Sonic Automotive, Inc. (SAH)

Updated July 29th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$76	**5 Year CAGR Estimate:**	9.2%	**Market Cap:**	$2.6 B
Fair Value Price:	$62	**5 Year Growth Estimate:**	12.0%	**Ex-Dividend Date:**	09/15/2025
% Fair Value:	124%	**5 Year Valuation Multiple Estimate:**	-4.2%	**Dividend Payment Date:**	10/15/2025
Dividend Yield:	2.0%	**5 Year Price Target**	$108	**Years Of Dividend Growth:**	9
Dividend Risk Score:	A	**Sector:**	Consumer Discretionary	**Rating:**	Hold

Overview & Current Events

Sonic Automotive, Inc. is an automotive retailer and servicer in the United States. The company's franchised dealerships, comprising 111 stores, sells more than 25 different new vehicle brands and services cars through its 16 collision repair centers. Its EchoPark division sells used vehicles and light trucks, and offers financing and insurance. Lastly, its Powersports segment sells new and used powersports vehicles like motorcycles, watercraft and all-terrain vehicles, as well as offers finance and insurance services. Sonic was incorporated in 1997 and is headquartered in Charlotte, North Carolina. The company's market capitalization is $2.6 billion.

Sonic's $14.2 billion record revenues in the last fiscal year were 46% derived from new vehicles, with 36% from used vehicles, 13% from parts, service & collision repair, and 5% from finance & insurance.

On December 7th, 2021, Sonic completed its acquisition of RFJ Auto Partners, Inc., which added $3.2 billion in annual revenue and expanded its geographic reach to six additional states.

On July 24th, 2024, Sonic Automotive increased its quarterly dividend by 8.6% to $0.38 per share, or $1.52 annualized.

Sonic Automotive reported second quarter results on July 24th, 2025. Second quarter revenue rose 6% to $3.66 billion from $3.45 billion in the same prior year period. The company's Franchised Dealerships and Powersports' segments revenues rose 7% and 21%, respectively, while EchoPark's revenue declined 2%.

The company reported a net loss per diluted share of $1.34, which was primarily due to a $172.4 million non-cash pre-tax franchise asset impairment charge. After adjustments, EPS soared 49% to $2.19 in the quarter.

At quarter-end, the company had roughly $775 million in total liquidity.

Sonic acquired four Jaguar Land Rover dealerships in California, which are expected to add roughly $500 million in annualized revenues to its Franchised Dealerships segment.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.97	$2.01	$1.85	$1.79	$2.65	$3.85	$8.46	$9.61	$6.81	$5.60	***$6.84***	***$12.05***
DPS	$0.11	$0.20	$0.20	$0.24	$0.40	$0.40	$0.46	$1.03	$1.16	$1.20	***$1.52***	***$2.45***
Shares[1]	50.9	45.9	44.4	43.0	43.7	42.5	43.3	39.7	35.9	35.0	***34.5***	***30.0***

Sonic Automotive has increased its earnings-per-share at an impressive rate in the last decade. Since 2015, Sonic has increased its EPS at a 12.3% annual rate. And over the last five years, it has grown EPS at a 16.1% annual rate. Nevertheless, its growth has not been a straight line, with declines in 2017, 2018, 2023 and 2024.

From its normalized level in 2025, we expect that Sonic Automotive could increase its EPS by 12% over the next five years, in line with its average growth rate over the last ten years.

[1] In millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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The company sees opportunities to grow its earnings within its EchoPark and Powersports segments, which will make up for softness it sees in Franchised Dealerships. Still, considering that Franchised Dealerships accounted for 84% of FY 2024 revenues, Sonic has a long way to go on this front.

The company also makes acquisitions, having spent $1.3 billion from FY 2020 through FY 2024. And it repurchased $639 million of its common shares in the same timeframe. The company's share count has declined substantially over the last decade, as it has reduced its outstanding shares by approximately 21% since 2019. It also has $208 million remaining on its current authorization, which represents about 8% of the company's market cap.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	12.1	9.2	10.8	10.9	8.8	8.5	5.8	4.8	7.4	10.2	***11.2***	***9.0***
Avg. Yld.	0.4%	0.8%	1.0%	1.1%	1.4%	1.4%	0.9%	1.5%	2.2%	2.1%	***2.0%***	***2.3%***

Sonic's ten and five year average PE are 8.8 and 7.3, and today the stock trades at 11.2 times expected earnings. We see a valuation of 9.0 times earnings as fair, which would imply a moderate negative impact on total annual returns from the valuation in the medium term. We don't foresee much change in the yield as the company's high dividend growth rate is likely to keep up with an increase in the stock price.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	6%	10%	11%	13%	15%	10%	5%	11%	17%	21%	***22%***	***20%***

Sonic's dividend has grown at an immense pace over the last decade, growing from just ten cents to $1.40, which has also resulted in its payout ratio increasing from 5% to 25%. EPS growth outpacing dividend growth over the intermediate term is likely to see the payout ratio moderate from here.

