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

FORM 8-K

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

Date of Report (Date of earliest event reported): **February 27, 2018**

SONIC AUTOMOTIVE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

1-13395

(Commission
File Number)

**4401 Colwick Road
Charlotte, North Carolina**

(Address of principal executive offices)

56-2010790

(IRS Employer
Identification No.)

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.)

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))

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.

Item 2.02. Results of Operations and Financial Condition.

On February 27, 2018, Sonic Automotive, Inc. (the "Company") issued a press release announcing its financial results for its fiscal fourth quarter and fiscal year ended December 31, 2017 (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 February 27, 2018, 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 | <u>Press Release of Sonic Automotive, Inc., dated February 27, 2018.</u> |
| 99.2 | <u>Earnings Call Presentation Materials.</u> |

The information in this Current Report on Form 8-K, including the exhibits 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.

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.

Date: February 27, 2018

By: /s/ C.G. SAFFER
C.G. Saffer
Vice President and Chief Accounting Officer

Sonic Automotive, Inc. Reports Fourth Quarter Results All-Time Record Revenue and Gross Profit – Increases Dividend

CHARLOTTE, N.C. – February 27, 2018 – Sonic Automotive, Inc. (NYSE: SAH), one of the nation’s largest automotive retailers, today reported financial results for the fourth quarter and the full year of 2017.

- All-time record revenue and gross profit in the fourth quarter of 2017 of \$2.7 billion and \$384.1 million, respectively
- All-time record revenue and gross profit in the full year of 2017 of \$9.9 billion and \$1.5 billion, respectively
- Record annual retail unit sales in 2017 of 257,217 units
- Record F&I gross profit per retail unit of \$1,473 and \$1,411 for the fourth quarter and the full year of 2017, respectively
- Benefit of \$28.4 million related to the 2017 Tax Cuts and Jobs Act
- 20% increase in the quarterly dividend to \$0.06 per share

Fourth Quarter and Full Year 2017 Results

GAAP Basis

Net income from continuing operations for the fourth quarter of 2017 was \$62.1 million, or \$1.42 per diluted share. These results include a benefit of approximately \$28.4 million related to the change in the federal income tax rate from 35% to 21% in future periods and other items discussed below. Comparatively, net income from continuing operations for the fourth quarter of 2016 was \$38.0 million, or \$0.84 per diluted share.

Net income from continuing operations for the full year of 2017 was \$94.2 million, or \$2.12 per diluted share. The full year results for 2017 also include the benefit related to the federal income tax rate change. Comparatively, net income from continuing operations for the full year of 2016 was \$94.5 million, or \$2.06 per diluted share.

Adjusted Basis

Adjusted net income from continuing operations and related earnings per diluted share are non-GAAP financial measures. The schedules included in this press release reconcile these non-GAAP financial measures to the most directly comparable GAAP financial measures.

Adjusted net income from continuing operations for the fourth quarter of 2017 was \$36.6 million, or \$0.84 per diluted share. The adjustments in the 2017 quarterly period relate to the benefit of the change in the federal income tax rate in future periods, a gain related to the disposal of franchises, adjustments to physical damage accruals and charges related to fixed asset and franchise asset impairments and legal matters. Adjusted net income from continuing operations for the fourth quarter of 2016 was \$29.8 million, or \$0.66 per diluted share. The adjustments in the 2016 quarterly period relate to gains for a settlement with an original equipment manufacturer (“OEM”) and the adjustment of physical damage loss accruals, offset partially by losses related to fixed asset impairments and lease exit charges.

Adjusted net income from continuing operations for the full year of 2017 was \$82.2 million, or \$1.85 per diluted share. The adjustments in the 2017 annual period relate to the benefit of the change in the federal income tax rate in future periods, gains related to the disposal of franchises and charges related to fixed asset and franchise asset impairments, debt refinance costs and legal matters. Adjusted net income from continuing operations for the full year of 2016 was \$92.3 million, or \$2.01 per diluted share. The adjustments in the 2016 annual period relate to gains for a settlement with an OEM, partially offset by charges related to physical damage losses, lease exit charges and fixed asset impairments.

Commentary

Jeff Dyke, the Company's Executive Vice President of Operations, noted, "It was another outstanding fourth quarter as we excelled in the execution of our business model. We are very excited about the progress our team continues to make in executing our playbooks across all areas of our business. It is also important to note that our EchoPark business grew by nearly 167%, or over 2,800 units, for the quarter. We sold over 10,600 units for the year with nearly 4,500 units retailed in the fourth quarter as our business model is accelerating volume at a rapid pace. This represents a 100% increase in volume for EchoPark year-over-year. We expect our EchoPark brand to sell in the range of 25,000 cars in 2018, more than doubling 2017 volume. In just a few years, the EchoPark brand has become nearly 20% of Sonic's total pre-owned volume, and, given the volume increase we are experiencing with our model, we fully expect EchoPark to eclipse the volume we currently produce in our Sonic franchised dealerships over the next few years."

B. Scott Smith, the Company's Chief Executive Officer, noted, "We are proud to report all-time record revenues and gross profits in both the fourth quarter and full year of 2017. We value the partnerships we have with our manufacturers and their willingness and ability to continue to offer incentives driving the level of retail activity we've experienced. This level of retail activity enabled us to sell more vehicles than we ever have. We are also pleased to be able to return more capital to stockholders by increasing our quarterly dividend 20% to \$0.06 per share."

B. Scott Smith continued, "Our plans in 2018 include growth in both our franchised and pre-owned businesses with several luxury open points being added in the Atlanta and Houston markets and multiple EchoPark openings in our Pre-Owned Stores Segment. In addition to the two EchoPark stores which have opened in the last 60 days in the San Antonio market, we expect to open a third store in San Antonio, two stores in the Charlotte market, and our first EchoPark store in Houston during 2018. The vast majority of our capital spending in 2018 will support the expansion of our EchoPark brand."

B. Scott Smith added, "We are continually evaluating the landscape of human mobility and the risks and opportunities that are on the horizon that may reshape our business. We believe the dealership model will continue to serve as the primary resource for consumers for quite some time, but as consumers gravitate toward and accept other sources of mobility, we want to position Sonic to participate in those offerings. This would include partnerships or relationships with ride hailing, fractional ownership, subscription service or manufacturer promoted programs that satisfy a customer demand or need."

2018 Outlook

B. Scott Smith also noted, "We anticipate new vehicle industry volume to be between 16.75 million and 17.0 million units. We project diluted earnings per share from continuing operations for 2018 to be between \$2.21 and \$2.45 per share. This range includes the effect of projected results and expansion of our Pre-Owned Stores Segment, which includes EchoPark. We are projecting a loss related to our Pre-Owned Stores Segment for 2018 of between \$0.08 and \$0.12 per diluted share. Prior to the change in the

federal income tax rate, we expected our annual effective income tax rate to range between 38% and 40% each year. Going forward, and included in our 2018 estimate, we expect our annual effective income tax rate to range between 26% and 28% each year. We will have additional comments on our 2018 outlook in our earnings call later today.”

Dividend

Sonic’s Board of Directors approved a quarterly dividend of \$0.06 per share payable in cash for our stockholders of record on March 15, 2018. The dividend will be payable on April 13, 2018.

Fourth Quarter Earnings Conference Call

Senior management will host a conference call today at 11:00 A.M. (Eastern) to discuss the quarter’s results. To access the live broadcast of the call over the Internet go to: www.sonicautomotive.com, then click on “Our Company,” then “Investor Relations,” then “Earnings Conference Calls.”

Presentation materials for the conference call can be accessed on the Company’s website at www.sonicautomotive.com by clicking on the “Investor Relations” tab under “Our Company” and choosing “Webcasts & Presentations.”

The conference call will also be available live by dialing in 10 minutes prior to the start of the call at:

Domestic: (877) 450-3867
International: (706) 643-0958
Conference ID: 1288139

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

Domestic: (855) 859-2056
International: (404) 537-3406
Conference ID: 1288139

About Sonic Automotive

Sonic Automotive, Inc., a Fortune 500 company based in Charlotte, N.C., is one of the nation’s largest automotive retailers. Sonic can be reached on the web at www.sonicautomotive.com. More information about EchoPark Automotive can be found at www.echopark.com.

Forward-Looking Statements

Included herein are forward-looking statements, including statements with respect to our 2018 earnings expectations, our projected annual effective income tax rate, 2018 new vehicle industry volume, projected results for our EchoPark brand, the anticipated expansion of both our franchised and pre-owned businesses in 2018 and our long-term strategy. 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, the success of our operational strategies, the rate and timing of overall economic recovery or decline, and the risk factors described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016. 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 Securities and Exchange Commission (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 and related earnings per diluted share, which exclude certain items disclosed in the attached financial tables. As required by SEC rules, the Company provides reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. The Company believes that these non-GAAP financial measures improve the transparency of the Company’s disclosure, provide a meaningful presentation of the Company’s results from its core business operations excluding the impact of items not related to the Company’s ongoing core business operations, and improve the period-to-period comparability of the Company’s results from its core business operations.

Sonic Automotive, Inc.
Results of Operations (Unaudited)

This release contains certain non-GAAP financial measures (the "Adjusted" amounts) as defined under SEC rules, such as, but not limited to, adjusted income from continuing operations and related earnings per share data. The Company has reconciled these measures to the most directly comparable GAAP financial measures (the "Reported" amounts) in the release. The Company believes that these non-GAAP financial measures improve the transparency of the Company's disclosure by providing period-to-period comparability of the Company's results from operations.

Results of Operations

| | <u>Three Months Ended December 31,</u> | | <u>Twelve Months Ended December 31,</u> | |
|--|--|-------------------|---|---------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
| | (In thousands, except per share and unit data) | | | |
| Revenues: | | | | |
| New vehicles | \$ 1,485,749 | \$ 1,408,327 | \$ 5,295,051 | \$ 5,234,505 |
| Used vehicles | 685,965 | 651,608 | 2,622,053 | 2,533,122 |
| Wholesale vehicles | 40,890 | 57,906 | 171,064 | 211,048 |
| Total vehicles | 2,212,604 | 2,117,841 | 8,088,168 | 7,978,675 |
| Parts, service and collision repair | 355,137 | 350,726 | 1,416,010 | 1,409,819 |
| Finance, insurance and other, net | 100,198 | 88,346 | 363,030 | 343,285 |
| Total revenues | 2,667,939 | 2,556,913 | 9,867,208 | 9,731,779 |
| Gross profit | 384,089 | 371,735 | 1,457,676 | 1,429,274 |
| Selling, general and administrative expenses | (277,634) | (267,135) | (1,147,773) | (1,110,836) |
| Impairment charges | (6,079) | (1,824) | (9,394) | (8,063) |
| Depreciation and amortization | (23,192) | (20,144) | (83,944) | (77,446) |
| Operating income (loss) | 77,184 | 82,632 | 211,565 | 232,909 |
| Other income (expense): | | | | |
| Interest expense, floor plan | (9,982) | (7,919) | (36,395) | (27,716) |
| Interest expense, other, net | (13,324) | (12,546) | (52,524) | (50,106) |
| Other income (expense), net | (32) | 5 | (14,522) | 125 |
| Total other income (expense) | (23,338) | (20,460) | (103,441) | (77,697) |
| Income (loss) from continuing operations before taxes | 53,846 | 62,172 | 108,124 | 155,212 |
| Provision for income taxes for continuing operations - benefit (expense) | 8,282 | (24,131) | (13,971) | (60,696) |
| Income (loss) from continuing operations | 62,128 | 38,041 | 94,153 | 94,516 |
| Income (loss) from discontinued operations | (176) | (405) | (1,170) | (1,323) |
| Net income (loss) | <u>\$ 61,952</u> | <u>\$ 37,636</u> | <u>\$ 92,983</u> | <u>\$ 93,193</u> |
| Diluted earnings (loss) per common share: | | | | |
| Earnings (loss) per share from continuing operations | \$ 1.42 | \$ 0.84 | \$ 2.12 | \$ 2.06 |
| Earnings (loss) per share from discontinued operations | - | (0.01) | (0.03) | (0.03) |
| Earnings (loss) per common share | <u>\$ 1.42</u> | <u>\$ 0.83</u> | <u>\$ 2.09</u> | <u>\$ 2.03</u> |
| Weighted average common shares outstanding | 43,632 | 45,341 | 44,358 | 45,948 |
| Gross Margin Data (Continuing Operations): | | | | |
| New vehicles | 5.2% | 5.2% | 5.0% | 5.0% |
| Used vehicles | 5.1% | 6.4% | 5.9% | 6.3% |
| Wholesale vehicles | (5.7%) | (3.3%) | (5.1%) | (3.5%) |
| Parts, service and collision repair | 48.8% | 48.4% | 48.3% | 47.8% |
| Finance, insurance and other | 100.0% | 100.0% | 100.0% | 100.0% |
| Overall gross margin | 14.4% | 14.5% | 14.8% | 14.7% |
| SG&A Expenses (Continuing Operations): | | | | |
| Compensation | \$ 172,515 | \$ 167,724 | \$ 692,935 | \$ 674,617 |
| Advertising | 15,116 | 15,840 | 61,563 | 61,674 |
| Rent | 17,713 | 18,638 | 73,022 | 73,903 |
| Other | 72,290 | 64,933 | 320,253 | 300,662 |
| Total SG&A expenses | <u>\$ 277,634</u> | <u>\$ 267,135</u> | <u>\$ 1,147,773</u> | <u>\$ 1,110,836</u> |
| SG&A expenses as % of gross profit | 72.3% | 71.9% | 78.7% | 77.7% |
| Operating Margin % | 2.9% | 3.2% | 2.1% | 2.4% |
| Unit Data (Continuing Operations): | | | | |
| New units | 36,531 | 35,562 | 135,663 | 136,003 |
| Used units | 31,740 | 29,621 | 123,489 | 119,174 |
| Wholesale units | 7,463 | 9,036 | 31,385 | 35,098 |

