

# BUY-SELL Q&A

## BUY-SELL ADVISORS ADD VALUE TO SALES PROCESS

When dealers decide that they are interested in selling, the next question is often, “How?” Should they try to sell the business themselves by taking unsolicited calls from buyers or brokers? Should they contact their attorney or CPA and ask them to find a buyer? Or should they engage the services of a buy-sell advisory firm? Because dealerships have become so valuable over the past few years, making the correct decision can often mean millions – perhaps tens of millions of dollars – more in purchase price for the seller, as well as a smoother process. Making an uninformed decision can lead to selling for millions of dollars below market value, creating rumors in the marketplace that make their way to competitors/employees/OEMs that could hurt profitability and value or even a failure to find a buyer at all if the seller is talking to the wrong buyers.

### Sell a Dealership Yourself?

When I first entered the industry in 1996 and began buying dealerships for AutoNation, almost every buy-sell was handled directly by the seller. The transactions were usually between the dealer and a general manager or a family member, so there was a lot of knowledge and trust built into the process. Third parties weren't really needed. But today, dealerships have appreciated so much in value that the majority of dealerships are being purchased by mid-to-large dealership groups. These groups are shopping regionally or nationally and will move aggressively on acquisition opportunities that fit their strategies. The buyers and sellers typically don't know each other. Because the market has shifted, sellers who choose to work directly with potential buyers are undertaking several risks:

- **Selling for too little.** Sellers often do not understand the true market value of their business and, therefore, when approached directly by a buyer, they may sell the business for a value that is much less than it is worth. Some of the buyers that we interact with tell us about “stealing” dealerships that they buy directly from a seller, with no advisor involved. These sellers may not be properly describing their businesses to potential buyers. They also may not reach the Most Motivated Buyer™ and may not run a competitive process.
- **Failure to obtain a buyer.** Some sellers may ask for a price higher than a buyer is willing to pay. Or they may be talking to a buyer who does not have the funds or cannot be approved by an OEM. There are many reasons why a transaction can fail to come together, but when it does, the value of the business can suffer. Profits may fall if the seller becomes distracted while talking to buyers. Buyers may avoid a business when it has been on the market for a long time. And eventually, employees can become aware of a potential sale and may begin to leave. When a business is eventually sold after a “failed auction,” the result could be far less value than if it had been marketed properly.

### Ask Your CPA to Find a Buyer?

We have many friends who are CPAs in the auto industry. They are essential advisors to dealers on tax, audit, and other financial and operating matters. And they can



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be integral to the merger-and-acquisition (M&A) process by verifying financial statements and conducting due diligence. But they are not marketing professionals. They are experts at accounting for what has been, but they are not trained to paint the picture of what could be, and the future is what a buyer is getting. Also, CPAs have existing clients that they could contact as potential buyers, but they may not know about other dealer groups that are not their clients who could be the Most Motivated Buyer™.

### Ask Your Attorney to Find You a Buyer?

We regularly work with attorneys across the United States who are experts in advising their dealer clients on all types of corporate, human resources, M&A and regulatory matters. Like CPAs, their services are essential for dealers, and we have great respect for them. But also, like CPAs, the skillset for attorneys is not geared

towards maximizing value in a buy-sell. They don't have the accounting experience to restate historical financial statements or create data-based projections. And as with CPAs, they are not experts in selling the story of what the future of your business could look like to a potential buyer. Furthermore, lawyers at local firms may have other local dealers as clients, but they likely do not have anywhere close to a nationwide network of potential buyers.

CPAs and attorneys are trusted advisors who specialize in very specific areas of your business. This does not mean they are best suited to represent you in the sale of your most valuable asset. In order to maximize the value of their business, most dealers today choose to run a confidential and competitive process led by a buy-sell advisor to identify the Most Motivated Buyer™ for their business.

And finally, CPAs and attorneys are bound by professional standards governing conflicts of interests which may impact their ability to help you identify the Most Motivated Buyer™ for your business.

### Use a Dealership Brokerage Firm

Our experience shows that owners should retain the services of buy-sell advisor firms to assist them with the sale of their dealerships. A buy-sell advisor like Haig Partners offers a specialized service based upon our experience over decades, hundreds of transactions, and our relationships with leading buyers across the country. Our interests are purely aligned with our clients' – we only succeed when our clients do. As we have written in a previous article in *Automotive News* ([Value of an M&A Advisor](#)), there are several key areas where buy-sell advisors add value for their clients:

- Maximizing prices by providing compelling and comprehensive offering materials, and running a competitive sales process.
- Preserving confidentiality by only approaching a handful of highly interested and qualified buyers and getting them to sign confidentiality agreements before any information is provided.
- Speeding the sales process through our knowledge of how to negotiate transactions, avoid risks and solve problems that can occur in a buy-sell.

