITDA	\$ 69,229	\$ 5,569	\$ (289)	\$ 74,509	\$ 72,432	\$ 4,792	\$ (213)	\$ 77,010





## → Non-GAAP Reconciliation – Adjusted EBITDA

	Q1 2020				Q1 2019			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)							
Net Income (Loss)				\$ (199,333)				\$ 42,221
Provision For Income Taxes				(44,200)				18,935
Income (Loss) Before Taxes	\$ (245,344)	\$ 2,096	\$ (285)	\$ (243,533)	\$ 61,156	\$ 180	\$ (180)	\$ 61,156
Non-Floor Plan Interest	10,043	365	-	10,408	11,829	433	-	12,262
Depreciation And Amortization	20,144	2,708	-	22,852	20,824	2,418	-	23,242
Stock-Based Compensation Expense	2,427	-	-	2,427	2,814	-	-	2,814
Loss (Gain) On Exit Of Leased Dealerships	-	-	-	-	(170)	-	-	(170)
Impairment Charges	268,000	-	-	268,000	26	1,926	-	1,952
Gain On Franchise Disposals	-	-	-	-	(46,750)	-	-	(46,750)
Adjusted EBITDA	\$ 55,270	\$ 5,169	\$ (285)	\$ 60,154	\$ 49,729	\$ 4,957	\$ (180)	\$ 54,506

	Q4 2019				Q4 2018			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)							
Net Income (Loss)				\$ 46,307				\$ 21,821
Provision For Income Taxes				14,703				9,150
Income (Loss) Before Taxes	\$ 75,466	\$ (14,518)	\$ 62	\$ 61,010	\$ 37,388	\$ (6,196)	\$ (221)	\$ 30,971
Non-Floor Plan Interest	12,335	435	-	12,770	12,902	423	89	13,414
Depreciation And Amortization	20,972	2,765	-	23,737	21,086	2,211	-	23,297
Stock-Based Compensation Expense	2,690	-	-	2,690	1,264	-	-	1,264
Loss (Gain) On Exit Of Leased Dealerships	-	-	-	-	(1,080)	3	89	(988)
Impairment Charges	1,075	16,617	-	17,692	14,053	1,500	-	15,553
Loss On Debt Extinguishment	6,690	-	-	6,690	-	-	-	-
Gain On Franchise Disposals	(29,242)	-	-	(29,242)	(158)	-	-	(158)
Adjusted EBITDA	\$ 89,986	\$ 5,299	\$ 62	\$ 95,347	\$ 85,455	\$ (2,059)	\$ (43)	\$ 83,353





## → Non-GAAP Reconciliation – Adjusted EBITDA

	Q3 2019				Q3 2018			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)							
Net Income (Loss)				\$ 29,010				\$ 15,118
Provision For Income Taxes				11,307				7,262
Income (Loss) Before Taxes	\$ 38,417	\$ 2,123	\$ (223)	\$ 40,317	\$ 28,087	\$ (5,455)	\$ (252)	\$ 22,380
Non-Floor Plan Interest	12,011	402	-	12,413	12,279	423	98	12,800
Depreciation And Amortization	21,561	2,703	-	24,264	22,140	1,999	-	24,139
Stock-Based Compensation Expense	2,681	-	-	2,681	4,578	-	-	4,578
Loss (Gain) On Exit Of Leased Dealerships	-	-	-	-	24	4	103	131
Impairment Charges	-	1,124	-	1,124	-	-	-	-
Gain On Franchise Disposals	823	-	-	823	88	-	-	88
Adjusted EBITDA	\$ 75,493	\$ 6,352	\$ (223)	\$ 81,622	\$ 67,196	\$ (3,029)	\$ (51)	\$ 64,116