Sonic Automotive, Inc.
Results of Operations (Unaudited)

Per Share Data

| Three Months Ended December 31, 2017 | | | | | | | |
|---|--|------------------------|--|------------------------|-------------------|------------------------|-----------|
| Weighted Average Shares | Income (Loss) From Continuing Operations | | Income (Loss) From Discontinued Operations | | Net Income (Loss) | | |
| | Amount | Per Share Amount | Amount | Per Share Amount | Amount | Per Share Amount | |
| | (In thousands, except per share amounts) | | | | | | |
| Reported: | | | | | | | |
| Earnings (loss) and shares | 43,156 | \$ 62,128 | \$ (176) | | \$ 61,952 | | |
| Effect of participating securities: | | | | | | | |
| Non-vested restricted stock | | (57) | - | | (57) | | |
| Basic earnings (loss) and shares | 43,156 | \$ 62,071 | \$ 1.44 | \$ (176) | \$ (0.01) | \$ 61,895 | \$ 1.43 |
| Effect of dilutive securities: | | | | | | | |
| Stock compensation plans | 526 | | | | | | |
| Diluted earnings (loss) and shares | 43,682 | \$ 62,071 | \$ 1.42 | \$ (176) | \$ - | \$ 61,895 | \$ 1.42 |
| Adjustments: | | | | | | | |
| Impairment charges | | \$ 6,080 | | \$ - | | \$ 6,080 | |
| Storm damage | | (1,378) | | - | | (1,378) | |
| Legal and other | | 1,496 | | - | | 1,496 | |
| Gain on disposal | | (1,507) | | - | | (1,507) | |
| Total adjustments before taxes | | 4,691 | | - | | 4,691 | |
| Income tax effect of adjustments | | (1,841) | | - | | (1,841) | |
| Non-recurring tax items | | (28,409) | | - | | (28,409) | |
| Effect of adjustments, net of income taxes | | \$ (25,559) | \$ (0.58) | \$ - | \$ (0.01) | \$ (25,559) | \$ (0.59) |
| Adjusted: | | | | | | | |
| Earnings (loss) and diluted earnings (loss) per share (1) | | \$ 36,569 | \$ 0.84 | \$ (176) | \$ (0.01) | \$ 36,393 | \$ 0.83 |

(1) Net loss attributable to Pre-Owned Stores operations was \$0.04 per fully diluted share in the three months ended December 31, 2017.

| Three Months Ended December 31, 2016 | | | | | | | |
|---|--|------------------------|--|------------------------|-------------------|------------------------|-----------|
| Weighted Average Shares | Income (Loss) From Continuing Operations | | Income (Loss) From Discontinued Operations | | Net Income (Loss) | | |
| | Amount | Per Share Amount | Amount | Per Share Amount | Amount | Per Share Amount | |
| | (In thousands, except per share amounts) | | | | | | |
| Reported: | | | | | | | |
| Earnings (loss) and shares | 44,764 | \$ 38,041 | | \$ (405) | | \$ 37,636 | |
| Effect of participating securities: | | | | | | | |
| Non-vested restricted stock | | (22) | | - | | (22) | |
| Basic earnings (loss) and shares | 44,764 | \$ 38,019 | \$ 0.85 | \$ (405) | \$ (0.01) | \$ 37,614 | \$ 0.84 |
| Effect of dilutive securities: | | | | | | | |
| Stock compensation plans | 577 | | | | | | |
| Diluted earnings (loss) and shares (2) | 45,341 | \$ 38,019 | \$ 0.84 | \$ (405) | \$ (0.01) | \$ 37,614 | \$ 0.83 |
| Adjustments: | | | | | | | |
| Impairment charges | | \$ 1,824 | | \$ - | | \$ 1,824 | |
| OEM settlement | | (14,836) | | - | | (14,836) | |
| Storm damage | | (612) | | - | | (612) | |
| Legal and other | | 201 | | 450 | | 651 | |
| Total adjustments before taxes | | (13,423) | | 450 | | (12,973) | |
| Income tax effect of adjustments | | 5,210 | | (153) | | 5,057 | |
| Effect of adjustments, net of income taxes | | \$ (8,213) | \$ (0.18) | \$ 297 | \$ 0.01 | \$ (7,916) | \$ (0.17) |
| Adjusted: | | | | | | | |
| Earnings (loss) and diluted earnings (loss) per share (2) | | \$ 29,828 | \$ 0.66 | \$ (108) | \$ - | \$ 29,720 | \$ 0.66 |

(2) Net loss attributable to Pre-Owned Stores operations was \$0.03 per fully diluted share in the three months ended December 31, 2016.

Sonic Automotive, Inc.
Results of Operations (Unaudited)

Per Share Data

| | Twelve Months Ended December 31, 2017 | | | | | | |
|---|---------------------------------------|--|------------------------|--|------------------------|-------------------|------------------------|
| | Weighted Average Shares | Income (Loss) From Continuing Operations | | Income (Loss) From Discontinued Operations | | Net Income (Loss) | |
| | | Amount | Per Share Amount | Amount | Per Share Amount | Amount | Per Share Amount |
| | | | | | | | |
| Reported: | | | | | | | |
| Earnings (loss) and shares | 43,997 | \$ 94,153 | | \$ (1,170) | | \$ 92,983 | |
| Effect of participating securities: | | | | | | | |
| Non-vested restricted stock | | (85) | | - | | (85) | |
| Basic earnings (loss) and shares | 43,997 | \$ 94,068 | \$ 2.14 | \$ (1,170) | \$ (0.03) | \$ 92,898 | \$ 2.11 |
| Effect of dilutive securities: | | | | | | | |
| Stock compensation plans | 361 | | | | | | |
| Diluted earnings (loss) and shares | 44,358 | \$ 94,068 | \$ 2.12 | \$ (1,170) | \$ (0.03) | \$ 92,898 | \$ 2.09 |
| Adjustments: | | | | | | | |
| Impairment charges | | \$ 9,393 | | - | | \$ 9,393 | |
| Storm damage | | 8,593 | | - | | 8,593 | |
| Legal and other | | 2,306 | | - | | 2,306 | |
| Lease exit adjustments | | 992 | | - | | 992 | |
| Gain on disposal | | (9,997) | | - | | (9,997) | |
| Loss on debt extinguishment | | 15,268 | | - | | 15,268 | |
| Total adjustments before taxes | | 26,555 | | - | | 26,555 | |
| Income tax effect of adjustments | | (10,423) | | - | | (10,423) | |
| Non-recurring tax items | | (28,055) | | - | | (28,055) | |
| Effect of adjustments, net of income taxes | | \$ (11,923) | \$ (0.27) | - | \$ 0.01 | \$ (11,923) | \$ (0.26) |
| Adjusted: | | | | | | | |
| Earnings (loss) and diluted earnings (loss) per share (3) | | \$ 82,230 | \$ 1.85 | \$ (1,170) | \$ (0.02) | \$ 81,060 | \$ 1.83 |

(3) Net loss attributable to Pre-Owned Stores operations was \$0.25 per fully diluted share in the twelve months ended December 31, 2017.

| | Twelve Months Ended December 31, 2016 | | | | | | |
|---|---------------------------------------|--|------------------------|--|------------------------|-------------------|------------------------|
| | Weighted Average Shares | Income (Loss) From Continuing Operations | | Income (Loss) From Discontinued Operations | | Net Income (Loss) | |
| | | Amount | Per Share Amount | Amount | Per Share Amount | Amount | Per Share Amount |
| | | | | | | | |
| Reported: | | | | | | | |
| Earnings (loss) and shares | 45,637 | \$ 94,516 | | \$ (1,323) | | \$ 93,193 | |
| Effect of participating securities: | | | | | | | |
| Non-vested restricted stock | | (52) | | - | | (52) | |
| Basic earnings (loss) and shares | 45,637 | \$ 94,464 | \$ 2.07 | \$ (1,323) | \$ (0.03) | \$ 93,141 | \$ 2.04 |
| Effect of dilutive securities: | | | | | | | |
| Stock compensation plans | 311 | | | | | | |
| Diluted earnings (loss) and shares | 45,948 | \$ 94,464 | \$ 2.06 | \$ (1,323) | \$ (0.03) | \$ 93,141 | \$ 2.03 |
| Adjustments: | | | | | | | |
| Impairment charges | | \$ 7,913 | | - | | \$ 7,913 | |
| OEM settlement | | (14,836) | | - | | (14,836) | |
| Storm damage | | 2,990 | | - | | 2,990 | |
| Legal and other | | 100 | | - | | 100 | |
| Lease exit adjustments | | 200 | | 927 | | 1,127 | |
| Total adjustments before taxes | | (3,633) | | 927 | | (2,706) | |
| Income tax effect of adjustments | | 1,394 | | (341) | | 1,053 | |
| Effect of adjustments, net of income taxes | | \$ (2,239) | \$ (0.05) | \$ 586 | \$ 0.01 | \$ (1,653) | \$ (0.04) |
| Adjusted: | | | | | | | |
| Earnings (loss) and diluted earnings (loss) per share (4) | | \$ 92,277 | \$ 2.01 | \$ (737) | \$ (0.02) | \$ 91,540 | \$ 1.99 |

(4) Net loss attributable to Pre-Owned Stores operations was \$0.17 per fully diluted share in the twelve months ended December 31, 2016.

New Vehicles

| | Three Months Ended December 31, | | Better / (Worse) | |
|--------------------------------------|--|--------------|------------------|----------|
| | 2017 | 2016 | Change | % Change |
| | (In thousands, except units and per unit data) | | | |
| Reported: | | | | |
| Revenue | \$ 1,485,749 | \$ 1,408,327 | \$ 77,422 | 5.5% |
| Gross profit | \$ 77,888 | \$ 73,916 | \$ 3,972 | 5.4% |
| Unit sales | 36,531 | 35,562 | 969 | 2.7% |
| Revenue per unit | \$ 40,671 | \$ 39,602 | \$ 1,069 | 2.7% |
| Gross profit per unit | \$ 2,132 | \$ 2,079 | \$ 53 | 2.5% |
| Gross profit as a % of revenue | 5.2% | 5.2% | - | bps |

| | Twelve Months Ended December 31, | | Better / (Worse) | |
|--------------------------------------|--|--------------|------------------|----------|
| | 2017 | 2016 | Change | % Change |
| | (In thousands, except units and per unit data) | | | |
| Reported: | | | | |
| Revenue | \$ 5,295,051 | \$ 5,234,505 | \$ 60,546 | 1.2% |
| Gross profit | \$ 264,926 | \$ 260,594 | \$ 4,332 | 1.7% |
| Unit sales | 135,663 | 136,003 | (340) | (0.2%) |
| Revenue per unit | \$ 39,031 | \$ 38,488 | \$ 543 | 1.4% |
| Gross profit per unit | \$ 1,953 | \$ 1,916 | \$ 37 | 1.9% |
| Gross profit as a % of revenue | 5.0% | 5.0% | - | bps |

| | Three Months Ended December 31, | | Better / (Worse) | |
|--------------------------------------|--|--------------|------------------|----------|
| | 2017 | 2016 | Change | % Change |
| | (In thousands, except units and per unit data) | | | |
| Same Store: | | | | |
| Revenue | \$ 1,476,819 | \$ 1,390,744 | \$ 86,075 | 6.2% |
| Gross profit | \$ 76,689 | \$ 74,198 | \$ 2,491 | 3.4% |
| Unit sales | 36,305 | 34,920 | 1,385 | 4.0% |
| Revenue per unit | \$ 40,678 | \$ 39,827 | \$ 851 | 2.1% |
| Gross profit per unit | \$ 2,112 | \$ 2,125 | \$ (13) | (0.6%) |
| Gross profit as a % of revenue | 5.2% | 5.3% | (10) | bps |

| | Twelve Months Ended December 31, | | Better / (Worse) | |
|--------------------------------------|--|--------------|------------------|----------|
| | 2017 | 2016 | Change | % Change |
| | (In thousands, except units and per unit data) | | | |
| Same Store: | | | | |
| Revenue | \$ 5,204,867 | \$ 5,170,372 | \$ 34,495 | 0.7% |
| Gross profit | \$ 259,220 | \$ 259,668 | \$ (448) | (0.2%) |
| Unit sales | 133,047 | 133,606 | (559) | (0.4%) |
| Revenue per unit | \$ 39,121 | \$ 38,699 | \$ 422 | 1.1% |
| Gross profit per unit | \$ 1,948 | \$ 1,944 | \$ 4 | 0.2% |
| Gross profit as a % of revenue | 5.0% | 5.0% | - | bps |

Sonic Automotive, Inc.
Results of Operations (Unaudited)

