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

FORM 10-Q/A

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from__________ to __________

Commission File Number: 1-13395

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

Delaware	**56-2010790**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4401 Colwick Road	
Charlotte, North Carolina	**28211**
(Address of principal executive offices)	**(Zip Code)**

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 26, 2022, there were 27,530,283 shares of the registrant's Class A Common Stock and 12,029,375 shares of the registrant's Class B Common Stock outstanding.

EXPLANATORY NOTE

Unless the context requires otherwise, references to “we,” “us,” “our,” and “Sonic,” refer to Sonic Automotive, Inc. and its subsidiaries.

We have prepared this Amendment No. 1 (this “Amendment”) to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, which was originally filed with the Securities and Exchange Commission on April 28, 2022 (the “Original 10-Q”) to reflect the restatement of our previously issued Condensed Consolidated Statements of Operations for the quarter ended March 31, 2022.

As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by Sonic’s principal executive officer and principal financial officer are filed as exhibits 31.1, 31.2, 32.1 and 32.2 to this Form 10-Q/A.

Internal Control over Financial Reporting

In connection with this restatement, Sonic has re-evaluated the effectiveness of our disclosure controls and procedures for the three months ended March 31, 2022. Management has concluded that, in light of the error described below, a material weakness exists in our internal control over financial reporting related to the revenue recognition process at a single dealership acquired in December 2021. Based upon such re-evaluation, and due to such material weakness, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2022. For a discussion of management’s evaluation of the Company’s disclosures controls and procedures, internal control over financial reporting, and the material weakness identified, refer to *Controls and Procedures* in *Part I, Item 4.*

Background of the Restatement

On October 28, 2022, we filed a Current Report on Form 8-K under Item 4.02 with the Securities and Exchange Commission relating to previously issued financial statements as described below. As indicated in the Current Report on Form 8-K under Item 4.02, we determined that a restatement was necessary due to the effect of an error in our the Company's unaudited Condensed Consolidated Statement of Operations for the three months ended March 31, 2022. The impact on the 2021 consolidated financial statements was immaterial.

During the quarter ended September 30, 2022, we identified an error related to the revenue recognition process at a single dealership acquired in December 2021. Specifically, we did not correctly apply the guidance in ASC 606 *Revenue from Contracts with Customers* related to transactions which required net reporting of certain fleet sales transactions within the Condensed Consolidated Statements of Operations. The effect of the error was an overstatement of fleet revenue and an equal overstatement of fleet cost of sales and associated subtotals. No other financial statements were affected and there was no impact on note disclosures, unless related to the items in the table below.

The tables below reflect the sections of the Sonic’s condensed consolidated statements of operations that were impacted by the error.

	Three Months Ended March 31, 2022		
(Dollars in millions)	**As Reported**	**Adjustments**	**As Restated**
Revenues:			
Fleet new vehicles	$ 148.6	$ (130.4)	$ 18.2
Total new vehicles	$ 1,499.9	$ (130.4)	$ 1,369.5
Total vehicles	$ 3,039.5	$ (130.4)	$ 2,909.1
Total revenues	$ 3,586.6	$ (130.4)	$ 3,456.2
Cost of sales:			
Fleet new vehicles	$ (147.8)	$ 130.4	$ (17.4)
Total new vehicles	$ (1,331.4)	$ 130.4	$ (1,201.0)
Total vehicles	$ (2,821.4)	$ 130.4	$ (2,691.0)
Total cost of sales	$ (3,015.3)	$ 130.4	$ (2,884.9)

To assist in the review of this filing, this 10-Q/A sets forth the Original 10-Q in its entirety, as amended to reflect the changes described above. We believe that presenting all of the amended and restated information in this 10-Q/A allows readers to review all pertinent data in a single presentation. This 10-Q/A amends and restates the Financial Statements to reflect the restated numbers to correct the error in the Original 10-Q. In addition, in this 10-Q/A, corresponding changes were also made to the Part I, Item 2, under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” to reflect the restated numbers and Part I, Item 4, under “Controls and Procedures” to reflect an updated evaluation of our disclosure controls and procedures and internal control over financial reporting.

UNCERTAINTY OF FORWARD-LOOKING STATEMENTS AND INFORMATION

This report contains, and written or oral statements made from time to time by us or by our authorized officers may contain, “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements address our future objectives, plans and goals, as well as our intent, beliefs and current expectations regarding future operating performance, results and events, and can generally be identified by words such as “may,” “will,” “should,” “could,” “believe,” “expect,” “estimate,” “anticipate,” “intend,” “plan,” “foresee” and other similar words or phrases.

These forward-looking statements are based on our current estimates and assumptions and involve various risks and uncertainties. As a result, you are cautioned that these forward-looking statements are not guarantees of future performance, and that actual results could differ materially from those projected in these forward-looking statements. Factors which may cause actual results to differ materially from our projections include those risks described in “Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2021 and elsewhere in this report, as well as:

- the number of new and used vehicles sold in the United States as compared to our expectations and the expectations of the market;
- our ability to generate sufficient cash flows or to obtain additional financing to fund our EchoPark expansion, capital expenditures, our share repurchase program, dividends on our common stock, acquisitions and general operating activities;
- our business and growth strategies, including, but not limited to, our EchoPark store operations;
- the reputation and financial condition of vehicle manufacturers whose brands we represent, the financial incentives vehicle manufacturers offer and their ability to design, manufacture, deliver and market their vehicles successfully;
- our relationships with manufacturers, which may affect our ability to obtain desirable new vehicle models in inventory or to complete additional acquisitions or dispositions;
- the adverse resolution of one or more significant legal proceedings against us or our franchised dealerships or EchoPark stores;
- changes in laws and regulations governing the operation of automobile franchises, accounting standards, taxation requirements and environmental laws, including any change in laws or regulations in response to the COVID–19 pandemic;
- changes in vehicle and parts import quotas, duties, tariffs or other restrictions, including supply shortages that could be caused by the COVID-19 pandemic, global political and economic factors, or other supply chain disruptions;
- the inability of vehicle manufacturers and their suppliers to obtain, produce and deliver vehicles or parts and accessories to meet demand at our franchised dealerships for sale and use in our parts, service and collision repair operations;
- general economic conditions in the markets in which we operate, including fluctuations in interest rates, inflation, vehicle valuations, employment levels, the level of consumer spending and consumer credit availability;
- high levels of competition in the retail automotive industry, which not only create pricing pressures on the products and services we offer, but also on businesses we may seek to acquire;
- our ability to successfully integrate RFJ Auto (as defined below) and future acquisitions;
- the significant control that our principal stockholders exercise over us and our business matters;
- the rate and timing of overall economic expansion or contraction; and
- the severity and duration of the COVID-19 pandemic and the actions taken by vehicle manufacturers, governmental authorities, businesses or consumers in response to the pandemic, including in response to a worsening or “next wave” of the pandemic as a result of new variants of the virus or otherwise.

These forward-looking statements speak only as of the date of this report or when made, and we undertake no obligation to revise or update these statements to reflect subsequent events or circumstances, except as required under the federal securities laws and the rules and regulations of the Securities and Exchange Commission.

SONIC AUTOMOTIVE, INC.
QUARTERLY REPORT ON FORM 10-Q/A
FOR THE THREE MONTHS ENDED MARCH 31, 2022

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
	(Dollars and shares in millions, except per share amounts)	
	As Restated	
Revenues:		
Retail new vehicles	$ 1,351.3	$ 1,134.0
Fleet new vehicles	18.2	22.3
Total new vehicles	1,369.5	1,156.3
Used vehicles	1,370.9	1,090.1
Wholesale vehicles	168.7	74.8
Total vehicles	2,909.1	2,321.2
Parts, service and collision repair	380.5	320.9
Finance, insurance and other, net	166.6	144.7
Total revenues	3,456.2	2,786.8
Cost of sales:		
Retail new vehicles	(1,183.6)	(1,064.8)
Fleet new vehicles	(17.4)	(22.1)
Total new vehicles	(1,201.0)	(1,086.9)
Used vehicles	(1,322.7)	(1,059.2)
Wholesale vehicles	(167.3)	(73.9)
Total vehicles	(2,691.0)	(2,220.0)
Parts, service and collision repair	(193.9)	(165.9)
Total cost of sales	(2,884.9)	(2,385.9)
Gross profit	571.3	400.9
Selling, general and administrative expenses	(387.0)	(289.4)
Depreciation and amortization	(29.9)	(23.6)
Operating income	154.4	87.9
Other income (expense):		
Interest expense, floor plan	(5.0)	(5.1)
Interest expense, other, net	(20.8)	(10.3)
Other income (expense), net	0.3	0.1
Total other income (expense)	(25.5)	(15.3)
Income from continuing operations before taxes	128.9	72.6
Provision for income taxes for continuing operations - benefit (expense)	(31.6)	(18.9)
Income from continuing operations	97.3	53.7
Discontinued operations:		
Income (loss) from discontinued operations before taxes	—	0.7
Provision for income taxes for discontinued operations - benefit (expense)	—	(0.2)
Income (loss) from discontinued operations	—	0.5
Net income	$ 97.3	$ 54.2
Basic earnings per common share:		
Earnings per share from continuing operations	$ 2.41	$ 1.29
Earnings per share from discontinued operations	—	0.02
Earnings per common share	$ 2.41	$ 1.31
Weighted-average common shares outstanding	40.4	41.5
Diluted earnings per common share:		
Earnings per share from continuing operations	$ 2.33	$ 1.23
Earnings per share from discontinued operations	—	0.02
Earnings per common share	$ 2.33	$ 1.25
Weighted-average common shares outstanding	41.8	43.5

See notes to unaudited condensed consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
	(Dollars in millions)	
Net income	$ 97.3	$ 54.2
Other comprehensive income (loss) before taxes:		
Change in fair value and amortization of interest rate cap agreements	0.3	0.4
Total other comprehensive income (loss) before taxes	0.3	0.4
Provision for income tax benefit (expense) related to components of other comprehensive income (loss)	(0.1)	(0.2)
Other comprehensive income (loss)	0.2	0.2
Comprehensive income	$ 97.5	$ 54.4

See notes to unaudited condensed consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2022	December 31, 2021
	(Dollars in millions)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 360.2	$ 299.4
Receivables, net	351.5	401.1
Inventories	1,198.1	1,261.2
Other current assets	150.8	122.4
Total current assets	2,060.6	2,084.1
Property and Equipment, net	1,488.6	1,458.8
Goodwill	423.5	416.4
Other Intangible Assets, net	486.6	480.2
Operating Right-of-Use Lease Assets	293.6	293.2
Finance Right-of-Use Lease Assets	193.7	179.9
Other Assets	59.6	62.5
Total Assets	$ 5,006.2	$ 4,975.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable - floor plan - trade	$ 73.8	$ 89.8
Notes payable - floor plan - non-trade	1,122.3	1,178.6
Trade accounts payable	124.2	133.3
Operating short-term lease liabilities	37.0	36.2
Finance short-term lease liabilities	52.5	52.7
Other accrued liabilities	406.3	350.5
Current maturities of long-term debt	53.1	50.6
Total current liabilities	1,869.2	1,891.7
Long-Term Debt	1,493.2	1,510.7
Other Long-Term Liabilities	94.1	96.0
Operating Long-Term Lease Liabilities	263.8	264.8
Finance Long-Term Lease Liabilities	150.9	135.5
Commitments and Contingencies		
Stockholders' Equity:		
Class A Convertible Preferred Stock, none issued	—	—
Class A Common Stock, $0.01 par value; 100,000,000 shares authorized; 67,016,735 shares issued and 28,516,272 shares outstanding at March 31, 2022; 66,501,072 shares issued and 28,692,532 shares outstanding at December 31, 2021	0.7	0.7
Class B Common Stock, $0.01 par value; 30,000,000 shares authorized; 12,029,375 shares issued and outstanding at March 31, 2022 and December 31, 2021	0.1	0.1
Paid-in capital	795.1	790.2
Retained earnings	1,138.9	1,051.7
Accumulated other comprehensive income (loss)	(1.1)	(1.3)
Treasury stock, at cost; 38,500,463 Class A Common Stock shares held at March 31, 2022 and 37,808,540 Class A Common Stock shares held at December 31, 2021	(798.7)	(765.0)
Total Stockholders' Equity	1,135.0	1,076.4
Total Liabilities and Stockholders' Equity	$ 5,006.2	$ 4,975.1

See notes to unaudited condensed consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Class A Common Stock		Class A Treasury Stock		Class B Common Stock					
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(Dollars and shares in millions, except per share amounts)									
Balance at December 31, 2020	65.6	$ 0.7	(35.8)	$ (671.7)	12.0	$ 0.1	$ 767.5	$ 721.8	$ (3.6)	$ 814.8
Shares awarded under stock compensation plans	0.4	—	—	—	—	—	—	—	—	—
Purchases of treasury stock	—	—	(1.0)	(42.2)	—	—	—	—	—	(42.2)
Effect of cash flow hedge instruments, net of tax expense of $0.2	—	—	—	—	—	—	—	—	0.2	0.2
Restricted stock amortization and stock option amortization	—	—	—	—	—	—	3.5	—	—	3.5
Net income	—	—	—	—	—	—	—	54.2	—	54.2
Class A dividends declared ($0.10 per share)	—	—	—	—	—	—	—	(2.9)	—	(2.9)
Class B dividends declared ($0.10 per share)	—	—	—	—	—	—	—	(1.2)	—	(1.2)
Balance at March 31, 2021	66.0	$ 0.7	(36.8)	$ (713.9)	12.0	$ 0.1	$ 771.0	$ 771.9	$ (3.4)	$ 826.4

	Class A Common Stock		Class A Treasury Stock		Class B Common Stock					
	Shares	Amount	Shares	Amount	Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	(Dollars and shares in millions, except per share amounts)									
Balance at December 31, 2021	66.5	$ 0.7	(37.8)	$ (765.0)	12.0	$ 0.1	$ 790.2	$ 1,051.7	$ (1.3)	$ 1,076.4
Shares awarded under stock compensation plans	0.5	—	—	—	—	—	0.4	—	—	0.4
Purchases of treasury stock	—	—	(0.7)	(33.7)	—	—	—	—	—	(33.7)
Effect of cash flow hedge instruments, net of tax expense of $0.1	—	—	—	—	—	—	—	—	0.2	0.2
Restricted stock amortization	—	—	—	—	—	—	4.5	—	—	4.5
Net income	—	—	—	—	—	—	—	97.3	—	97.3
Class A dividends declared ($0.25 per share)	—	—	—	—	—	—	—	(7.1)	—	(7.1)
Class B dividends declared ($0.25 per share)	—	—	—	—	—	—	—	(3.0)	—	(3.0)
Balance at March 31, 2022	67.0	$ 0.7	(38.5)	$ (798.7)	12.0	$ 0.1	$ 795.1	$ 1,138.9	$ (1.1)	$ 1,135.0

See notes to unaudited condensed consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
	(Dollars in millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 97.3	$ 54.2
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	27.0	22.2
Debt issuance cost amortization	1.1	0.8
Stock-based compensation expense	4.5	3.5
Deferred income taxes	(3.2)	(2.9)
Other	(0.2)	0.4
Changes in assets and liabilities that relate to operations:		
Receivables	53.4	(1.9)
Inventories	72.2	16.5
Other assets	(11.8)	9.6
Notes payable - floor plan – trade	(16.0)	(46.5)
Trade accounts payable and other liabilities	28.2	34.4
Total adjustments	155.2	36.1
Net cash provided by operating activities	252.5	90.3
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of businesses, net of cash acquired	(28.4)	(8.8)
Purchases of land, property and equipment	(58.8)	(67.7)
Proceeds from sales of property and equipment	6.9	0.9
Net cash used in investing activities	(80.3)	(75.6)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments on notes payable - floor plan - non-trade	(56.3)	(51.5)
Borrowings on revolving credit facilities	—	4.9
Repayments on revolving credit facilities	—	(4.9)
Debt issuance costs	(0.2)	—
Principal payments of long-term debt	(15.8)	(9.0)
Principal payments of long-term lease liabilities	(0.9)	(0.9)
Purchases of treasury stock	(33.7)	(42.2)
Issuance of shares under stock compensation plans	0.4	—
Dividends paid	(4.9)	(4.2)
Net cash used in financing activities	(111.4)	(107.8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	60.8	(93.1)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	299.4	170.3
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 360.2	$ 77.2
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest, including amount capitalized	$ 10.7	$ 19.1
Income taxes	$ 0.1	$ (0.4)

See notes to unaudited condensed consolidated financial statements.

1. Summary of Significant Accounting Policies

Basis of Presentation – The accompanying unaudited condensed consolidated financial statements of Sonic Automotive, Inc. and its wholly owned subsidiaries (“Sonic,” the “Company,” “we,” “us” or “our”) for the three months ended March 31, 2022 and 2021 are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States (the “U.S.”) (“GAAP”) for interim financial information and applicable rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect, in the opinion of management, all material normal, recurring adjustments necessary to fairly state the financial position, results of operations and cash flows for the periods presented. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes thereto included in Sonic’s Annual Report on Form 10-K for the year ended December 31, 2021.

COVID-19 – The COVID-19 pandemic negatively impacted the global economy beginning in the first quarter of 2020 and continued to affect the global economy and supply chain. The impact on the economy initially affected both consumer demand and supply of manufactured goods as many countries around the world and states and municipalities in the U.S. mandated restrictions on citizen movements (i.e., shelter-in-place or stay-at-home orders) or on in-person retail trade or manufacturing activities at physical locations.

The economic impact from the COVID-19 pandemic continues to impact our business. The global automotive supply chain has been significantly disrupted during the pandemic, primarily related to the production of semiconductors and other components that are used in many modern automobiles, in addition to workforce-related production delays and stoppages. As a result, automobile manufacturing is operating at lower than usual production levels, reducing the amount of new vehicle and certain parts inventory available to our dealerships. These inventory constraints, coupled with strong consumer demand and elevated levels of consumer savings, have led to low new and used vehicle inventory and a high new and used vehicle pricing environment, which drove lower retail new vehicle unit sales volumes across the industry.

As a result of the pandemic and related shelter-in-place or stay-at-home orders, we transitioned many of our teammates to remote work arrangements. In situations where a teammate’s role did not permit remote work (e.g., service repair technicians), we implemented staggered work hours, social distancing and other safety measures to promote the health and safety of our teammates and guests. As a result of the systems and infrastructure we had in place prior to the pandemic, we were largely able to maintain our back-office operations, financial reporting and internal control processes with minimal disruption or changes in the effectiveness of such processes.

All of our store operations were impacted by the COVID-19 pandemic to varying degrees. As of March 31, 2022, our stores remain subject to both external and self-imposed health and safety policies and practices that may affect the way we sell vehicles and interact with our guests in the future. State and local governmental restrictions on consumer and business activity may be tightened again if conditions related to the pandemic worsen as a result of future coronavirus variants.

Recent Accounting Pronouncements – In March 2020, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2020-04, “Reference Rate Reform (Accounting Standards Codification (“ASC”) Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” ASU 2020-04 provides optional guidance for a limited period of time to ease the potential accounting impact associated with transitioning away from reference rates that are expected to be discontinued, such as the London InterBank Offered Rate (“LIBOR”). The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The amendments in ASU 2020-04 could be adopted beginning January 1, 2020 and are effective through December 31, 2022. In January 2021, the FASB issued ASU 2021-01 which clarifies that certain optional expedients and exceptions in ASC Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. We do not currently have any contracts that have been modified, amended or renegotiated to accommodate a transition to a new reference rate, but we will continue to evaluate any such modifications or amendments to our contracts to determine the applicability of this standard on our consolidated financial statements and related financial statement disclosures.

Principles of Consolidation – All of our dealership and non-dealership subsidiaries are wholly owned and consolidated in the accompanying unaudited condensed consolidated financial statements, except for one 50%-owned dealership that is accounted for under the equity method. All material intercompany balances and transactions have been eliminated in the accompanying unaudited condensed consolidated financial statements.

