

## Sonic Automotive Inc. (SAH)

**\$63.59** (Stock Price as of 12/19/2025)

Price Target (6-12 Months): **\$56.00**

Long Term: 6-12 Months

**Zacks Recommendation: Underperform**

(Since: 12/15/25)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank: (1-5)**

**5-Strong Sell**

Zacks Style Scores:

VGM: A

Value: A

Growth: A

Momentum: A

### Summary

Sonic is facing multiple headwinds that weaken its near-term investment appeal. Operational risks are rising at EchoPark, where used-vehicle supply constraints have reduced volumes and limited operating leverage. At the same time, intense competition across both new and used vehicles, along with higher price transparency, continues to pressure margins. Near-term risks are further elevated by high luxury inventory levels amid slowing demand, which could weigh on Q4 pricing and volumes. Compounding these challenges, Sonic's balance sheet remains stretched, with leverage well above industry norms and weak interest coverage, leaving limited flexibility to absorb operating disruptions or higher borrowing costs. Taken together, these factors support our bearish stance on the stock.

### Data Overview

52 Week High-Low	\$89.62 - \$52.00
20 Day Average Volume (sh)	193,122
Market Cap	\$2.2 B
YTD Price Change	0.4%
Beta	0.90
Dividend / Div Yld	\$1.52 / 2.4%
Industry	<a href="#">Automotive - Retail and Whole Sales</a>
Zacks Industry Rank	Bottom 26% (179 out of 243)

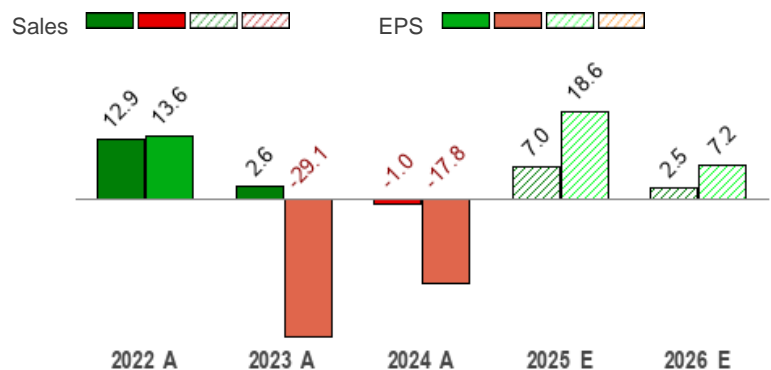
Last EPS Surprise	-22.5%
Last Sales Surprise	8.2%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/11/2026
Earnings ESP	0.0%

P/E TTM	9.7
P/E F1	9.6
PEG F1	0.8
P/S TTM	0.1

### Price, Consensus & Surprise<sup>(1)</sup>



### Sales and EPS Growth Rates (Y/Y %)<sup>(1)</sup>



### Sales Estimates (millions of \$)<sup>(1)</sup>

	Q1	Q2	Q3	Q4	Annual*
2026	3,640 E	3,786 E	4,075 E	4,119 E	15,599 E
2025	3,651 A	3,657 A	3,974 A	3,935 E	15,217 E
2024	3,384 A	3,453 A	3,492 A	3,896 A	14,224 A

### EPS Estimates<sup>(1)</sup>

	Q1	Q2	Q3	Q4	Annual*
2026	1.43 E	1.82 E	2.06 E	1.85 E	7.12 E
2025	1.48 A	2.19 A	1.41 A	1.56 E	6.64 E
2024	1.36 A	1.47 A	1.26 A	1.51 A	5.60 A

\*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/19/2025.

(2) The report's text and the price target are as of 12/16/2025.

## Overview

Sonic Automotive is one of the leading automotive retailers in the United States. Apart from selling new and used cars and light trucks, the company offers warranties, service contracts, vehicle financing and insurance. Further, it provides maintenance and repair services, and sells replacement parts and aftermarket automotive products. Each sale of a new or used vehicle comes with financing and insurance options and helps the firm earn financing fees and insurance and other aftermarket product commissions. Each of the company's franchised dealerships include a fully integrated service and parts department.

