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Companies eye larger buy-sell market share

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Several dealership buy-sell companies are expanding — with new services, offices and personnel — as they aim to grab a bigger piece of the bustling buy-sell market that topped 200 deals in 2019.

The actions, which include hiring specialized staff, expanding geographically and adding new advisory services, also will diversify the companies — something that could aid the businesses once the pace of dealership mergers and acquisitions slows.

An eventual slowdown in transactions is predicted by some industry experts as the number of dealership owners continues to consolidate. The diversification push also comes amid threats that could disrupt the traditional dealership business model such as autonomous and electric vehicles, ride-hailing and even how consumers buy vehicles.



Diversification for some buy-sell companies may be a defensive reaction, said Brodie Cobb, CEO of Presidio Group of San Francisco, an investment banking and dealership advisory company.

"For us, it's really more offensive, more opportunistic," Cobb said. "We just sense there's a lot of change coming to the broader consumer mobility [space]."

Cobb: Lots of change coming

Presidio in 2019 opened an office in Atlanta and hired two former Asbury Automotive Group Inc. executives for that office that now employs four people. Several companies in the past year have added staff and services, including SunTrust Robinson Humphrey, Tim Lamb Group, Dave Cantin Group, Haig Partners and Bel Air Partners, among others.

Presidio hired Keith Style, former Asbury CFO, as principal and George Karolis as president. Karolis spent 18 years with Asbury, leaving in July 2018 as senior vice president of corporate development and real estate.



CONTENT FROM REYNOLDS AND REYNOLDS

Dealers Talked – Alex Listened

Earlier this year, I had the pleasure of moderating a discussion at DrivingSales' President's Club, held in New York City. I always enjoy participating in industry conferences and trade shows. It amazes me how much conversation can flow from complete strangers propelled by a common interest.

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Bel Air Partners: Named a new partner, began advising dealers on sale-leasebacks of property

Dave Cantin Group: Expanded staff and offices, formed subsidiaries focused on capital and consulting

Dealer Solutions Mergers and Acquisitions: Expanded into the U.S. with new associates and offices

Haig Partners: Hired new executives, began advising auto retail tech-related companies

Kerrigan Advisors: Opened office in northern Virginia, hired a vice president, launched capital-raising service

LABNation Dealerships: Multiple listing service of buy-sells in development for member accounting firms and lawyers

MD Johnson Inc.: Added support staff

Presidio Group: Opened Atlanta office, hired executives, formed partnership with auto-focused venture capital firm

SunTrust Robinson Humphrey: Hired new managing director, expanded staff

Tim Lamb Group: Expanded into Canada, launched new offices in the U.S.

Source: Automotive News reporting

Presidio also joined with automotive-focused venture capital company Fraser McCombs Capital of Boulder, Colo., to create Next Auto Capital. Next Auto is an investment vehicle that will focus on acquiring a controlling interest in companies that serve auto retail and the consumer mobility space, said Cobb and Chase Fraser, managing partner of Fraser McCombs.

Fraser said Next Auto is funded by automotive dealerships and others in the auto industry and will invest in dealership vendors, aftermarket companies and collision-related businesses. He expects Next Auto Capital to complete its first transaction this year.

Several companies expanded geographically last year, such as Tim Lamb Group, a buy-sell company in Columbus, Ohio. The group expanded into Canada in 2019 with offices in Toronto and Edmonton, Alberta, and is looking to add locations in British Columbia and Quebec as more dealership transactions happen across the U.S.-Canada border.

Tim Lamb Group has eight locations in the U.S., with a ninth, in Arizona, set to open in the coming weeks. The expansion is happening as deal pace heats up, President Tim Lamb said. The group closed 10 deals in the first quarter of 2020 and is on pace to close 25 in the first half.

"This is the most activity we've ever seen," he said. It "will be a record year for us."

Kerrigan Advisors, an Irvine, Calif., sell-side company that tracks U.S. dealership buy-sell activity, said 2019 was the market's second-most active year of the past five years with

233 completed transactions. Transactions can include single-store and multi-store deals. The company expanded in 2018, adding Gabe Robleto as vice president and launching an office in northern Virginia. Kerrigan Advisors also launched a capital-raising service in 2018.

Dave Cantin Group, a buy-sell company that launched in 2018, now has five offices nationally, a dozen executives, 50-plus contractors and three independent businesses under its umbrella, CEO Dave Cantin said. It added DCG Capital in October and launched DCG Consulting in January. They joined DCG Acquisitions, its merger-and-acquisition arm.



Dealership Buy/Sell: This *Automotive News* feature lists dealership acquisitions as reported by brokers, official announcements and news media. **HERE IS OUR LIST OF DEALERSHIP BUY/SELLS, AND SUBMIT YOUR BUY/SELL DETAILS.**

DCG Capital works with dealerships to help them get the best rates and terms on floorplan financing, mortgages and working capital loans, while DCG Consulting advises dealership executive teams.

The three businesses provide clients with one-stop shopping, Cantin said, "to ensure that profitability is maximized and to ensure that they have the opportunity to go to one firm and have relationships and resources."

New services

Buy-sell company Haig Partners in Fort Lauderdale, Fla., expanded in 2019 to advise software, Internet and other auto-retail service companies and offer capital-raising and buy-sell services for those who want to exit their businesses.

"We see an increasing tie between the tech world and auto dealerships," President Alan Haig said. "We're seeing dealerships that are adept at using technology outperform their peers that are not embracing technology."

The business, founded in 2014, last year hired new managing directors John Davis and David Spisak. Davis, a partner at accounting company Dixon Hughes Goodman, works on buy-sells, and Spisak, who has created software solutions such as ReverseRisk acquired by Reynolds and Reynolds, leads auto-tech services.

In 2019, SunTrust Robinson Humphrey hired James Taylor as managing director. SunTrust selected Taylor, former managing director of Presidio Group, for a new position in its consumer and retail investment banking team focused on auto dealers. Taylor's team has grown to three individuals.

Bel Air Partners, a longtime dealership advisory firm in Hopewell, N.J., last year named Willie Beck as a partner. The firm has begun advising dealers who may want to sell their real estate and diversify assets or raise cash through a sale-leaseback, said CEO Sheldon Sandler.

Other expansion

Dealer Solutions Mergers and Acquisitions, a Markham, Ontario, buy-sell business founded in 2012, expanded into the U.S. in mid-2018. It now has nine U.S. associates across several states, with its main U.S. office in Stuart, Fla.

MD Johnson Inc., an Enumclaw, Wash. buy-sell company, also added support staff.

And dealership lawyer Leonard Bellavia is launching LABNation Dealerships in Mineola, N.Y., a multiple listing service of buy-sell listings for member dealership accounting companies and lawyers.

Bellavia, aiming to recruit 80 to 100 members for a mid-year launch, said this month that he has commitments from six accounting companies to join. LABNation will allow member accountants and lawyers – often trusted dealership advisers handling background work in buy-sell transactions – to act as affiliated brokers at closing and collect commissions typically paid to third-party brokers.

"Just about every other industry has a MLS or something similar to it," said Bellavia, who estimates he's been involved in more than 1,000 buy-sell closings since 1987. "My goal is to introduce that as a business model that's been rather slow to come to the forefront."

Gary Pomykala, managing partner of dealership accounting company Pomykala Group in Westmont, Ill., said he has verbally committed to join LABNation. He sees the listing service as valuable for his nationwide customer base, which includes buyers and sellers.

"I have clients that want to get into the Florida market or Arizona market," he said. "This will hopefully open up some opportunities."

Amy Wilson contributed to this report.

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