

**SONIC AUTOMOTIVE, INC.
CONSOLIDATED BALANCE SHEETS**

	December 31, 2019	December 31, 2018
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 29,103	\$ 5,854
Receivables, net	432,742	438,186
Inventories	1,517,875	1,528,461
Other current assets	37,890	20,886
Total current assets	2,017,610	1,993,387
Property and Equipment, net	1,097,247	1,178,489
Goodwill	475,791	509,592
Other Intangible Assets, net	64,300	69,705
Operating Right-of-Use Lease Assets	337,842	—
Finance Right-of-Use Lease Assets	34,691	—
Other Assets	43,554	45,634
Total Assets	\$ 4,071,035	\$ 3,796,807
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable - floor plan - trade	\$ 860,871	\$ 821,074
Notes payable - floor plan - non-trade	678,223	712,966
Trade accounts payable	135,217	114,263
Operating short-term lease liabilities	43,332	—
Finance short-term lease liabilities	1,564	—
Accrued interest	10,830	13,417
Other accrued liabilities	266,211	257,823
Current maturities of long-term debt	69,908	26,304
Total current liabilities	2,066,156	1,945,847
Long-Term Debt	636,978	918,779
Other Long-Term Liabilities	73,746	75,887
Operating Long-Term Lease Liabilities	304,151	—
Finance Long-Term Lease Liabilities	36,313	—
Deferred Income Taxes	8,927	33,178
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; 64,733,667 shares issued and 31,105,000 shares outstanding at December 31, 2019; 64,197,385 shares issued and 30,721,226 shares outstanding at December 31, 2018	647	642
Class B Common Stock, \$0.01 par value; 30,000,000 shares authorized; 12,029,375 shares issued and outstanding at December 31, 2019 and 2018	121	121
Paid-in capital	755,904	745,052
Retained earnings	790,158	670,691
Accumulated other comprehensive income (loss)	(2,062)	4,233
Treasury stock, at cost; 33,628,667 Class A Common Stock shares held at December 31, 2019 and 33,476,159 Class A Common Stock shares held at December 31, 2018	(600,004)	(597,623)
Total Stockholders' Equity	944,764	823,116
Total Liabilities and Stockholders' Equity	\$ 4,071,035	\$ 3,796,807

See notes to consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
	2019	2018	2017
	(Dollars and shares in thousands, except per share amounts)		
Revenues:			
New vehicles	\$ 4,889,171	\$ 4,974,097	\$ 5,295,051
Used vehicles	3,489,972	2,973,498	2,622,053
Wholesale vehicles	202,946	217,625	171,064
Total vehicles	8,582,089	8,165,220	8,088,168
Parts, service and collision repair	1,395,303	1,380,887	1,416,010
Finance, insurance and other, net	476,951	405,523	363,030
Total revenues	10,454,343	9,951,630	9,867,208
Cost of Sales:			
New vehicles	(4,656,084)	(4,732,595)	(5,030,125)
Used vehicles	(3,342,576)	(2,830,510)	(2,467,150)
Wholesale vehicles	(207,378)	(228,874)	(179,778)
Total vehicles	(8,206,038)	(7,791,979)	(7,677,053)
Parts, service and collision repair	(727,288)	(713,526)	(732,479)
Total cost of sales	(8,933,326)	(8,505,505)	(8,409,532)
Gross profit	1,521,017	1,446,125	1,457,676
Selling, general and administrative expenses	(1,099,374)	(1,145,325)	(1,147,773)
Impairment charges	(20,768)	(29,514)	(9,394)
Depreciation and amortization	(93,169)	(93,623)	(88,944)
Operating income (loss)	307,706	177,663	211,565
Other income (expense):			
Interest expense, floor plan	(48,519)	(48,398)	(36,395)
Interest expense, other, net	(52,953)	(54,059)	(52,524)
Other income (expense), net	(6,589)	106	(14,522)
Total other income (expense)	(108,061)	(102,351)	(103,441)
Income (loss) from continuing operations before taxes	199,645	75,312	108,124
Provision for income taxes for continuing operations - benefit (expense)	(55,108)	(22,922)	(13,971)
Income (loss) from continuing operations	144,537	52,390	94,153
Discontinued operations:			
Income (loss) from discontinued operations before taxes	(554)	(1,017)	(1,942)
Provision for income taxes for discontinued operations - benefit (expense)	154	277	772
Income (loss) from discontinued operations	(400)	(740)	(1,170)
Net income (loss)	\$ 144,137	\$ 51,650	\$ 92,983
Basic earnings (loss) per common share:			
Earnings (loss) per share from continuing operations	\$ 3.36	\$ 1.23	\$ 2.14
Earnings (loss) per share from discontinued operations	(0.01)	(0.02)	(0.03)
Earnings (loss) per common share	\$ 3.35	\$ 1.21	\$ 2.11
Weighted average common shares outstanding	43,016	42,708	43,997
Diluted earnings (loss) per common share:			
Earnings (loss) per share from continuing operations	\$ 3.31	\$ 1.22	\$ 2.12
Earnings (loss) per share from discontinued operations	(0.01)	(0.02)	(0.03)
Earnings (loss) per common share	\$ 3.30	\$ 1.20	\$ 2.09
Weighted average common shares outstanding	43,710	42,950	44,358