As of Dec 31, 2024, Sonic operated 108 stores in the Franchised Dealerships Segment, 18 stores in the EchoPark Segment and 15 stores in the Powersports Segment. The Franchised Dealerships Segment consists of 133 new vehicle franchises (representing 25 different brands of cars and light trucks) and 16 collision repair centers in 18 states.

Sonic Automotive operates through three reportable segments: Franchised Dealerships, EchoPark and Powersports. The Franchised Dealerships segment comprises retail automotive franchises selling new and used vehicles, replacement parts and vehicle repair and maintenance services, and finance and insurance products. This segment accounts for the bulk of the company's total revenues. Franchised Dealerships Segment revenues represented approximately 83.9% of total revenues in 2024.

The EchoPark segment, which operates independently from the franchised dealerships business, sells used cars and light trucks and arranges Finance & Insurance product sales for customers in pre-owned vehicle specialty retail locations. For 2024, EchoPark Segment revenues represented approximately 15% of total revenues.

The Powersports Segment engages in sales of both new and used powersports vehicles (such as motorcycles, personal watercraft and all-terrain vehicles) as well as fixed operations activities and F&I services. In 2024, Powersports Segment revenues represented approximately 1.1% of total revenues.

In 2024, sales of new vehicles, used vehicles, wholesale vehicles, parts/services and finance/insurance represented 46.4%, 33.6%, 2%, 13% and 5%, respectively.



As of 12/19/2025



As of 12/19/2025

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## Reasons To Sell:

- ▼ The company's **stretched balance sheet** plays spoilsport. As of Sept. 30, 2025, the company's long-term debt was \$1.43 billion, quite high compared to cash and cash equivalents of a mere \$89.4 million. Its long-term debt-to-capital ratio stands at 0.64, higher than the industry's 0.24. Moreover, the company's times interest earned ratio of 1.87 is unfavorable compared with the industry's ratio of 4.23.
- ▼ A surge in EV sales ahead of the federal tax credit expiration lifted volumes but trimmed profitability. EVs carry approximately \$3,275 lower gross profit per unit than conventional vehicles, reducing overall new-vehicle and F&I margins. EVs accounted for 11.9% of Q3 sales, up from 8.3% in Q2, dragging franchise GPU by about \$150 per unit. While mix is expected to normalize in Q4, near-term profit pressure from **lower EV margins** remains a concern.
- ▼ **Used vehicle supply constraints at EchoPark** is another cause of concern. EchoPark segment revenues fell 4% and EBITDA declined 8% YoY as retail unit sales dropped 8% amid an unexpected shortage of off-rental vehicles. The supply disruption led to roughly 2,000 fewer unit sales than projected, limiting operating leverage. Although Sonic is increasing direct sourcing and off-street purchases, persistent inventory tightness in the used market could continue to hinder EchoPark's growth recovery into early 2026.
- ▼ Sonic competes with publicly and privately-owned dealerships, along with Internet-based vehicle brokers. Sonic's finance and insurance business faces **strong competition** from various financial institutions, and other third parties. Rising competition— especially in the used car market owing to the fragmented nature of the industry— and increasing price transparency can result in lower selling prices, thereby affecting the company's profits.
- ▼ Sonic's **new-car inventory reached its highest level** of 2025, especially in luxury brands like BMW and Mercedes. October sales for these marques were reportedly 15–20% lower YoY, with OEMs yet to introduce sufficient incentives to clear inventory. This dynamic poses a short-term risk to Q4 margins and volume growth, particularly if manufacturers delay aggressive pricing actions through year-end.

A stretched balance sheet, used vehicle supply constraints at EchoPark and intense competition raise concerns.