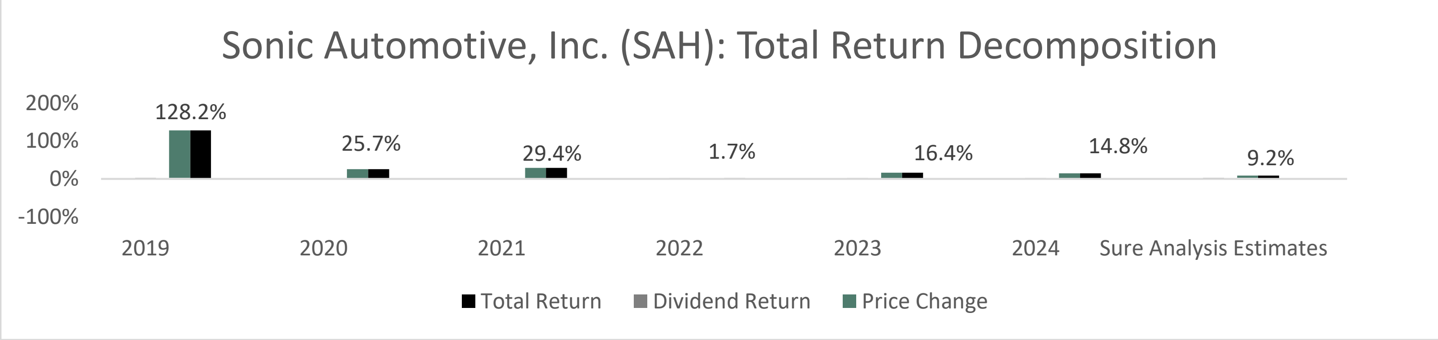
Sonic is far from recession-resistant, as it reported massive losses in 2008 and nearly declared bankruptcy in 2009. The situation was so dire that the company completely eliminated its dividend in 2009. It reinstated the dividend only by December 2010 and at only 20% of its former payment ($0.025 vs $0.12). It paid the same dividend until it began increasing its payout every year since 2016.

Within the competitive auto retail market, Sonic does not possess any outstanding competitive advantage, as many operate similarly. However, it has healthy revenue diversification across its business lines.

Final Thoughts & Recommendation

Sonic Automotive has increased its EPS at an exemplary rate in the last decade, and is a budding dividend growth stock, having raised its dividend fourteenfold since 2014. We are forecasting total annual returns of 9.2% stemming from 12% EPS growth and the 2.0% yield, partly offset by -4.2% P/E multiple contraction. Sonic Automotive earns a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	9,624	9,732	9,867	9,952	10,454	9,767	12,396	14,001	14,372	14220
Gross Profit	1,415	1,429	1,458	1,446	1,521	1,424	1,914	2,317	2,246	2193
Gross Margin	14.7%	14.7%	14.8%	14.5%	14.5%	14.6%	15.4%	16.5%	15.6%	15.4%
SG&A Exp.	1,111	1,111	1,148	1,145	1,099	1,029	1,275	1,555	1,601	1577
D&A Exp.	69	78	90	94	90	88	94	114	124	
Operating Profit	235	241	221	207	329	304	539	634	503	465
Operating Margin	2.4%	2.5%	2.2%	2.1%	3.1%	3.1%	4.3%	4.5%	3.5%	3.3%
Net Profit	86	93	93	52	144	(51)	349	89	178	216
Net Margin	0.9%	1.0%	0.9%	0.5%	1.4%	-0.5%	2.8%	0.6%	1.2%	1.5%
Free Cash Flow	(104)	10	(71)	(20)	45	154	8	179	(219)	
Income Tax	57	61	14	23	55	16	109	102	64	40

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,562	3,639	3,819	3,797	4,071	3,746	4,975	4,978	5,365	
Cash & Equivalents	4	3	6	6	29	170	299	229	29	
Accounts Receivable	379	430	482	438	433	372	401	462	528	
Inventories	1,600	1,571	1,513	1,528	1,518	1,247	1,261	1,217	1,578	
Goodwill & Int. Ass.	552	553	600	579	540	278	897	628	671	
Total Liabilities	2,833	2,914	3,032	2,974	3,126	2,931	3,899	4,083	4,473	
Accounts Payable	131	118	130	114	135	105	133	138	150	
Long-Term Debt	2,333	2,409	2,538	2,479	2,246	2,044	2,830	2,979	3,349	
Shareholder's Equity	729	725	787	823	945	815	1,076	895	892	
LTD/E Ratio	3.20	3.32	3.23	3.01	2.38	2.51	2.63	3.33	3.76	0.00

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.6%	2.6%	2.5%	1.4%	3.7%	-1.3%	8.0%	1.8%	3.4%	
Return on Equity	12.4%	12.8%	12.3%	6.4%	16.3%	-5.8%	36.9%	9.0%	19.9%	
ROIC	3.0%	3.0%	2.9%	1.6%	4.4%	-1.7%	10.3%	2.3%	4.4%	
Shares Out.	50.9	45.9	44.4	43.0	43.7	42.5	43.3	39.7	35.9	35.0
Revenue/Share	189.15	211.80	222.44	231.70	239.17	229.90	286.29	352.67	400.35	406.41
FCF/Share	(2.03)	0.22	(1.61)	(0.46)	1.03	3.62	0.19	4.51	(6.11)	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.