Used Vehicles

| | <u>Three Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
|--------------------------------------|--|--------------|-------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except units and per unit data) | | | |
| Reported: | | | | |
| Revenue | \$ 685,965 | \$ 651,608 | \$ 34,357 | 5.3% |
| Gross profit | \$ 34,891 | \$ 41,464 | \$ (6,573) | (15.9%) |
| Unit sales | 31,740 | 29,621 | 2,119 | 7.2% |
| Revenue per unit | \$ 21,612 | \$ 21,998 | \$ (386) | (1.8%) |
| Gross profit per unit | \$ 1,099 | \$ 1,400 | \$ (301) | (21.5%) |
| Gross profit as a % of revenue | 5.1% | 6.4% | (130) bps | |
| | | | | |
| | <u>Twelve Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except units and per unit data) | | | |
| Reported: | | | | |
| Revenue | \$ 2,622,053 | \$ 2,533,122 | \$ 88,931 | 3.5% |
| Gross profit | \$ 154,903 | \$ 158,585 | \$ (3,682) | (2.3%) |
| Unit sales | 123,489 | 119,174 | 4,315 | 3.6% |
| Revenue per unit | \$ 21,233 | \$ 21,256 | \$ (23) | (0.1%) |
| Gross profit per unit | \$ 1,254 | \$ 1,331 | \$ (77) | (5.8%) |
| Gross profit as a % of revenue | 5.9% | 6.3% | (40) bps | |
| | | | | |
| | <u>Three Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except units and per unit data) | | | |
| Same Store: | | | | |
| Revenue | \$ 625,914 | \$ 638,427 | \$ (12,513) | (2.0%) |
| Gross profit | \$ 33,068 | \$ 36,661 | \$ (3,593) | (9.8%) |
| Unit sales | 28,685 | 28,849 | (164) | (0.6%) |
| Revenue per unit | \$ 21,820 | \$ 22,130 | \$ (310) | (1.4%) |
| Gross profit per unit | \$ 1,153 | \$ 1,271 | \$ (118) | (9.3%) |
| Gross profit as a % of revenue | 5.3% | 5.7% | (40) bps | |
| | | | | |
| | <u>Twelve Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except units and per unit data) | | | |
| Same Store: | | | | |
| Revenue | \$ 2,476,967 | \$ 2,488,866 | \$ (11,899) | (0.5%) |
| Gross profit | \$ 143,690 | \$ 148,069 | \$ (4,379) | (3.0%) |
| Unit sales | 115,916 | 116,450 | (534) | (0.5%) |
| Revenue per unit | \$ 21,369 | \$ 21,373 | \$ (4) | (0.0%) |
| Gross profit per unit | \$ 1,240 | \$ 1,272 | \$ (32) | (2.5%) |
| Gross profit as a % of revenue | 5.8% | 5.9% | (10) bps | |

Sonic Automotive, Inc.
Results of Operations (Unaudited)

Wholesale Vehicles

| | <u>Three Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
|---|--|-------------|-------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except units and per unit data) | | | |
| Reported: | | | | |
| Revenue | \$ 40,890 | \$ 57,906 | \$ (17,016) | (29.4%) |
| Gross profit (loss) | \$ (2,334) | \$ (1,890) | \$ (444) | (23.5%) |
| Unit sales | 7,463 | 9,086 | (1,623) | (17.9%) |
| Revenue per unit | \$ 5,479 | \$ 6,373 | \$ (894) | (14.0%) |
| Gross profit (loss) per unit | \$ (313) | \$ (208) | \$ (105) | (50.5%) |
| Gross profit (loss) as a % of revenue | (5.7%) | (3.3%) | (240) bps | |

| | <u>Twelve Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
|---|--|-------------|-------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except units and per unit data) | | | |
| Reported: | | | | |
| Revenue | \$ 171,064 | \$ 211,048 | \$ (39,984) | (18.9%) |
| Gross profit (loss) | \$ (8,714) | \$ (7,316) | \$ (1,398) | (19.1%) |
| Unit sales | 31,385 | 35,098 | (3,713) | (10.6%) |
| Revenue per unit | \$ 5,451 | \$ 6,013 | \$ (562) | (9.3%) |
| Gross profit (loss) per unit | \$ (278) | \$ (208) | \$ (70) | (33.7%) |
| Gross profit (loss) as a % of revenue | (5.1%) | (3.5%) | (160) bps | |

| | <u>Three Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
|---|--|-------------|-------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except units and per unit data) | | | |
| Same Store: | | | | |
| Revenue | \$ 40,134 | \$ 56,784 | \$ (16,650) | (29.3%) |
| Gross profit (loss) | \$ (2,297) | \$ (1,644) | \$ (653) | (39.7%) |
| Unit sales | 7,170 | 8,776 | (1,606) | (18.3%) |
| Revenue per unit | \$ 5,597 | \$ 6,470 | \$ (873) | (13.5%) |
| Gross profit (loss) per unit | \$ (320) | \$ (187) | \$ (133) | (71.1%) |
| Gross profit (loss) as a % of revenue | (5.7%) | (2.9%) | (280) bps | |

| | <u>Twelve Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
|---|--|-------------|-------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except units and per unit data) | | | |
| Same Store: | | | | |
| Revenue | \$ 165,308 | \$ 207,263 | \$ (41,955) | (20.2%) |
| Gross profit (loss) | \$ (8,181) | \$ (6,694) | \$ (1,487) | (22.2%) |
| Unit sales | 29,978 | 34,108 | (4,130) | (12.1%) |
| Revenue per unit | \$ 5,514 | \$ 6,077 | \$ (563) | (9.3%) |
| Gross profit (loss) per unit | \$ (273) | \$ (196) | \$ (77) | (39.3%) |
| Gross profit (loss) as a % of revenue | (4.9%) | (3.2%) | (170) bps | |

Sonic Automotive, Inc.
Results of Operations (Unaudited)

Parts, Service and Collision Repair ("Fixed Operations")

| | Three Months Ended December 31, | | Better / (Worse) | |
|----------------------------------|---------------------------------|-------------------|------------------|-------------|
| | 2017 | 2016 | Change | % Change |
| Reported: | (In thousands) | | | |
| Revenue | | | | |
| Customer pay | \$ 140,285 | \$ 139,550 | \$ 735 | 0.5% |
| Warranty | 69,771 | 67,656 | 2,115 | 3.1% |
| Wholesale parts | 41,445 | 43,337 | (1,892) | (4.4%) |
| Internal, sublet and other | 103,636 | 100,183 | 3,453 | 3.4% |
| Total | <u>\$ 355,137</u> | <u>\$ 350,726</u> | <u>\$ 4,411</u> | <u>1.3%</u> |
| Gross profit | | | | |
| Customer pay | \$ 74,748 | \$ 73,958 | \$ 790 | 1.1% |
| Warranty | 38,273 | 36,973 | 1,300 | 3.5% |
| Wholesale parts | 7,149 | 7,450 | (301) | (4.0%) |
| Internal, sublet and other | 53,277 | 51,519 | 1,758 | 3.4% |
| Total | <u>\$ 173,447</u> | <u>\$ 169,900</u> | <u>\$ 3,547</u> | <u>2.1%</u> |
| Gross profit as a % of revenue | | | | |
| Customer pay | 53.3% | 53.0% | 30 | bps |
| Warranty | 54.9% | 54.6% | 30 | bps |
| Wholesale parts | 17.2% | 17.2% | 0 | bps |
| Internal, sublet and other | 51.4% | 51.4% | 0 | bps |
| Total | 48.8% | 48.4% | 40 | bps |

| | Twelve Months Ended December 31, | | Better / (Worse) | |
|----------------------------------|----------------------------------|---------------------|------------------|-------------|
| | 2017 | 2016 | Change | % Change |
| Reported: | (In thousands) | | | |
| Revenue | | | | |
| Customer pay | \$ 555,463 | \$ 582,557 | \$ (27,094) | (4.7%) |
| Warranty | 282,926 | 240,415 | 42,511 | 17.7% |
| Wholesale parts | 168,459 | 176,870 | (8,411) | (4.8%) |
| Internal, sublet and other | 409,162 | 409,977 | (815) | (0.2%) |
| Total | <u>\$ 1,416,010</u> | <u>\$ 1,409,819</u> | <u>\$ 6,191</u> | <u>0.4%</u> |
| Gross profit | | | | |
| Customer pay | \$ 296,834 | \$ 314,791 | \$ (17,957) | (5.7%) |
| Warranty | 156,082 | 129,924 | 26,158 | 20.1% |
| Wholesale parts | 28,989 | 30,754 | (1,765) | (5.7%) |
| Internal, sublet and other | 201,626 | 198,657 | 2,969 | 1.5% |
| Total | <u>\$ 683,531</u> | <u>\$ 674,126</u> | <u>\$ 9,405</u> | <u>1.4%</u> |
| Gross profit as a % of revenue | | | | |
| Customer pay | 53.4% | 54.0% | (60) | bps |
| Warranty | 55.2% | 54.0% | 120 | bps |
| Wholesale parts | 17.2% | 17.4% | (20) | bps |
| Internal, sublet and other | 49.3% | 48.5% | 80 | bps |
| Total | 48.3% | 47.8% | 50 | bps |

Sonic Automotive, Inc.
Results of Operations (Unaudited)

Parts, Service and Collision Repair ("Fixed Operations")

| | Three Months Ended December 31, | | Better / (Worse) | |
|----------------------------------|---------------------------------|-------------------|------------------|-------------|
| | 2017 | 2016 | Change | % Change |
| (In thousands) | | | | |
| Same Store: | | | | |
| Revenue | | | | |
| Customer pay | \$ 139,804 | \$ 137,954 | \$ 1,850 | 1.3% |
| Warranty | 69,420 | 66,722 | 2,698 | 4.0% |
| Wholesale parts | 41,372 | 42,870 | (1,498) | (3.5%) |
| Internal, sublet and other | 101,080 | 98,393 | 2,687 | 2.7% |
| Total | <u>\$ 351,676</u> | <u>\$ 345,939</u> | <u>\$ 5,737</u> | <u>1.7%</u> |
| Gross profit | | | | |
| Customer pay | \$ 74,495 | \$ 73,080 | \$ 1,415 | 1.9% |
| Warranty | 38,141 | 36,461 | 1,680 | 4.6% |
| Wholesale parts | 7,135 | 7,369 | (234) | (3.2%) |
| Internal, sublet and other | 52,255 | 50,637 | 1,618 | 3.2% |
| Total | <u>\$ 172,026</u> | <u>\$ 167,547</u> | <u>\$ 4,479</u> | <u>2.7%</u> |
| Gross profit as a % of revenue | | | | |
| Customer pay | 53.3% | 53.0% | 30 | bps |
| Warranty | 54.9% | 54.6% | 30 | bps |
| Wholesale parts | 17.2% | 17.2% | 0 | bps |
| Internal, sublet and other | 51.7% | 51.5% | 20 | bps |
| Total | 48.9% | 48.4% | 50 | bps |

| | Twelve Months Ended December 31, | | Better / (Worse) | |
|----------------------------------|----------------------------------|---------------------|------------------|---------------|
| | 2017 | 2016 | Change | % Change |
| (In thousands) | | | | |
| Same Store: | | | | |
| Revenue | | | | |
| Customer pay | \$ 548,768 | \$ 575,641 | \$ (26,873) | (4.7%) |
| Warranty | 278,882 | 236,931 | 41,951 | 17.7% |
| Wholesale parts | 166,831 | 174,962 | (8,131) | (4.6%) |
| Internal, sublet and other | 396,702 | 403,654 | (6,952) | (1.7%) |
| Total | <u>\$ 1,391,183</u> | <u>\$ 1,391,188</u> | <u>\$ (5)</u> | <u>(0.0%)</u> |
| Gross profit | | | | |
| Customer pay | \$ 293,272 | \$ 310,919 | \$ (17,647) | (5.7%) |
| Warranty | 154,025 | 128,161 | 25,864 | 20.2% |
| Wholesale parts | 28,669 | 30,443 | (1,774) | (5.8%) |
| Internal, sublet and other | 195,432 | 194,835 | 597 | 0.3% |
| Total | <u>\$ 671,398</u> | <u>\$ 664,358</u> | <u>\$ 7,040</u> | <u>1.1%</u> |
| Gross profit as a % of revenue | | | | |
| Customer pay | 53.4% | 54.0% | (60) | bps |
| Warranty | 55.2% | 54.1% | 110 | bps |
| Wholesale parts | 17.2% | 17.4% | (20) | bps |
| Internal, sublet and other | 49.3% | 48.3% | 100 | bps |
| Total | 48.3% | 47.8% | 50 | bps |

Sonic Automotive, Inc.
Results of Operations (Unaudited)

Finance, Insurance and Other, Net ("F&I")

| | <u>Three Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
|---|--|-------------|-------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except per unit data) | | | |
| Reported: | | | | |
| Revenue | \$ 100,198 | \$ 88,346 | \$ 11,852 | 13.4% |
| Gross profit per retail unit (excludes fleet) | \$ 1,473 | \$ 1,363 | \$ 110 | 8.1% |

| | <u>Twelve Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
|---|---|-------------|-------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except per unit data) | | | |
| Reported: | | | | |
| Revenue | \$ 363,030 | \$ 343,285 | \$ 19,745 | 5.8% |
| Gross profit per retail unit (excludes fleet) | \$ 1,411 | \$ 1,354 | \$ 57 | 4.2% |

| | <u>Three Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
|---|--|-------------|-------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except per unit data) | | | |
| Same Store: | | | | |
| Revenue | \$ 92,015 | \$ 85,224 | \$ 6,791 | 8.0% |
| Gross profit per retail unit (excludes fleet) | \$ 1,421 | \$ 1,344 | \$ 77 | 5.7% |

| | <u>Twelve Months Ended December 31,</u> | | <u>Better / (Worse)</u> | |
|---|---|-------------|-------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> | <u>Change</u> | <u>% Change</u> |
| | (In thousands, except per unit data) | | | |
| Same Store: | | | | |
| Revenue | \$ 343,987 | \$ 334,205 | \$ 9,782 | 2.9% |
| Gross profit per retail unit (excludes fleet) | \$ 1,392 | \$ 1,345 | \$ 47 | 3.5% |