Revenue Recognition – Revenue is recognized when a customer obtains control of promised goods or services and in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. We do not include the cost of obtaining contracts within the related revenue streams since we elected the practical expedient to expense the costs to obtain a contract when incurred.

Management has evaluated our established business processes, revenue transaction streams and accounting policies, and identified our material revenue streams to be: (1) the sale of new vehicles; (2) the sale of used vehicles to retail customers; (3) the sale of wholesale used vehicles at third-party auctions; (4) the arrangement of vehicle financing and the sale of service, warranty and other insurance contracts; and (5) the performance of vehicle maintenance and repair services and the sale of related parts and accessories. Generally, performance obligations are satisfied when the associated vehicle is either delivered to a customer and customer acceptance has occurred, over time as the maintenance and repair services are performed, or at the time of wholesale and retail parts sales. We do not have any revenue streams with significant financing components as payments are typically received within a short period of time following completion of the performance obligation(s).

Retrospective finance and insurance revenues ("F&I retro revenues") are recognized when the product contract has been executed with the end customer and the transaction price is estimated each reporting period based on the expected value method using historical and projected data. F&I retro revenues can vary based on a variety of factors, including number of contracts and history of cancellations and claims. Accordingly, we utilize this historical and projected data to constrain the consideration to the extent that it is probable that a significant reversal in the amount of cumulative revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

We record revenue when vehicles are delivered to customers, as vehicle service work is performed and when parts are delivered. Conditions for completing a sale include having an agreement with the customer, including pricing, and it being probable that the proceeds from the sale will be collected.

The accompanying unaudited condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021 include approximately $24.4 million and $34.9 million, respectively, related to contract assets from F&I retro revenues recognition, which are recorded in Receivables, net. Changes in contract assets from December 31, 2021 to March 31, 2022 were primarily due to ordinary business activity, including the receipt of cash for amounts earned and recognized in prior periods. Please refer to Note 1, "Description of Business and Summary of Significant Accounting Policies," to the consolidated financial statements in Sonic's Annual Report on Form 10-K for the year ended December 31, 2021 for further discussion of our revenue recognition policies and processes.

Earnings Per Share – The calculation of diluted earnings per share considers the potential dilutive effect of restricted stock units, restricted stock awards and stock options granted under Sonic's stock compensation plans (and any non-forfeitable dividends paid on such awards).

Restatement of Previously Issued Condensed Consolidated Financial Statements – Subsequent to the issuance of the condensed consolidated financial statements as of and for the three months ended March 31, 2022 in our Quarterly Report on Form 10-Q for the first quarter of 2022, we identified an error in the application of ASC Topic 606, *Revenue Recognition*, related to principal accounting (gross accounting) versus agent accounting (net accounting) for certain fleet transactions from a newly acquired subsidiary. It was determined that we should have applied net accounting to certain fleet transactions where our previously issued condensed consolidated financial statements accounted for the transactions on a gross accounting basis. The result of this error overstated both fleet new vehicles revenues and fleet new vehicles cost of sales, along with the associated subtotals, in our previously issued condensed consolidated statements of operations. There was no impact to other financial statement line items or disclosures, unless related to the items in the table below. The impact on the 2021 consolidated financial statements was immaterial.

We evaluated the effect of the corrections detailed in the tables below on the previously issued condensed consolidated financial statements, both individually and in the aggregate, in accordance with the guidance in ASC Topic 250, *Accounting Changes and Error Corrections* and concluded that the effect was material to the condensed consolidated financial statements for the three months ended March 31, 2022. The tables below reflect the line items of the Company's condensed consolidated financial statements that were impacted by the error.

	Three Months Ended March 31, 2022					
	As Reported		Adjustments		As Restated	
			(In millions)			
Revenues:						
Fleet new vehicles	$	148.6	$	(130.4)	$	18
Total new vehicles	$	1,499.9	$	(130.4)	$	1,369
Total vehicles	$	3,039.5	$	(130.4)	$	2,909
Total revenues	$	3,586.6	$	(130.4)	$	3,456
Cost of sales:						
Fleet new vehicles	$	(147.8)	$	130.4	$	(17
Total new vehicles	$	(1,331.4)	$	130.4	$	(1,201
Total vehicles	$	(2,821.4)	$	130.4	$	(2,691
Total cost of sales	$	(3,015.3)	$	130.4	$	(2,884

2. Business Acquisitions and Dispositions

We acquired two franchised dealership locations during the three months ended March 31, 2022 for an aggregate gross purchase price (including inventory acquired and subsequently funded by floor plan notes payable) of approximately $28.4 million, including the impact of the RFJ Acquisition post-close adjustment. Of this amount, $13.7 million was related to the acquisition of the two franchised dealerships. The allocation of the $13.7 million aggregate gross purchase price for the acquisitions completed during the three months ended March 31, 2022 included inventory of $4.9 million, property and equipment of $0.1 million, franchise assets of $6.4 million, goodwill of $1.3 million, other assets of $1.1 million and other liabilities of $0.1 million. We did not acquire any businesses during the three months ended March 31, 2021. We did not dispose of any businesses during the three months ended March 31, 2022 and 2021.

RFJ Acquisition

On December 6, 2021 (the “Closing Date”), Sonic completed the acquisition of RFJ Auto Partners, Inc. and its subsidiaries (collectively, “RFJ Auto”). On the Closing Date, RFJ Auto became a direct, wholly owned subsidiary of Sonic (the “RFJ Acquisition”). The RFJ Acquisition was $ 964.9 million, including a customary post-close adjustment of $14.7 million. The post-close adjustment consisted of additional acquired inventory of $4.3 million, other assets of $3.4 million, goodwill of $1.1 million, and a reduction in other liabilities of $5.9 million.

For further discussion of the RFJ Acquisition, see Note 2, “Business Acquisitions and Dispositions,” to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021.

3. Inventories

Inventories consist of the following:

	March 31, 2022		December 31, 2021	
	(In millions)			
New vehicles	$	278.2	$	273.1
Used vehicles		730.8		807.2
Service loaners		112.5		106.3
Parts, accessories and other		76.6		74.6
Net inventories	$	1,198.1	$	1,261.2

4. Property and Equipment

Property and equipment, net consists of the following:

	March 31, 2022	December 31, 2021
	(In millions)	
Land	$ 451.2	$ 447.4
Buildings and improvements	1,278.1	1,240.5
Furniture, fixtures and equipment	470.1	451.2
Construction in progress	57.9	68.1
Total, at cost	2,257.3	2,207.2
Less accumulated depreciation	(768.7)	(746.2)
Subtotal	1,488.6	1,461.0
Less assets held for sale (1)	—	(2.2)
Property and equipment, net	$ 1,488.6	$ 1,458.8

(1) Classified in other current assets in the accompanying unaudited condensed consolidated balance sheets.

Capital expenditures in all periods were primarily related to real estate acquisitions, construction of new franchised dealerships and EchoPark stores, building improvements and equipment purchased for use in our franchised dealerships and EchoPark stores. Assets held for sale as of December 31, 2021 consists of real property not currently used in operations that we expect to dispose of in the next 12 months.

There were no fixed asset impairment charges for the three months ended March 31, 2022 and March 31, 2021.

5. Goodwill and Intangible Assets

The changes in the carrying amount of goodwill for March 31, 2022 and December 31, 2021.

	March 31, 2022	December 31, 2021
	(In millions)	
Carrying Amount of Goodwill:		
Franchised Dealerships Segment	$ 219.8	213.5
EchoPark Segment	203.7	202.9
Total goodwill (1)	$ 423.5	$ 416.4

(1) Net of accumulated impairment losses of $1.1 billion.

The carrying amount of indefinite lived franchise assets was approximately $486.6 million and $480.2 million as of March 31, 2022 and December 31, 2021, respectively. We did not record any impairment charges as of March 31, 2022 or December 31, 2021.

6. Long-Term Debt

Long-term debt consists of the following:

	March 31, 2022	December 31, 2021
	(In millions)	
2021 Revolving Credit Facility (1)	$ —	$ —
4.625% Senior Notes due 2029 (the "4.625% Notes")	650.0	650.0
4.875% Senior Notes due 2031 (the "4.875% Notes")	500.0	500.0
2019 Mortgage Facility (2)	87.3	90.0
Mortgage notes to finance companies - fixed rate, bearing interest from 2.05% to 7.03%	202.5	213.4
Mortgage notes to finance companies - variable rate, bearing interest at 1.50 to 2.90 percentage points above one-month or three-month LIBOR	130.5	132.8
Subtotal	$ 1,570.3	$ 1,586.2
Debt issuance costs	(24.0)	(24.9)
Total debt	1,546.3	1,561.3
Less current maturities	(53.1)	(50.6)
Long-term debt	$ 1,493.2	$ 1,510.7

(1) The interest rate on the 2021 Revolving Credit Facility (as defined below) was 100 basis points above LIBOR at both March 31, 2022 and December 31, 2021.
(2) The interest rate on the 2019 Mortgage Facility (as defined below) was 150 basis points above LIBOR at both March 31, 2022 and December 31, 2021.

2021 Credit Facilities

On April 14, 2021, we entered into an amended and restated syndicated revolving credit facility (the "2021 Revolving Credit Facility") and amended and restated syndicated new and used vehicle floor plan credit facilities (the "2021 Floor Plan Facilities" and, together with the 2021 Revolving Credit Facility, the "2021 Credit Facilities"). The amendment and restatement of the 2021 Credit Facilities extended the scheduled maturity dates to April 14, 2025. On October 8, 2021, we entered into an amendment to the 2021 Credit Facilities (the "Credit Facility Amendment") to, among other things: (1) increase the aggregate commitments under the 2021 Revolving Credit Facility to the lesser of $350.0 million (which may be increased at the Company's option up to $400.0 million upon satisfaction of certain conditions) and the applicable revolving borrowing base, and the 2021 Floor Plan Facilities to $2.6 billion (which, under certain conditions, may be increased at the Company's option up to $2.85 billion that may be allocated between the new vehicle revolving floor plan facility and the used vehicle revolving floor plan facility that comprise the 2021 Floor Plan Facilities Plan Facility as the Company requests, with no more than 40% of the aggregate commitments allocated to the commitments under the used vehicle floor plan facility); and (2) permit the issuance of the 4.625% Notes and the 4.875% Notes.

As amended, availability under the 2021 Revolving Credit Facility is calculated as the lesser of $350.0 million or a borrowing base calculated based on certain eligible assets, less the aggregate face amount of any outstanding letters of credit under the 2021 Revolving Credit Facility (the "2021 Revolving Borrowing Base"). The 2021 Revolving Credit Facility may be increase at our option up to $400.0 million upon satisfaction of certain conditions. As of March 31, 2022, the 2021 Revolving Borrowing Base was approximately $286.5 million based on balances as of such date. As of March 31, 2022, we had no outstanding borrowings and approximately $12.5 million in outstanding letters of credit under the 2021 Revolving Credit Facility, resulting in $274.0 million remaining borrowing availability under the 2021 Revolving Credit Facility.

Our obligations under the 2021 Credit Facilities are guaranteed by us and certain of our subsidiaries and are secured by a pledge of substantially all of our and our subsidiaries' assets. As of the dates presented in the accompanying unaudited condensed consolidated financial statements, the amounts outstanding under the 2021 Credit Facilities bear interest at variable rates based on specified percentages above LIBOR. We have agreed under the 2021 Credit Facilities not to pledge any assets to any third parties (other than those explicitly allowed to be pledged by the amended terms of the 2021 Credit Facilities), including other lenders, subject to certain stated exceptions, including floor plan financing arrangements. In addition, the 2021 Credit Facilities contain certain negative covenants, including covenants which could restrict or prohibit indebtedness, liens, the payment of dividends, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions. Specifically, the 2021 Credit Facilities permit quarterly cash dividends on our Class A and Class B Common Stock up to $ 0.25 per share so long as no Event of Default (as defined in the 2021 Credit Facilities) has occurred and is continuing and provided that we remain in compliance with all financial covenants under the 2021 Credit Facilities.

4.625% Notes

On October 27, 2021, we issued $650.0 million in aggregate principal amount of 4.625% Notes, which will mature on November 15, 2029. Sonic used the net proceeds from the issuance of the 4.625% Notes to fund the RFJ Acquisition and to repay existing debt.

The 4.625% Notes were issued under an Indenture, dated as of October 27, 2021 (the "2029 Indenture"), by and among the Company, certain subsidiary guarantors named therein (collectively, the "Guarantors") and U.S. Bank National Association, as trustee (the "trustee"). The 4.625% Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis initially by all of the Company's operating domestic subsidiaries. The non-domestic operating subsidiary that is not a guarantor is considered minor. Under certain circumstances set forth in the 2029 Indenture, the guarantees of the certain subsidiaries of the Company comprising the EchoPark Business (as defined in the 2029 Indenture) may be released. The 2029 Indenture also provides substantial flexibility for the Company to enter into fundamental transactions involving the EchoPark Business. The 2029 Indenture provides that interest on the 4.625% Notes will be payable semi-annually in arrears on May 15 and November 15 of each year beginning May 15, 2022. The 2029 Indenture also contains other restrictive covenants and default provisions common for an issue of senior notes of this nature. The 4.625% Notes are redeemable by the Company under certain circumstances. For further discussion of the 4.625% Notes, see Note 6, "Long-Term Debt," to the consolidated financial statements in Sonic's Annual Report on Form 10-K for the year ended December 31, 2021.

4.875% Notes

On October 27, 2021, we issued $500.0 million in aggregate principal amount of 4.875% Notes, which will mature on November 15, 2031. Sonic used the net proceeds from the issuance of the 4.875% Notes to fund the RFJ Acquisition and to repay existing debt.

The 4.875% Notes were issued under an Indenture, dated as of October 27, 2021 (the "2031 Indenture"), by and among the Company, the Guarantors and the trustee. The 4.875% Notes are unconditionally guaranteed, jointly and severally, on a senior unsecured basis initially by all of the Company's operating domestic subsidiaries. The non-domestic operating subsidiary that is not a guarantor is considered minor. Under certain circumstances set forth in the 2031 Indenture, the guarantees of the certain subsidiaries of the Company comprising the EchoPark Business (as defined in the 2031 Indenture) may be released. The 2031 Indenture also provides substantial flexibility for the Company to enter into fundamental transactions involving the Echo-Park Business. The 2031 Indenture provides that interest on the 4.875% Notes will be payable semi-annually in arrears on May 15 and November 15 of each year beginning May 15, 2022. The 2031 Indenture also contains other restrictive covenants and default provisions common for an issue of senior notes of this nature. The 4.875% Notes are redeemable by the Company under certain circumstances. For further discussion of the 4.875% Notes, see Note 6, "Long-Term Debt," to the consolidated financial statements in Sonic's Annual Report on Form 10-K for the year ended December 31, 2021.

2019 Mortgage Facility

On November 22, 2019, we entered into a delayed draw-term loan credit agreement, which is scheduled to mature on November 22, 2024 (the "2019 Mortgage Facility"). On October 11, 2021, we entered into an amendment to the 2019 Mortgage Facility to permit the issuance of the 4.625% Notes and the 4.875% Notes.

Under the 2019 Mortgage Facility, Sonic has a maximum borrowing limit of $112.2 million, which varies based on the appraised value of the collateral underlying the 2019 Mortgage Facility. The amount available for borrowing under the 2019 Mortgage Facility is subject to compliance with a borrowing base. The borrowing base is calculated based on 75% of the appraised value of certain eligible real estate designated by Sonic and owned by certain of our subsidiaries. Based on balances as of March 31, 2022, we had approximately $87.3 million of outstanding borrowings under the 2019 Mortgage Facility, resulting in total remaining borrowing availability of approximately $24.9 million under the 2019 Mortgage Facility.

Amounts outstanding under the 2019 Mortgage Facility bear interest at (1) a specified rate above LIBOR (as defined in the 2019 Mortgage Facility), ranging from1.50% to 2.75% per annum according to a performance-based pricing grid determined by the Company's Consolidated Total Lease Adjusted Leverage Ratio (as defined in the 2019 Mortgage Facility) as of the last day of the immediately preceding fiscal quarter (the "Performance Grid"); or (2) a specified rate above the Base Rate (as defined in the 2019 Mortgage Facility), ranging from 0.50% to 1.75% per annum according to the Performance Grid.

For further discussion of the 2019 Mortgage Facility, see Note 6, "Long-Term Debt," to the consolidated financial statements in Sonic's Annual Report on Form 10-K for the year ended December 31, 2021.

Mortgage Notes to Finance Companies

As of March 31, 2022, the weighted-average interest rate of our other outstanding mortgage notes (excluding the 2019 Mortgage Facility) was 3.62% and the total outstanding mortgage principal balance of these notes (excluding the 2019 Mortgage Facility) was approximately $333.0 million. These mortgage notes require monthly payments of principal and interest through their respective maturities, are secured by the underlying properties and contain certain cross-default provisions. Maturity dates for these mortgage notes range between 2022 and 2033.

Covenants

We have agreed under the 2021 Credit Facilities and the 2019 Mortgage Facility not to pledge any assets to any third parties (other than those explicitly allowed to be pledged by the amended terms of the 2021 Credit Facilities and the 2019 Mortgage Facility), including other lenders, subject to certain stated exceptions, including floor plan financing arrangements. In addition, the 2021 Credit Facilities and the 2019 Mortgage Facility contain certain negative covenants, including certain covenants which could restrict or prohibit indebtedness, liens, the payment of dividends and other restricted payments, capital expenditures and material dispositions and acquisitions of assets, as well as other customary covenants and default provisions.

We were in compliance with the financial covenants under the 2021 Credit Facilities and the 2019 Mortgage Facility as of March 31, 2022. Financial covenants include required specified ratios (as each is defined in the 2021 Credit Facilities and the 2019 Mortgage Facility) of:

	Covenant		
	Minimum Consolidated Liquidity Ratio	**Minimum Consolidated Fixed Charge Coverage Ratio**	**Maximum Consolidated Total Lease Adjusted Leverage Ratio**
Required ratio	1.05	1.20	5.75
March 31, 2022 actual	1.26	2.66	2.11

The 2021 Credit Facilities and the 2019 Mortgage Facility contain events of default, including cross defaults to other material indebtedness, change of control events and other events of default customary for syndicated commercial credit facilities. Upon the future occurrence of an event of default, we could be required to immediately repay all outstanding amounts under the 2021 Credit Facilities and the 2019 Mortgage Facility.

After giving effect to the applicable restrictions on the payment of dividends under our debt agreements, as of March 31, 2022, we had approximately $413.0 million of net income and retained earnings free of such restrictions. We were in compliance with all restrictive covenants under our debt agreements as of March 31, 2022.

In addition, many of our facility leases are governed by a guarantee agreement between the landlord and us that contains financial and operating covenants. The financial covenants under the guarantee agreement are identical to those under the 2021 Credit Facilities and the 2019 Mortgage Facility with the exception of one additional financial covenant related to the ratio of EBTDAR to Rent (as defined in the guarantee agreement) with a required ratio of no less than 1.50 to 1.00. As of March 31, 2022, the ratio was 13.22 to 1.00.

7. Commitments and Contingencies

Guarantees and Indemnifications

In accordance with the terms of our operating lease agreements, our dealership subsidiaries, acting as lessees, generally agree to indemnify the lessor from certain exposure arising as a result of the use of the leased premises, including environmental exposure and repairs to leased property upon termination of the lease. In addition, we have generally agreed to indemnify the lessor in the event of a breach of the lease by the lessee.

In connection with dealership dispositions and facility relocations, certain of our subsidiaries have assigned or sublet to the buyer their interests in real property leases associated with such dealerships. In general, the subsidiaries retain responsibility for the performance of certain obligations under such leases, including rent payments and repairs to leased property upon termination of the lease, to the extent that the assignee or the sublessee does not perform. In the event an assignee or a sublessee does not perform its obligations, Sonic remains liable for such obligations.