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## Risks<sup>(2)</sup> (to the Underperform recommendation)

- Sonic's **diversified revenue streams**—from new and used vehicle sales to high-margin parts/services and finance/insurance (F&I)—help lower its risk profile and support sustainable earnings growth. Its high-margin parts/services and F&I businesses now make up over 75% of total gross profit, cushioning overall profitability against external pricing pressures. Same-store gross profit for fixed operations rose 8% YoY, while F&I grew 13%, both setting quarterly records. Sonic expects structurally higher F&I per-unit performance through ongoing product and cost optimization.
  - Sonic is growing through **strategic acquisitions**. The buyout of RFJ Auto Partners (completed in 2021) expanded its reach and helped it become one of the top five U.S. dealership groups. In Q2 2025, Sonic bought four Jaguar and Land Rover dealerships in California. This made it the largest U.S. retailer of these brands. The deal has strengthened its luxury lineup, and the company expects these stores to add about \$500 million in annual revenue to its franchise dealership business.
  - Sonic's **Powersports business** delivered record quarterly revenue of \$84 million (up 42% YoY) and EBITDA of \$10.1 million (up 74% YoY), driven by strong demand at major events and improved used-unit sales. The company's investment in technology, pricing, and inventory management has begun paying off. Management sees a fragmented market ripe for consolidation and believes operational synergies from its auto retail expertise can fuel continued growth.
  - Sonic has made notable investments in **digital capabilities**, including leveraging tools from Cox Automotive and Darwin Automotive to enhance its online retail and F&I platforms. These initiatives support the company's goal of streamlining the customer journey and boosting e-commerce efficiency.
  - The company's **commitment to return value to shareholders** is praiseworthy. Sonic increased its dividend seven times in the last five years, the annualized dividend growth being 31.3%. Its ROE of 21% is higher than the auto sector's 8.3%, underscoring management's efficiency in generating profits.
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## Last Earnings Report

### Sonic Q3 Earnings Miss, Revenues Top Expectations

Sonic posted third-quarter 2025 adjusted earnings per share of \$1.41, which lagged the Zacks Consensus Estimate of \$1.82 but improved 11.9% from the year-ago quarter. Total revenues amounted to \$4 billion, which surpassed the Zacks Consensus Estimate of \$3.67 billion and rose from the year-ago quarter's \$3.5 billion.

#### Q3 in Detail

On a consolidated basis, revenues from the sales of new vehicles, used vehicles and wholesale vehicles totaled \$1.9 billion (up 19% year over year), \$1.25 billion (up 6% year over year) and \$84.2 million (up 25%), respectively. Revenues from parts, service and collision repair were up 11% to \$533.9 million. Finance, insurance and other revenues rose 16% year over year to \$203.8 million. Total gross profit increased 13% to \$615.5 million.

In the Franchised Dealerships segment, revenues from the sales of new vehicles, used vehicles and wholesale vehicles totaled \$1.86 billion (up 19% year over year), \$796.7 million (up 14%) and \$52.8 million (up 25%), respectively. Revenues from parts, service and collision repair increased 11% to \$510.1 million. Finance, insurance and other revenues jumped 21% to \$147.6 million. The segment's same-store revenues rose 11% to more than \$3 billion. Same-store retail units of new and used vehicles were 54,897, up 5% from the corresponding quarter of 2024.

The EchoPark segment reported quarterly revenues of \$522.5 million, down 4% year over year. Revenues comprised \$439.2 million (down 7%) from used vehicle sales, \$30.4 million (up 28%) from wholesale vehicle sales and \$52.9 million (up 4%) from finance, insurance and other. Its stores sold 16,353 and 3,224 used and wholesale vehicle units, down 8% and up 19%, respectively, on a year-over-year basis.

In the Powersports segment, revenues from the sale of new vehicles, used vehicles and wholesale vehicles totaled \$38.8 million (up 44% year over year), \$17.2 million (up 91%) and \$1 million (down 9%), respectively. Revenues from parts, service and collision repair rose 18% to \$23.8 million. Finance, insurance and other revenues were \$3.3 million. The segment's same-store revenues were up 35% to \$78.3 million. Same-store retail units of new and used vehicles were 2,822, up 42% on a year-over-year basis.

