



# STEPHENS NON-DEAL ROADSHOW PREP PACKET

**Sonic Automotive, Inc. (SAH) – Boston/Midwest**

February 4-6, 2020

# Sonic Automotive, Inc. (SAH) – Boston & Midwest Non-Deal Roadshow

## Questions/Topics of Discussion

### The Sonic story is centered around Echo Park

- Echo Park operates nine freestanding used car stores in Texas (4), Colorado (3), North Carolina (1), and recently expanded to Long Beach, CA.
- Can you discuss the concept, the consumer value proposition, and economic model? For a long time the business was producing losses (\$0.34 in '18) and now is profitable. What changed? Provide some history (details on driversselect acquisition in Dallas)?
- How do you generate store level profits selling 1 to 4 year old cars with \$0 front end margin? Why is F&I so high? What about SG&A, store start-up costs, and leverage over time? What is the first year expected store unit volume? How do you expect sales to ramp (Sonic estimates current stores are 50% mature)? Return on capital? Store performance by market? Best and worst stores?
- What are your expansion plans? What markets? Total store potential? Are you seeing other retailers with similar a concept? What is competitive response in markets where you overlap (CarMax, etc)?
- Echo Park has its own segment reporting. Are you contemplating spinning it out in the future? Why? Why not? What size needed?
- Do you think this model can be rolled into franchise dealerships?
- Why have used car sales been so strong in the auto retail sector? Is it sustainable? What are the risks?

### Franchise Dealerships

- You have discussed how your performance is heavily correlated to BMW and Honda brands. Can you discuss the health of those brands, sales/profits, product pipeline, incentives etc.
- Outlook for new, used, service/parts, F&I? Plans for omni-channel and other digital initiatives?
- Sonic has divested franchise dealerships in the past. Why? What multiples? How much more for sale? How much value could you extract from the franchise side based on current private dealer valuations?

### Financials

- The company has been in debt reduction mode. Why debt reduction vs. acquisitions and/or stock buybacks? Leverage targets?
- Sonic owns a high proportion of its real estate. What are the advantages of this strategy? How can it be monetized?

# Sonic Automotive, Inc. (SAH) - Boston/Midwest Non-Deal Roadshow

## Stephens SAH Reports:

[Raising Estimates on Used Vehicle Strength, Debt Reduction, Reiterate OW EPS Beats by \\$0.10; EchoPark Continues to Impress, Raising Ests and TP to \\$40 2Q Beats by Wide Margin; EchoPark Ramps; Raising Ests. And Target to \\$36](#)

## Stephens SAH Model:

[Click Here To View The Model](#)

## Companies Mentioned (as of 1/27/2020):

BMW (BMW-ETR - \$67.70)

CarMax (KMX - \$96.50)

Honda Motor Co. (HMC - \$26.54)

Stephens Inc. working model and published research report attached.  
For current disclosures on this company, please access the attached research report.

## OTHER DISCLOSURES

Note: The purpose of this document is to suggest questions investors might like to ask company management and to help investors develop their own questions. This document is not intended to express any opinion or investment recommendation.

This presentation has been prepared solely for informative purposes as of its stated date and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. Information included in the presentation was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Such information is believed to be accurate on the date of issuance of the presentation, and all expressions of opinion apply on the date of issuance of the presentation. No subsequent publication or distribution of this presentation shall mean or imply that any such information or opinion remains current at any time after the stated date of the presentation. We do not undertake to advise you of any changes in any such information or opinion. Prices, yields, and availability are subject to change with the market. Nothing in this presentation is intended, or should be construed, as legal, accounting, regulatory or tax advice. Any discussion of tax attributes is provided for informational purposes only, and each investor should consult his/her/its own tax advisors regarding any and all tax implications or tax consequences of any investment in securities discussed in this presentation. Please note that we provide supplemental news and analysis in Quick Takes blogs available to clients on our website. ***If applicable, when reading research on Business Development Companies, you should consider carefully the investment objectives, charges, risks, fees and expenses of the investment company before investing. The prospectus, and, if available, the summary prospectus, contain this and other information about the investment company. You can obtain a current prospectus, and, if available, a summary prospectus, by calling your financial consultant. Please read the prospectus, and, if available, the summary prospectus, carefully before investing as it contains information about the previous referenced factors and other important information.*** Also, please note other reports filed with the Securities and Exchange Commission by the relevant investment company at [www.sec.gov](http://www.sec.gov). Please also note that the presentation may include one or more links to external or third-party websites. Stephens Inc. has not independently verified the information contained on such websites and can provide no assurance as to the reliability of such information, and there can be no assurance that any opinions expressed on such websites reflect the opinions of Stephens Inc. or its management. Additional information available upon request.