In accordance with the terms of agreements entered into for the sale of our dealerships, we generally agree to indemnify the buyer from certain liabilities and costs arising subsequent to the date of sale, including environmental exposure and exposure resulting from the breach of representations or warranties made in accordance with the agreements. While our exposure with respect to environmental remediation and repairs is difficult to quantify, we did not have any exposure as of March 31, 2022 and had exposure of $4.0 million at December 31, 2021. These indemnifications typically expire within a period of one to three years following the date of sale. The estimated fair value of these indemnifications was not material and the amount recorded for this contingency was not significant at March 31, 2022.

We also guarantee the floor plan commitments of our 50%-owned joint venture, and the amount of such guarantee was approximately $4.3 million at both March 31, 2022 and December 31, 2021.

Legal Matters

Sonic is involved, and expects to continue to be involved, in various legal and administrative proceedings arising out of the conduct of its business, including regulatory investigations and private civil actions brought by plaintiffs purporting to represent a potential class or for which a class has been certified. Although Sonic vigorously defends itself in all legal and administrative proceedings, the outcomes of pending and future proceedings arising out of the conduct of Sonic's business, including litigation with customers, employment-related lawsuits, contractual disputes, class actions, purported class actions and actions brought by governmental authorities, cannot be predicted with certainty. An unfavorable resolution of one or more of these matters could have a material adverse effect on Sonic's business, financial condition, results of operations, cash flows or prospects.

Included in other accrued liabilities and other long-term liabilities in the accompanying unaudited condensed consolidated balance sheet as of March 31, 2022 and December 31, 2021 were approximately $1.6 million and $0.3 million, respectively, in reserves that Sonic was holding for pending proceedings. Except as reflected in such reserves, Sonic is currently unable to estimate a range of reasonably possible loss, or a range of reasonably possible loss in excess of the amount accrued, for pending proceedings.

8. Fair Value Measurements

Assets and liabilities recorded at fair value in the accompanying unaudited condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021 were as follows:

	Fair Value Based on Significant Other Observable Inputs (Level 2)	
	March 31, 2022	December 31, 2021
	(In millions)	
Assets:		
Cash surrender value of life insurance policies (1)	$ 38.5	$ 39.5
Total assets	$ 38.5	$ 39.5
Liabilities:		
Deferred compensation plan (2)	$ 23.5	$ 24.4
Total liabilities	$ 23.5	$ 24.4

(1) Included in other assets in the accompanying unaudited condensed consolidated balance sheets.
(2) Included in other long-term liabilities in the accompanying unaudited condensed consolidated balance sheets.

There were no instances during the three months ended March 31, 2022 which required a fair value measurement of assets ordinarily measured at fair value on a non-recurring basis. These assets will be evaluated as of the annual valuation assessment date of October 1, 2022 or as events or changes in circumstances require.

As of March 31, 2022 and December 31, 2021, the fair values of Sonic's financial instruments, including receivables, notes receivable from finance contracts, notes payable – floor plan, trade accounts payable, borrowings under the revolving credit facilities and certain mortgage notes, approximated their carrying values due either to length of maturity or existence of variable interest rates that approximate prevailing market rates.

As of March 31, 2022 and December 31, 2021, the fair value and carrying value of Sonic's significant fixed rate long-term debt were as follows:

	March 31, 2022		December 31, 2021	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(In millions)			
4.875% Notes (1)	$ 443.8	$ 500.0	$ 504.8	$ 500.0
4.625% Notes (1)	$ 580.1	$ 650.0	$ 655.9	$ 650.0

(1) As determined by market quotations from similar securities as of March 31, 2022 and December 31, 2021, respectively (Level 2).

For further discussion of Sonic's fair value measurements, see Note 11, "Fair Value Measurements," to the consolidated financial statements in Sonic's Annual Report on Form 10-K for the year ended December 31, 2021.

9. Segment Information

As of March 31, 2022, Sonic hadtwo operating segments: (1) retail automotive franchises that sell new vehicles and buy and sell used vehicles, sell replacement parts, perform vehicle maintenance, warranty and repair services, and arrange finance and insurance products (the "Franchised Dealerships Segment"); and (2) pre-owned vehicle specialty retail locations that provide guests an opportunity to search our nationwide inventory, purchase a pre-owned vehicle, select finance and insurance products and sell their current vehicle to us (the "EchoPark Segment"). Sonic has determined that its operating segments also represent its reportable segments.

The reportable segments identified above are the business activities of Sonic for which discrete financial information is available and for which operating results are regularly reviewed by Sonic's chief operating decision maker to assess operating performance and allocate resources. Sonic's chief operating decision maker is a group of three individuals consisting of: (1) the Company's Chief Executive Officer; (2) the Company's President; and (3) the Company's Chief Financial Officer.

Reportable segment financial information for the three months ended March 31, 2022 and 2021 were as follows (as restated, see Note 1, "Summary of Significant Accounting Policies":

	Three Months Ended March 31,	
	2022	2021
	(In millions)	
	As Restated	
Segment Revenues:		
Franchised Dealerships Segment revenues:		
Retail new vehicles	$ 1,345.7	$ 1,134.0
Fleet new vehicles	18.2	22.3
Total new vehicles	1,363.9	1,156.3
Used vehicles	853.7	661.5
Wholesale vehicles	106.3	56.2
Parts, service and collision repair	380.5	308.1
Finance, insurance and other, net	126.5	97.6
Franchised Dealerships Segment revenues	$ 2,830.9	2279.7
EchoPark Segment revenues:		
Retail new vehicles	$ 5.6	—
Used vehicles	517.2	441.4
Wholesale vehicles	62.4	18.6
Finance, insurance and other, net	40.1	47.1
EchoPark Segment revenues	$ 625.3	$ 507.1
Total consolidated revenues	$ 3,456.2	$ 2,786.8

	Three Months Ended March 31,	
	2022	2021
	(In millions)	
Segment Income (Loss) (1):		
Franchised Dealerships Segment	$ 163.8	$ 70.6
EchoPark Segment	(34.9)	2.0
Income from continuing operations before taxes	$ 128.9	$ 72.6

(1) Segment income (loss) for each segment is defined as income (loss) from continuing operations before taxes and impairment charges.

	Three Months Ended March 31,	
	2022	2021
	(In millions)	
Depreciation and Amortization:		
Franchised Dealerships Segment	$ 24.9	$ 20.4
EchoPark Segment	5.0	3.2
Total depreciation and amortization	$ 29.9	$ 23.6

	Three Months Ended March 31,	
	2022	2021
	(In millions)	
Floor Plan Interest Expense:		
Franchised Dealerships Segment	$ 3.3	$ 4.1
EchoPark Segment	1.7	1.0
Total floor plan interest expense	$ 5.0	$ 5.1

	Three Months Ended March 31, 2022	2021
	(In millions)	
Interest Expense, Other, Net:		
Franchised Dealerships Segment	$ 20.0	$ 10.0
EchoPark Segment	0.8	0.3
Total interest expense, other, net	$ 20.8	$ 10.3

	Three Months Ended March 31, 2022	2021
	(In millions)	
Capital Expenditures:		
Franchised Dealerships Segment	$ 30.2	$ 46.2
EchoPark Segment	28.6	21.5
Total capital expenditures	$ 58.8	$ 67.7

	March 31, 2022	December 31, 2021
	(In millions)	
Assets:		
Franchised Dealerships Segment	$ 3,986.9	$ 3,934.9
EchoPark Segment	659.1	740.6
Corporate and other:		
Cash and cash equivalents	360.2	299.4
Other corporate assets	—	0.2
Total assets	$ 5,006.2	$ 4,975.1

10. Subsequent Events

Subsequent to March 31, 2021, we repurchased an additional1.0 million shares of Class A Common Stock at an average price of $42.40, resulting in current remaining availability of approximately $150.0 million.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and related notes thereto, as well as the consolidated financial statements and related notes thereto, “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Unless otherwise noted, we present the discussion in this Management’s Discussion and Analysis of Financial Condition and Results of Operations on a consolidated basis. To the extent that we believe a discussion of the differences among reportable segments will enhance a reader’s understanding of our financial condition, cash flows and other changes in financial condition and results of operations, the differences are discussed separately.

Unless otherwise noted, all discussion of increases or decreases are for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The three months ended March 31, 2022 were the first full quarterly period to include the results of the locations acquired in the RFJ Auto Acquisition. The following discussion of Franchised Dealerships Segment new vehicles, used vehicles, wholesale vehicles, parts, service and collision repair, and finance, insurance and other, net, is on a same store basis, except where otherwise noted. All currently operating franchised dealership stores are included within the same store group as of the first full month following the first anniversary of the store’s opening or acquisition. All currently operating EchoPark stores in a local geographic market are included within the same market group as of the first full month following the first anniversary of the market’s opening.

Restatement of Previously Issued Financial Statements

As discussed in Note 1, “Summary of Significant Accounting Policies,” we have restated our previously issued condensed consolidated financial statements for the three months ended March 31, 2022. Accordingly, Management's Discussion and Analysis of Financial Condition and Results of Operations have been revised for the effects of the restatement.

Overview

We are one of the largest automotive retailers in the U.S. (as measured by reported total revenue). As a result of the way we manage our business, we had two reportable segments as of March 31, 2022: (1) the Franchised Dealerships Segment and (2) the EchoPark Segment. For management and operational reporting purposes, we group certain businesses together that share management and inventory (principally used vehicles) into “stores.” As of March 31, 2022, we operated 111 stores in the Franchised Dealerships Segment and 47 stores in the EchoPark Segment. The Franchised Dealerships Segment consists of 142 new vehicle franchises (representing 29 different brands of cars and light trucks) and 17 collision repair centers in 18 states. As of March 31, 2022, we operated 47 EchoPark stores in 19 states, including 11 Northwest Motorsport pre-owned vehicle stores acquired in the RFJ Acquisition in December 2021. Under our current EchoPark growth plan, we plan to open 25 additional EchoPark stores annually through 2025 as we build out a nationwide EchoPark distribution network expected to reach 90% of the U.S. population by 2025.

The Franchised Dealerships Segment provides comprehensive services, including (1) sales of both new and used cars and light trucks; (2) sales of replacement parts and performance of vehicle maintenance, manufacturer warranty repairs, and paint and collision repair services (collectively, “Fixed Operations”); and (3) arrangement of extended warranties, service contracts, financing, insurance and other aftermarket products (collectively, “finance and insurance” or “F&I”) for our guests. The EchoPark Segment sells used cars and light trucks and arranges F&I product sales for our guests in pre-owned vehicle specialty retail locations. Our EchoPark business generally operates independently from our franchised dealerships business (except for certain shared back-office functions and corporate overhead costs).

Executive Summary

Retail Automotive Industry Performance

The U.S. retail automotive industry’s total new vehicle (retail and fleet combined) seasonally adjusted annual rate of sales (“SAAR”) was approximately 14.2 million for the three months ended March 31, 2022, a decrease 16.0%, compared to 16.9 million vehicles for the three months ended March 31, 2021, according to data from Bloomberg Finance L.P., provided by Stephens Inc. For 2022, analysts’ industry expectation for the new vehicle SAAR ranges from 14.5 million vehicles (a 3.3% decrease compared to 2021) to 16.0 million vehicles (an increase of 6.7% compared to 2021). We estimate the 2022 new vehicle SAAR will be between 15.0 million vehicles (flat compared to 2021) and 15.5 million vehicles (an increase of 3.3% compared to 2021). The ongoing effects of the COVID-19 pandemic, availability of new and used vehicle inventory, interest rates, changes in consumer confidence, availability of consumer financing, manufacturer inventory production levels, incentive levels from automotive manufacturers or shifts in such levels, or timing of consumer demand as a result of natural disasters or other unforeseen circumstances could cause the actual 2022 total new vehicle SAAR to vary from our expectations. Many factors, including brand and geographic concentrations as well as the industry sales mix between retail and fleet new vehicle unit sales volume, have caused our past results to differ from the industry's overall trend. Our new vehicle sales strategy focuses on our retail new vehicle sales (as opposed to fleet new vehicle sales) and, as a result, we believe it is appropriate to compare our retail new vehicle unit sales volume to the retail new vehicle SAAR (which excludes fleet new vehicle sales). According to the Power Information Network ("PIN") from J.D. Power, industry retail new vehicle SAAR was 12.7 million vehicles for the three months ended March 31, 2022, a decrease of 11.2% from 14.3 million vehicles in the prior year period.

Impact of COVID-19 and Supply Chain Disruptions

The ongoing effects of the COVID-19 pandemic continue to evolve. While we currently expect to see continued economic growth in 2022, a change of circumstances in the general economy or the course of the pandemic may cause changes in consumer behaviors, including a potential reduction in consumer spending for vehicles and automotive repairs, particularly if the pandemic worsens or interest rates continue to rise. This may lead to increased asset recovery and valuation risks, such as impairment of additional indefinite lived intangible assets. In addition, uncertainties in the global economy have negatively impacted our suppliers and other business partners, which may interrupt our vehicle and parts inventory supply chain and require other changes to our operations. We have also seen a tightening in the supply of new and used vehicles due, in part, to the COVID-19 pandemic, which is likely to continue in 2022. These and other factors may adversely impact our revenues, operating income and earnings per share financial measures.

In addition, the global automotive supply chain has been significantly disrupted during the pandemic, primarily related to the production of semiconductors and other components that are used in modern automobiles, in addition to workforce-related production delays and stoppages. As a result, automobile manufacturing is operating at lower than usual production levels, reducing the amount of new vehicle and certain parts inventory available to our dealerships. These inventory constraints, coupled with strong consumer demand and elevated levels of consumer savings, have led to low new vehicle inventory and a high new and used vehicle pricing environment, which drove lower retail new vehicle unit sales volume in the first quarter of 2022. While we believe that new vehicle and parts production levels should begin to improve in the first half of 2022, there is a risk that new vehicle and certain parts inventory levels remain at a low level or worsen, which could cause actual 2022 new vehicle SAAR to vary from our expectations.

Franchised Dealerships Segment

As a result of the acquisition, disposition, termination or closure of franchised dealership stores in 2021, including the RFJ Acquisition in December 2021, the change in consolidated reported amounts from period to period may not be indicative of the current or future operational or financial performance of our current group of operating stores.

Retail new vehicle revenue decreased 1.9% during the three months ended March 31, 2022, primarily driven by a 14.5% decrease in retail new vehicle unit sales volume. Retail new vehicle gross profit increased 100.4% during the three months ended March 31, 2022, due to a 14.8% increase in retail new vehicle average selling prices. Retail new vehicle gross profit per unit increased $3,899 per unit, or 134.4%, to $6,799 per unit during the three months ended March 31, 2022, due primarily to higher average selling prices due in part to inventory shortages in certain makes and models as a result of vehicle manufacturer supply chain disruptions and production delays. Many of our new vehicles are being pre-ordered and delivered to customers shortly after the vehicles arrive at our stores. On a trailing quarter cost of sales basis, our Franchised Dealerships Segment days' supply of new vehicle inventory was 18 days as of March 31, 2022 compared to 43 days as of March 31, 2021.

Retail used vehicle revenue increased 9.7% during the three months ended March 31, 2022, driven by higher average selling prices. Retail used vehicle gross profit increased 13.6% during the three months ended March 31, 2022, due to an increase in retail used vehicle gross profit per unit. Retail used vehicle gross profit per unit increased $455 per unit, or 35.7%, to $1,728 per unit during the three months ended March 31, 2022, due primarily to higher average selling prices due in part to shortages of new vehicle inventory. Wholesale vehicle gross profit decreased by approximately $1.2 million in the three months ended March 31, 2022, due primarily to a $180 per unit, or 163.6%, decrease in wholesale vehicle gross profit per unit. In the past, we have focused on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit our exposure to market pricing volatility. On a trailing quarter cost of sales basis, our Franchised Dealerships Segment used vehicle inventory days' supply was approximately 33 and 27 days as of March 31, 2022 and 2021, respectively.

Fixed Operations revenue increased 12.3% during the three months ended March 31, 2022, and Fixed Operations gross profit increased 10.0% during the three months ended March 31, 2022. Fixed Operations gross margin decreased 110 basis points during the three months ended March 31, 2022 to 49.2%, driven primarily by an increase in customer pay revenue contribution and higher customer pay gross margin.

F&I revenue increased 6.6% during the three months ended March 31, 2022, driven primarily by an increases in F&I gross profit per retail unit. F&I gross profit per retail unit increased $472 per unit, or 26.1%, to $2,280 per unit during the three months ended March 31, 2022. We believe that our proprietary software applications, playbook processes and guest-centric selling approach enable us to optimize F&I gross profit and penetration rates (the number of F&I products sold per vehicle) across our F&I product lines.

EchoPark Segment

Reported total EchoPark Segment revenue increased 23.3% during the three months ended March 31, 2022, driven primarily by continued expansion of our nationwide distribution network and higher average selling prices. Reported total gross profit decreased 3.5% during the three months ended March 31, 2022, due primarily to decreases in retail used vehicle unit sales volume.

Reported retail used vehicle revenue increased 17.2% in the three months ended March 31, 2022. F&I revenue decreased 14.5% during the three months ended March 31, 2022, driven primarily by a 23.8% decrease in retail used vehicle unit sales volume during the three months ended March 31, 2022. Reported combined retail used vehicle and F&I gross profit per unit increased $437 per unit, or 18.8%, to $2,755, per unit during the three months ended March 31, 2022, due primarily to generally increased average selling prices driven by inventory shortages.

Wholesale vehicle gross profit improved by approximately $1.6 million during the three months ended March 31, 2022, due in part to higher average wholesale prices as a result of increased demand for used vehicles at auction. We generally focus on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit our exposure to market pricing volatility. Our used vehicle inventory days' supply at our EchoPark stores was approximately 57 and 40 days as of March 31, 2022 and 2021, respectively. The elevated level of used vehicle inventory days' supply as of March 31, 2022 was due primarily to the opening of new EchoPark stores, which require additional inventory on hand but are not yet generating retail used vehicle sales at the rate of a more mature store.

EchoPark same market total revenues decreased 18.9% during the three months ended March 31, 2022, driven primarily by decreases in used vehicle unit sales volume. EchoPark same market total gross profit decreased 48.9% during the three months ended March 31, 2022, due primarily to lower retail used vehicle unit sales volume and a 11.3% decrease in total gross profit per unit, to $2,064 per unit.

Results of Operations – Consolidated

New Vehicles – Consolidated

New vehicle revenues include the sale of new vehicles to retail customers, as well as the sale of fleet vehicles. New vehicle revenues and gross profit can be influenced by vehicle manufacturer incentives to consumers (which vary from cash-back incentives to low interest rate financing, among other things), the availability of consumer credit and the level and type of manufacturer-to-dealer incentives, as well as manufacturers providing adequate inventory allocations to our dealerships to meet customer demands. The automobile manufacturing industry is cyclical and historically has experienced periodic downturns characterized by oversupply and weakening demand, both within specific brands and in the industry as a whole. As an automotive retailer, we seek to mitigate the effects of this sales cycle by maintaining a diverse brand mix of dealerships. Our brand diversity allows us to offer a broad range of products at a wide range of prices from lower-priced/economy vehicles to luxury vehicles.