#### Other Tidbits

In the third quarter, Sonic Automotive's selling, general and administrative expenses increased 15% year over year to 73.4% of gross profit.

SAH had cash & cash equivalents of \$89.4 million as of Sept. 30, 2025, up from \$44 million as of Dec. 31, 2024. Long-term debt was \$1.44 billion as of Sept. 30, 2025, down from \$1.51 billion as of Dec. 31, 2024.

Sonic Automotive announced a quarterly dividend of 38 cents per share, which will be paid out on Jan. 15, 2025, to its stockholders of record as of Dec. 15.

**FY Quarter Ending** **12/31/2024**

Earnings Reporting Date	Oct 23, 2025
Sales Surprise	8.18%
EPS Surprise	-22.53%
Quarterly EPS	1.41
Annual EPS (TTM)	6.59

## Valuation

Sonic's shares are down 14.5% and up 0.4% over the past six months and in the trailing 12-month period, respectively. Stocks in the Zacks Automotive – Retail and Wholesale industry and the Zacks Auto-Tires-Trucks sector are up 1.5% and 17%, respectively, over the past six months. Over the past year, the Zacks sub industry and sector are down 1.6% and up 1.8%, respectively. The S&P 500 index is up 16.6% and 15% over the past six months and in the past year, respectively.

The stock is currently trading at 9.25X forward 12-month earnings, which compares to 8.96X for the Zacks sub-industry, 32.74X for the Zacks sector and 23.35X for the S&P 500 index.

Over the past five years, the stock has traded as high as 13.11X and as low as 3.62X, with a 5-year median of 8.12X. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$56 price target reflects 7.88X forward 12-month earnings per share.

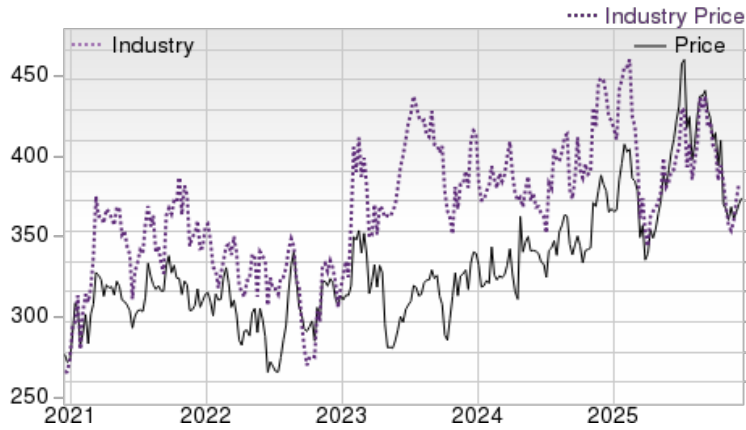
The table below shows summary valuation data for SAH:

Valuation Multiples - SAH					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.25	8.96	32.74	23.35
	5-Year High	13.11	11.4	32.74	23.78
	5-Year Low	3.62	4.51	13.44	15.73
	5-Year Median	8.12	7.57	19.9	21.22
EV/EBITDA TTM	Current	5.85	8.65	27.38	18.58
	5-Year High	8.30	10.79	28.56	22.41
	5-Year Low	3.53	4.78	9.14	13.88
	5-Year Median	5.42	7.21	17.47	17.97
P/S F12M	Current	0.14	0.28	1.67	5.27
	5-Year High	0.20	0.33	1.98	5.5
	5-Year Low	0.08	0.2	0.82	3.83
	5-Year Median	0.14	0.28	1.23	5.05