	Q2 2019				Q2 2018			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)							
Net Income (Loss)				\$ 26,599				\$ 16,905
Provision For Income Taxes				10,009				8,142
Income (Loss) Before Taxes	\$ 35,129	\$ 1,693	\$ (213)	\$ 36,608	\$ 53,176	\$ (27,832)	\$ (297)	\$ 25,047
Non-Floor Plan Interest	12,599	431	-	13,030	12,349	406	106	12,861
Depreciation And Amortization	21,736	2,668	-	24,404	22,801	1,919	-	24,720
Stock-Based Compensation Expense	2,612	-	-	2,612	3,049	-	-	3,049
Loss (Gain) On Exit Of Leased Dealerships	-	-	-	-	(2,618)	6	106	(2,506)
Impairment Charges	-	-	-	-	10,317	-	-	10,317
Long-Term Compensation Charges	-	-	-	-	-	23,333	-	23,333
Gain On Franchise Disposals	356	-	-	356	(38,047)	-	-	(38,047)
Adjusted EBITDA	\$ 72,432	\$ 4,792	\$ (213)	\$ 77,010	\$ 61,027	\$ (2,168)	\$ (85)	\$ 58,774



## → Non-GAAP Reconciliation – Adjusted EBITDA

	Q1 2019				Q1 2018			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)							
Net Income (Loss)				\$ 42,221				\$ (2,194)
Provision For Income Taxes				18,935				(1,910)
Income (Loss) Before Taxes	\$ 61,156	\$ 180	\$ (180)	\$ 61,156	\$ 10,830	\$ (14,686)	\$ (248)	\$ (4,104)
Non-Floor Plan Interest	11,829	433	-	12,262	12,469	389	115	12,973
Depreciation And Amortization	20,824	2,418	-	23,242	22,830	1,666	-	24,496
Stock-Based Compensation Expense	2,814	-	-	2,814	2,962	-	-	2,962
Loss (Gain) On Exit Of Leased Dealerships	(170)	-	-	(170)	4,955	7	109	5,071
Impairment Charges	26	1,926	-	1,952	3,561	82	-	3,643
Long-Term Compensation Charges	-	-	-	-	-	9,189	-	9,189
Gain On Franchise Disposals	(46,750)	-	-	(46,750)	(1,190)	-	-	(1,190)
Adjusted EBITDA	\$ 49,729	\$ 4,957	\$ (180)	\$ 54,506	\$ 56,417	\$ (3,353)	\$ (24)	\$ 53,040

	Q4 2018				Q4 2017			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)							
Net Income (Loss)				\$ 21,821				\$ 61,952
Provision For Income Taxes				9,150				(8,399)
Income (Loss) Before Taxes	\$ 37,388	\$ (6,196)	\$ (221)	\$ 30,971	\$ 57,822	\$ (3,976)	\$ (293)	\$ 53,553
Non-Floor Plan Interest	12,902	423	89	13,414	12,449	276	123	12,848
Depreciation And Amortization	21,086	2,211	-	23,297	22,639	1,314	-	23,953
Stock-Based Compensation Expense	1,264	-	-	1,264	2,217	-	-	2,217
Loss (Gain) On Exit Of Leased Dealerships	(1,080)	3	89	(988)	23	-	118	141
Impairment Charges	14,053	1,500	-	15,553	6,079	-	-	6,079
Long-Term Compensation Charges	-	-	-	-	-	1,271	-	1,271
Gain On Franchise Disposals	(158)	-	-	(158)	(1,507)	-	(6)	(1,513)
Adjusted EBITDA	\$ 85,455	\$ (2,059)	\$ (43)	\$ 83,353	\$ 99,722	\$ (1,115)	\$ (58)	\$ 98,549