The following table depicts the breakdown of our Franchised Dealerships Segment new vehicle revenues by brand for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Brand	As Restated	
Luxury:		
BMW	25.0 %	23.8 %
Mercedes	11.3 %	12.8 %
Audi	5.1 %	7.2 %
Lexus	4.8 %	5.1 %
Land Rover	3.2 %	4.5 %
Porsche	2.7 %	3.7 %
Cadillac	2.1 %	3.0 %
Volvo	1.0 %	— %
MINI	0.8 %	0.9 %
Other luxury (1)	0.6 %	2.5 %
Total Luxury	56.6 %	63.5 %
Mid-line Import:		
Honda	9.5 %	13.1 %
Toyota	9.2 %	9.1 %
Volkswagen	1.6 %	1.2 %
Hyundai	1.5 %	1.0 %
Other Import (2)	1.6 %	0.4 %
Total Mid-line Import	23.4 %	24.8 %
Domestic:		
Chrysler, Dodge, Jeep, and Ram	7.3 %	— %
General Motors (3)	7.2 %	5.8 %
Ford	5.5 %	5.9 %
Total Domestic	20.0 %	11.7 %
Total	100.0 %	100.0 %

(1) Includes Acura, Infiniti and Jaguar
(2) Includes Mazda, Nissan and Subaru
(3) Includes Buick, Chevrolet and GMC

The U.S. retail automotive industry's new vehicle unit sales volume reflects all brands marketed or sold in the U.S. This industry sales volume includes brands we do not sell and markets in which we do not operate, therefore, our new vehicle unit sales volume may not trend directly in line with the industry new vehicle unit sales volume. We believe that the retail new vehicle industry sales volume is a more meaningful metric for comparing our new vehicle unit sales volume to the industry due to our minimal fleet vehicle business.

Beginning in the middle of March 2020, the COVID-19 pandemic began to adversely impact the retail automotive industry and consequentially also our business operations by severely impacting the demand portion of our business disruptions in the automotive supply chain have caused lower than expected levels of vehicle production, which, combined with consumer demand for new vehicles, drove lower than typical levels of new vehicle inventory during 2021. Low levels of new vehicle inventory have resulted in higher average selling prices for new vehicles and we believe had a negative impact on retail new vehicle SAAR for the three months ended March 31, 2022.

Retail new vehicle SAAR, fleet new vehicle SAAR and total new vehicle SAAR were as follows:

	Three Months Ended March 31,		Better / (Worse)
	2022	2021	% Change
	(In millions of vehicles)		
Retail new vehicle SAAR (1)	12.7	14.3	(11.2)%
Fleet new vehicle SAAR	1.5	2.6	(42.3)%
Total new vehicle SAAR (2)	14.2	16.9	(16.0)%

(1) Source: PIN from J.D. Power
(2) Source: Bloomberg Finance L.P., provided by Stephens Inc.

Our consolidated reported new vehicle results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
	As Restated			
Reported new vehicle:				
Retail new vehicle revenue	$ 1,351.3	$ 1,134.0	$ 217.3	19.2 %
Fleet new vehicle revenue	18.2	22.3	(4.1)	(18.4)%
Total new vehicle revenue	$ 1,369.5	$ 1,156.3	$ 213.2	18.4 %
Retail new vehicle gross profit	$ 167.7	$ 69.2	$ 98.5	142.3 %
Fleet new vehicle gross profit	0.8	0.2	0.6	300.0 %
Total new vehicle gross profit	$ 168.5	$ 69.4	$ 99.1	142.8 %
Retail new vehicle unit sales	24,687	23,817	870	3.7 %
Fleet new vehicle unit sales	360	541	(181)	(33.5)%
Total new unit sales	25,047	24,358	689	2.8 %
Revenue per retail unit	$ 54,737	$ 47,613	$ 7,124	15.0 %
Revenue per fleet unit	50,556	41,220	9,336	22.6 %
Total revenue per unit	$ 54,677	$ 47,472	$ 7,205	15.2 %
Gross profit per retail unit	$ 6,793	$ 2,906	$ 3,887	133.8 %
Gross profit per fleet unit	2,222	459	1,763	384.1 %
Total gross profit per unit	$ 6,727	$ 2,852	$ 3,875	135.9 %
Retail gross profit as a % of revenue	12.4 %	6.1 %	630 bps	
Fleet gross profit as a % of revenue	4.4 %	0.9 %	350 bps	
Total gross profit as a % of revenue	12.3 %	6.0 %	630 bps	

For further analysis of new vehicle results, see the tables and discussion under the heading "New Vehicles – Franchised Dealerships Segment" in the Franchised Dealerships Segment section below.

Used Vehicles – Consolidated

Used vehicle revenues are directly affected by a number of factors, including the pricing and level of manufacturer incentives on new vehicles, the number and quality of trade-ins and lease turn-ins, the availability and pricing of used vehicles acquired at wholesale auction and the availability of consumer credit.

As a result of low levels of new vehicle inventory and a heightened demand for used vehicles (both by retail consumers and dealers at wholesale auction), used vehicle prices reached an all-time high during the first quarter of 2022. Depending on the mix of inventory sourcing (trade-in versus wholesale auction), the days' supply of used vehicle inventory, and the pricing strategy employed by the dealership, retail used vehicle gross profit per unit and retail used vehicle gross profit as a percentage of revenue may vary significantly from historical levels given the current used vehicle environment.

Our consolidated reported retail used vehicle results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Reported used vehicle:				
Revenue	$ 1,370.9	$ 1,090.1	$ 280.8	25.8 %
Gross profit	$ 48.2	$ 30.9	$ 17.3	56.0 %
Unit sales	42,073	46,906	(4,833)	(10.3)%
Revenue per unit	$ 32,584	$ 23,240	$ 9,344	40.2 %
Gross profit per unit	$ 1,144	$ 658	$ 486	73.9 %
Gross profit as a % of revenue	3.5 %	2.8 %	70 bps	

For further analysis of used vehicle results, see the tables and discussion under the headings "Used Vehicles – Franchised Dealerships Segment" and "Used Vehicles and F&I – EchoPark Segment" in the Franchised Dealerships Segment and EchoPark Segment sections, respectively, below.

Wholesale Vehicles – Consolidated

Wholesale vehicle revenues are affected by retail new and used vehicle unit sales volume and the associated trade-in volume, as well as short-term, temporary and seasonal fluctuations in wholesale auction pricing. Since the beginning of the COVID-19 pandemic in March 2020, wholesale vehicle prices and supply at auction have experienced periods of volatility, impacting our wholesale vehicle revenues and related gross profit (loss), as well as retail used vehicle revenues and related gross profit. We believe that the current wholesale vehicle price environment is not sustainable in the long-term and expect that wholesale vehicle pricing and related gross profit (loss) may begin to return toward long-term normalized levels in 2022. Wholesale vehicle revenues are also significantly affected by our corporate inventory management strategy and policies, which are designed to optimize our total used vehicle inventory and minimize inventory carrying risks.

Our consolidated reported wholesale vehicle results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Reported wholesale vehicle:				
Revenue	$ 168.7	$ 74.8	$ 93.9	125.5 %
Gross profit (loss)	$ 1.4	$ 0.9	$ 0.5	55.6 %
Unit sales	10,421	9,693	728	7.5 %
Revenue per unit	$ 16,188	$ 7,718	$ 8,470	109.7 %
Gross profit (loss) per unit	$ 147	$ 88	$ 59	67.0 %
Gross profit (loss) as a % of revenue	0.8 %	1.1 %	(30) bps	

For further analysis of wholesale vehicle results, see the tables and discussion under the headings "Wholesale Vehicles – Franchised Dealerships Segment" and "Wholesale Vehicles – EchoPark Segment" in the Franchised Dealerships Segment and EchoPark Segment sections, respectively, below.

Fixed Operations – Consolidated

Parts, service and collision repair revenues consist of customer requested repair orders ("customer pay"), warranty repairs (manufacturer-paid), wholesale parts and internal, sublet and other. Parts and service revenue is driven by the mix of warranty repairs versus customer pay repairs, available service capacity (a combination of service bay count and technician availability), vehicle quality, manufacturer recalls, customer loyalty, and prepaid or manufacturer-paid maintenance programs. Internal, sublet and other primarily relates to preparation and reconditioning work performed on vehicles in inventory that are later sold to a third party. When that work is performed by one of our dealerships or stores, the work is classified as internal. In the event the work is performed by a third party on our behalf, it is classified as sublet.

We believe that, over time, vehicle quality will continue to improve, but vehicle complexity and the associated demand for repairs by qualified technicians at manufacturer-affiliated dealerships may result in market share gains that could offset any revenue lost from improvement in vehicle quality. We also believe that, over the long term, we have the ability to continue to optimize service capacity at our dealerships and stores to further increase Fixed Operations revenues. Manufacturers continue to extend new vehicle warranty periods and have also begun to include regular maintenance items in the warranty or complimentary maintenance program coverage. These factors, over the long term, combined with the extended manufacturer warranties on certified pre-owned vehicles, should facilitate growth in our parts and service business. Barriers to long-term growth may include reductions in the rate paid by manufacturers to dealers for warranty work performed, as well as the improved quality of vehicles that may affect the level and frequency of future customer pay or warranty-related repair revenues.

Our consolidated reported Fixed Operations results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions)			
Reported Fixed Operations:				
Revenue				
Customer pay	$ 159.7	$ 133.6	$ 26.1	19.5 %
Warranty	53.0	53.1	(0.1)	(0.2)%
Wholesale parts	49.8	34.7	15.1	43.5 %
Internal, sublet and other	118.0	99.5	18.5	18.6 %
Total revenue	$ 380.5	$ 320.9	$ 59.6	18.6 %
Gross profit				
Customer pay	$ 91.4	$ 76.0	$ 15.4	20.3 %
Warranty	31.6	30.9	0.7	2.3 %
Wholesale parts	8.9	6.1	2.8	45.9 %
Internal, sublet and other	54.7	42.0	12.7	30.2 %
Total gross profit	$ 186.6	$ 155.0	$ 31.6	20.4 %
Gross profit as a % of revenue				
Customer pay	57.3 %	56.9 %	40 bps	
Warranty	59.5 %	58.2 %	130 bps	
Wholesale parts	17.9 %	17.6 %	30 bps	
Internal, sublet and other	46.4 %	42.2 %	420 bps	
Total gross profit as a % of revenue	49.0 %	48.3 %	70 bps	

For further analysis of Fixed Operations results, see the table and discussion under the headings "Fixed Operations – Franchised Dealerships Segment" in the Franchised Dealerships Segment sections, below.

F&I – Consolidated

Finance, insurance and other, net revenues include commissions for arranging vehicle financing and insurance, sales of third-party extended warranties and service contracts for vehicles, and sales of other aftermarket products. In connection with vehicle financing, extended warranties and service contracts, other aftermarket products and insurance contracts, we receive commissions from the providers for originating contracts. F&I revenues are recognized net of estimated chargebacks and other costs associated with originating contracts (as a result, F&I revenues and F&I gross profit are the same amount). F&I revenues are affected by the level of new and retail used vehicle unit sales volume, the age and average selling price of vehicles sold, the level of manufacturer financing specials or leasing incentives, and our F&I penetration rate. The F&I penetration rate represents the number of finance contracts, extended warranties and service contracts, other aftermarket products or insurance contracts that we are able to originate per vehicle sold, expressed as a percentage.

Our consolidated reported F&I results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Reported F&I:				
Revenue	$ 166.6	$ 144.7	$ 21.9	15.1 %
Unit sales	66,760	70,723	(3,963)	(5.6)%
Gross profit per retail unit (excludes fleet)	$ 2,495	$ 2,045	$ 450	22.0 %

For further analysis of F&I results, see the tables and discussion under the headings "F&I – Franchised Dealerships Segment" and "Used Vehicles and F&I – EchoPark Segment" in the Franchised Dealerships Segment and EchoPark Segment sections, respectively, below.

Results of Operations – Franchised Dealerships Segment

As a result of the acquisition, disposition, termination or closure of franchised dealership stores in 2021, including the RFJ Acquisition in December 2021, the change in reported amounts from period to period may not be indicative of the current or future operational or financial performance of our current group of operating stores. Please refer to the same store tables and discussion on the following pages for more meaningful comparison and discussion of financial results on a comparable store basis.

New Vehicles – Franchised Dealerships Segment

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for total new vehicles:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit data)			
	As Restated			
Retail new vehicle revenue:				
Same store	$ 1,109.7	$ 1,130.7	$ (21.0)	(1.9)%
Acquisitions, open points, dispositions and holding company	236.0	3.3	232.7	NM
Total as reported	$ 1,345.7	$ 1,134.0	$ 211.7	18.7 %
Fleet new vehicle revenue:				
Same store	$ 13.6	$ 22.3	$ (8.7)	(39.0)%
Acquisitions, open points, dispositions and holding company	4.6	—	4.6	NM
Total as reported	$ 18.2	$ 22.3	$ (4.1)	(18.4)%
Total new vehicle revenue:				
Same store	$ 1,123.3	$ 1,153.0	$ (29.7)	(2.6)%
Acquisitions, open points, dispositions and holding company	240.6	3.3	237.3	NM
Total as reported	$ 1,363.9	$ 1,156.3	$ 207.6	18.0 %

NM = Not Meaningful

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit data)			
	As Restated			
Retail new vehicle gross profit:				
Same store	$ 137.9	$ 68.8	$ 69.1	100.4 %
Acquisitions, open points, dispositions and holding company	28.7	0.4	28.3	NM
Total as reported	$ 166.6	$ 69.2	$ 97.4	140.8 %
Fleet new vehicle gross profit:				
Same store	$ 0.7	$ 0.3	$ 0.4	133.3 %
Acquisitions, open points, dispositions and holding company	0.1	—	0.1	NM
Total as reported	$ 0.8	$ 0.3	$ 0.5	166.7 %
Total new vehicle gross profit:				
Same store	$ 138.6	$ 69.1	$ 69.5	100.6 %
Acquisitions, open points, dispositions and holding company	28.8	0.4	28.4	NM
Total as reported	$ 167.4	$ 69.5	$ 97.9	140.9 %
Retail new vehicle unit sales:				
Same store	20,283	23,736	(3,453)	(14.5)%
Acquisitions, open points, dispositions and holding company	4,319	81	4,238	NM
Total as reported	24,602	23,817	785	3.3 %
Fleet new vehicle unit sales:				
Same store	277	541	(264)	(48.8)%
Acquisitions, open points, dispositions and holding company	83	—	83	NM
Total as reported	360	541	(181)	(33.5)%
Total new vehicle unit sales:				
Same store	20,560	24,277	(3,717)	(15.3)%
Acquisitions, open points, dispositions and holding company	4,402	81	4,321	NM
Total as reported	24,962	24,358	604	2.5 %

NM = Not Meaningful

Our Franchised Dealerships Segment reported new vehicle results (combined retail and fleet data) were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
	As Restated			
Reported new vehicle:				
Retail new vehicle revenue	$ 1,345.7	$ 1,134.0	$ 211.7	18.7 %
Fleet new vehicle revenue	18.2	22.3	(4.1)	(18.4) %
Total new vehicle revenue	$ 1,363.9	$ 1,156.3	$ 207.6	18.0 %
Retail new vehicle gross profit	$ 166.6	$ 69.2	$ 97.4	140.8 %
Fleet new vehicle gross profit	0.8	0.3	0.5	166.7 %
Total new vehicle gross profit	$ 167.4	$ 69.5	$ 97.9	140.9 %
Retail new vehicle unit sales	24,602	23,817	785	3.3 %
Fleet new vehicle unit sales	360	541	(181)	(33.5) %
Total new unit sales	24,962	24,358	604	2.5 %
Revenue per retail unit	$ 54,699	$ 47,613	$ 7,086	14.9 %
Revenue per fleet unit	50,556	41,220	9,336	22.6 %
Total revenue per unit	$ 54,639	$ 47,472	$ 7,167	15.1 %
Gross profit per retail unit	$ 6,771	$ 2,906	$ 3,865	133.0 %
Gross profit per fleet unit	2,222	459	1,763	384.1 %
Total gross profit per unit	$ 6,706	$ 2,852	$ 3,854	135.1 %
Retail gross profit as a % of revenue	12.4 %	6.1 %	630 bps	
Fleet gross profit as a % of revenue	4.4 %	1.3 %	310 bps	
Total gross profit as a % of revenue	12.3 %	6.0 %	630 bps	

Our Franchised Dealerships Segment same store new vehicle results (combined retail and fleet data) were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Same store new vehicle:				
Retail new vehicle revenue	$ 1,109.7	$ 1,130.7	$ (21.0)	(1.9)%
Fleet new vehicle revenue	13.6	22.3	(8.7)	(39.0)%
Total new vehicle revenue	$ 1,123.3	$ 1,153.0	$ (29.7)	(2.6)%
Retail new vehicle gross profit	$ 137.9	$ 68.8	$ 69.1	100.4 %
Fleet new vehicle gross profit	0.7	0.3	0.4	133.3 %
Total new vehicle gross profit	$ 138.6	$ 69.1	$ 69.5	100.6 %
Retail new vehicle unit sales	20,283	23,736	(3,453)	(14.5)%
Fleet new vehicle unit sales	277	541	(264)	(48.8)%
Total new unit sales	20,560	24,277	(3,717)	(15.3)%
Revenue per retail unit	$ 54,711	$ 47,637	$ 7,074	14.8 %
Revenue per fleet unit	49,097	41,220	7,877	19.1 %
Total revenue per unit	$ 54,635	$ 47,494	$ 7,141	15.0 %
Gross profit per retail unit	$ 6,799	$ 2,900	$ 3,899	134.4 %
Gross profit per fleet unit	2,348	459	1,889	411.5 %
Total gross profit per unit	$ 6,739	$ 2,846	$ 3,893	136.8 %
Retail gross profit as a % of revenue	12.4 %	6.1 %	630 bps	
Fleet gross profit as a % of revenue	5.1 %	1.3 %	380 bps	
Total gross profit as a % of revenue	12.3 %	6.0 %	630 bps	

Same Store Franchised Dealerships Segment Retail New Vehicles– Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Retail new vehicle revenue decreased 1.9% due primarily to lower new vehicle unit sales volume as compared to the prior period. Retail new vehicle gross profit increased approximately $69.1 million, or 100.4%, as a result of higher retail new vehicle gross profit per unit. Retail new vehicle gross profit per unit increased $3,899 per unit, or 134.4%, to $6,799 per unit, due primarily to inventory shortages as a result of vehicle manufacturer supply chain and production delays as a result of the COVID-19 pandemic, which have generally increased the average selling prices of such vehicles.

Used Vehicles – Franchised Dealerships Segment

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for retail used vehicles:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Better / (Worse) Change	Better / (Worse) % Change
	(In millions, except unit data)			
Total used vehicle revenue:				
Same store	$ 723.1	$ 659.1	$ 64.0	9.7 %
Acquisitions, open points, dispositions and holding company	130.6	2.4	128.2	NM
Total as reported	$ 853.7	$ 661.5	$ 192.2	29.1 %
Total used vehicle gross profit:				
Same store	$ 39.2	$ 34.5	$ 4.7	13.6 %
Acquisitions, open points, dispositions and holding company	7.7	(2.5)	10.2	408.0 %
Total as reported	$ 46.9	$ 32.0	$ 14.9	46.6 %
Total used vehicle unit sales:				
Same store	22,717	27,120	(4,403)	(16.2)%
Acquisitions, open points, dispositions and holding company	4,361	116	4,245	NM
Total as reported	27,078	27,236	(158)	(0.6)%

NM = Not Meaningful

Our Franchised Dealerships Segment reported retail used vehicle results were as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Better / (Worse) Change	Better / (Worse) % Change
	(In millions, except unit and per unit data)			
Reported used vehicle:				
Revenue	$ 853.7	$ 661.5	$ 192.2	29.1 %
Gross profit	$ 46.9	$ 32.0	$ 14.9	46.6 %
Unit sales	27,078	27,236	(158)	(0.6)%
Revenue per unit	$ 31,527	$ 24,289	$ 7,238	29.8 %
Gross profit per unit	$ 1,731	$ 1,175	$ 556	47.3 %
Gross profit as a % of revenue	5.5 %	4.8 %	70 bps	

Our Franchised Dealerships Segment same store retail used vehicle results were as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Better / (Worse) Change	Better / (Worse) % Change
	(In millions, except unit and per unit data)			
Same store used vehicle:				
Revenue	$ 723.1	$ 659.1	$ 64.0	9.7 %
Gross profit	$ 39.2	$ 34.5	$ 4.7	13.6 %
Unit sales	22,717	27,120	(4,403)	(16.2)%
Revenue per unit	$ 31,831	$ 24,303	$ 7,528	31.0 %
Gross profit per unit	$ 1,728	$ 1,273	$ 455	35.7 %
Gross profit as a % of revenue	5.4 %	5.2 %	20 bps	

Same Store Franchised Dealerships Segment Used Vehicles – Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Retail used vehicle revenue increased approximately $64.0 million, or 9.7%, driven primarily by a 31.0% increase in retail used vehicle revenue per unit, offset partially by a 16.2% decrease in retail used vehicle unit sales volume due to higher industry used vehicle prices and higher consumer interest rates which drove down the demand for used vehicles during the first quarter of 2022. Retail used vehicle gross profit increased approximately $4.7 million, or 13.6%, driven primarily by a $455 per unit increase in retail used vehicle gross profit per unit.