As of 12/15/2025

Source: Zacks Investment Research

## Industry Analysis<sup>(1)</sup> Zacks Industry Rank: Bottom 26% (179 out of 243)



## Top Peers<sup>(1)</sup>

Company (Ticker)	Rec	Rank
Asbury Automotive Gr... (ABG)	Neutral	3
AutoNation, Inc. (AN)	Neutral	3
AutoZone, Inc. (AZO)	Neutral	3
Group 1 Automotive, ... (GPI)	Neutral	3
Lithia Motors, Inc. (LAD)	Neutral	3
Rush Enterprises, In... (RUSHA)	Neutral	3
Titan Machinery Inc. (TITN)	Neutral	3
CarMax, Inc. (KMX)	Underperform	5

## Industry Comparison<sup>(1)</sup> Industry: Automotive - Retail And Whole Sales

	SAH	X Industry	S&P 500	ABG	GPI	RUSHA
Zacks Recommendation (Long Term)	Underperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	5	-	-	3	3	3
VGM Score	A	-	-	A	A	A
Market Cap	2.17 B	4.51 B	38.78 B	4.61 B	5.12 B	4.36 B
# of Analysts	3	3	22	3	4	1
Dividend Yield	2.39%	0.00%	1.39%	0.00%	0.49%	1.34%
Value Score	A	-	-	A	A	A
Cash/Price	0.04	0.05	0.04	0.01	0.01	0.06
EV/EBITDA	6.49	7.24	14.63	8.35	8.13	6.33
PEG Ratio	0.75	1.30	2.21	1.49	1.11	1.70
Price/Book (P/B)	2.03	1.68	3.32	1.19	1.68	1.97
Price/Cash Flow (P/CF)	6.53	8.32	15.20	6.95	8.34	8.30
P/E (F1)	9.58	9.76	19.70	8.43	9.76	17.90
Price/Sales (P/S)	0.14	0.26	3.10	0.26	0.23	0.57
Earnings Yield	10.44%	9.60%	5.07%	11.86%	10.25%	5.59%
Debt/Equity	1.68	0.32	0.57	0.90	1.06	0.16
Cash Flow (\$/share)	9.73	9.73	8.99	34.07	48.58	6.82
Growth Score	A	-	-	A	A	A
Hist. EPS Growth (3-5 yrs)	-0.74%	10.15%	8.16%	8.73%	11.57%	16.05%
Proj. EPS Growth (F1/F0)	18.57%	8.12%	8.60%	3.16%	5.92%	-15.05%
Curr. Cash Flow Growth	-11.40%	-11.40%	6.75%	-15.11%	-9.86%	-4.92%
Hist. Cash Flow Growth (3-5 yrs)	9.78%	11.25%	7.43%	22.46%	18.96%	11.25%
Current Ratio	1.02	1.21	1.18	0.99	1.06	1.37
Debt/Capital	62.65%	24.09%	38.01%	47.43%	51.56%	13.62%
Net Margin	0.86%	2.38%	12.78%	3.15%	1.67%	3.57%
Return on Equity	21.65%	13.42%	17.00%	15.26%	18.08%	12.52%
Sales/Assets	2.56	1.65	0.53	1.68	2.24	1.65
Proj. Sales Growth (F1/F0)	7.00%	4.02%	5.79%	5.40%	13.50%	NA
Momentum Score	A	-	-	A	D	D
Daily Price Chg	0.14%	0.63%	0.88%	0.33%	0.63%	-0.19%
1 Week Price Chg	1.52%	1.98%	-0.96%	1.98%	2.36%	2.51%
4 Week Price Chg	6.37%	12.31%	4.52%	12.31%	4.47%	16.59%
12 Week Price Chg	-15.15%	-3.20%	3.48%	0.25%	-7.03%	-1.43%
52 Week Price Chg	0.86%	0.86%	16.49%	-2.85%	-2.34%	2.09%
20 Day Average Volume	193,122	217,788	2,770,348	162,695	180,923	505,484
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.27%	-1.06%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.27%	-1.06%	0.00%
(F1) EPS Est 12 week change	-6.98%	-1.25%	0.69%	2.58%	-2.26%	-1.25%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	NA



## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

### Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	A
Growth Score	A
Momentum Score	A
VGM Score	A

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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