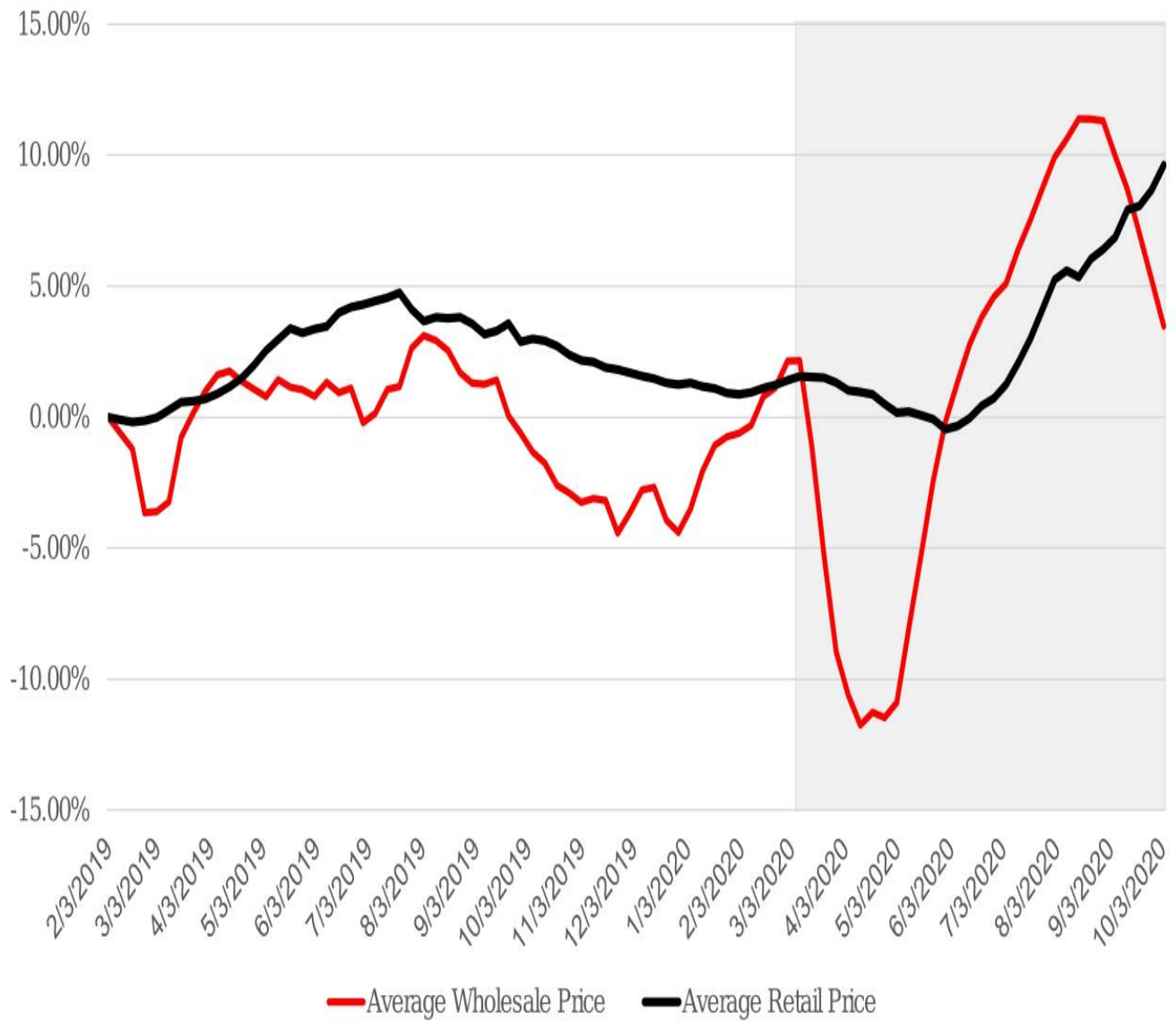


## → Non-GAAP Reconciliation – Adjusted EBITDA

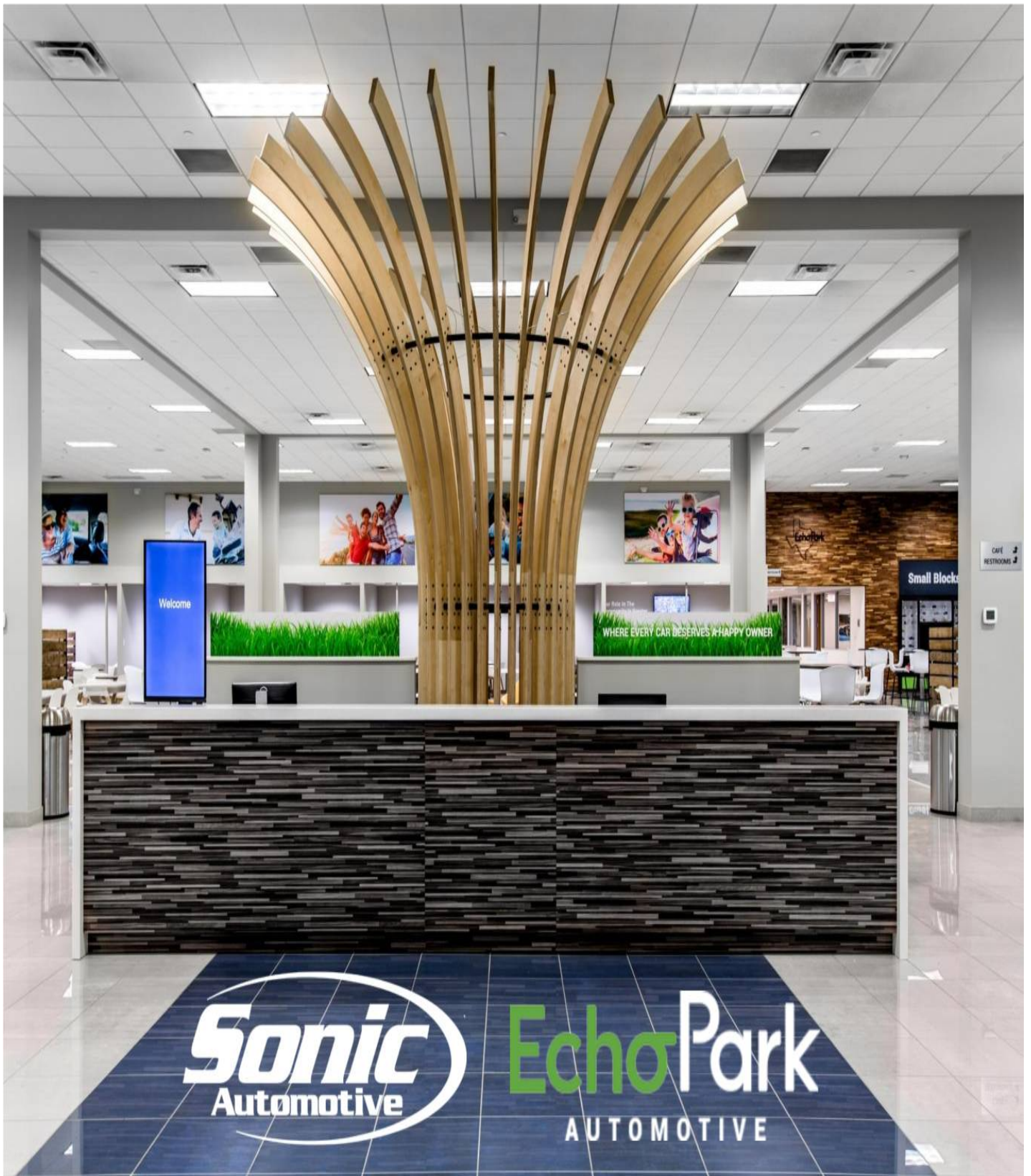
	Q3 2018				Q3 2017			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In thousands)							
Net Income (Loss)				\$ 15,118				\$ 19,440
Provision For Income Taxes				7,262				13,935
Income (Loss) Before Taxes	\$ 28,087	\$ (5,455)	\$ (252)	\$ 22,380	\$ 38,228	\$ (4,372)	\$ (481)	\$ 33,375
Non-Floor Plan Interest	12,279	423	98	12,800	12,126	253	132	12,511
Depreciation And Amortization	22,140	1,999	-	24,139	22,179	1,317	-	23,496
Stock-Based Compensation Expense	4,578	-	-	4,578	3,179	-	-	3,179
Loss (Gain) On Exit Of Leased Dealerships	24	4	103	131	(173)	-	362	189
Impairment Charges	-	-	-	-	200	-	-	200
Gain On Franchise Disposals	88	-	-	88	(8,490)	-	-	(8,490)
Adjusted EBITDA	\$ 67,196	\$ (3,029)	\$ (51)	\$ 64,116	\$ 67,249	\$ (2,802)	\$ 13	\$ 64,460



## → Relative Change In Wholesale Price & Retail Price







**Sonic**  
Automotive

**EchoPark**  
AUTOMOTIVE





EchoPark  
AUTOMOTIVE



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