Wholesale Vehicles – Franchised Dealerships Segment

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for wholesale vehicles:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit data)			
Total wholesale vehicle revenue:				
Same store	$ 82.5	$ 56.0	$ 26.5	47.3 %
Acquisitions, open points, dispositions and holding company	23.8	0.2	23.6	NM
Total as reported	$ 106.3	$ 56.2	$ 50.1	89.1 %
Total wholesale vehicle gross profit (loss):				
Same store	$ (0.4)	$ 0.8	$ (1.2)	(150.0)%
Acquisitions, open points, dispositions and holding company	—	(0.1)	0.1	100.0 %
Total as reported	$ (0.4)	$ 0.7	$ (1.1)	(157.1)%
Total wholesale vehicle unit sales:				
Same store	5,362	6,803	(1,441)	(21.2)%
Acquisitions, open points, dispositions and holding company	1,410	29	1,381	NM
Total as reported	6,772	6,832	(60)	(0.9)%

NM = Not Meaningful

Our Franchised Dealerships Segment reported wholesale vehicle results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Reported wholesale vehicle:				
Revenue	$ 106.3	$ 56.2	$ 50.1	89.1 %
Gross profit (loss)	$ (0.4)	$ 0.7	$ (1.1)	(157.1) %
Unit sales	6,772	6,832	(60)	(0.9) %
Revenue per unit	$ 15,697	$ 8,227	$ 7,470	90.8 %
Gross profit (loss) per unit	$ (60)	$ 108	$ (168)	(155.6) %
Gross profit (loss) as a % of revenue	(0.4) %	1.2 %	(160) bps	

Our Franchised Dealerships Segment same store wholesale vehicle results were as follows:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Better / (Worse) Change	Better / (Worse) % Change
	(In millions, except unit and per unit data)			
Same store wholesale vehicle:				
Revenue	$ 82.5	$ 56.0	$ 26.5	47.3 %
Gross profit (loss)	$ (0.4)	$ 0.8	$ (1.2)	(150.0)%
Unit sales	5,362	6,803	(1,441)	(21.2)%
Revenue per unit	$ 15,386	$ 8,232	$ 7,154	86.9 %
Gross profit (loss) per unit	$ (70)	$ 110	$ (180)	(163.6)%
Gross profit (loss) as a % of revenue	(0.5)%	1.4 %	(190) bps	

We generally focus on maintaining used vehicle inventory days' supply in the 30- to 35-day range, which may fluctuate seasonally, in order to limit our exposure to market pricing volatility. On a trailing quarter cost of sales basis, our reported Franchised Dealerships Segment used vehicle inventory days' supply was approximately 33 and 27 days as of March 31, 2022 and 2021, respectively. Wholesale vehicle revenue and wholesale vehicle unit sales volume fluctuations are typically a result of retail new and used vehicle unit sales volumes that generate additional trade-in vehicle volume that we are not always able to sell as retail used vehicles and choose to sell at auction. Whenever possible, we prefer to sell a used vehicle through retail channels rather than wholesaling the vehicle at auction due to the opportunity to sell F&I products and to avoid auction and transportation fees.

Same Store Franchised Dealerships Segment Wholesale Vehicles – Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Wholesale vehicle revenue increased approximately $26.5 million, or 47.3%, driven primarily by an 86.9% increase in wholesale vehicle revenue per unit, offset partially by a 21.2% decrease in wholesale vehicle unit sales volume due to fewer trade-ins as a result of decreased new and used vehicle sales activity during the first quarter of 2022. Wholesale vehicle gross profit decreased approximately $1.2 million, driven primarily by a $180 per unit, or 163.6%, decrease in wholesale vehicle gross profit per unit as a result of lower wholesale gross profit levels combined with a decrease in unit sales.

Fixed Operations – Franchised Dealerships Segment

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for Fixed Operations:

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Better / (Worse) Change	Better / (Worse) % Change
	(In millions)			
Total Fixed Operations revenue:				
Same store	$ 344.7	$ 306.9	$ 37.8	12.3 %
Acquisitions, open points, dispositions and holding company	35.8	1.2	34.6	NM
Total as reported	$ 380.5	$ 308.1	$ 72.4	23.5 %
Total Fixed Operations gross profit:				
Same store	$ 169.7	$ 154.3	$ 15.4	10.0 %
Acquisitions, open points, dispositions and holding company	16.9	1.0	15.9	NM
Total as reported	$ 186.6	$ 155.3	$ 31.3	20.2 %

NM = Not Meaningful

Our Franchised Dealerships Segment reported Fixed Operations results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
		(In millions)		
Reported Fixed Operations:				
Revenue				
Customer pay	$ 176.4	$ 133.3	$ 43.1	32.3 %
Warranty	52.7	53.1	(0.4)	(0.8) %
Wholesale parts	49.7	34.7	15.0	43.2 %
Internal, sublet and other	101.7	87.0	14.7	16.9 %
Total revenue	$ 380.5	$ 308.1	$ 72.4	23.5 %
Gross profit				
Customer pay	$ 97.8	$ 76.0	$ 21.8	28.7 %
Warranty	31.4	30.9	0.5	1.6 %
Wholesale parts	8.9	6.1	2.8	45.9 %
Internal, sublet and other	48.5	42.3	6.2	14.7 %
Total gross profit	$ 186.6	$ 155.3	$ 31.3	20.2 %
Gross profit as a % of revenue				
Customer pay	55.4 %	57.0 %	(160) bps	
Warranty	59.5 %	58.2 %	130 bps	
Wholesale parts	17.8 %	17.6 %	20 bps	
Internal, sublet and other	47.7 %	48.6 %	(90) bps	
Total gross profit as a % of revenue	49.0 %	50.4 %	(140) bps	

Our Franchised Dealerships Segment same store Fixed Operations results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
		(In millions)		
Same store Fixed Operations:				
Revenue				
Customer pay	$ 161.8	$ 132.7	$ 29.1	21.9 %
Warranty	50.4	53.0	(2.6)	(4.9)%
Wholesale parts	46.0	34.6	11.4	32.9 %
Internal, sublet and other	86.5	86.6	(0.1)	(0.1)%
Total revenue	$ 344.7	$ 306.9	$ 37.8	12.3 %
Gross profit				
Customer pay	$ 91.2	$ 75.6	$ 15.6	20.6 %
Warranty	29.7	30.8	(1.1)	(3.6)%
Wholesale parts	8.3	6.1	2.2	36.1 %
Internal, sublet and other	40.5	41.8	(1.3)	(3.1)%
Total gross profit	$ 169.7	$ 154.3	$ 15.4	10.0 %
Gross profit as a % of revenue				
Customer pay	56.3 %	57.0 %	(70) bps	
Warranty	58.8 %	58.1 %	70 bps	
Wholesale parts	18.0 %	17.6 %	40 bps	
Internal, sublet and other	46.8 %	48.3 %	(150) bps	
Total gross profit as a % of revenue	49.2 %	50.3 %	(110) bps	

Same Store Franchised Dealerships Segment Fixed Operations– Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Fixed Operations revenue increased approximately $37.8 million, or 12.3%, and Fixed Operations gross profit increased approximately $15.4 million, or 10.0%. Customer pay gross profit increased approximately $15.6 million, or 20.6%, warranty gross profit decreased approximately $1.1 million, or 3.6%, wholesale parts gross profit increased approximately $2.2 million, or 36.1%, and internal, sublet and other gross profit decreased approximately $1.3 million, or 3.1%. While our Fixed Operations business was not specifically restricted by state and local shelter-in-place or stay-at-home orders, consumer behavior was disrupted by such orders beginning in March 2020 and we experienced lower levels of Fixed Operations activity in the March 2021. Consumer activity has continued to improve, and we anticipate a continuing recovery in Fixed Operations activity (in particular, related to customer pay repairs) above pre-pandemic levels in the remainder of 2022.

F&I – Franchised Dealerships Segment

The following table provides a reconciliation of Franchised Dealerships Segment reported basis and same store basis for F&I:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Total F&I revenue:				
Same store	$ 98.1	$ 92.0	$ 6.1	6.6 %
Acquisitions, open points, dispositions and holding company	28.4	5.6	22.8	407.1 %
Total as reported	$ 126.5	$ 97.6	$ 28.9	29.6 %
Total F&I gross profit per retail unit (excludes fleet):				
Same store	$ 2,280	$ 1,808	$ 472	26.1 %
Reported	$ 2,448	$ 1,910	$ 538	28.2 %
Total combined retail new and used vehicle unit sales:				
Same store	43,000	50,856	(7,856)	(15.4)%
Acquisitions, open points, dispositions and holding company	8,680	197	8,483	NM
Total as reported	51,680	51,053	627	1.2 %

NM = Not Meaningful

Our Franchised Dealerships Segment reported F&I results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Reported F&I:				
Revenue	$ 126.5	$ 97.6	$ 28.9	29.6 %
Total combined retail new and used vehicle unit sales	51,680	51,053	627	1.2 %
Gross profit per retail unit (excludes fleet)	$ 2,448	$ 1,910	$ 538	28.2 %

Our Franchised Dealerships Segment same store F&I results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Same store F&I:				
Revenue	$ 98.1	$ 92.0	$ 6.1	6.6 %
Total combined retail new and used vehicle unit sales	43,000	50,856	(7,856)	(15.4) %
Gross profit per retail unit (excludes fleet)	$ 2,280	$ 1,808	$ 472	26.1 %

Same Store Franchised Dealerships Segment F&I– Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

F&I gross profit per retail unit increased $472 per unit, or 26.1%, to $2,280 per unit, primarily due to an increase in gross profit per finance contract and an increase in the aftermarket contract penetration rate. F&I revenue increased approximately $6.1 million, or 6.6%, due to the following:

Finance contract revenue for new and used vehicles increased 4.6%, primarily due to a 25.6% increase in gross revenue per finance contract, offset partially by a 16.7% decrease in finance contract volume and a 110-basis point decrease in the finance contract penetration rate. Service contract revenue for new and used vehicles increased 0.7%, driven by a 4.6% increase in gross revenue per service contract, and a 520-basis point increase in the service contract penetration rate, offset partially by a 3.7% decrease in service contract volume. Aftermarket contract revenue increased 11.9%, driven by a 12.7% increase in gross revenue per other aftermarket contract and a 2,570-basis point increase in the aftermarket contract penetration rate, offset partially by a 0.7% decrease in aftermarket contract volume.

Results of Operations – EchoPark Segment

All currently operating EchoPark stores in a local geographic market are included within the same market group as of the first full month following the first anniversary of the market's opening. Due to the ongoing expansion of our EchoPark Segment, same market results may vary significantly from reported results due to newly opened markets that began operations in the last 13 months.

Used Vehicles and F&I – EchoPark Segment

Based on the way we manage the EchoPark Segment, our operating strategy focuses on maximizing total used vehicle-related gross profit (based on a combination of retail used vehicle unit sales volume, front-end retail used vehicle gross profit (loss) per unit and F&I gross profit per unit) rather than realizing traditional levels of front-end retail used vehicle gross profit (loss) per unit. As such, we believe the best per unit measure of gross profit performance at our EchoPark stores is a combined total gross profit per unit, which includes both front-end retail used vehicle gross profit (loss) and F&I gross profit per unit sold. See the discussion under the heading "Results of Operations – Franchised Dealerships Segment" for additional discussion of the macro drivers of used vehicle revenues and F&I revenues.

As all Fixed Operations at our EchoPark stores support our used vehicle operations and EchoPark stores do not currently perform customer pay repairs or maintenance work and are not permitted to perform manufacturer-paid warranty repairs, amounts previously classified as Fixed Operations revenues and cost of sales for the EchoPark Segment have been reclassified to used vehicle cost of sales.

The following table provides a reconciliation of EchoPark Segment reported basis, same market basis and new market basis for retail used vehicles:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit data)			
Total used vehicle revenue:				
Same market	$ 293.4	$ 391.7	$ (98.3)	(25.1)%
New markets	223.8	49.7	174.1	350.3 %
Total as reported	$ 517.2	$ 441.4	$ 75.8	17.2 %
Total used vehicle gross profit (loss):				
Same market	$ (3.9)	$ (1.6)	$ (2.3)	(143.8)%
New markets	5.2	0.2	5.0	NM
Total as reported	$ 1.3	$ (1.4)	$ 2.7	192.9 %
Total used vehicle unit sales:				
Same market	8,984	17,358	(8,374)	(48.2)%
New markets	6,011	2,312	3,699	160.0 %
Total as reported	14,995	19,670	(4,675)	(23.8)%

NM = Not Meaningful

The following table provides a reconciliation of EchoPark Segment reported basis, same market basis and new market basis for F&I:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions)			
Total F&I revenue:				
Same market	$ 22.4	$ 41.9	$ (19.5)	(46.5) %
New markets	17.7	5.2	12.5	240.4 %
Total as reported	$ 40.1	$ 47.1	$ (7.0)	(14.9) %

Our EchoPark Segment reported retail used vehicle and F&I results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Reported used vehicle and F&I:				
Used vehicle revenue	$ 517.2	$ 441.4	$ 75.8	17.2 %
Used vehicle gross profit (loss)	$ 1.3	$ (1.4)	$ 2.7	192.9 %
Used vehicle unit sales	14,995	19,670	(4,675)	(23.8)%
Used vehicle revenue per unit	$ 34,491	$ 22,438	$ 12,053	53.7 %
F&I revenue	$ 40.1	$ 47.1	$ (7.0)	(14.5)%
Combined used vehicle gross profit and F&I revenue	$ 41.4	$ 45.7	$ (4.3)	(9.4)%
Total used vehicle and F&I gross profit per unit	$ 2,755	$ 2,318	$ 437	18.8 %

Our EchoPark Segment same market retail used vehicle and F&I results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Same market used vehicle and F&I:				
Used vehicle revenue	$ 293.4	$ 391.7	$ (98.3)	(25.1)%
Used vehicle gross profit (loss)	$ (3.9)	$ (1.6)	$ (2.3)	(143.8)%
Used vehicle unit sales	8,984	17,358	(8,374)	(48.2)%
Used vehicle revenue per unit	$ 32,658	$ 22,566	$ 10,092	44.7 %
F&I revenue	$ 22.4	$ 41.9	$ (19.5)	(46.5)%
Combined used vehicle gross profit and F&I revenue	$ 18.5	$ 40.3	$ (21.8)	(54.1)%
Total used vehicle and F&I gross profit per unit	$ 2,064	$ 2,327	$ (263)	(11.3)%

Wholesale Vehicles – EchoPark Segment

See the discussion under the heading "Results of Operations – Franchised Dealerships Segment" for additional discussion of the macro drivers of wholesale vehicle revenues.

The following table provides a reconciliation of EchoPark Segment reported basis, same market basis and new market basis for wholesale vehicles:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit data)			
Total wholesale vehicle revenue:				
Same market	$ 45.4	$ 16.6	$ 28.8	173.5 %
New markets	17.0	2.0	15.0	750.0 %
Total as reported	$ 62.4	$ 18.6	$ 43.8	235.5 %
Total wholesale vehicle gross profit (loss):				
Same market	$ 1.8	$ 0.1	$ 1.7	NM
New markets	—	0.1	(0.1)	(100.0)%
Total as reported	$ 1.8	$ 0.2	$ 1.6	800.0 %
Total wholesale vehicle unit sales:				
Same market	2,438	2,501	(63)	(2.5)%
New markets	1,211	360	851	236.4 %
Total as reported	$ 3,649	$ 2,861	$ 788	27.5 %

NM = Not Meaningful

Our EchoPark Segment reported wholesale vehicle results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Reported wholesale vehicle:				
Revenue	$ 62.4	$ 18.6	$ 43.8	235.5 %
Gross profit (loss)	$ 1.8	$ 0.2	$ 1.6	NM
Unit sales	3,649	2,861	788	27.5 %
Revenue per unit	$ 17,101	$ 6,503	$ 10,598	163.0 %
Gross profit (loss) per unit	$ 530	$ 39	$ 491	NM
Gross profit (loss) as a % of revenue	2.9 %	0.6 %	230 bps	

NM = Not Meaningful

Our EchoPark Segment same market wholesale vehicle results were as follows:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit and per unit data)			
Same market wholesale vehicle:				
Revenue	$ 45.4	$ 16.6	$ 28.8	173.5 %
Gross profit (loss)	$ 1.8	$ 0.1	$ 1.7	NM
Unit sales	2,438	2,501	(63)	(2.5) %
Revenue per unit	$ 18,622	$ 6,637	$ 11,985	180.6 %
Gross profit (loss) per unit	$ 732	$ 47	$ 685	NM
Gross profit (loss) as a % of revenue	4.0 %	0.6 %	340 bps	

NM = Not Meaningful

Same Market EchoPark Segment Wholesale Vehicles – Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Same market wholesale vehicle revenue increased 173.5% and same market wholesale vehicle gross profit improved by approximately $1.7 million, due primarily to a 180.6% increase in wholesale vehicle revenue per unit, which drove a $685 per unit increase in same market wholesale vehicle gross profit per unit, due to excess demand in the wholesale auction market driving higher average wholesale pricing. Given EchoPark's retail inventory mix, the majority of vehicles acquired from guests on trade-ins cannot be sold as retail at our EchoPark stores and are subsequently sold at auction or transferred to one of our franchised dealerships to be sold as a retail used vehicle. However, a successful acquisition of a guest's trade-in vehicle often facilitates a retail used vehicle sale transaction that otherwise may not have occurred, driving higher overall gross profit. Our overall EchoPark inventory acquisition and pricing strategy reduces the risk of aged inventory that must be sold at auction (which would typically have a higher wholesale vehicle gross loss per unit) and increases the volume of trade-ins that we obtain from guests.

Segment Results Summary

In the following tables of financial data, total segment income of the reportable segments is reconciled to consolidated income (loss) from continuing operations before taxes and impairment charges. See above for tables and discussion of results by reportable segment.

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions, except unit data)			
	As Restated			
Segment Revenues:				
Franchised Dealerships Segment revenues:				
Retail new vehicles	$ 1,345.7	$ 1,134.0	$ 211.7	18.7 %
Fleet new vehicles	18.2	22.3	(4.1)	(18.4)%
Total new vehicles	1,363.9	1,156.3	207.6	18.0 %
Used vehicles	853.7	661.5	192.2	29.1 %
Wholesale vehicles	106.3	56.2	50.1	89.1 %
Parts, service and collision repair	380.5	308.1	72.4	23.5 %
Finance, insurance and other, net	126.5	97.6	28.9	29.6 %
Franchised Dealerships Segment revenues	$ 2,830.9	$ 2,279.7	$ 551.2	24.2 %
EchoPark Segment revenues:				
Retail new vehicles	$ 5.6	$ —	$ 5.6	100.0 %
Used vehicles	517.2	441.4	75.8	17.2 %
Wholesale vehicles	62.4	18.6	43.8	235.5 %
Finance, insurance and other, net	40.1	47.1	(7.0)	(14.9)%
EchoPark Segment revenues	$ 625.3	$ 507.1	$ 118.2	23.3 %
Total consolidated revenues	$ 3,456.2	$ 2,786.8	$ 669.4	24.0 %
Segment Income (Loss) (1):				
Franchised Dealerships Segment	$ 163.8	$ 70.6	$ 93.2	132.0 %
EchoPark Segment	(34.9)	2.0	(36.9)	NM
Total segment income	$ 128.9	$ 72.6	$ 56.3	77.5 %
Impairment charges	—	—	—	— %
Income from continuing operations before taxes	$ 128.9	$ 72.6	$ 56.3	77.5 %
Retail New and Used Vehicle Unit Sales Volume:				
Franchised Dealerships Segment	51,680	51,053	627	1.2 %
EchoPark Segment	15,080	19,670	(4,590)	(23.3)%
Total retail new and used vehicle unit sales volume	66,760	70,723	(3,963)	(5.6)%

NM = Not Meaningful

(1) Segment income (loss) for each segment is defined as income (loss) from continuing operations before taxes and impairment charges.

