

# Sonic Automotive: How Fast Should EchoPark Grow?

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## A plan takes shape

On September 9, Sonic Automotive announced a record sales result at the Sturgis Motorcycle Rally. Sonic Powersports said it sold 1,135 motorcycles during the event, including 511 new Harley-Davidsons, across five Black Hills locations. More than 550 teammates had been deployed, and the company assembled over 1,200 motorcycles for the rally. Management described the outcome as validation of a broader national network strategy. The announcement was encouraging-but a one-event sales record said little about recurring returns, and it came from a business separate from the used-car expansion that Sonic was preparing to resume. [S5]

About six weeks earlier, Sonic's Q2 investor presentation had set out a specific EchoPark plan: one new location expected in the fourth quarter of 2026 and two to four more in fiscal 2027, assuming used-vehicle conditions became more supportive of profitable growth. The company also expected \$8 million to \$12 million of incremental brand-advertising expense in Q4 to increase awareness and support new-market expansion. These were management expectations. Sonic had not publicly identified sites, disclosed leases or opening budgets, or announced a final site-by-site authorization. [S3]

For this exercise, assume you advise a **hypothetical Sonic portfolio review committee**. The task is to recommend how the company should govern the expected EchoPark expansion: which market-selection criteria and operating evidence should guide the Q4 opening and any additional FY 2027 locations? Should Sonic proceed at the stated pace, stage later sites behind evidence from the first opening, or revise the pace and marketing sequence? The question is prospective; no actual committee mandate or scheduled vote has been disclosed.

## A distinctive used-car format

Sonic Automotive, Inc. (NYSE: SAH) operates three reportable segments: Franchised Dealerships, EchoPark, and Powersports. At the end of 2025, EchoPark had 18 stores in 10 states. Unlike Sonic's traditional franchise dealerships, EchoPark specializes in pre-owned vehicles and does not offer customer-facing fixed-operations services such as repair and maintenance. [S1; S4]

The format has a history of retrenchment. In June 2023, Sonic announced that it would indefinitely suspend operations at eight EchoPark locations and 14 related delivery and buy centers. It recorded about \$75.2 million in charges in Q2 2023 and additional closure-related charges later that year. The filing does not show that those stores are representative of current markets or current economics. It does show that locations and related commitments can be

costly to unwind. [S4]

In Q2 2026, EchoPark's retail used-vehicle unit volume grew, but several profit measures did not keep pace. The segment reported 47 days of used-vehicle supply at June 30, measured using trailing-quarter cost of sales. Sonic's Q2 Form 10-Q states a general 30-40-day inventory focus, with seasonal variation; the FY25 Form 10-K describes the same policy. The Q2 inventory level was above that range. The 10-Q said the higher days' supply reflected a deliberate inventory increase to support higher retail unit sales. [S1; S4]

### Exhibit 1. EchoPark Q2 performance snapshot

| Measure                                                 | Q2 2025  | Q2 2026  | Year-over-year change |
|---------------------------------------------------------|----------|----------|-----------------------|
| Retail used-vehicle units                               | 16,742   | 19,601   | +17%                  |
| Segment revenue                                         | \$508.6m | \$582.9m | +15%                  |
| Segment total gross profit                              | \$62.1m  | \$64.3m  | +4%                   |
| Total used-vehicle-plus-F&I gross profit per unit (GPU) | \$3,747  | \$3,292  | -12%                  |
| Reported segment income                                 | \$11.7m  | \$7.2m   | -38%                  |
| Adjusted segment income                                 | \$10.9m  | \$7.2m   | -34%                  |
| Adjusted EBITDA                                         | \$16.4m  | \$13.9m  | -15%                  |
| Used-inventory days' supply at quarter end              | 41 days  | 47 days  | +6 days               |

**Source:** Sonic Q2 2026 results release and Form 10-Q, S1-S2; investor presentation, S3.

Figures are not interchangeable: segment gross profit (\$64.3m), reported combined retail used-vehicle gross profit plus F&I revenue (\$64.5m), and the same-store combined amount (\$64.7m) have different definitions and bases. GPU is used-vehicle plus F&I gross profit per unit as calculated in the company presentation. Adjusted income and EBITDA are company-defined non-GAAP measures. The reported 47 days is on a trailing-quarter cost-of-sales basis. [S1-S3]

The difference between unit growth and earnings was visible below the headline. EchoPark's reported used-vehicle gross profit was \$6.4 million, down 7%, while retail used-vehicle revenue and units each rose 17%. F&I revenue increased 4% to \$58.1 million. Management said Q2 GPU was pressured in part by more battery-electric and high-mileage vehicles, which typically generate lower F&I product penetration. It also pointed to sourcing mix, turns, pricing, and a focus on non-auction sourcing as levers for future performance. [S1; S3]

Management's view of the next phase depended on normalization. Sonic expected gradual used-vehicle supply growth and more normalized pricing to support consumer demand and higher EchoPark volume. It targeted positive retail used GPU for FY 2026 and a total GPU range of \$3,100-\$3,300, citing fast inventory turns, expected stability in the wholesale-retail spread, and more non-auction sourcing. These were forward-looking company statements, not realized results. [S3]

## Growth beside a broader portfolio

Sonic had other uses for management attention and capital. Its CFO said the company intended to balance acquisitions, organic investment, and share repurchases as opportunities and market conditions evolved. At June 30, Sonic reported \$676.1 million of total available liquidity resources. That amount comprised \$19.2 million of cash, \$275 million of floor-plan deposits, \$286.9 million of revolving-credit availability, and \$95 million of mortgage/sidecar availability. It was not all unrestricted cash. The company's release said its balance sheet could support operations, targeted growth investment, and shareholder returns. The filings disclosed no binding budget constraint that made EchoPark expansion incompatible with the other uses. [S1; S2]