See notes to consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
Net income (loss)	\$ 144,137	\$ 51,650	\$ 92,983
Other comprehensive income (loss) before taxes:			
Change in fair value of interest rate swap and rate cap agreements	(3,819)	2,173	6,186
Amortization of terminated interest rate swap agreements	(2,484)	(429)	—
Pension actuarial income (loss)	(2,670)	2,368	(429)
Total other comprehensive income (loss) before taxes	(8,973)	4,112	5,757
Provision for income tax benefit (expense) related to components of other comprehensive income (loss)	2,678	(1,186)	(2,188)
Other comprehensive income (loss)	(6,295)	2,926	3,569
Comprehensive income (loss)	\$ 137,842	\$ 54,576	\$ 96,552

See notes to consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Class A		Class A		Class B		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Common Stock		Treasury Stock		Common Stock					
	Shares	Amount	Shares	Amount	Shares	Amount				
	(In thousands)									
Balance at December 31, 2016	62,967	\$ 630	(30,263)	\$ (536,166)	12,029	\$ 121	\$ 721,695	\$ 541,146	\$ (2,262)	\$ 725,164
Shares awarded under stock compensation plans	490	5	—	—	—	—	40	—	—	45
Purchases of treasury stock	—	—	(2,027)	(37,347)	—	—	—	—	—	(37,347)
Effect of cash flow hedge instruments, net of tax expense of \$2,351	—	—	—	—	—	—	—	—	3,835	3,835
Pension actuarial income, net of tax benefit of \$163	—	—	—	—	—	—	—	—	(266)	(266)
Restricted stock amortization	—	—	—	—	—	—	11,119	—	—	11,119
Net income (loss)	—	—	—	—	—	—	—	92,983	—	92,983
Class A dividends declared (\$0.20 per share)	—	—	—	—	—	—	—	(6,367)	—	(6,367)
Class B dividends declared (\$0.20 per share)	—	—	—	—	—	—	—	(2,406)	—	(2,406)
Balance at December 31, 2017	63,457	\$ 635	(32,290)	\$ (573,513)	12,029	\$ 121	\$ 732,854	\$ 625,356	\$ 1,307	\$ 786,760
Shares awarded under stock compensation plans	740	7	—	—	—	—	345	—	—	352
Purchases of treasury stock	—	—	(1,186)	(24,110)	—	—	—	—	—	(24,110)
Effect of cash flow hedge instruments, net of tax expense of \$460	—	—	—	—	—	—	—	—	1,284	1,284
Pension actuarial income, net of tax expense of \$726	—	—	—	—	—	—	—	—	1,642	1,642
Restricted stock amortization	—	—	—	—	—	—	11,853	—	—	11,853
Net income (loss)	—	—	—	—	—	—	—	51,650	—	51,650
Cumulative effect of change in accounting principle (1)	—	—	—	—	—	—	—	3,918	—	3,918
Class A dividends declared (\$0.24 per share)	—	—	—	—	—	—	—	(7,346)	—	(7,346)
Class B dividends declared (\$0.24 per share)	—	—	—	—	—	—	—	(2,887)	—	(2,887)
Balance at December 31, 2018	64,197	\$ 642	(33,476)	\$ (597,623)	12,029	\$ 121	\$ 745,052	\$ 670,691	\$ 4,233	\$ 823,116
Shares awarded under stock compensation plans	537	5	—	—	—	—	55	—	—	60
Purchases of treasury stock	—	—	(153)	(2,381)	—	—	—	—	—	(2,381)
Effect of cash flow hedge instruments, net of tax benefit of \$1,944	—	—	—	—	—	—	—	—	(4,359)	(4,359)
Pension actuarial income, net of tax benefit of \$734	—	—	—	—	—	—	—	—	(1,936)	(1,936)
Restricted stock amortization	—	—	—	—	—	—	10,797	—	—	10,797
Net income (loss)	—	—	—	—	—	—	—	144,137	—	144,137
Cumulative effect of change in accounting principle (1)	—	—	—	—	—	—	—	(7,428)	—	(7,428)
Class A dividends declared (\$0.40 per share)	—	—	—	—	—	—	—	(12,430)	—	(12,430)
Class B dividends declared (\$0.40 per share)	—	—	—	—	—	—	—	(4,812)	—	(4,812)
Balance at December 31, 2019	64,734	\$ 647	(33,629)	\$ (600,004)	12,029	\$ 121	\$ 755,904	\$ 790,158	\$ (2,062)	\$ 944,764