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

Consolidated SG&A expenses are comprised of four major groups: compensation expense, advertising expense, rent expense and other expense. Compensation expense primarily relates to store personnel who are paid a commission or a salary plus commission and support personnel who are generally paid a fixed salary. Commissions paid to store personnel typically vary depending on gross profits realized and sales volume objectives. Due to the salary component for certain store and corporate personnel, gross profits and compensation expense do not change in direct proportion to one another. Advertising expense and other expense vary based on the level of actual or anticipated business activity and the number of dealerships in operation. Rent expense typically varies with the number of store locations owned, investments made for facility improvements and interest rates. Other expense includes various fixed and variable expenses, including gain on disposal of franchises, certain customer-related costs such as gasoline and service loaners, and insurance, training, legal and IT expenses, which may not change in proportion to gross profit levels.

The following table sets forth information related to our consolidated reported SG&A expenses:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
	(In millions)			
SG&A expenses:				
Compensation	$ 252.5	$ 188.5	$ (64.0)	(34.0)%
Advertising	26.2	12.2	(14.0)	(114.8)%
Rent	12.7	13.7	1.0	7.3 %
Other	95.6	75.0	(20.6)	(27.5)%
Total SG&A expenses	$ 387.0	$ 289.4	$ (97.6)	(33.7)%
SG&A expenses as a % of gross profit:				
Compensation	44.2 %	47.0 %	280 bps	
Advertising	4.6 %	3.0 %	(160) bps	
Rent	2.2 %	3.4 %	120 bps	
Other	16.7 %	18.8 %	210 bps	
Total SG&A expenses as a % of gross profit	67.7 %	72.2 %	450 bps	

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Overall SG&A expenses increased in dollar amount but decreased as a percentage of gross profit, primarily due to higher compensation levels as a result of higher vehicle unit sales volume and higher overall gross profit levels. Compensation expense increased in dollar amount but decreased as a percentage of gross profit, primarily due to increased sales associate productivity during the three months ended March 31, 2022 as well as higher overall gross profit levels. Advertising expense increased in both dollar amount and as a percentage of gross profit, as a result of our continued investment in EchoPark and the effect of acquisitions in the prior year. Rent expense decreased in both dollar amount and as a percentage of gross profit primarily due to higher levels of overall gross profit. Other SG&A expenses increased in dollar amount but decreased as a percentage of gross profit, primarily due to higher overall gross profit levels and a continued focus on expense optimization.

Impairment Charges – Consolidated

We did not record any impairment charges for the three months ended March 31, 2022 or 2021.

Depreciation and Amortization – Consolidated

Depreciation expense increased approximately $6.3 million, or 26.7%, during the three months ended March 31, 2022, due primarily to acquisitions and the opening of additional EchoPark stores and the construction projects completed and placed in service into our Franchised Dealerships Segment and EchoPark Segment.

Interest Expense, Floor Plan – Consolidated

Three Months Ended March 31, 2022 Compared to Three Months Ended March 31, 2021

Interest expense, floor plan for new vehicles decreased approximately $1.9 million, or 54.5%. The average new vehicle floor plan interest rate was 0.52% in the three months ended March 31, 2021, down from 1.18% in the three months ended March 31, 2021, resulting in an decrease in new vehicle floor plan interest expense of approximately $2.0 million. The average new vehicle floor plan notes payable balance increased approximately $29.2 million, which increased new vehicle floor plan interest expense by approximately $0.1 million.

Interest expense, floor plan for used vehicles increased approximately $1.7 million, or 96.5%. The average used vehicle floor plan interest rate was 2.16% in the three months ended March 31, 2021, up from 1.83% in the three months ended March 31, 2021, resulting in an increase in used vehicle floor plan interest expense of approximately $0.5 million. The average used vehicle floor plan notes payable balance increased approximately $251.0 million, which increased used vehicle floor plan interest expense by approximately $1.1 million.

Interest Expense, Other, Net – Consolidated

Interest expense, other, net is summarized in the tables below:

	Three Months Ended March 31,		Better / (Worse)	
	2022	2021	Change	% Change
		(In millions)		
Stated/coupon interest	$ 17.0	$ 7.6	$ (9.4)	(123.7) %
Deferred loan cost amortization	1.1	0.8	(0.3)	(37.5) %
Interest rate hedge expense (benefit)	0.3	0.4	0.1	25.0 %
Capitalized interest	(0.5)	(0.4)	0.1	(25.0) %
Interest on finance lease liabilities	2.7	1.7	(1.0)	(58.8) %
Other interest	0.2	0.2	—	— %
Total interest expense, other, net	$ 20.8	$ 10.3	$ (10.5)	(101.9) %

Interest expense, other, net increased approximately $10.5 million or 101.9%, during the three months ended March 31, 2022 primarily due to an increase in principal of debt due to the issuance of the 4.625% Notes and the 4.875% Notes in October 2021, and an increase in interest associated with finance lease liabilities.

Income Taxes

The overall effective tax rate from continuing operations was 24.5% for the three months ended March 31, 2022, and 26.0% for the three months ended March 31, 2021. Sonic's effective tax rate varies from year to year based on the level of taxable income, the distribution of taxable income between states in which the Company operates and other tax adjustments.

Liquidity and Capital Resources

We require cash to fund debt service, lease obligations, working capital requirements, facility improvements and other capital improvements, and dividends on our common stock and to finance acquisitions and otherwise invest in our business. We rely on cash flows from operations, borrowings under our revolving credit and floor plan borrowing arrangements, real estate mortgage financing, asset sales and offerings of debt and equity securities to meet these requirements. We were in compliance with all restrictive covenants under our debt agreements as of March 31, 2022 and expect to be in compliance for at least the next 12 months. We closely monitor our available liquidity and projected future operating results in order to remain in compliance with the restrictive covenants under the 2021 Credit Facilities, the 2019 Mortgage Facility, the indentures governing the 4.625% Notes and the 4.875% Notes, and our other debt obligations and lease arrangements. However, our liquidity could be negatively affected if we fail to comply with the financial covenants in our existing debt obligations or lease arrangements. After giving effect to the applicable restrictions on the payment of dividends under our debt agreements, as of March 31, 2022, we had approximately $413.0 million of net income and retained earnings free of such restrictions. Cash flows provided by our dealerships are derived from various sources. The primary sources include individual consumers, automobile manufacturers, automobile manufacturers' captive finance subsidiaries and other financial institutions. Disruptions in these cash flows could have a material adverse impact on our operations and overall liquidity.

Because the majority of our consolidated assets are held by our dealership subsidiaries, the majority of our cash flows from operations are generated by these subsidiaries. As a result, our cash flows and ability to service our obligations depend to a substantial degree on the results of operations of these subsidiaries and their ability to provide us with cash..

We had the following liquidity resources available as of March 31, 2022 and December 31, 2021:

	March 31, 2022		December 31, 2021	
	(In millions)			
Cash and cash equivalents	$	360.2	$	299.4
Availability under the 2021 Revolving Credit Facility		274.0		281.4
Availability under the 2019 Mortgage Facility		24.9		22.2
Floor plan deposit balance		125.5		99.8
Total available liquidity resources	$	784.6	$	702.8

We participate in a program with two of our lender partners wherein we maintain a floor plan deposit balance (as shown in the table above) with the lender that earns interest based on the agreed upon rate, effectively reducing the net floor plan interest expense with the lender. This deposit balance is not designated as a prepayment of notes payable - floor plan, nor is it our intent to use this amount to offset principal amounts owed under notes payable - floor plan in the future, although we have the right and ability to do so. The deposit balances of approximately $125.5 million and $99.8 million as of March 31, 2022 and December 31, 2021, respectively, are classified as other current assets in the accompanying unaudited condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021.

Floor Plan Facilities

We finance all of our new and certain of our used vehicle inventory through standardized floor plan facilities with manufacturer captive finance companies and a syndicate of manufacturer-affiliated finance companies and commercial banks. These floor plan facilities are due on demand and bear interest at variable rates based on LIBOR or prime plus an additional spread, as applicable. The weighted-average interest rate for our new and used vehicle floor plan facilities was 1.09% and 1.34% for the three months ended March 31, 2022 and 2021, respectively.

We receive floor plan assistance in the form of direct payments or credits from certain manufacturers. Floor plan assistance received is capitalized in inventory and recorded as a reduction of cost of sales when the associated inventory is sold. We received approximately $12.7 million and $10.9 million in manufacturer assistance in the three months ended March 31, 2022 and 2021, respectively. We recognized in cost of sales approximatel y $12.8 million and $11.4 million in manufacturer assistance in thethree months ended March 31, 2022 and 2021, respectively. Interest payments under each of our floor plan facilities are due monthly and we are generally not required to make principal repayments prior to the sale of the vehicles.

Long-Term Debt and Credit Facilities

See Note 6, "Long-Term Debt," to the accompanying unaudited condensed consolidated financial statements for a discussion of our long-term debt, mortgage notes and credit facilities and compliance with debt covenants.

Capital Expenditures

Our capital expenditures include the purchase of land and buildings, the construction of new franchised dealerships, EchoPark stores and collision repair centers, building improvements and equipment purchased for use in our franchised dealerships and EchoPark stores. We selectively construct or improve existing franchised dealership facilities to maintain compliance with manufacturers' image requirements. We typically finance these projects through cash flows from operations, new mortgages or our credit facilities.

Capital expenditures in the three months ended March 31, 2022 were approximately $58.8 million, including approximately $30.2 million related to our Franchised Dealerships Segment and approximately $28.6 million related to our EchoPark Segment. Of the total capital expenditures, approximately $32.3 million was related to facility construction projects, approximately $17.1 million was related to acquisitions of real estate (land and buildings) and approximately $9.4 million was for other fixed assets utilized in our store operations.

All of the $58.8 million in gross capital expenditures in the three months ended March 31, 2022 was funded through cash from operations. As of March 31, 2022, commitments for facility construction projects totaled approximately $17.7 million, nearly all of which is expected to be completed in the next 12 months.

Share Repurchase Program

Our Board of Directors has authorized us to repurchase shares of our Class A Common Stock. Historically, we have used our share repurchase authorization to offset dilution caused by the exercise of stock options or the vesting of equity compensation awards and to maintain our desired capital structure. During the three months ended March 31, 2022, we repurchased approximately 0.7 million shares of our Class A Common Stock for approximately $33.7 million in open-market transactions at prevailing market prices and in connection with tax withholding on the vesting of equity compensation awards. As of March 31, 2022, our total remaining share repurchase authorization was approximately $192.5 million. Subsequent to March 31, 2022, we repurchased an additional 1.0 million shares of Class A Common Stock for approximately $42.5 million, resulting in current remaining availability of approximately $150.0 million. Under the 2021 Credit Facilities, share repurchases are permitted to the extent that no event of default exists, and we do not exceed the restrictions set forth in our debt agreements. After giving effect to the applicable restrictions on share repurchases and certain other transactions under our debt agreements, as of March 31, 2022, we had approximately $413.0 million of net income and retained earnings free of such restrictions.

Our share repurchase activity is subject to the business judgment of our Board of Directors and management, taking into consideration our historical and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance, the current economic environment and other factors considered relevant. These factors are considered each quarter and will be scrutinized as our Board of Directors and management determine our share repurchase policy in the future.

Dividends

During the three months ended March 31, 2022, our Board of Directors approved a cash dividend of $0.25 per share on all outstanding shares of Class A and Class B Common Stock as of March 15, 2022, which was paid on April 15, 2022. Subsequent to March 31, 2022, our Board of Directors approved a cash dividend of $0.25 per share on all outstanding shares of Class A and Class B Common Stock as of June 15, 2022 to be paid on July 15, 2022. Under the 2021 Credit Facilities, dividends are permitted to the extent that no event of default exists and we are in compliance with the financial covenants contained therein. The 2029 Indenture and the 2031 Indenture also contain restrictions on our ability to pay dividends. After giving effect to the applicable restrictions on share repurchases and certain other transactions under our debt agreements, as of March 31, 2022, we had approximately $413.0 million of net income and retained earnings free of such restrictions. The declaration and payment of any future dividend is subject to the business judgment of our Board of Directors, taking into consideration our historic and projected results of operations, financial condition, cash flows, capital requirements, covenant compliance and share repurchases, the current economic environment and other factors considered by our Board of Directors to be relevant. These factors are considered each quarter and will be scrutinized as our Board of Directors determines our future dividend policy. There is no guarantee that additional dividends will be declared and paid at any time in the future. See Note 6, "Long-Term Debt," to the accompanying unaudited condensed consolidated financial statements for a description of restrictions on the payment of dividends.

Cash Flows

Cash Flows from Operating Activities – Net cash provided by operating activities in the three months ended March 31, 2022 was approximately $252.5 million. This provision of cash was comprised primarily of net income less non-cash items, a decrease in inventories, a decrease in receivables, and an increase in trade accounts payable and other liabilities, offset partially by a decrease in notes payable – floor plan – trade. Net cash provided by operating activities in the three months ended March 31, 2021 was approximately $90.3 million. This provision of cash was comprised primarily of net income (less non-cash items), an increase in trade accounts payable and other liabilities and a decrease in inventories, offset partially by a decrease in notes payable – floor plan – trade.

Cash Flows from Investing Activities – Net cash used in investing activities in the three months ended March 31, 2022 was approximately $80.3 million. This use of cash was comprised primarily of purchases of land, property and equipment and purchases of businesses, net of cash acquired. Net cash used in investing activities in the three months ended March 31, 2021 was approximately $75.6 million. This use of cash was comprised primarily of purchases of land, property and equipment.

Cash Flows from Financing Activities – Net cash used in financing activities in the three months ended March 31, 2022 was approximately $111.4 million. This use of cash was comprised primarily of net borrowings under notes payable – floor plan – non-trade, offset partially by purchases of treasury stock and payments on long-term debt. Net cash used in financing activities in the three months ended March 31, 2021 was approximately $107.8 million. This use of cash was comprised primarily of net repayments of notes payable – floor plan – non-trade and purchases of treasury stock.

We arrange our inventory floor plan financing through both manufacturer captive finance companies and a syndicate of manufacturer-affiliated finance companies and commercial banks. Our floor plan financed with manufacturer captives is recorded as trade floor plan liabilities (with the resulting change being reflected as operating cash flows). Our dealerships that obtain floor plan financing from a syndicate of manufacturer-affiliated finance companies and commercial banks record their obligation as non-trade floor plan liabilities (with the resulting change being reflected as financing cash flows). Due to the presentation differences for changes in trade floor plan financing and non-trade floor plan financing in the accompanying unaudited condensed consolidated statements of cash flows, decisions made by us to move dealership floor plan financing arrangements from one finance source to another may cause significant variations in operating and financing cash flows without affecting our overall liquidity, working capital or cash flows. Net cash used in combined trade and non-trade floor plan financing was approximately $72.3 million in the three months ended March 31, 2022. Net cash used in combined trade and non-trade floor plan financing was approximately $98.0 million in the three months ended March 31, 2021. Accordingly, if all changes in floor plan notes payable were classified as an operating activity, the result would have been net cash provided by operating activities of approximately $196.2 million in the three months ended March 31, 2022 and net cash provided by operating activities of approximately $38.8 million in the three months ended March 31, 2021.

One metric that management uses to measure operating performance is Adjusted EBITDA, a non-GAAP financial measure, for each of the Company's reportable segments and on a consolidated basis. This non-GAAP financial measure is provided and reconciled to net income (loss) (the nearest comparable GAAP financial measure) in the table below:

	Three Months Ended March 31, 2022				Three Months Ended March 31, 2021			
	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total	Franchised Dealerships Segment	EchoPark Segment	Discontinued Operations	Total
	(In millions)							
Net income				$ 97.3				$ 54.2
Provision for income taxes				31.6				19.1
Income (loss) before taxes	$ 163.8	$ (34.9)	$ —	$ 128.9	$ 70.6	$ 2.0	$ 0.7	$ 73.3
Non-floor plan interest (1)	19.0	0.7	—	19.7	9.1	0.4	—	9.5
Depreciation & amortization (2)	25.9	5.2	—	31.1	21.2	3.3	—	24.5
Stock-based compensation expense	4.4	—	—	4.4	3.5	—	—	3.5
Long-term compensation charges	—	—	—	—	—	0.5	—	0.5
Loss (gain) on franchise and real estate disposals	(1.1)	—	—	(1.1)	—	—	—	—
Adjusted EBITDA (3)	$ 212.0	$ (29.0)	$ —	$ 183.0	$ 104.4	$ 6.2	$ 0.7	$ 111.3

(1) Includes the following line items from the accompanying unaudited condensed consolidated statements of operations, net of any amortization of debt issuance costs or net debt discount/premium included in footnote (2) below: interest expense, other, net.
(2) Includes the following line items from the accompanying unaudited condensed consolidated statements of cash flows: depreciation and amortization of property and equipment; debt issuance cost amortization; and debt discount amortization, net of premium and other amortization.
(3) Adjusted EBITDA is a non-GAAP financial measure.

Future Liquidity Outlook

We believe our best sources of liquidity for operations and debt service remain cash flows generated from operations combined with the availability of borrowings under our floor plan facilities (or any replacements thereof), the 2021 Credit Facilities (or any replacements thereof), the 2019 Mortgage Facility (or any replacements thereof) and real estate mortgage financing, selected dealership and other asset sales and our ability to raise funds in the capital markets through offerings of debt or equity securities. Because the majority of our consolidated assets are held by our dealership subsidiaries, the majority of our cash flows from operations are generated by these subsidiaries. As a result, our cash flows and our ability to service our obligations depend to a substantial degree on the results of operations of these subsidiaries, their contractual obligations and capital requirements, and their ability to provide us with cash.

We do not currently anticipate any materially negative changes to our cost of or access to capital over the next 12 months or after.

Seasonality

Our operations are subject to seasonal variations. The first quarter historically has contributed less operating profit than the second and third quarters, while the fourth quarter historically has contributed the highest operating profit of any quarter. Weather conditions and the timing of manufacturer incentive programs and model changeovers cause seasonality and may adversely affect vehicle demand and, consequently, our profitability. Comparatively, parts and service demand has historically remained stable throughout the year.

Off-Balance Sheet Arrangements

Guarantees and Indemnification Obligations

In connection with the operation and disposition of our dealerships, we have entered into various guarantees and indemnification obligations. When we sell dealerships, we attempt to assign any related lease to the buyer of the dealership to eliminate any future liability. However, if we are unable to assign the related leases to the buyer, we will attempt to sublease the leased properties to the buyer at a rate equal to the terms of the original leases. In the event we are unable to sublease the properties to the buyer with terms at least equal to our leases, we may be required to record lease exit accruals. As of March 31, 2022, our future gross minimum lease payments related to properties subleased to buyers of sold dealerships totaled approximately $14.5 million. Future sublease payments expected to be received related to these lease payments were approximately $14.4 million at March 31, 2022.