Sonic Automotive, Inc.
Results of Operations (Unaudited)

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

| | Three Months Ended December 31, | | Better / (Worse) | |
|---|---------------------------------|-------------------|--------------------|---------------|
| | 2017 | 2016 | Change | % Change |
| | (In thousands) | | | |
| Reported: | | | | |
| Compensation | \$ 172,515 | \$ 167,724 | \$ (4,791) | (2.9%) |
| Advertising | 15,116 | 15,840 | 724 | 4.6% |
| Rent | 17,713 | 18,638 | 925 | 5.0% |
| Other | 72,290 | 64,933 | (7,357) | (11.3%) |
| Total SG &A expenses | <u>\$ 277,634</u> | <u>\$ 267,135</u> | <u>\$ (10,499)</u> | <u>(3.9%)</u> |
| Adjustments: | | | | |
| OEM settlement | \$ - | \$ 14,836 | | |
| Storm damage | 1,378 | 612 | | |
| Legal and other | (1,496) | (201) | | |
| Gain on disposal | 1,507 | - | | |
| Total SG &A adjustments | <u>\$ 1,389</u> | <u>\$ 15,247</u> | | |
| Adjusted: | | | | |
| Total adjusted SG &A expenses | <u>\$ 279,023</u> | <u>\$ 282,382</u> | <u>\$ 3,359</u> | <u>1.2%</u> |
| Reported: | | | | |
| SG &A expenses as a % of gross profit | | | | |
| Compensation | 44.9% | 45.1% | 20 | bps |
| Advertising | 3.9% | 4.3% | 40 | bps |
| Rent | 4.6% | 5.0% | 40 | bps |
| Other | 18.9% | 17.5% | (140) | bps |
| Total SG &A expenses as a % of gross profit | <u>72.3%</u> | <u>71.9%</u> | <u>(40)</u> | <u>bps</u> |
| Adjustments: | | | | |
| OEM settlement | 0.0% | 4.0% | | |
| Storm damage | 0.3% | 0.2% | | |
| Legal and other | (0.3%) | (0.1%) | | |
| Gain on disposal | 0.3% | 0.0% | | |
| Total effect of adjustments | <u>0.3%</u> | <u>4.1%</u> | | |
| Adjusted: | | | | |
| Total adjusted SG &A as a % of gross profit | <u>72.6%</u> | <u>76.0%</u> | <u>340</u> | <u>bps</u> |

Sonic Automotive, Inc.
Results of Operations (Unaudited)

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

| | Twelve Months Ended December 31, | | Better / (Worse) | |
|--|----------------------------------|---------------------|--------------------|---------------|
| | 2017 | 2016 | Change | % Change |
| | (In thousands) | | | |
| Reported: | | | | |
| Compensation | \$ 692,935 | \$ 674,617 | \$ (18,318) | (2.7%) |
| Advertising | 61,563 | 61,674 | 111 | 0.2% |
| Rent | 73,022 | 73,903 | 881 | 1.2% |
| Other | 320,253 | 300,662 | (19,591) | (6.5%) |
| Total SG&A expenses | <u>\$ 1,147,773</u> | <u>\$ 1,110,856</u> | <u>\$ (36,917)</u> | <u>(3.3%)</u> |
| Adjustments: | | | | |
| OEM settlement | \$ - | \$ 14,836 | | |
| Storm damage | (8,593) | (2,990) | | |
| Legal and other | (2,306) | (100) | | |
| Gain on disposal | 9,997 | - | | |
| Lease exit adjustments | (992) | (200) | | |
| Total SG&A adjustments | <u>\$ (1,894)</u> | <u>\$ 11,546</u> | | |
| Adjusted: | | | | |
| Total adjusted SG&A expenses | <u>\$ 1,145,879</u> | <u>\$ 1,122,402</u> | \$ (23,477) | (2.1%) |
| Reported: | | | | |
| SG&A expenses as a % of gross profit | | | | |
| Compensation | 47.5% | 47.2% | (30) | bps |
| Advertising | 4.2% | 4.3% | 10 | bps |
| Rent | 5.0% | 5.2% | 20 | bps |
| Other | 22.0% | 21.0% | (100) | bps |
| Total SG&A expenses as a % of gross profit | <u>78.7%</u> | <u>77.7%</u> | <u>(100)</u> | <u>bps</u> |
| Adjustments: | | | | |
| OEM settlement | 0.0% | 1.0% | | |
| Storm damage | 0.5% | (0.2%) | | |
| Legal and other | 0.1% | (0.0%) | | |
| Gain on disposal | (0.7%) | 0.0% | | |
| Lease exit adjustments | 0.1% | (0.0%) | | |
| Total effect of adjustments | <u>(0.1%)</u> | <u>0.8%</u> | | |
| Adjusted: | | | | |
| Total adjusted SG&A as a % of gross profit | <u>78.6%</u> | <u>78.5%</u> | (10) | bps |

###

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Q4 2017
Investor
Presentation



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 "believe", "expect", "anticipate", "intend", "plan", "foresee", "may", "will" and other similar words. 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, earnings expectations, anticipated 2018 industry new vehicle sales volume, the implementation of growth and operating strategies, including acquisitions of dealerships and properties, the development of open points and stand-alone pre-owned stores, 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 recovery or decline, and the risk factors described in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

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 Securities and Exchange Commission.

CONTENT

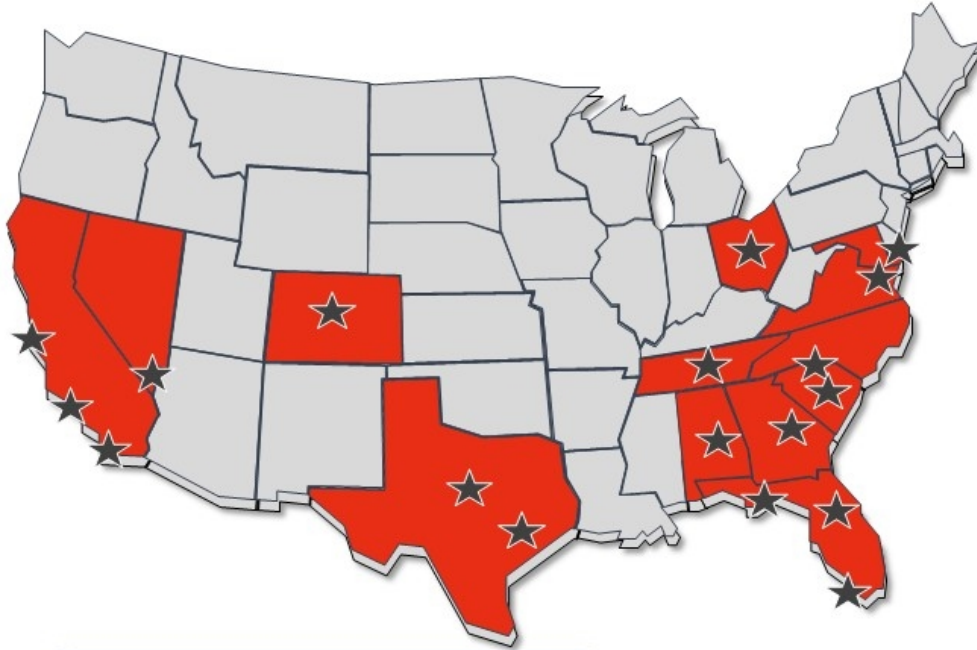
- COMPANY OVERVIEW
- FINANCIAL & OPERATIONS REVIEW
- OUTLOOK

COMPANY OVERVIEW

4



OVERVIEW – FRANCHISED GEOGRAPHIC

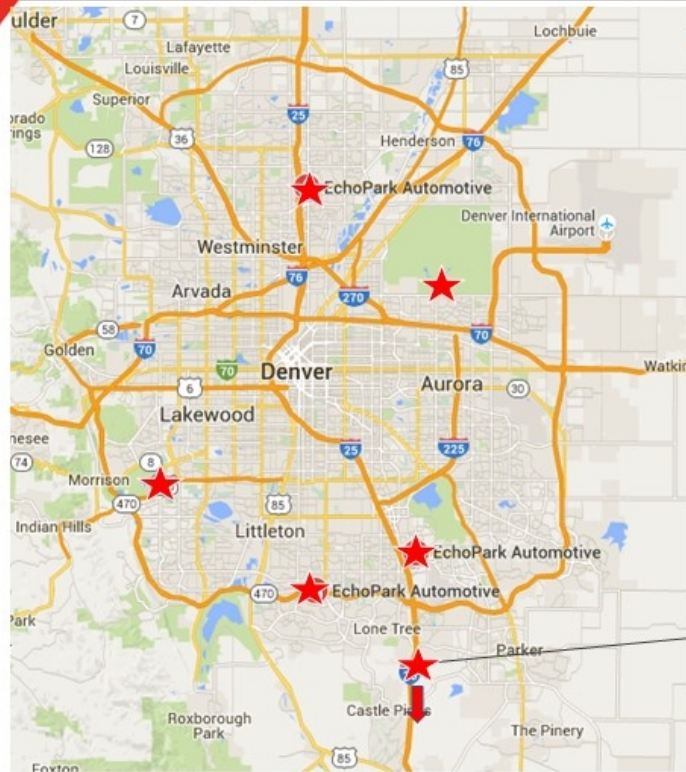


Headquartered in Charlotte, NC
103 Stores, 23 Brands, 18 Collision
Repair Centers
Platforms in Major Metro Markets

5



OVERVIEW – ECHOPARK GEOGRAPHIC - CO



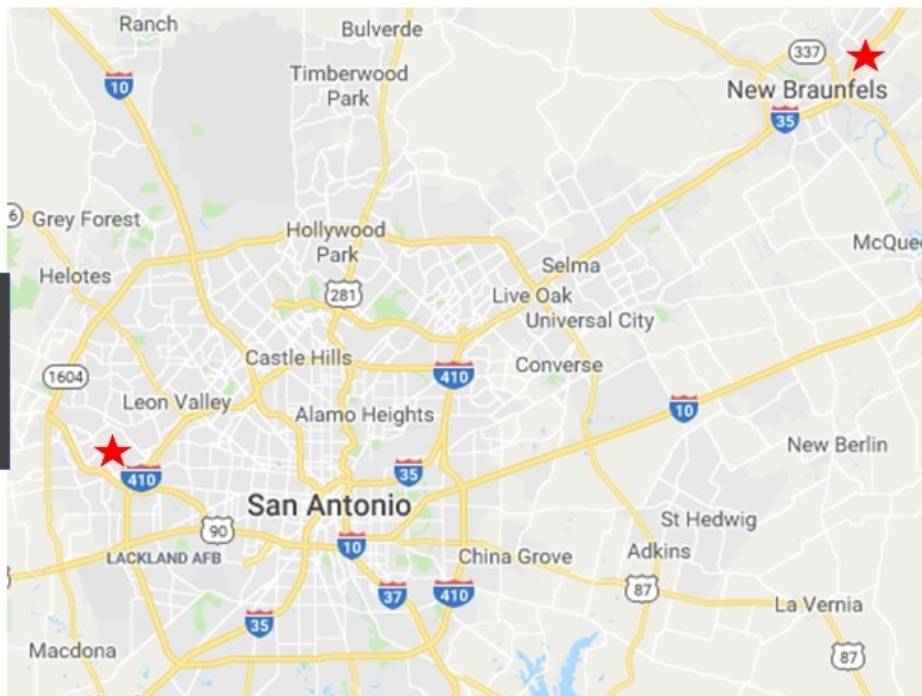
- Have purchased property in the following markets (some are under construction):

- Dallas/Ft. Worth
- San Antonio
- Houston
- Austin
- Carolinas

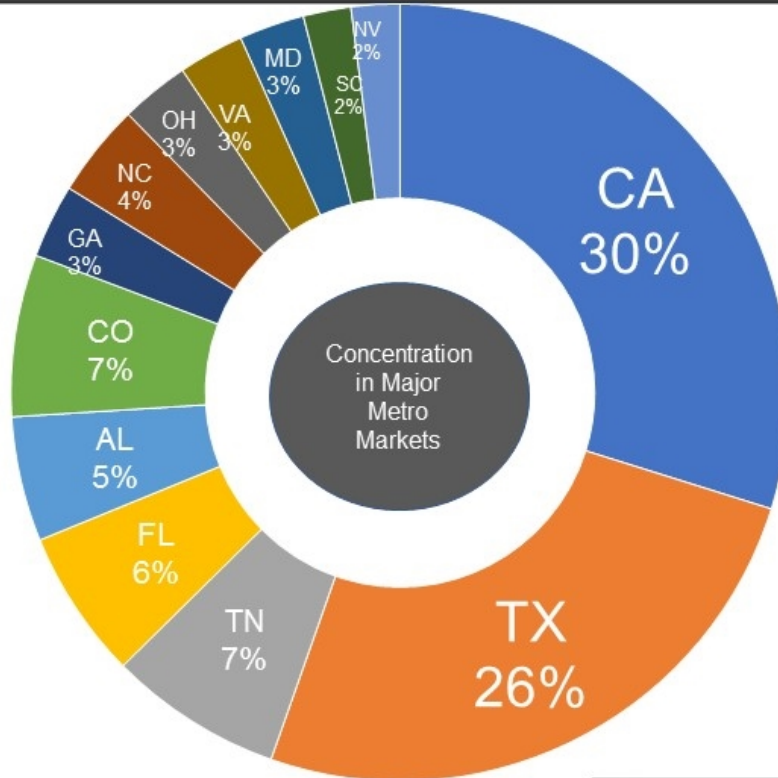
Colorado
Springs -
Opened Q2
2017

OVERVIEW – ECHOPARK GEOGRAPHIC - TX

- West San Antonio Location Opened in Q4 2017
- New Braunfels Location Opened in Q1 2018