The FY25 Form 10-K reported segment capital expenditures of \$1.2 million for EchoPark, compared with \$145.8 million for Franchised Dealerships and \$2.9 million for Powersports. Those historical reported amounts do not estimate the cost of an EchoPark opening and may not capture inventory working capital, leases, or marketing. [S4]

Powersports provided a visible alternative growth narrative. In Q2, the segment reported record revenue of \$73.5 million, gross profit of \$19.7 million, segment income of \$2.3 million, and adjusted EBITDA of \$4.9 million. The September Sturgis release emphasized the growing Harley-Davidson network. These data support discussion of portfolio choices, but do not establish that Powersports earns a better return than EchoPark. [S2; S5]

### Exhibit 2. Selected portfolio and liquidity facts

| Item                                                      | Disclosed amount or status |
|-----------------------------------------------------------|----------------------------|
| Q2 reported available liquidity                           | \$676.1m                   |
| Cash                                                      | \$19.2m                    |
| Floor-plan deposits                                       | \$275.0m                   |
| Revolver availability                                     | \$286.9m                   |
| Mortgage/sidecar availability                             | \$95.0m                    |
| FY25 segment capital expenditures: Franchised Dealerships | \$145.8m                   |
| FY25 segment capital expenditures: EchoPark               | \$1.2m                     |
| FY25 segment capital expenditures: Powersports            | \$2.9m                     |
| Q2 Powersports adjusted EBITDA                            | \$4.9m                     |

**Source:** June 30, 2026 Form 10-Q, printed pp.82-84; FY25 Form 10-K, printed p.122; Q2 results release. Liquidity includes facility capacity and deposits, not merely cash. Prior-year capital expenditures are reported segment totals, not planned EchoPark site costs. Powersports EBITDA is an adjusted non-GAAP measure. [S1; S2; S4]

## A competitive market, but not a clean comparison

Used-car retail was growing and changing. Carvana reported 197,325 Q2 retail units, up 38%, revenue of \$7.376 billion, up 52%, and adjusted EBITDA of \$769 million. Its shareholder letter argued that more vehicle selection and geographic proximity improved customer experience and sales as its production network scaled. These were Carvana's own results and interpretation, at a very different size and operating model. [S6]

Lithia & Driveway, a large franchised dealer group, reported Q2 revenue of \$9.8 billion and a \$339, or 20%, sequential increase in used retail GPU. It acquired five stores that management expected to generate \$340 million in annualized revenue while divesting three. Its franchise mix, finance operations, and scale differ from EchoPark's specialty used-car format. [S7]

Sonic therefore faced no simple benchmark. A fast-growing digital competitor stressed selection and network scale; a large franchise operator reported improving used GPU and continued portfolio reshaping. Neither result established the returns Sonic could earn from a new EchoPark market.

The physical footprint question also involved local trade-offs. A new store could bring the brand closer to customers, support awareness, and attract vehicle supply; a nearby store could divert customers from an existing location. A distant market could extend reach but may have fewer shared operational or marketing advantages. The company's long-term goal of reaching 90% of the U.S. population described potential coverage, not the profitability of particular markets. [S3] Sonic's August North Houston announcement described a relocation that complemented its Southwest Freeway location, not evidence of a net-new EchoPark site. [S8]

## What should the committee require?

The public record left important pieces open. Sonic had not disclosed specific Q4 or FY 2027 locations, site-level capital and lease commitments, mature-versus-new-store economics, local customer overlap, or the response to the planned advertising. The case evidence also did not show how much of the \$8-12 million Q4 advertising budget would be allocated to any one opening. [S1; S3]

The committee must decide what evidence should shape the sequence. Should it follow the stated one-plus-two-to-four cadence while markets improve, or stage later openings until the first new location reveals more about unit economics and customer acquisition? How should market reach, density, sourcing, inventory turns, GPU, F&I, working capital, lease flexibility, and the cost of delay enter the decision? And what would make a proposed site worth opening even if segment-wide volume continues to rise?

## Assignment

1. Recommend a pace and process for EchoPark's expected Q4 2026 and FY 2027 expansion. Distinguish management's stated plan from your recommendation.
2. Identify the minimum market-level information and decision gates you would require before adding locations beyond the expected Q4 opening.
3. Explain how the Q2 growth/profitability divergence should affect your recommendation. Separate unit volume, GPU, gross profit, segment income, adjusted EBITDA, and inventory supply.
4. Propose a location-selection approach that considers new-market reach, local cannibalization, customer access, and any plausible operating-density benefits.

5. Explain how your recommendation would respond to used-vehicle supply, pricing, mix, and competitor changes. Identify which claims in the evidence are management expectations.

## Source notes

- **S1:** Sonic Automotive Form 10-Q for quarter ended June 30, 2026, filed July 30, accession 0001628280-26-051028. [SEC filing](#)
- **S2:** Sonic Automotive Q2 2026 results release, July 30. [Official IR release](#); [SEC Exhibit 99.1](#)
- **S3:** Sonic Automotive Q2 2026 investor presentation, July 30, slides 9-10 and EchoPark financial appendix. [SEC Exhibit 99.2](#)
- **S4:** Sonic Automotive 2025 Form 10-K, filed February 23, 2026. [SEC filing](#)
- **S5:** Sonic Powersports Sturgis release, September 9, 2026. [Official IR release](#)
- **S6:** Carvana Q2 2026 shareholder letter, July 29. [SEC Exhibit 99.1](#)
- **S7:** Lithia & Driveway Q2 2026 results, July 29. [SEC Exhibit 99.1](#)
- **S8:** EchoPark North Houston relocation release, August 6. [Official IR release](#)