In accordance with the terms of agreements entered into for the sale of our dealerships, we generally agree to indemnify the buyer from certain liabilities and costs arising subsequent to the date of sale, including environmental exposure and exposure resulting from the breach of representations or warranties made in accordance with the agreements. These indemnifications typically expire within a period of one to three years following the date of sale. We did not have any exposure with respect to environmental remediation at March 31, 2022.

We also guarantee the floor plan commitments of our 50%-owned joint venture, and the amount of such guarantee was approximately $4.3 million at both March 31, 2022 and December 31, 2021. We expect the aggregate amount of the obligations we guarantee to fluctuate based on dealership disposition activity. Although we seek to mitigate our exposure in connection with these matters, these guarantees and indemnification obligations, including environmental exposures and the financial performance of lease assignees and sublessees, cannot be predicted with certainty. An unfavorable resolution of one or more of these matters could have a material adverse effect on our liquidity and capital resources.

See Note 7, "Commitments and Contingencies," to the accompanying unaudited condensed consolidated financial statements and Note 12, "Commitments and Contingencies," to the consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2021 for further discussion regarding these guarantees and indemnification obligations and legal proceedings.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Our variable rate floor plan facilities, the 2021 Revolving Credit Facility, the 2019 Mortgage Facility and our other variable rate notes expose us to risks caused by fluctuations in the applicable interest rates. The total outstanding balance of such variable instruments, after considering the effect of outstanding cash flow hedge instruments, was approximately $1.2 billion at March 31, 2022. A change of 100 basis points in the underlying interest rate would have caused a change in interest expense of ap proximately $7.9 million in the three months ended March 31, 2022. Of the total change in interest expense, approximately $7.4 million would have resulted from our floor plan facilities.

In addition to our variable rate debt, certain of our dealership lease facilities have monthly lease payments that fluctuate based on LIBOR interest rates. An increase in interest rates of 100 basis points would not have had a significant impact on rent expense in the three months ended March 31, 2022 due to the leases containing LIBOR floors which were above the LIBOR rate during the three months ended March 31, 2022.

We also have interest rate cap agreements designated as hedging instruments to limit our exposure to increases in LIBOR rates above certain levels. Under the terms of these interest rate cap agreements, interest rates reset monthly. The fair value of the outstanding interest rate cap positions at March 31, 2022 was not material to the accompanying unaudited condensed consolidated balance sheet as of such date. The fair value of the outstanding interest rate cap positions at December 31, 2021 was not material to the accompanying unaudited condensed consolidated balance sheet as of such date. See “Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the year ended December 31, 2021.

Foreign Currency Risk

We purchase certain of our new vehicle and parts inventories from foreign manufacturers. Although we purchase our inventories in U.S. Dollars, our business is subject to foreign exchange rate risk that may influence automobile manufacturers’ ability to provide their products at competitive prices in the U.S. To the extent that we cannot recapture this exchange rate volatility in prices charged to customers or if this volatility negatively impacts consumer demand for our products, this volatility could adversely affect our future operating results.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), we evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of March 31, 2022. Based upon that evaluation, and due to the material weakness described below, our CEO and our CFO concluded that our disclosure controls and procedures were not effective as of March 31, 2022.

During the quarter ended September 30, 2022, we identified a material weakness in certain internal controls over financial reporting related to the revenue recognition process at a single dealership acquired in December 2021. We have determined that the material weakness also existed as of March 31, 2022. The acquired entity did not have an adequate risk assessment process to ensure appropriate internal controls were in place for all of their revenue streams. Specifically, the internal controls at this single dealership were not designed to assess principal-agent considerations in accordance with ASC 606 *Revenue from Contracts with Customers.* The deficiency was identified in conjunction with our integration of this dealership's processes and controls into our internal control framework during the year following acquisition. The material weakness resulted in an overstatement of both new vehicle fleet revenues and fleet cost of sales for the same amount for the quarter ended March 31, 2022.

Management performed procedures to ensure that the misstatement has been corrected and the financial statement balances included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Remediation Plan

Sonic and its Board of Directors are committed to maintaining a strong internal control environment. Management, with the oversight of the Audit Committee, has evaluated the material weakness described above and designed a remediation plan to address the material weakness and enhance Sonic's internal control environment. The remediation plan is being implemented and includes incorporation of the acquired entity into our pre-existing risk assessment process and implementing incremental controls, or improving the design of existing controls, to respond to the result of our risk assessment process. We expect the material weakness will be remediated by December 31, 2022.

Changes in Internal Control over Financial Reporting

Except as noted above, there was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

For information regarding legal proceedings, see the discussion under the heading “Legal and Other Proceedings” in Note 7, “Commitments and Contingencies,” to the accompanying unaudited condensed consolidated financial statements.

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those included in “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table sets forth information about the shares of Class A Common Stock we repurchased during the three months ended March 31, 2022.

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
	(In millions, except shares and per share data)			
January 2022	366,773	$ 48.23	366,773	$ 208,632
February 2022	133,369	$ 49.75	133,369	$ 202,016
March 2022	191,781	$ 46.78	191,781	$ 192,543
Total	691,923		691,923	

(1) On July 31, 2020 and April 29, 2021, we announced that our Board of Directors had increased the dollar amount authorized for us to repurchase shares of our Class A Common Stock pursuant to our share repurchase program. Our share repurchase program does not have an expiration date and current remaining availability under the program is as follows:

	(In millions)
July 2020 authorization	$ 60,000
April 2021 authorization	250,000
Total active program repurchases prior to March 31, 2022	(117,457)
Current remaining availability as of March 31, 2022	$ 192,543

Subsequent to March 31, 2021, we repurchased an additional 1.0 million shares of Class A Common Stock at an average price of $42.40, resulting in current remaining availability of approximately $150.0 million. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional discussion of restrictions on share repurchases and payment of dividends.

Item 6. Exhibits.

Exhibit No.	Description
3.1	Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated August 7, 1997 (incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K for the year ended December 31, 2020 (File No. 001-13395)).
3.2	Certificate of Designation, Preferences and Rights of Class A Convertible Preferred Stock, dated March 20, 1998 (incorporated by reference to Exhibit 3.2 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated June 16, 1999 (incorporated by reference to Exhibit 3.3 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).
3.4	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated April 18, 2017 (incorporated by reference to Exhibit 3.4 to the Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 (File No. 001-13395)).
3.5	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Sonic Automotive, Inc., dated May 3, 2021 (incorporated by reference to Exhibit 4.4 to the Registration Statement on Form S-8 filed June 8, 2021 (File No. 333-256891)).
3.6	Amended and Restated Bylaws of Sonic Automotive, Inc., dated February 10, 2021 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed February 12, 2021 (File No. 001-13395)).
10.1*	Sonic Automotive, Inc. 2012 Stock Incentive Plan Restricted Unit Award Agreement for Retention Grant, dated February 9, 2022, between Sonic Automotive, Inc. and Heath R. Byrd. (1)
31.1*	Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.
** Furnished herewith.
(1) Indicates a management contract or compensatory plan or arrangement.

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 thereunto duly authorized.

SONIC AUTOMOTIVE, INC.

October 28, 2022	By:	/s/ DAVID BRUTON SMITH
		David Bruton Smith
		Chairman and Chief Executive Officer
October 28, 2022	By:	/s/ HEATH R. BYRD
		Heath R. Byrd
		Executive Vice President and Chief Financial Officer

Exhibit 10.1

DRAFT

SONIC AUTOMOTIVE, INC.
2012 STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AGREEMENT
FOR RETENTION GRANT

This Restricted Stock Unit Agreement (the "Restricted Stock Unit Agreement") is entered into as of February 9, 2022 (the "Grant Date") between SONIC AUTOMOTIVE, INC., a Delaware corporation (the "Company"), and **HEATH R. BYRD** (the "Participant").

WHEREAS, the Company has established the Sonic Automotive, Inc. 2012 Stock Incentive Plan (the "Plan"), pursuant to which the Company may, from time to time, make grants of restricted stock units to eligible employees and other individuals providing services to the Company and its Subsidiaries (as defined in the Plan);

WHEREAS, in consideration for the Participant's service to the Company and/or its Subsidiaries and the restrictive covenants set forth in this Restricted Stock Unit Agreement, the Company has determined to grant the Participant a certain number of restricted stock units (the "Restricted Stock Units") representing the contingent right to receive a corresponding number of shares of the Company's Class A Common Stock, par value $.01 per share (the "Common Stock"), which provides the Participant with the potential to earn substantial additional compensation;

WHEREAS, the Company has a reasonable expectation as to the confidentiality of its proprietary business information, and to protect its business interests from unreasonable competitive activity;

WHEREAS, the parties wish to memorialize the terms of their agreement regarding the Participant's activities during and after employment by the Company; and

WHEREAS, the grant of Restricted Stock Units to the Participant is made pursuant to the terms of the Plan and this Restricted Stock Unit Agreement, and the Participant's receipt of the Restricted Stock Units is conditioned upon his timely execution of this Restricted Stock Unit Agreement;

NOW, THEREFORE, in consideration of the promises, mutual covenants and agreements hereinafter set forth, the Company and the Participant hereby agree as follows:

1. ***Grant of Restricted Stock Units***. In consideration for the Participant's execution of this Restricted Stock Unit Agreement, including the provisions of Section 10 (Restrictive Covenants) and his service to the Company and/or its Subsidiaries, and subject to the terms and conditions set forth in this Restricted Stock Unit Agreement and the Plan, the Company grants to the Participant Seventy-Five Thousand (75,000) Restricted Stock Units.

2. ***Vesting Conditions***. Except as otherwise provided below in Section 3 or elsewhere in this Restricted Stock Unit Agreement, the Restricted Stock Units shall vest on the fifth (5th) anniversary of the Grant Date, and until vested, the Restricted Stock Units shall remain subject to forfeiture. Such vesting is subject to the Participant's continued service with the Company through such date and subject to the other terms of this Restricted Stock Unit Agreement.

3. ***Termination of Service***.

(a) Termination by Company Without Cause. If the Participant is terminated by the Company without Cause in a manner that constitutes a separation from service under Section 409A of the Code (a "Separation from Service"), a pro rata portion of the Restricted Stock Units shall become vested on the date of such termination. Such pro rata portion of the Restricted Stock Units shall be determined by multiplying Seventy-Five Thousand (75,000) by a fraction, the numerator of which shall be the number of full calendar months since the Grant Date up to and including the month of termination and the denominator of which shall be sixty (60) (and the rest of the Restricted Stock Units shall be forfeited).

(b) Death or Disability. In the event of the Participant's Separation from Service with the Company due to his death or Disability, a pro rata portion of the Restricted Stock Units shall become vested on the date of such Separation from Service. Such pro rata portion of the Restricted Stock Units shall be determined by multiplying Seventy-Five Thousand (75,000) by a fraction, the numerator of which shall be the number of full calendar months since the Grant Date up to and including the month of Separation from Service and the denominator of which shall be sixty (60) (and the rest of the Restricted Stock Units shall be forfeited).

(c) Termination For Cause and Other Termination of Employment . If the Participant incurs a Termination of Service for Cause or for any other reason not specifically addressed above (including voluntary resignation) prior to vesting, the Restricted Stock Units shall be immediately and automatically forfeited by the Participant.

(d) Definitions. For purposes of this Restricted Stock Unit Agreement, the following terms have the definitions indicated:

(i) *"Cause"* means (A) a material breach by the Participant of his employment obligations or of any employment, confidentiality or other agreement with the Sonic Group, unless, in the case of a material breach which is curable in the sole judgment of the Company, such breach is remedied within five (5) business days after receipt of written notice of the Company specifying such a breach; (B) the Participant's conviction of a felony (including a plea of no contest or nolo contendere); (C) willful failure of the Participant to comply with reasonable instructions or directives of the Sonic Group and/or the Participant's material violation of Sonic Group policies; (D) the Participant's chronic absenteeism; (E) any willful or material misconduct of the Participant, including, without limitation, misconduct involving fraud or dishonesty in the performance of the Participant's covenants, duties or obligations, or conduct which is deemed in the sole judgment of the Company, to be injurious to the Company, any of its Subsidiaries and/or the Sonic Group; and (F) the Participant's illegal use of controlled substances.

(ii) *"Code"* has the meaning given to such term under the Plan.

(iii) "*Compensation Committee*" has the meaning given to the term "Committee" under the Plan.

(iv) *"Disability"* means that the Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, unable to engage in the material and substantial duties of the Participant's occupation. The determination of Disability shall be determined in good faith by the Compensation Committee.

(v) "*Sonic Group*" means the Company and its Subsidiaries and affiliates.

(vi) *"Termination of Service"* has the meaning given to such term under the Plan.

4. ***Settlement of Restricted Stock Units***. The number of Restricted Stock Units that become vested pursuant to Section 2 above shall be converted to, and settled in the form of, a single payment in the form of an equivalent number of shares of Common Stock within thirty-one (31) days after such date. The number of Restricted Stock Units that become vested as of an earlier date pursuant to Section 3 above as a result of the Participant's Separation from Service due to the Participant's death, Disability or termination by the Company without Cause shall be converted to, and settled in the form of, a single complete payment of an equivalent number of shares of Common Stock within thirty-one (31) days after such Separation from Service; provided, that the Participant shall not be permitted, directly or indirectly, to designate the taxable year of the payment.

Notwithstanding the foregoing, if settlement of the Restricted Stock Units is triggered under Section 3(a) or (b) by a Separation from Service due to Disability or termination by the Company without Cause, and the Participant is classified as of the date of such Separation from Service as a "specified employee" within the meaning of that term under Section 409A(a)(2)(B) of the Code (and determined by the Company in accordance with its procedures for such purpose), any settlement that otherwise would have been made during the six (6)-month period from the date of the Participant's Separation from Service instead shall be made on the first business day following the expiration of such six (6)-month period (or, in accordance with Section 409A of the Code, an earlier date during such six (6)-month period in the event of the Participant's death during such period). However, the foregoing six-month delay provision shall apply only to the extent any of the Restricted Stock Units provide for a deferral of compensation under Section 409A of the Code.

5. ***Change in Control***. In the event of a "Change in Control" (as defined below), the Restricted Stock Units shall become fully vested on the date of such Change in Control; provided, that to the extent any of the Restricted Stock Units provide for a deferral of compensation under Section 409A of the Code, the foregoing shall apply only if such Change in Control also constitutes a "change in control event" under Section 409A of the Code. The Restricted Stock Units that become vested pursuant to the foregoing shall be converted to, and settled in the form of, a single complete payment of an equivalent number of shares of Common Stock within thirty (30) days after such Change in Control; provided, that the Participant shall not be permitted, directly or indirectly, to designate the taxable year of the payment.

For purposes of this Restricted Stock Unit Agreement, a "Change in Control" means any of the following events: (i) a change in the ownership of the Company, (ii) a change in the effective control of the Company, or (iii) a change in the ownership of a substantial portion of the assets of the Company:

(1) A change in the ownership of the Company occurs on the date on which any one person, or more than one person acting as a group (other than (A) Sonic Financial Corporation, O. Bruton Smith or David Bruton Smith, (B) any spouse, immediate family member or lineal descendent of O. Bruton Smith or David Bruton Smith (collectively with O. Bruton Smith or David Bruton Smith, a "Smith Family Member") or (C) any trust, corporation, partnership or other entity the beneficiaries, stockholders, partners or owners of which are Smith Family Members (the persons and entities in (A), (B) and (C) referred to, individually and collectively, as the "Smith Group")) acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company.

(2) A change in the effective control of the Company occurs on the date on which either: (A) a person, or more than one person acting as a group, (in either case, other than members of the Smith Group) acquires ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the stock of the Company, taking into account all such stock acquired during the twelve-month period ending on the date of the most recent acquisition, or (B) a majority of the members of the Company's Board of Directors is replaced during any twelve-month period by directors whose appointment or election is not endorsed by a majority of the members of such Board of Directors prior to the date of the appointment or election, but only if no other corporation is a majority shareholder of the Company.

(3) A change in the ownership of a substantial portion of assets occurs on the date on which any one person, or more than one person acting as a group, other than members of the Smith Group or any other person or group of persons that is related to the Company, acquires assets from the Company that have a total gross fair market value equal to or more than fifty percent (50%) of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions, taking into account all such assets acquired during the twelve-month period ending on the date of the most recent acquisition.

The determination as to the occurrence of a Change in Control shall be based on objective facts and in accordance with the requirements of Section 409A of the Code.

6. ***No Dividend Equivalents***. The Participant shall not be credited with or receive any dividend equivalents with respect to the Restricted Stock Units.

7. ***No Rights as Stockholder Prior to Settlement***. The Participant shall have no rights as a stockholder of the Company with respect to any shares of Common Stock represented by the Restricted

Stock Units until the Participant shall have become the holder of record of such Common Stock. No adjustments shall be made for distributions (whether in cash, units, securities or other property) by the Company or other rights for which the record date is prior to the date that the Participant shall have become the holder of record of such shares of Common Stock.

8. ***Restrictions on Transferability***. The Participant may not sell, assign, convey, pledge, exchange, hypothecate, alienate or otherwise dispose of or transfer the Restricted Stock Units in any manner. No assignment, pledge or transfer of the Restricted Stock Units, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, shall be effective; but immediately upon any such attempt to assign, pledge or otherwise transfer the Restricted Stock Units, the Restricted Stock Units shall be forfeited.

9. ***Company Policies***. The Restricted Stock Units are subject to the terms and conditions of any policy regarding clawbacks, forfeitures, or recoupments adopted by the Company from time to time. Without limiting the foregoing, by acceptance of the Restricted Stock Units, the Participant agrees to repay to the Company or any Subsidiary any amount that may be required to be repaid under any such policy.

10. ***Restrictive Covenants***.

(a) Confidential Information.

(i) The Sonic Group is engaged in the business of owning and operating automobile and/or truck dealerships and collision repair centers, which business includes, without limitation, the marketing, selling and leasing of new and/or used automobiles and trucks, the servicing of automobiles and/or trucks, including collision repair, and the provision of financing and insurance to automobile and truck customers, and the development and implementation of new and highly proprietary business methods, technologies, and marketing strategies to expand such business (the "Business"). As a result of the Participant's employment by the Company and his continuing employment, the Participant has and will have access to valuable, highly confidential, privileged and proprietary information relating to the Business, including, without limitation, existing and future inventory information, financial information, unpublished present and future marketing strategies and promotional programs, proprietary technologies and innovative business methods and strategies and other information regarded by the Sonic Group as proprietary and confidential (the "Confidential Information"). The Company and the Participant acknowledge that unauthorized use or disclosure by the Participant of any of the Confidential Information would seriously damage the Sonic Group in its Business. Therefore, the Participant agrees that during the term of employment with the Company and/or any other member of the Sonic Group, and after termination of employment for any reason, the Participant will not, without the Sonic Group's prior written consent, use, divulge, disclose, furnish or make accessible to any third person, company or other entity, any aspect of the Confidential Information (other than as required in the ordinary discharge of the Participant's duties). The Participant acknowledges that all files, computer disks, records, lists, designs, specifications, books, products, plans and other materials or property owned or used by the Sonic Group in connection with the conduct of its Business shall at all times remain the property of the Sonic Group, and that upon termination or expiration of employment for any reason or upon request of the Company, the Participant will immediately surrender to the Sonic Group all such materials, including but not limited to those containing Confidential Information.

(ii) Pursuant to the federal Defend Trade Secrets Act of 2016, 18 USC § 1832, the Company shall not retaliate or take adverse action against the Participant, and disclosure shall not be a violation of this Agreement if it is based on the Participant's disclosure of information that (A) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(b) Non-Solicitation. During his employment and for a period of two (2) years following the Participant's resignation from the Sonic Group or termination of the Participant's employment with the Sonic Group for any reason, the Participant shall not on his own behalf or on behalf of any other individual or entity:

(i) employ or solicit the employment of, or hire or retain as an agent, consultant or any other capacity, or engage in any business enterprise with, any person who at any time during the twelve (12) calendar months immediately preceding the termination or expiration of his employment, was employed by the Sonic Group.