OVERVIEW - GEOGRAPHIC



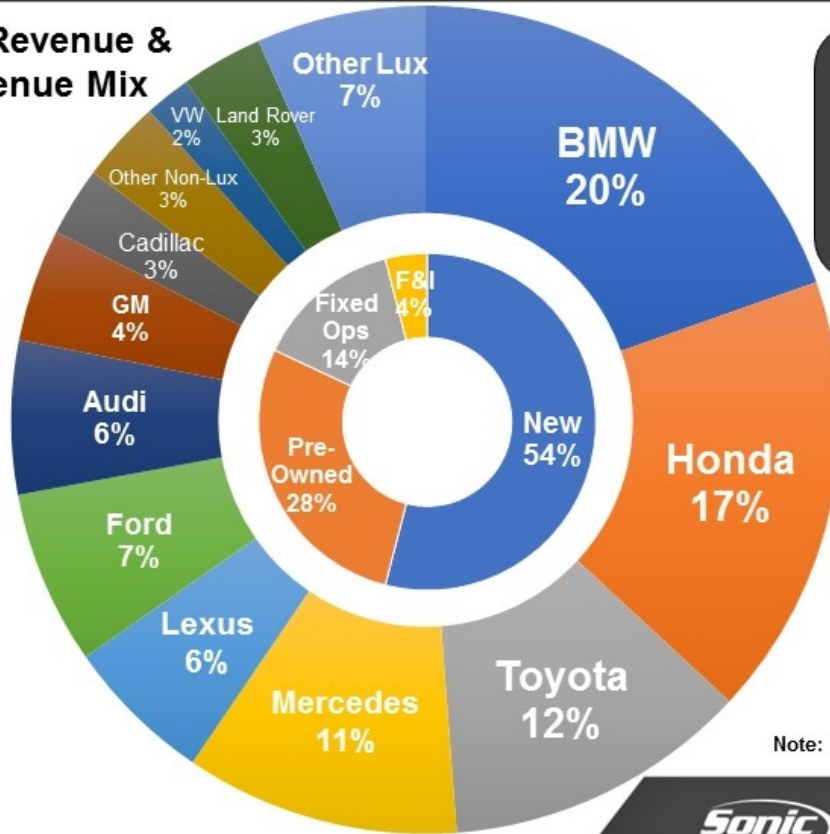
8

Note: Percentages are percent of total revenue for FY 2017.



OVERVIEW – BRAND COMPOSITION

New Retail Revenue & Overall Revenue Mix



Revenue streams and brand mix offer attractive diversification across the automotive retail space.

Note: Percentages are for FY 2017.

Q4 2017 FINANCIAL REVIEW

FRANCHISED SEGMENT

10

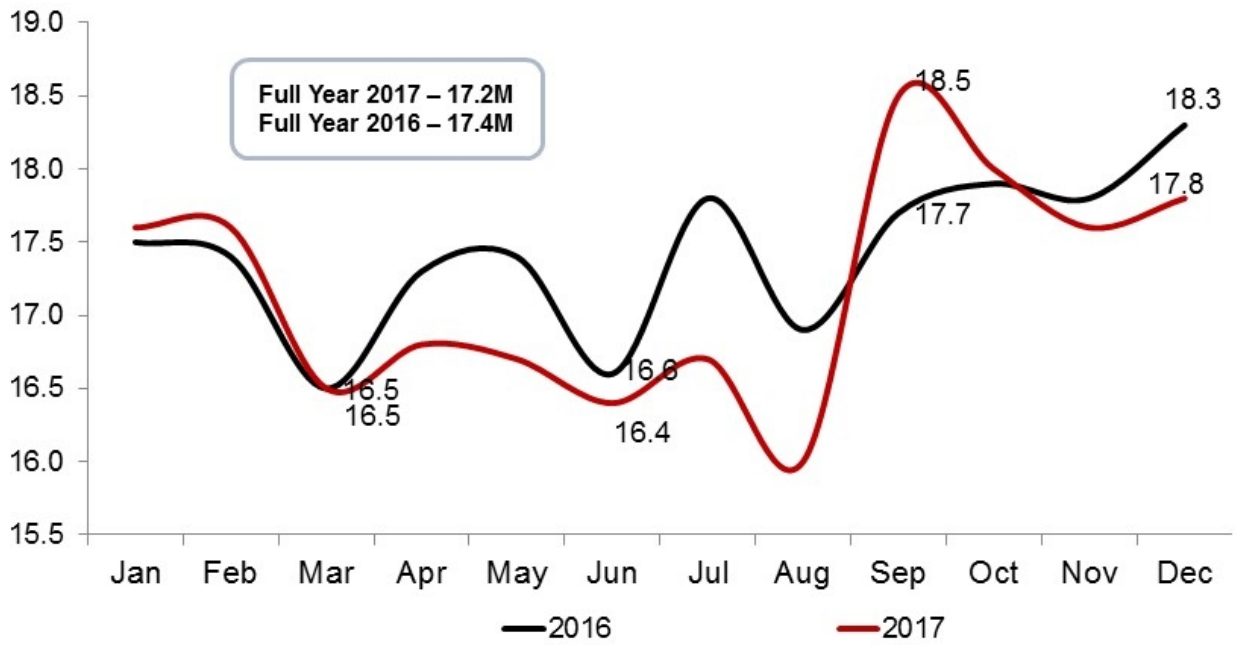


FRANCHISED SEGMENT Q4 2017 RESULTS

| (amounts in millions, except per share data) | Q4 2017 ⁽¹⁾ | B/(W) than Q4 2016 ⁽¹⁾ | |
|--|------------------------|-----------------------------------|---------|
| | | \$ | % |
| Revenue | \$2,562 | \$49 | 1.9% |
| Gross Profit | \$373 | \$7 | 1.9% |
| SG&A | \$267 | \$8 | 3.0% |
| SG&A as % of Gross | 71.6% | | 360 bps |
| Depreciation | \$22 | (\$3) | (15.1%) |
| Operating Profit | \$84 | \$12 | 17.0% |
| Interest & Other | (\$23) | (\$3) | (13.2%) |
| Pre-tax | \$61 | \$10 | 18.4% |
| Diluted EPS | \$0.88 | \$0.18 | 25.7% |

(1) – Q4 2017 and Q4 2016 results are adjusted – See appendix for reconciliation to GAAP amounts.

NEW VEHICLE SAAR



NEW VEHICLE RETAIL SAME STORE - FRANCHISED

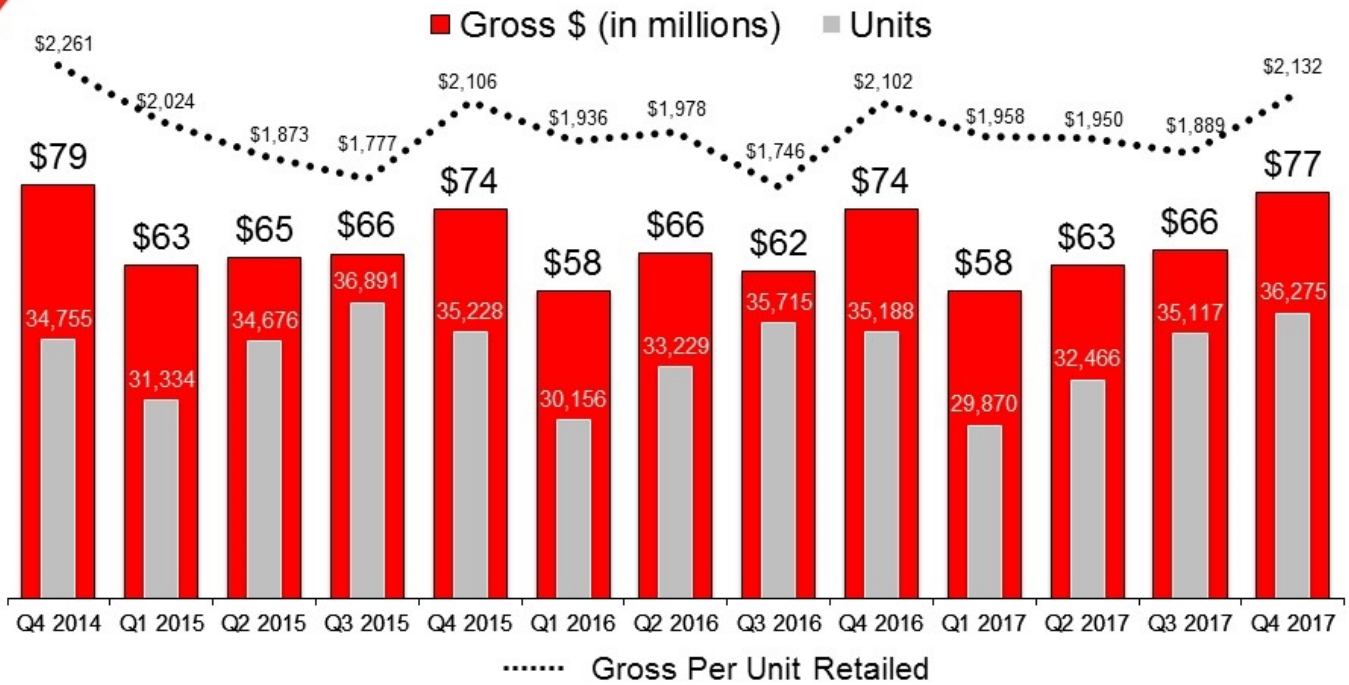
| | Q4 2017 | Q4 2016 | B/(W) |
|----------------------------|-----------|-----------|----------|
| Retail Volume | 36,049 | 34,555 | 4.3% |
| Selling Price | \$ 40,720 | \$ 39,910 | 2.0% |
| Gross Margin % | 5.2% | 5.4% | (20) bps |
| GPU | \$ 2,113 | \$ 2,148 | \$ (35) |
| Gross Profit (in millions) | \$ 76.2 | \$ 74.2 | 2.6% |
| SAAR (in millions) | 17.8 | 18.0 | (1.1%) |

Retail Units

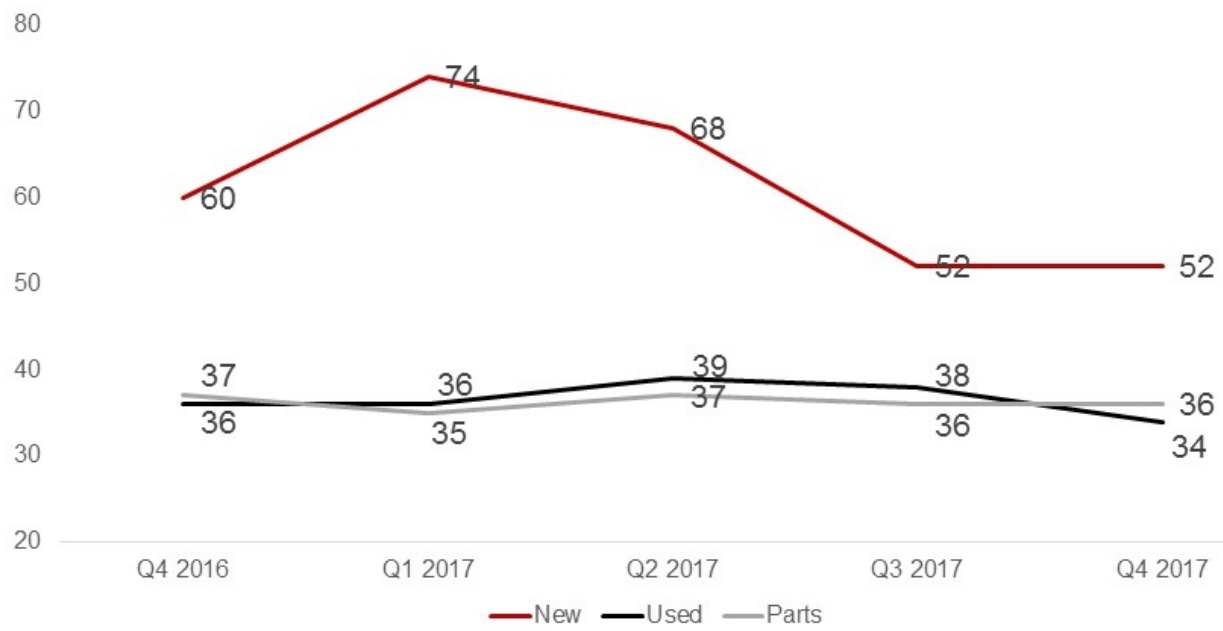
| | Oct | Nov | Dec | Total |
|---------|--------|--------|--------|--------|
| 2017 | 10,682 | 11,223 | 14,144 | 36,049 |
| 2016 | 10,307 | 10,372 | 13,876 | 34,555 |
| B/(W) | 375 | 851 | 268 | 1,494 |
| % B/(W) | 3.6% | 8.2% | 1.9% | 4.3% |