(1) See Note 1, “Description of Business and Summary of Significant Accounting Policies,” for further discussion of the effects of adoption of new accounting pronouncements.

See notes to consolidated financial statements.

SONIC AUTOMOTIVE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2019	2018	2017
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 144,137	\$ 51,650	\$ 92,983
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization of property and equipment	89,949	93,617	88,938
Provision for bad debt expense	522	531	748
Other amortization	5	617	649
Debt issuance cost amortization	2,478	2,418	2,383
Debt discount amortization, net of premium amortization	—	—	157
Stock-based compensation expense	10,797	11,853	11,119
Deferred income taxes	(20,845)	(20,606)	(27,760)
Net distributions from equity investee	(101)	(225)	(138)
Asset impairment charges	20,768	29,514	9,394
Loss (gain) on disposal of dealerships and property and equipment	(75,318)	(43,164)	(10,194)
Loss (gain) on exit of leased dealerships	(170)	1,709	2,157
Loss (gain) on retirement of debt	6,690	—	14,607
Changes in assets and liabilities that relate to operations:			
Receivables	4,652	50,351	(52,989)
Inventories	(78,523)	(78,701)	57,250
Other assets	47,472	11,288	3,266
Notes payable - floor plan - trade	39,797	16,836	(46,299)
Trade accounts payable and other liabilities	(21,396)	15,987	16,612
Total adjustments	26,777	92,025	69,900
Net cash provided by (used in) operating activities	170,914	143,675	162,883
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of businesses, net of cash acquired	—	—	(76,610)
Purchases of land, property and equipment	(125,576)	(163,619)	(234,245)
Proceeds from sales of property and equipment	10,841	19,554	596
Proceeds from sales of dealerships	250,711	128,734	38,150
Proceeds from company-owned life insurance	805	—	—
Net cash provided by (used in) investing activities	136,781	(15,331)	(272,109)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (repayments) borrowings on notes payable - floor plan - non-trade	(34,743)	3,868	33,745
Borrowings on revolving credit facilities	482,488	918,967	327,070
Repayments on revolving credit facilities	(482,488)	(993,967)	(252,070)
Proceeds from issuance of long-term debt	109,088	21,072	302,483
Debt issuance costs	(1,427)	(144)	(4,855)
Principal payments and repurchase of long-term debt	(40,274)	(45,053)	(36,836)
Repurchase of debt securities	(294,095)	—	(210,914)
Reduction of finance lease liabilities	(5,181)	—	—
Purchases of treasury stock	(2,381)	(24,110)	(37,347)
Issuance of shares under stock compensation plans	60	352	45
Dividends paid	(15,493)	(9,827)	(8,851)
Net cash provided by (used in) financing activities	(284,446)	(128,842)	112,470
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,249	(498)	3,244
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,854	6,352	3,108
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 29,103	\$ 5,854	\$ 6,352
SUPPLEMENTAL SCHEDULE OF NON-CASH FINANCING ACTIVITIES:			
Effect of cash flow hedge instruments (net of tax benefit of \$1,944 in the year ended December 31, 2019 and net of tax expense of \$460 and \$2,351 in the years ended December 31, 2018 and 2017, respectively)	\$ (4,359)	\$ 1,284	\$ 3,835
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid (received) during the period for:			
Interest, including amount capitalized	\$ 104,204	\$ 98,126	\$ 89,525
Income taxes	\$ 72,752	\$ 35,217	\$ 42,907

See notes to consolidated financial statements.