(ii) interfere or attempt to interfere with the terms or any aspects of the relationship between the Sonic Group and any person or entity from whom the Sonic Group has purchased automobiles, trucks, parts, supplies, inventory or services, including but not limited to any automobile manufacturer or its U.S. sales affiliate, at any time during the twelve (12) calendar months immediately preceding the termination or expiration of his employment.

(c) Agreements with Respect to Ownership of Work Product.

(i) "Work Product" shall mean and include, without limitation, any and all products, designs, works, discoveries, inventions and improvements, and other results of the Participant's employment by the Sonic Group (including, without limitation, any ideas, routines, object and source codes, specifications, flowcharts and other material and documentation, together with all information, data and know-how, alterations, corrections, improvements and upgrades thereto), that may be conceived, developed, produced, prepared, created, or contributed to (whether at the Sonic Group's premises or elsewhere) by the Participant, acting alone or with others, during the period of his employment by the Sonic Group (or at any time after the termination of the Participant's employment by the Sonic Group if derived from, based upon or relating to any Confidential Information).

(ii) The Participant agrees and acknowledges that all (A) Work Product that is conceived, created, designed, developed and contributed by the Participant in his capacity as an employee of the Sonic Group is deemed to be within the scope of his employment and (B) "works made for hire" under the United States Copyright Act (or other applicable statute), and all worldwide rights, title, and interest in and to any and all Work Product, shall be and remain the exclusive property of the Sonic Group, free from any legal or equitable claim of right, title, or interest which the Participant might have in or with respect thereto.

(iii) The Participant acknowledges that all Work Product that is not covered by Section 10(c)(ii) above shall be deemed to have been specifically ordered or commissioned by the Sonic Group, and in consideration of the compensation and other benefits provided by the Sonic Group to the Participant to the extent permitted by applicable law, the Participant hereby assigns, transfers and conveys to the Sonic Group any and all worldwide rights, title, and interest that he may have in or to the Work Product, including without limitation, any right, title and interest in or to the Work Product arising under trade secret, copyright, mask work, patent laws or any other laws. During and after the term of the Participant's engagement by the Sonic Group, the Participant shall from time to time and when requested by the Sonic Group and at the Sonic Group's expense, but without further consideration to the Participant (A) execute all paper and documents and perform all other acts necessary or appropriate, in the sole discretion of the Sonic Group, to evidence or further document the Sonic Group's ownership of the Work Product and the above-mentioned propriety rights therein, and (B) assist the Sonic Group in obtaining, registering, maintaining and defending for the Sonic Group's benefit (which defense shall be at the Sonic Group's expense) all patents, copyrights, mask work rights, trade secret rights and other proprietary rights in and to the Work Product in any and all countries as the Sonic Group may determine in its sole discretion. The Participant agrees that if for any reason he fails to fulfill such obligations, the Sonic Group may complete and execute any such documents in the Participant's name and on his behalf.

(d) Non-Competition.

(i) In the event that the Participant resigns his employment with the Sonic Group or is terminated by the Sonic Group at any time for "Cause," (as defined in Section 3(d)), for a period of two (2) years following resignation or termination, he shall not provide information to, solicit or sell for, organize or own any interest in (either directly or through any parent, affiliate or subsidiary corporation, partnership or other entity), or become employed or engaged by, or act as an agent or consultant for any individual or entity engaged in the Business in the Restricted Territory in a capacity that is the same or similar to that performed for the Sonic Group; provided, however, that nothing herein shall preclude the Participant from holding not more than three percent (3%) of the outstanding shares of any publicly held company which may be so engaged in a trade or business identical or similar to the Business of the Sonic Group, so long as such ownership does not provide to the Participant the ability to influence the management of such company in any material respect. The restriction contained in this subparagraph shall extend to the Company's Subsidiaries and affiliates because, as acknowledged by the Participant, his job duties include responsibility for the performance of such Subsidiaries and affiliates.

(ii) Except where such agreement is prohibited by applicable law, the Participant hereby agrees that he shall not at any time during his employment or engagement with the Sonic Group and for a period of one (1) year thereafter engage in or divert any business opportunity that (A) the Participant learned or became aware of or was involved in at any time during his employment or engagement with the Sonic Group or as a result of or in connection with such employment or engagement or (B) the Sonic Group is pursuing as a corporate opportunity.

(iii) For purposes of this Restricted Stock Unit Agreement, "Restricted Territory" shall mean a seventy-five (75) mile radius from any new or used automobile and/or truck dealership and/or collision repair center owned or operated by any member of the Sonic Group, including, without limitation, all dealerships and collision repair centers currently being operated by any member of the Sonic Group or added in the future through the term of Participant's service with the Sonic Group.

(e) Remedies. It is stipulated that a breach by the Participant of any of the provisions of this Section 10 would cause irreparable damage to the Sonic Group. The Sonic Group, in addition to any other rights or remedies which it may have, shall be entitled to an injunction restraining the Participant from violating or continuing any violation of the provisions of this Section 10. Such right to obtain injunctive relief may be exercised at the option of the Sonic Group, concurrently with, prior to, after, or in lieu of the exercise of any other rights or remedies which the Sonic Group may have as a result of any such breach or threatened breach.

(f) Clawback. In the event that the Company determines that the Participant has violated the terms of the restrictive covenants in this Section 10 or any other restrictive covenants or clauses contained in any agreement with the Company and/or one or more Subsidiaries (even if such covenants, clauses or agreements are held invalid or unenforceable), then (i) all unvested Restricted Stock Units and any shares of Common Stock arising from vested Restricted Stock Units that have not yet been delivered to the Participant shall be immediately and automatically forfeited and rescinded upon such violation and (ii) if the Restricted Stock Units have vested after such violation or within two (2) years prior to such violation, then (without regard to tax consequences) the Participant agrees to return the corresponding shares of Common Stock to the Company or if the Participant has sold or disposed of such shares, the Participant agrees to immediately pay the Company an amount equal to the fair market value of such shares at the time of such sale or disposition. Subject to applicable law, the Company and its Subsidiaries shall have the right to offset such payment amount against any amounts otherwise owed to the Participant by the Company or a Subsidiary (including, but not limited to, wages or other compensation, vacation pay, fringe benefits or pursuant to any other compensatory arrangement); provided, that any payment that constitutes nonqualified deferred compensation subject to Section 409A of the Code, as determined by the Company, shall be subject to offset only to the extent such offset would not give rise to a failure to comply with Section 409A of the Code. Notwithstanding the foregoing, nothing under this Section shall limit the Company's or its Subsidiaries' remedies under this Restricted Stock Unit Agreement or any other restrictive covenant agreements against the Participant for violations thereof.

(g) Acknowledgement of Reasonableness. The Participant has carefully read and considered the provisions of this Section 10, has had the opportunity for consultation with an attorney of the Participant's choice, and agrees that the restrictions set forth herein are fair and reasonably required for the protection of the Sonic Group.

11. ***Forfeiture Procedures***. In the event of the forfeiture of any Restricted Stock Units, such forfeiture shall be automatic and without further act or deed by the Participant. Notwithstanding the foregoing, if requested by the Company (or its agent), the Participant shall execute such documents (including, without limitation, a power of attorney in favor of the Company) and take such other action deemed necessary or desirable by the Company to evidence such forfeiture.

12. ***Tax Matters (Withholding)***. The Participant shall pay or make provision for payment to the Company or a Subsidiary, as applicable, through payroll or other withholding (which withholding the Participant hereby authorizes) or other means acceptable to the Compensation Committee and permissible under the Plan, the amount necessary to satisfy any federal, state or local withholding requirements applicable to any taxable event arising in connection with the Restricted Stock Units (including, without limitation, vesting events). If other satisfactory withholding arrangements have not been made by the Participant and unless otherwise provided by the Compensation Committee, the Company shall retain and withhold from the Common Stock otherwise deliverable to the Participant upon vesting of the Restricted Stock Units such number of shares with a fair market value sufficient to satisfy the statutory minimum required withholding amount and any remaining amount shall be otherwise satisfied as described above. The determination of the withholding amounts due shall be made by the Company and/or its Subsidiaries and shall be binding upon the Participant. The Company shall not be required to deliver such shares of Common Stock unless the Participant has made acceptable arrangements to satisfy any such withholding requirements. Nothing in this Section shall be construed to impose on the Company a duty to withhold where applicable law does not require such withholding.

THE PARTICIPANT ACKNOWLEDGES THAT THE PARTICIPANT IS RESPONSIBLE FOR AND IS ADVISED TO CONSULT WITH THE PARTICIPANT'S OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THE PARTICIPANT THAT MAY ARISE IN CONNECTION WITH THE RESTRICTED STOCK UNITS.

13. ***Adjustments***. Subject to the Plan, in the event of a reorganization, recapitalization, stock split, stock dividend, extraordinary dividend, spin-off, combination of shares, merger, consolidation or similar transaction or other change in corporate capitalization affecting the Common Stock, equitable adjustments and/or substitutions, as applicable, will be made to the outstanding Restricted Stock Units by the Compensation Committee to prevent the dilution or enlargement of rights. The Compensation Committee also will make adjustments in its discretion to eliminate any resulting fractional shares.

The existence of the Restricted Stock Units does not affect in any way the authority of the Company and its stockholders to exercise their corporate rights and powers, including, but not by way of limitation, the right of the Company to authorize any adjustment, reclassification, reorganization, or other change in its capital or business structure, any merger or consolidation of the Company, the dissolution or liquidation of the Company, the issuance of securities with preference ahead of or affecting the Common Stock, or any sale or transfer of all or any part of its business or assets.

14. ***Nature of Arrangement***. The Participant's rights under this Restricted Stock Unit Agreement shall be only contractual in nature unsecured by any assets of the Company or any Subsidiary. The Company shall not be required to segregate any specific funds, assets or other property from its general assets with respect to the Restricted Stock Units. The Participant shall have no rights under this Restricted Stock Unit Agreement other than as an unsecured general creditor of the Company. To the extent that this Restricted Stock Unit Agreement provides for a deferral of compensation within the meaning of Section 409A of the Code, this Restricted Stock Unit Agreement is intended to comply with Section 409A of the Code and shall be interpreted consistent with such intent. References in this Restricted Stock Unit Agreement to Section 409A of the Code also shall be deemed to include reference to applicable regulations or other authoritative guidance thereunder, and any amendments or successor provisions to such section, regulations or guidance. To the extent applicable, each and every payment made pursuant to this Restricted Stock Unit Agreement shall be treated as a separate payment and not as one of a series of payments treated as a single payment for purposes of Section 409A of the Code. Notwithstanding the foregoing, the Company does not guarantee to the Participant that this Restricted Stock Unit Agreement complies with or is exempt from Section 409A of the Code, and shall not indemnify or hold harmless the Participant with respect to any tax consequences that arise from any such failure under Section 409A of the Code.

15. ***Securities Laws***. Notwithstanding any provision herein to the contrary or in the Plan, the Company shall be under no obligation to issue any shares of Common Stock to the Participant pursuant to this Restricted Stock Unit Agreement unless and until the Company has determined that such issuance is either exempt from registration, or is registered, under the Securities Act of 1933, as amended, and is either exempt from registration and qualification, or is registered or qualified, as applicable, under all applicable state securities or "blue sky" laws. Nothing in this Restricted Stock Unit Agreement shall be construed to obligate the Company at any time to file or maintain a registration statement under the Securities Act of

1933, as amended, or to effect similar compliance under any applicable state laws with respect to any Common Stock that may be issued pursuant to this Restricted Stock Unit Agreement. The Company may require that the Participant make such representations and agreements and furnish such information as the Company deems appropriate to assure compliance with applicable legal and regulatory requirements.

16. ***Resolution of Disputes; Interpretation***. Any question of interpretation, dispute or disagreement that arises under, or as a result of, this Restricted Stock Unit Agreement shall be determined by the Compensation Committee in its absolute and uncontrolled discretion, and any determination or other interpretation by the Compensation Committee in connection with this Restricted Stock Unit Agreement shall be final, binding and conclusive on all parties affected thereby.

17. ***Personal Data***. The Participant acknowledges that Plan participation and receipt of awards under the Plan (including the Restricted Stock Units) involve the use and transfer, in electronic or other form, of personal data about the Participant between and among the Company, its Subsidiaries and third-party service providers. This data may include, but is not limited to, the Participant's name, home address, telephone number, date of birth, social security number, information regarding securities of the Company held by such Participant, and details of awards granted to the Participant under the Plan, including the Restricted Stock Units. By accepting the Restricted Stock Units, the Participant consents and agrees that the Company and its Subsidiaries may transfer such data to third parties assisting the Company in the administration and management of the Plan, the Restricted Stock Units and the Participant's participation in the Plan, including any requisite transfer of such data to a broker or other third party with whom the Company or the Participant may deposit any shares of Common Stock.

18. ***Miscellaneous***.

(a) Binding on Successors and Representatives. The rights and obligations of the Participant under this Restricted Stock Unit Agreement shall inure to the benefit of the Company and other members of the Sonic Group, their successors and assigns, and shall be binding upon the Participant and the Participant's heirs, executors, administrators and personal representatives, and the parties agree, for themselves and their successors, representatives and assigns, to execute any instrument that may be necessary legally to effect the terms and conditions of this Restricted Stock Unit Agreement. The Company also shall have the right to assign, transfer or convey this Restricted Stock Unit Agreement to its affiliated companies, successor entities, or assignees or transferees of substantially all of the Company's business activities.

(b) No Employment Rights. Nothing contained in this Restricted Stock Unit Agreement shall confer upon the Participant any right to continue in the employ or service of the Company or any Subsidiary nor interfere with or limit in any way the right of the Company or a Subsidiary to terminate the Participant's employment by, or performance of services for, the Company or Subsidiary at any time.

(c) Entire Agreement. This Restricted Stock Unit Agreement together with the Plan contains the entire agreement of the parties hereto with respect to the Restricted Stock Units and supersedes and replaces all prior agreements, arrangements and understandings, whether written or oral, with respect thereto; provided, however, it is expressly agreed that the restrictive covenants contained herein shall be in addition to and not in lieu of any other obligations of the Participant pursuant to any other restrictive provisions and agreements, including, without limitation, any confidentiality, non-solicitation, no-hire and/or non-competition agreements.

(d) Amendment. Except as otherwise provided below or in the Plan, neither this Restricted Stock Unit Agreement nor any of the terms and conditions herein set forth may be altered or amended orally, and any such alteration or amendment shall be effective only when reduced to writing and agreed to by each of the parties hereto. Notwithstanding the foregoing, to the extent applicable, it is intended that this Restricted Stock Unit Agreement comply with the provisions of Section 409A of the Code. The Company or the Compensation Committee may, without obtaining the Participant's written consent, amend this Restricted Stock Unit Agreement in any respect either deems necessary or advisable to comply with Section 409A of the Code and applicable regulations and guidance thereunder and/or to prevent this Restricted Stock Unit Agreement from being subject to Section 409A of the Code.

(e) Construction of Terms and Definitions. Any reference herein to the singular or plural shall be construed as plural or singular whenever the context requires. Capitalized terms not otherwise defined in this Restricted Stock Unit Agreement shall have the meanings ascribed to them in the Plan.

(f) Notices. All notices required and permitted to be given hereunder shall be in writing and shall be deemed to have been given (i) if delivered by hand, when so delivered; (ii) if sent by Federal Express or other overnight express service, one (1) business day after delivery to such service; or (iii) if mailed by certified or registered mail, return receipt requested, three (3) days after delivery to the post office. In each case, all notices shall be addressed to the intended recipient as follows or at such other address as is provided by either party by notice to the other:

If to the Company:	With a copy to:
Sonic Automotive, Inc. Attention: Chief Executive Officer 4401 Colwick Road Charlotte, NC 28211	Sonic Automotive, Inc. Attention: General Counsel 4401 Colwick Road Charlotte, NC 28211

If to the Participant:

The Participant's address appearing in the Company's records.

(g) Governing Law. This Restricted Stock Unit Agreement shall, in all respects, be governed by and construed according to the laws of the State of North Carolina. Any dispute or controversy arising out of or relating to this Restricted Stock Unit Agreement shall also be governed by the laws of the State of North Carolina.

(h) Arbitration. Any dispute or controversy arising out of or relating to this Restricted Stock Unit Agreement shall be settled exclusively by arbitration in Charlotte, North Carolina, in accordance with the terms of the Company's standard arbitration agreement. This exclusive arbitration remedy shall not apply to the Company's right to seek in any court a temporary restraining order or other injunctive relief or provisional remedy necessary to enforce the restrictive covenants contained herein (specifically Section 10) pending final resolution at arbitration.

(i) Severability. The invalidity or unenforceability of any particular provision of this Restricted Stock Unit Agreement shall not affect the other provisions hereof, and the Compensation Committee may elect in its discretion to construe such invalid or unenforceable provision in a manner which conforms to applicable law or as if such provision was omitted. Notwithstanding the foregoing, each provision of Section 10 of this Restricted Stock Unit Agreement is intended to be severable. If any term or provision of Section 10 is held to be invalid, void, unreasonable or unenforceable by a court of competent jurisdiction for any reason whatsoever, such ruling shall not affect the remainder of Section 10. If the restraints provided for in Section 10 are deemed too broad as to the customers, area, activity or time covered, then the customers, area, or activity or time covered shall be reduced to the extent deemed reasonable, and the covenants in Section 10 and remedy of injunctive relief shall be enforced as to such reduced customers, area, activity or time.

(j) Waiver. The Company may waive any breach or non-fulfillment by the Participant of any provision of this Restricted Stock Unit Agreement. Any waiver of a breach of any provision of this Restricted Stock Unit Agreement shall not operate or be construed as a waiver of, or estoppel with respect to, any subsequent breach.

(k) Electronic Delivery and Acknowledgement. The Participant also acknowledges and agrees that the Company may, in its discretion, deliver documents related to the Restricted Stock Units and participation in the Plan (including, without limitation, this Restricted Stock Unit Agreement, Plan documents and disclosures that may be required by the Securities and Exchange Commission) by electronic means, including through an on-line or electronic system (including by posting them on a website) established and maintained by the Company or a third party designated by the Company, and the

Participant consents to receive documents in such manner. Regardless of whether the Company delivers and permits or requires acceptance of this Restricted Stock Unit Agreement electronically, the Participant agrees to be bound by all terms and provisions of this Restricted Stock Unit Agreement and the Plan.

IN WITNESS WHEREOF, the parties hereto have executed this Restricted Stock Unit Agreement effective as of the day and year first written above. Notwithstanding the foregoing, this Restricted Stock Unit Agreement shall be of no force or effect unless the Participant executes and delivers this Restricted Stock Unit Agreement to the Chief Executive Officer of the Company no later than March 31, 2022.

SONIC AUTOMOTIVE, INC.
on behalf of itself, its affiliates and subsidiaries

By: /s/ David B. Smith
David B. Smith

Title: Chief Executive Officer

Date: 3/14/22

PARTICIPANT: HEATH R. BYRD

/s/ Heath R. Byrd

Date: 3/14/2022

Exhibit 31.1

CERTIFICATION

I, Heath R. Byrd, certify that:

1. I have reviewed this Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2022 of Sonic Automotive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 28, 2022

By: /s/ HEATH R. BYRD

Heath R. Byrd

Executive Vice President and Chief Financial Officer

Exhibit 31.2

CERTIFICATION

I, David Bruton Smith, certify that:

1. I have reviewed this Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2022 of Sonic Automotive, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

October 28, 2022

By: /s/ DAVID BRUTON SMITH

David Bruton Smith

Chairman and Chief Executive Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2022 of Sonic Automotive, Inc. (the "Company"), as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Heath R. Byrd, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HEATH R. BYRD

Heath R. Byrd
Executive Vice President and Chief Financial Officer
October 28, 2022

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2022 of Sonic Automotive, Inc. (the “Company”), as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David Bruton Smith, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID BRUTON SMITH

David Bruton Smith
Chairman and Chief Executive Officer
October 28, 2022