NEW VEHICLE – GROSS, UNIT & GPU TREND

Continuing Operations - Franchised



DAYS SUPPLY



USED VEHICLE RETAIL

Franchised – Same Store

| | Q4 2017 | Q4 2016 | B/(W) |
|---------------------------------|----------|----------|-----------|
| Retail Volume | 26,956 | 27,383 | (1.6%) |
| GPU | \$ 1,194 | \$ 1,288 | \$ (93) |
| Used to New | 75% | 79% | (400) bps |
| Vehicles/Store/Mth (103 stores) | 87 | 89 | (1) |

Front End Gross and F&I

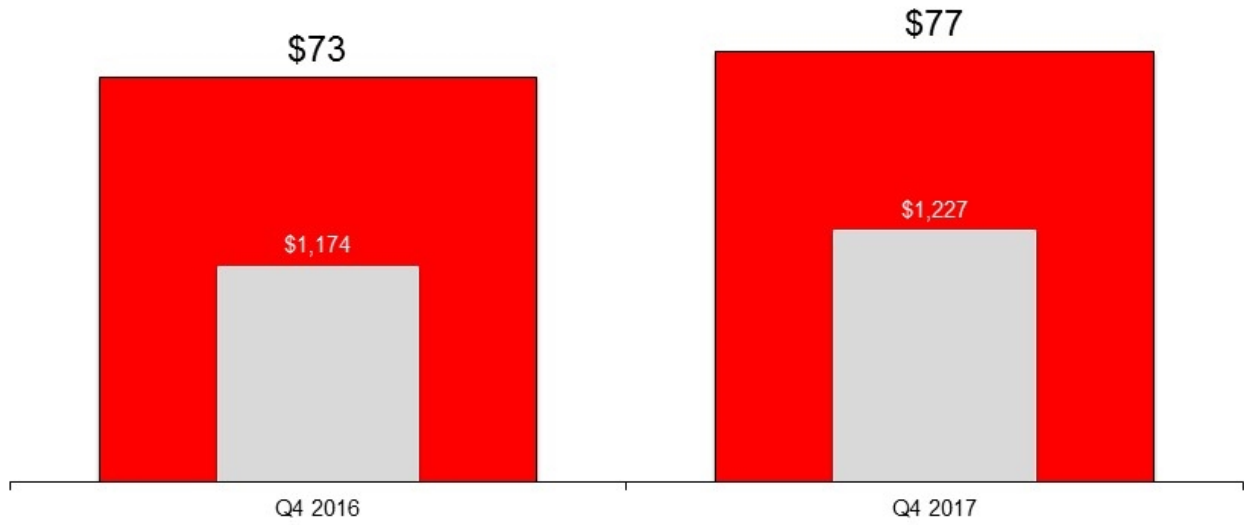
| (in millions) | Oct | Nov | Dec | Total |
|---------------|----------|---------|----------|----------|
| 2017 | \$ 21.2 | \$ 20.6 | \$ 23.5 | \$ 65.3 |
| 2016 | 21.3 | 20.5 | 25.6 | 67.4 |
| B/(W) | \$ (0.1) | \$ 0.0 | \$ (2.1) | \$ (2.2) |

F&I – GROSS & PUR TREND

Franchised – Same Store

\$1,447 PUR
Franchised
All Ops –
All-Time
Record

■ Gross \$ (in millions) ■ GPU\$



FIXED OPS
Franchised – Same Store

| (in millions) | Q4 2017 | Q4 2016 | B/(W) |
|---------------|---------|---------|-------|
| Revenue | \$ 349 | \$ 343 | 1.5% |
| Gross Profit | \$ 171 | \$ 166 | 2.5% |

One Less Selling Day

Q4 2017 FINANCIAL REVIEW

PRE-OWNED SEGMENT

19



PRE-OWNED SEGMENT Q4 2017 RESULTS

| | Q4 2017 ⁽¹⁾ | B/(W) than Q4 2016 ⁽¹⁾ | |
|---|------------------------|-----------------------------------|-----------|
| | | \$ | % |
| (amounts in millions, except per share, unit and per unit data) | | | |
| Revenue | \$106 | \$63 | 142.6% |
| Gross Profit | \$11 | \$6 | 92.6% |
| SG&A | \$12 | (\$5) | (65.1%) |
| SG&A as % of Gross | 107.0% | | 1,780 bps |
| Operating Profit | (\$2) | \$0 | 18.4% |
| Interest & Other | (\$1) | (\$0) | (51.8%) |
| Pre-tax | (\$3) | \$0 | 8.1% |
| Diluted EPS | (\$0.04) | \$0.00 | 0.0% |
| | | | |
| Retail Units | 4,496 | 2,811 | 166.8% |
| Total Front and F&I Gross per Unit Retailed | \$2,137 | (688) | (24.3%) |

(1) – Q4 2017 and Q4 2016 results are adjusted – See appendix for reconciliation to GAAP amounts.

Q4 2017 FINANCIAL REVIEW

TOTAL ENTERPRISE

21



CONSOLIDATED Q4 2017 RESULTS

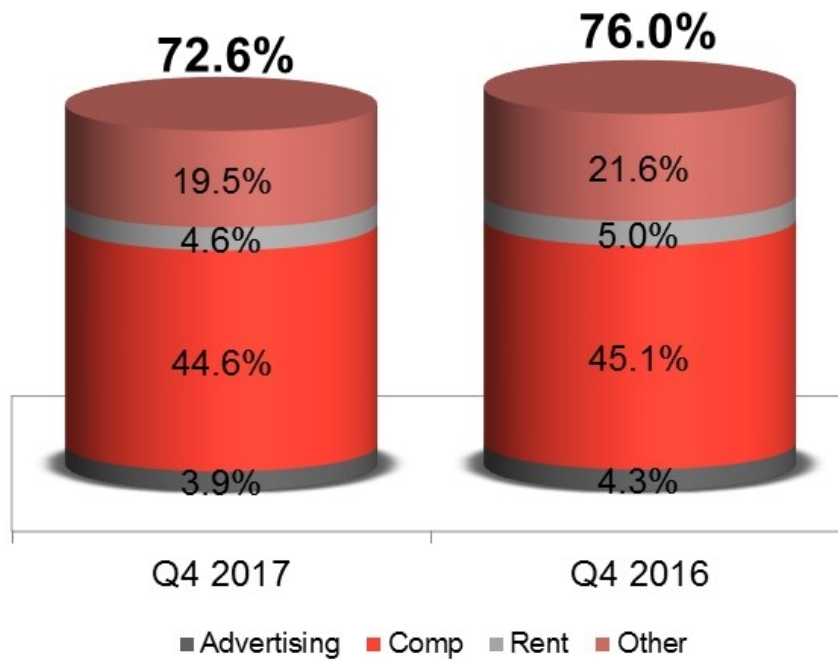
| (amounts in millions, except per share data) | Q4 2017 ⁽¹⁾ | B/(W) than Q4 2016 ⁽¹⁾ | |
|--|------------------------|-----------------------------------|---------|
| | | \$ | % |
| Revenue | \$2,668 | \$111 | 4.3% |
| Gross Profit | \$384 | \$12 | 3.3% |
| SG&A | \$279 | \$3 | 1.2% |
| SG&A as % of Gross | 72.6% | | 340 bps |
| Depreciation | \$23 | (\$3) | (15.1%) |
| Operating Profit | \$82 | \$13 | 18.3% |
| Interest & Other | (\$23) | (\$3) | (14.1%) |
| Continuing Ops: | | | |
| Profit (after tax) | \$37 | \$7 | 22.6% |
| Diluted EPS | \$ 0.84 | \$ 0.18 | 27.3% |

(1) – Q4 2017 and Q4 2016 results are adjusted – See appendix for reconciliation to GAAP amounts.

Q4 2017 REVENUE & GROSS PROFIT

| (amounts in millions, except unit and per unit data) | Q4 2017 | B/(W) than Q4 2016 | |
|--|--------------|--------------------|----------------|
| | | \$ | % |
| New Retail Revenue | \$1,477 | \$80 | 5.8% |
| Used Retail Revenue | \$686 | \$34 | 5.3% |
| Fixed Operations Revenue | \$355 | \$4 | 1.3% |
| F&I Revenue | \$100 | \$12 | 13.4% |
| Total Revenue | \$2,668 | \$111 | 4.3% |
| New Retail Gross | \$77 | \$3 | 4.6% |
| - Units | 36,275 | 1,087 | 3.1% |
| - GPU | \$2,132 | \$31 | 1.5% |
| Used Retail Gross | \$35 | (\$7) | (15.9%) |
| - Units | 31,740 | 2,119 | 7.2% |
| - GPU | \$1,099 | (\$301) | (21.5%) |
| F&I Gross | \$100 | \$12 | 13.4% |
| - GPU | \$1,473 | \$110 | 8.1% |
| Fixed Operations Gross | \$173 | \$4 | 2.1% |
| Total Gross | \$384 | \$12 | 3.3% |

Q4 2017 ADJUSTED SG&A ⁽¹⁾ TO GROSS



(1) – Q4 2017 and Q4 2016 results are adjusted – See appendix for reconciliation to GAAP amounts.

Q4 2017 INTEREST EXPENSE

| (amounts in millions) | Q4 2017 | B/(W) than Q4 2016 | |
|-----------------------------|---------|--------------------|---------|
| | | \$ | % |
| Floor Plan Interest Expense | \$10 | (\$2) | (26.1%) |
| Interest Expense, Other | \$13 | (\$1) | (6.2%) |
| Total Interest Expense | \$23 | (\$3) | (13.9%) |

FY 2017 FINANCIAL REVIEW



FY 2017 FINANCIAL REVIEW

FRANCHISED SEGMENT

27



FRANCHISED SEGMENT FY 2017 RESULTS

| (amounts in millions, except per share data) | FY 2017 ⁽¹⁾ | B/(W) than FY 2016 ⁽¹⁾ | |
|--|------------------------|-----------------------------------|---------|
| | | \$ | % |
| Revenue | \$9,613 | \$22 | 0.2% |
| Gross Profit | \$1,430 | \$18 | 1.3% |
| SG&A | \$1,107 | (\$11) | (1.0%) |
| SG&A as % of Gross | 77.4% | | 30 bps |
| Depreciation | \$84 | (\$10) | (13.8%) |
| Operating Profit | \$239 | (\$3) | (1.1%) |
| Interest & Other | (\$86) | (\$10) | (13.1%) |
| Pre-tax | \$153 | (\$13) | (7.6%) |
| Diluted EPS | \$2.10 | (\$0.10) | (4.5%) |

(1) – FY 2017 and FY 2016 results are adjusted – See appendix for reconciliation to GAAP amounts.

FY 2017 FINANCIAL REVIEW

PRE-OWNED SEGMENT

29



PRE-OWNED SEGMENT FY 2017 RESULTS

| | FY 2017 ⁽¹⁾ | B/(W) than FY 2016 ⁽¹⁾ | |
|---|------------------------|-----------------------------------|---------|
| | | \$ | % |
| (amounts in millions, except per share, unit and per unit data) | | | |
| Revenue | \$254 | \$113 | 80.3% |
| Gross Profit | \$28 | \$10 | 60.4% |
| SG&A | \$39 | (\$13) | (49.8%) |
| SG&A as % of Gross | 140.1% | | 990 bps |
| Operating Profit | (\$16) | (\$4) | (30.6%) |
| Interest & Other | (\$2) | (\$1) | (32.1%) |
| Pre-tax | (\$19) | (\$4) | (30.8%) |
| Diluted EPS | (\$0.25) | (\$0.06) | (31.6%) |
| Retail Units | 10,618 | 5,271 | 98.6% |
| Total Front and F&I Gross per Unit Retailed | \$2,056 | (425) | (17.1%) |

(1) – FY 2017 and FY 2016 results are adjusted – See appendix for reconciliation to GAAP amounts.

FY 2017 FINANCIAL REVIEW

TOTAL ENTERPRISE

31



CONSOLIDATED FY 2017 RESULTS

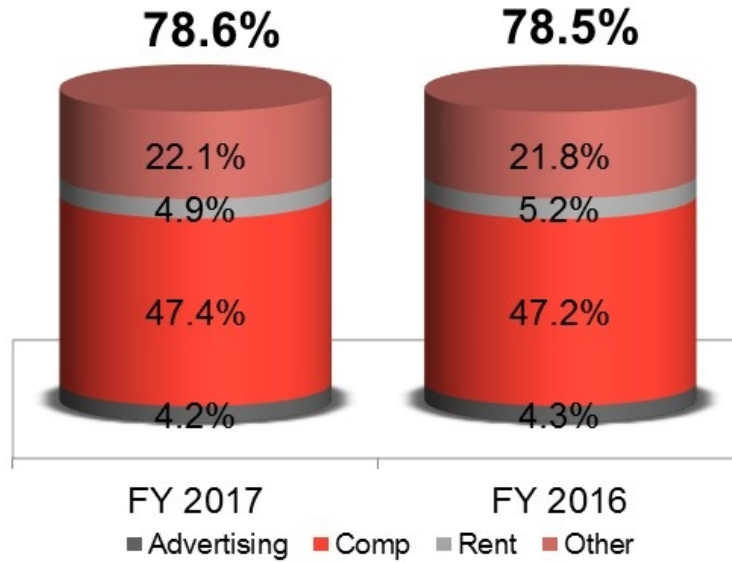
| (amounts in millions, except per share data) | FY 2017 ⁽¹⁾ | B/(W) than FY 2016 ⁽¹⁾ | |
|--|------------------------|-----------------------------------|----------|
| | | \$ | % |
| Revenue | \$9,867 | \$135 | 1.4% |
| Gross Profit | \$1,458 | \$28 | 2.0% |
| SG&A | \$1,146 | (\$23) | (2.1%) |
| SG&A as % of Gross | 78.6% | | (10) bps |
| Depreciation | \$89 | (\$11) | (14.8%) |
| Operating Profit | \$223 | (\$6) | (2.8%) |
| Interest & Other | (\$88) | (\$10) | (13.5%) |
| Continuing Ops: | | | |
| Profit (after tax) | \$82 | (\$10) | (10.9%) |
| Diluted EPS | \$ 1.85 | \$ (0.16) | (8.0%) |

(1) – FY 2017 and FY 2016 results are adjusted – See appendix for reconciliation to GAAP amounts.

FY 2017 REVENUE & GROSS PROFIT

| (amounts in millions, except unit and per unit data) | FY 2017 | B/(W) than FY 2016 | |
|--|---------|--------------------|--------|
| | | \$ | % |
| New Retail Revenue | \$5,216 | \$36 | 0.7% |
| Used Retail Revenue | \$2,622 | \$89 | 3.5% |
| Fixed Operations Revenue | \$1,416 | \$6 | 0.4% |
| F&I Revenue | \$363 | \$20 | 5.8% |
| Total Revenue | \$9,867 | \$135 | 1.4% |
| New Retail Gross | \$265 | \$5 | 1.9% |
| - Units | 133,728 | (560) | (0.4%) |
| - GPU | \$1,985 | \$46 | 2.4% |
| Used Retail Gross | \$155 | (\$4) | (2.3%) |
| - Units | 123,489 | 4,315 | 3.6% |
| - GPU | \$1,254 | (\$76) | (5.7%) |
| F&I Gross | \$363 | \$20 | 5.8% |
| - GPU | \$1,411 | \$57 | 4.2% |
| Fixed Operations Gross | \$684 | \$9 | 1.4% |
| Total Gross | \$1,458 | \$28 | 2.0% |

FY 2017 ADJUSTED SG&A⁽¹⁾ TO GROSS



(1) – FY 2017 and FY 2016 results are adjusted – See appendix for reconciliation to GAAP amounts.

FY 2017 INTEREST EXPENSE

| (amounts in millions) | FY 2017 ⁽¹⁾ | B/(W) than FY 2016 ⁽¹⁾ | |
|-----------------------------|------------------------|-----------------------------------|---------|
| | | \$ | % |
| Floor Plan Interest Expense | \$36 | (\$9) | (31.3%) |
| Interest Expense, Other | \$52 | (\$2) | (3.5%) |
| Total Interest Expense | \$88 | (\$10) | (13.4%) |

(1) – FY 2017 and FY 2016 results are adjusted – See appendix for reconciliation to GAAP amounts.

2017 CAPEX

| (amounts in millions) | FY 2017 | Estimated 2018 |
|--------------------------------|----------|-------------------|
| Real Estate & Facility Related | \$ 199.3 | \$ 118.5 |
| All Other Cap Ex | 35.0 | 23.8 |
| Subtotal | \$ 234.3 | \$ 142.3 |
| Less: Mortgage Funding | (52.5) | (35.7) |
| Total Cash Used – Cap Ex | \$ 181.8 | \$ 106.6 |

DEBT COVENANTS

| | <u>Covenant</u> | <u>Q4 2017</u> |
|-------------------------------------|-----------------|----------------|
| Liquidity Ratio | ≥ 1.05 | 1.13 |
| Fixed Charge Coverage Ratio | ≥ 1.20 | 1.65 |
| Total Lease Adjusted Leverage Ratio | ≤ 5.75 | 4.72 |

SHARE REPURCHASES

| | (000's) Shares | \$/Share | (000's) \$ | (000's) Availability |
|------------------------------|-------------------|----------------|------------------|-------------------------|
| EOY - 2016 | | | | \$ 45,033 |
| Q1 Activity | 178 | \$22.51 | \$ 3,996 | (3,996) |
| Additional BOD Authorization | | | | 100,000 |
| Q2 Activity | 1,183 | \$18.56 | 21,951 | (21,951) |
| Q3 Activity | 667 | \$17.09 | 11,399 | (11,399) |
| Q4 Activity | - | \$ - | - | - |
| Total 2017 Activity | 2,027 | \$18.42 | \$ 37,347 | \$ 107,686 |

- Increased Dividend in 2018 to \$0.06/Share
- Quarterly Dividend at \$0.05/Share in Q1, Q2, Q3 & Q4 of 2017
- Acquired 11.2% of OS in 2016, 4.5% of OS in 2017
- New Share Count = 43.2M Down from High of 53.2M (Dec 2012)
- Dividends Declared of \$8.8M in 2017

2018 PLAN

- ❖ Expect New Car Industry Volume Between 16.75M and 17.0M Units
- ❖ Expect Incentives Continue to Drive Behavior in 2018
- ❖ New BMW Models Expect to Lift Operations
- ❖ Pre-Owned Growth of EchoPark Through Maturity of Stores and Growth in Texas and Carolinas Markets
- ❖ Expect Fixed Operations to Grow at Low-single Digits
- ❖ Additional Opportunity in F&I Through Increased Penetration

2018 Continued Ops EPS Guidance:

- | | |
|------------------------------|---------------------|
| • New Car Franchise Business | \$2.29 - \$2.57 |
| • Effect of EchoPark® | (\$0.08) – (\$0.12) |
| • Total Sonic | \$2.21 - \$2.45 |

APPENDIX

40



NON-GAAP RECONCILIATIONS

| <i>(amounts in thousands)</i> | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Net Income | \$ 31,548 | \$ 89,929 | \$ 76,254 | \$ 89,101 | \$ 81,618 | \$ 97,217 | \$ 86,311 | \$ 93,193 | \$ 92,983 |
| Non-Floorplan Interest | 67,735 | 68,604 | 63,576 | 58,453 | 55,356 | 52,269 | 49,524 | 48,034 | 50,531 |
| Depreciation & Amortization | 57,036 | 45,827 | 51,164 | 52,616 | 58,139 | 62,161 | 72,130 | 81,034 | 92,127 |
| Income Taxes | (53,900) | (19,745) | 46,907 | 47,648 | 43,386 | 62,346 | 55,962 | 59,899 | 13,198 |
| Stock Comp | 1,931 | 2,814 | 3,698 | 5,160 | 7,208 | 7,675 | 9,814 | 11,165 | 11,119 |
| Lease Exit | 33,013 | 4,266 | 4,384 | 4,286 | 2,915 | 302 | 1,848 | 1,386 | 2,157 |
| Impairment | 30,038 | 249 | 1,151 | 950 | 9,872 | 6,594 | 17,955 | 8,063 | 9,394 |
| Loss (Gain) on Debt Extinguishment | 6,745 | 7,665 | 1,107 | 19,713 | 28,238 | - | - | (6) | 14,607 |
| Loss (Gain) on Dealership Disposal | 102 | (2,615) | 386 | (10,343) | 457 | (11,279) | (2,748) | 48 | (9,980) |
| Adjusted EBITDA | <u>\$ 174,248</u> | <u>\$ 196,994</u> | <u>\$ 248,627</u> | <u>\$ 267,584</u> | <u>\$ 287,189</u> | <u>\$ 277,285</u> | <u>\$ 290,796</u> | <u>\$ 302,816</u> | <u>\$ 276,136</u> |

NON-GAAP RECONCILIATIONS

| Continuing Operations | Consolidated Three Months Ended December 31, | | Franchised Dealerships Three Months Ended December 31, | | Pre-Owned Stores Three Months Ended December 31, | |
|--|--|----------|--|----------|--|--------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | (In millions) | | | | | |
| Reported: | | | | | | |
| SG&A expenses | \$ 277.6 | \$ 267.1 | \$ 263.8 | \$ 259.7 | \$ 13.8 | \$ 7.4 |
| Adjustments: | | | | | | |
| OEM settlement | - | 14.8 | - | 14.8 | - | - |
| Storm damage | 1.4 | 0.6 | 1.4 | 0.6 | - | - |
| Legal and other | (1.5) | (0.2) | 0.0 | (0.2) | (1.5) | - |
| Gain on disposal | 1.5 | - | 1.5 | - | - | - |
| Total SG&A adjustments | 1.4 | 15.3 | 2.9 | 15.3 | (1.5) | - |
| Adjusted: | | | | | | |
| SG&A expenses | \$ 279.0 | \$ 282.4 | \$ 266.7 | \$ 275.0 | \$ 12.3 | \$ 7.4 |
| Reported: | | | | | | |
| SG&A expenses as % of gross profit | 72.3% | 71.9% | 70.8% | 71.0% | NM | NM |
| Adjustments: | | | | | | |
| OEM settlement | 0.0% | 5.3% | 0.0% | 5.3% | - | - |
| Storm damage | 0.3% | 0.2% | 0.3% | 0.2% | - | - |
| Legal and other | (0.5%) | (1.4%) | 0.0% | (1.3%) | - | - |
| Gain on disposal | 0.5% | 0.0% | 0.5% | 0.0% | - | - |
| Total SG&A adjustments | 0.3% | 4.1% | 0.8% | 4.2% | - | - |
| Adjusted: | | | | | | |
| SG&A expenses as % of gross profit | 72.6% | 76.0% | 71.6% | 75.2% | NM | NM |

NM = Not meaningful

NON-GAAP RECONCILIATIONS

| Continuing Operations | Consolidated Three Months Ended December 31, | | Franchised Dealerships Three Months Ended December 31, | | Pre-Owned Stores Three Months Ended December 31, | |
|---|--|---------|--|---------|--|----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | (In millions) | | | | | |
| Reported: | | | | | | |
| Operating income | \$ 77.2 | \$ 82.6 | \$ 81.0 | \$ 85.2 | \$ (3.8) | \$ (2.6) |
| Adjustments (before income taxes): | | | | | | |
| SG&A expenses | (1.4) | (15.2) | (2.9) | (15.2) | 1.5 | - |
| Impairment charges | 6.1 | 1.8 | 5.9 | 1.8 | 0.2 | - |
| Total adjustments before taxes | 4.7 | (13.4) | 3.0 | (13.4) | 1.7 | - |
| Adjusted: | | | | | | |
| Operating income | \$ 81.9 | \$ 69.2 | \$ 84.0 | \$ 71.8 | \$ (2.1) | \$ (2.6) |
| Reported: | | | | | | |
| Income (loss) from continuing operations before taxes | \$ 53.8 | \$ 62.2 | \$ 58.3 | \$ 65.3 | \$ (4.5) | \$ (3.1) |
| Adjustments (before income taxes): | | | | | | |
| SG&A expenses | (1.4) | (15.3) | (2.9) | (15.3) | 1.5 | - |
| Impairment charges | 6.1 | 1.8 | 5.9 | 1.8 | 0.2 | - |
| Total adjustments before taxes | 4.7 | (13.5) | 3.0 | (13.5) | 1.7 | - |
| Adjusted: | | | | | | |
| Income (loss) from continuing operations before taxes | \$ 58.5 | \$ 48.7 | \$ 61.3 | \$ 51.8 | \$ (2.8) | \$ (3.1) |
| Reported: | | | | | | |
| Income (loss) from continuing operations | \$ 62.1 | \$ 38.0 | | | | |
| Adjustments (net of income taxes): | | | | | | |
| SG&A expenses | (0.8) | (9.3) | | | | |
| Impairment charges | 3.7 | 1.1 | | | | |
| Non-recurring tax items | (28.4) | - | | | | |
| Total adjustments, net of income taxes | (25.5) | (8.2) | | | | |
| Adjusted: | | | | | | |
| Income (loss) from continuing operations | \$ 36.6 | \$ 29.8 | | | | |

NON-GAAP RECONCILIATIONS

| Continuing Operations | Consolidated Twelve Months Ended December 31, | | Franchised Dealerships Twelve Months Ended December 31, | | Pre-Owned Stores Twelve Months Ended December 31, | |
|------------------------------------|---|------------|---|------------|---|---------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | (In millions) | | | | | |
| Reported: | | | | | | |
| SG&A expenses | \$ 1,147.8 | \$ 1,110.9 | \$ 1,106.9 | \$ 1,085.0 | \$ 40.9 | \$ 25.9 |
| Adjustments: | | | | | | |
| OEM settlement | - | 14.8 | - | 14.8 | - | - |
| Storm damage | (8.6) | (3.0) | (8.6) | (3.0) | - | - |
| Legal and other | (2.3) | (0.2) | (0.8) | (0.2) | (1.5) | - |
| Gain on disposal | 10.0 | - | 10.0 | - | - | - |
| Lease exit adjustments | (1.0) | (0.2) | (0.4) | (0.2) | (0.6) | - |
| Total SG&A adjustments | (1.9) | 11.5 | 0.2 | 11.5 | (2.1) | - |
| Adjusted: | | | | | | |
| SG&A expenses | \$ 1,145.9 | \$ 1,122.4 | \$ 1,107.1 | \$ 1,096.5 | \$ 38.8 | \$ 25.9 |
| Reported: | | | | | | |
| SG&A expenses as % of gross profit | 78.7% | 77.7% | 77.4% | 76.8% | NM | NM |
| Adjustments: | | | | | | |
| OEM settlement | 0.0% | 1.3% | 0.0% | 1.3% | - | - |
| Storm damage | (0.8%) | (0.5%) | (0.8%) | (0.5%) | - | - |
| Legal and other | (0.2%) | - | (0.2%) | - | - | - |
| Gain on disposal | 0.9% | - | 0.9% | - | - | - |
| Lease exit adjustments | 0.0% | - | 0.0% | - | - | - |
| Total SG&A adjustments | (0.1%) | 0.8% | (0.1%) | 0.8% | - | - |
| Adjusted: | | | | | | |
| SG&A expenses as % of gross profit | 78.6% | 78.5% | 77.3% | 77.6% | NM | NM |

NM = Not meaningful

NON-GAAP RECONCILIATIONS

| Continuing Operations | Consolidated Twelve Months Ended December 31, | | Franchised Dealerships Twelve Months Ended December 31, | | Pre-Owned Stores Twelve Months Ended December 31, | |
|---|---|----------|---|----------|---|-----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| | (In millions) | | | | | |
| Reported: | | | | | | |
| Operating income | \$ 211.6 | \$ 232.9 | \$ 232.0 | \$ 245.4 | \$ (20.4) | \$ (12.5) |
| Adjustments (before income taxes): | | | | | | |
| SG&A expenses | 1.9 | (11.5) | (0.2) | (11.5) | 2.1 | - |
| Impairment charges | 9.4 | 7.9 | 7.5 | 7.9 | 1.9 | - |
| Total adjustments before taxes | 11.3 | (3.6) | 7.3 | (3.6) | 4.0 | - |
| Adjusted: | | | | | | |
| Operating income | \$ 222.9 | \$ 229.3 | \$ 239.3 | \$ 241.8 | \$ (16.4) | \$ (12.5) |
| Reported: | | | | | | |
| Income (loss) from continuing operations before taxes | \$ 108.1 | \$ 155.2 | \$ 130.7 | \$ 169.4 | \$ (22.6) | \$ (14.2) |
| Adjustments (before income taxes): | | | | | | |
| SG&A expenses | 1.9 | (11.5) | (0.2) | (11.5) | 2.1 | - |
| Impairment charges | 9.4 | 7.9 | 7.5 | 7.9 | 1.9 | - |
| Loss on debt extinguishment | 15.3 | - | 15.3 | - | - | - |
| Total adjustments before taxes | 26.6 | (3.6) | 22.6 | (3.6) | 4.0 | - |
| Adjusted: | | | | | | |
| Income (loss) from continuing operations before taxes | \$ 134.7 | \$ 151.6 | \$ 153.3 | \$ 165.8 | \$ (18.6) | \$ (14.2) |
| Reported: | | | | | | |
| Income (loss) from continuing operations | \$ 94.2 | \$ 94.5 | | | | |
| Adjustments (net of income taxes): | | | | | | |
| SG&A expenses | 1.2 | (7.1) | | | | |
| Impairment charges | 5.7 | 4.9 | | | | |
| Loss on debt extinguishment | 9.3 | - | | | | |
| Non-recurring tax items | (28.1) | - | | | | |
| Total adjustments, net of income taxes | (11.9) | (2.2) | | | | |
| Adjusted: | | | | | | |
| Income (loss) from continuing operations | \$ 82.3 | \$ 92.3 | | | | |

NON-GAAP RECONCILIATIONS

| Continuing Operations | Consolidated Twelve Months Ended December 31, | |
|---|---|------|
| | 2017 | 2016 |
| | (In millions) | |
| Reported: | | |
| Interest Expense - Other..... | \$ 52.5 | \$ - |
| Adjustments: | | |
| Double-carry interest - 7.0% Notes..... | (0.7) | - |
| Total other income adjustments..... | (0.7) | - |
| Adjusted: | | |
| Total Interest Expense - Other..... | \$ 51.8 | \$ - |

| Continuing Operations | Consolidated Twelve Months Ended December 31, | |
|---------------------------------------|---|------|
| | 2017 | 2016 |
| | (In millions) | |
| Reported: | | |
| Other Expense / (Income)..... | \$ 14.5 | \$ - |
| Adjustments: | | |
| Debt extinguishment - 7.0% Notes..... | (14.6) | - |
| Total other income adjustments..... | (14.6) | - |
| Adjusted: | | |
| Total Other Expense (Income)..... | \$ (0.1) | \$ - |

NON-GAAP RECONCILIATIONS

| | Three Months Ended December 31, 2017 | | | | | | |
|---|--------------------------------------|--|------------------------|--|------------------------|-------------------|------------------------|
| | Weighted Average Shares | Income (Loss) From Continuing Operations | | Income (Loss) From Discontinued Operations | | Net Income (Loss) | |
| | | Amount | Per Share Amount | Amount | Per Share Amount | Amount | Per Share Amount |
| | | | | | | | |
| Reported: | | | | | | | |
| Earnings (loss) and shares | 43,156 | \$ 62,128 | | \$ (176) | | \$ 61,952 | |
| Effect of participating securities: | | | | | | | |
| Non-vested restricted stock | | (57) | | - | | (57) | |
| Basic earnings (loss) and shares | 43,156 | \$ 62,071 | \$ 1.44 | \$ (176) | \$ (0.01) | \$ 61,895 | \$ 1.43 |
| Effect of dilutive securities: | | | | | | | |
| Stock compensation plans | 526 | | | | | | |
| Diluted earnings (loss) and shares | 43,682 | \$ 62,071 | \$ 1.42 | \$ (176) | \$ - | \$ 61,895 | \$ 1.42 |
| Adjustments: | | | | | | | |
| Impairment charges | | \$ 6,080 | | \$ - | | \$ 6,080 | |
| Storm damage | | (1,378) | | - | | (1,378) | |
| Legal and other | | 1,496 | | - | | 1,496 | |
| Gain on disposal | | (1,507) | | - | | (1,507) | |
| Total adjustments before taxes | | 4,691 | | - | | 4,691 | |
| Income tax effect of adjustments | | (1,841) | | - | | (1,841) | |
| Non-recurring tax items | | (28,409) | | - | | (28,409) | |
| Effect of adjustments net of income taxes | | \$ (25,559) | \$ (0.58) | \$ - | \$ (0.01) | \$ (25,559) | \$ (0.59) |
| Adjusted: | | | | | | | |
| Earnings (loss) and diluted earnings (loss) per share (1) | | \$ 36,569 | \$ 0.84 | \$ (176) | \$ (0.01) | \$ 36,393 | \$ 0.83 |

(1) Net loss attributable to Pre-Owned Stores operations was \$0.04 per fully diluted share in the three months ended December 31, 2017.

NON-GAAP RECONCILIATIONS

| | Three Months Ended December 31, 2016 | | | | | | |
|---|--|--|------------------------|--|------------------------|-------------------|------------------------|
| | Weighted Average Shares | Income (Loss) From Continuing Operations | | Income (Loss) From Discontinued Operations | | Net Income (Loss) | |
| | | Amount | Per Share Amount | Amount | Per Share Amount | Amount | Per Share Amount |
| | (In thousands, except per share amounts) | | | | | | |
| Reported: | | | | | | | |
| Earnings (loss) and shares | 44,764 | \$ 38,041 | | \$ (405) | | \$ 37,636 | |
| Effect of participating securities: | | | | | | | |
| Non-vested restricted stock | | (22) | | - | | (22) | |
| Basic earnings (loss) and shares | 44,764 | \$ 38,019 | \$ 0.85 | \$ (405) | \$ (0.01) | \$ 37,614 | \$ 0.84 |
| Effect of dilutive securities: | | | | | | | |
| Stock compensation plans | 577 | | | | | | |
| Diluted earnings (loss) and shares | 45,341 | \$ 38,019 | \$ 0.84 | \$ (405) | \$ (0.01) | \$ 37,614 | \$ 0.83 |
| Adjustments: | | | | | | | |
| Impairment charges | | \$ 1,824 | | \$ - | | \$ 1,824 | |
| OEM settlement | | (14,836) | | - | | (14,836) | |
| Storm damage | | (612) | | - | | (612) | |
| Legal and other | | 201 | | 450 | | 651 | |
| Total adjustments before taxes | | (13,423) | | 450 | | (12,973) | |
| Income tax effect of adjustments | | 5,210 | | (153) | | 5,057 | |
| Effect of adjustments, net of income taxes | | \$ (8,213) | \$ (0.18) | \$ 297 | \$ 0.01 | \$ (7,916) | \$ (0.17) |
| Adjusted: | | | | | | | |
| Earnings (loss) and diluted earnings (loss) per share (2) | | \$ 29,828 | \$ 0.66 | \$ (108) | \$ - | \$ 29,720 | \$ 0.66 |

(2) Net loss attributable to Pre-Owned Stores operations was \$0.03 per fully diluted share in the three months ended December 31, 2016.

NON-GAAP RECONCILIATIONS

| | Twelve Months Ended December 31, 2017 | | | | | | |
|---|---------------------------------------|--|------------------------|--|------------------------|-------------------|------------------------|
| | Weighted Average Shares | Income (Loss) From Continuing Operations | | Income (Loss) From Discontinued Operations | | Net Income (Loss) | |
| | | Amount | Per Share Amount | Amount | Per Share Amount | Amount | Per Share Amount |
| | | | | | | | |
| Reported: | | | | | | | |
| Earnings (loss) and shares | 43,997 | \$ 94,153 | | \$ (1,170) | | \$ 92,983 | |
| Effect of participating securities: | | | | | | | |
| Non-vested restricted stock | | (85) | | - | | (85) | |
| Basic earnings (loss) and shares | 43,997 | \$ 94,068 | \$ 2.14 | \$ (1,170) | \$ (0.03) | \$ 92,898 | \$ 2.11 |
| Effect of dilutive securities: | | | | | | | |
| Stock compensation plans | 361 | | | | | | |
| Diluted earnings (loss) and shares | 44,358 | \$ 94,068 | \$ 2.12 | \$ (1,170) | \$ (0.03) | \$ 92,898 | \$ 2.09 |
| Adjustments: | | | | | | | |
| Impairment charges | | \$ 9,393 | | \$ - | | \$ 9,393 | |
| Storm damage | | 8,593 | | - | | 8,593 | |
| Legal and other | | 2,306 | | - | | 2,306 | |
| Lease exit adjustments | | 992 | | - | | 992 | |
| Gain on disposal | | (9,997) | | - | | (9,997) | |
| Loss on debt extinguishment | | 15,268 | | - | | 15,268 | |
| Total adjustments before taxes | | 26,555 | | - | | 26,555 | |
| Income tax effect of adjustments | | (10,423) | | - | | (10,423) | |
| Non-recurring tax items | | (28,055) | | - | | (28,055) | |
| Effect of adjustments, net of income taxes | | \$ (11,923) | \$ (0.27) | \$ - | \$ 0.01 | \$ (11,923) | \$ (0.26) |
| Adjusted: | | | | | | | |
| Earnings (loss) and diluted earnings (loss) per share (3) | | \$ 82,230 | \$ 1.85 | \$ (1,170) | \$ (0.02) | \$ 81,060 | \$ 1.83 |

(3) Net loss attributable to Pre-Owned Stores operations was \$0.25 per fully diluted share in the twelve months ended December 31, 2017.

NON-GAAP RECONCILIATIONS

| | Twelve Months Ended December 31, 2016 | | | | | | |
|---|---------------------------------------|--|------------------------|--|------------------------|-------------------|------------------------|
| | Weighted Average Shares | Income (Loss) From Continuing Operations | | Income (Loss) From Discontinued Operations | | Net Income (Loss) | |
| | | Amount | Per Share Amount | Amount | Per Share Amount | Amount | Per Share Amount |
| | | | | | | | |
| Reported: | | | | | | | |
| Earnings (loss) and shares | 45,637 | \$ 94,516 | | \$ (1,323) | | \$ 93,193 | |
| Effect of participating securities: | | | | | | | |
| Non-vested restricted stock | | (52) | | - | | (52) | |
| Basic earnings (loss) and shares | 45,637 | \$ 94,464 | \$ 2.07 | \$ (1,323) | \$ (0.03) | \$ 93,141 | \$ 2.04 |
| Effect of dilutive securities: | | | | | | | |
| Stock compensation plans | 311 | | | | | | |
| Diluted earnings (loss) and shares | 45,948 | \$ 94,464 | \$ 2.06 | \$ (1,323) | \$ (0.03) | \$ 93,141 | \$ 2.03 |
| Adjustments: | | | | | | | |
| Impairment charges | | \$ 7,913 | | \$ - | | \$ 7,913 | |
| OEM settlement | | (14,836) | | - | | (14,836) | |
| Storm damage | | 2,990 | | - | | 2,990 | |
| Legal and other | | 100 | | - | | 100 | |
| Lease exit adjustments | | 200 | | 927 | | 1,127 | |
| Total adjustments before taxes | | (3,633) | | 927 | | (2,706) | |
| Income tax effect of adjustments | | 1,394 | | (341) | | 1,053 | |
| Effect of adjustments, net of income taxes | | \$ (2,239) | \$ (0.05) | \$ 586 | \$ 0.01 | \$ (1,653) | \$ (0.04) |
| Adjusted: | | | | | | | |
| Earnings (loss) and diluted earnings (loss) per share (4) | | \$ 92,277 | \$ 2.01 | \$ (737) | \$ (0.02) | \$ 91,540 | \$ 1.99 |

(4) Net loss attributable to Pre-Owned Stores operations was \$0.17 per fully diluted share in the twelve months ended December 31, 2016.