Most dealers now agree with our perspective. Data from *Automotive News* shows that 64 percent of the stores sold in 2022 were represented by a buy-sell advisory firm. Our team at Haig Partners was pleased to represent the owners of 41 auto dealerships that sold in 2022, which puts us at the top of the list of all buy-sell advisory firms. But what pleases us most is not the quantity of dealerships that we helped to sell, but the results we were able to deliver for our clients, which regularly exceed their expectations. Here are a few examples of our client engagements from 2022:

**Case Study #1:** A Large Dealership Group – [Lehman Auto World](#). We were retained by the Lehman family to assist them with the sale of their nine franchises in South Florida. Several of the Lehman dealerships needed significant investment in facilities, plus they had an option to purchase another two franchises in South Florida. This was a complicated but very attractive auto group. And given the high earnings and extensive real estate holdings, I knew that we would offer the group to a very limited number of buyers that could afford the purchase price, were approvable by many OEMs at the same time and could handle the extensive capital expenditures required post-closing. During our marketing process, Lithia Motors, the largest automotive retailer in the world, stepped forward as the Most Motivated Buyer™ and we were able to negotiate a transaction.

**Case Study #2:** A Mid-Sized Dealership Group – [Waikem Auto Family](#). When we were retained by the Waikem Auto Family to advise them on the sale of their six dealerships in Ohio, the owners directed us to market this group to around 10 potential buyers while excluding a handful of direct competitors. Most of the buyers that we contacted were from Ohio. But Kevin Nill from our team had been in contact with the Diehl Automotive Group, based in Pennsylvania, and knew that they were interested in expanding into Ohio. There was good competition from other parties, but the Diehls stepped up with a compelling offer and they now own the stores.

**Case Study #3:** A Small Dealership Group – [McDermott Auto Group](#). David McDermott is a well-respected dealer who owned Lexus and Chevrolet dealerships in New Haven, Connecticut. When David wanted to retire, he retained us to sell the dealerships and directed us to market them broadly. One complication was that the Lexus facility was old, and we knew Lexus would require a buyer to build a new one. A big part of our offering materials addressed how a buyer could upgrade the facility, the potential costs, and the likely rewards in terms of additional allocation from Lexus. Acquiring a Lexus franchise is a dream for many leading buyers, so we had many options for which potential buyers we wanted to approach. One of my teammates, Nate Klebach, had sold two dealerships in Connecticut during the previous year to PSD Automotive Group, so we knew they were motivated for additional growth. After a highly competitive process, PSD Automotive made the best offer. PSD also made Lexus happy with a plan for an upgraded facility. Another win-win-win for our client, the buyer and Lexus.

**Case Study #4:** A Highly Valuable Single-Point Store: [John Elway's Crown Toyota](#), in Ontario, California. I have known John Elway, Mitch Pierce and Paxton Gagnet since 1996. When Mitch let me know that he and John were open to selling the dealership to redeploy capital into their core markets, but didn't want to run a large sales process, I was confident I knew the perfect buyer. A former client, Swickard Automotive Group, was well respected by Toyota and was rapidly expanding into southern California. Neither Mitch, John or their attorneys or CPAs knew about the Swickard Automotive Group, which is number 64 on the Automotive News Top 150 Dealership Groups list. Dealer Principal Jeff Swickard quickly saw the special nature of John Elway Crown Toyota and we were able to put together a transaction in which Swickard purchased control of the dealership while Elway, Pierce and Gagnet retained a portion of the ownership. Aside from another Toyota dealership that sold earlier in 2022, we believe John Elway's Crown Toyota is the most valuable single-point dealership ever sold.

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**Case Study #5:** Two Transactions, One Client – [Toyota of Bristol](#) in Tennessee and [Summerville Ford](#) in South Carolina. Haig Partners was retained to sell two dealerships owned by the Mitchell Family Office in Michigan, a company with roots in the healthcare industry. As the marketing process evolved, John Davis from our team recognized the uniqueness of these two distinct markets which produced separate buyers, maximizing the value for our client. Summerville is a rapidly growing suburb of Charleston, a lucrative area for many auto dealerships. Many dealers have told us of their desire to acquire stores in this market, so we could quickly provide a list of highly qualified buyers that we knew had the support of the OEMs and plenty of financial capacity. While John sourced numerous attractive offers from dealers inside and outside the market, Hudson Automotive Group was the Most Motivated Buyer™, eager to add a Ford franchise in its hometown. Toyota is among the most desired franchises today, so we also had a long list of potential buyers for that dealership. After heavy bidding, the Alabama-based Springhill Automotive Group, led by Tal Vickers emerged as the Most Motivated Buyer™.

**Case Study #6:** Two Dealerships, One Client – Chrysler-Dodge-Jeep-Ram (CDJR) of Lake Norman and CDJR of Gastonia. The average dealer owns two stores, so this is the most common type of transaction. Jack and Robin Salzman bought CDJR of North Carolina in the late 1990s. After weathering the Great Recession, they built their dealership in North Carolina into one of the highest-selling and most profitable CDJR dealerships in the U.S. And the store is poised to grow even more after it moves into a new facility. The Salzmanns decided they wanted to retire from auto retail to spend more time with family and start a new auto-technology business, so they retained Haig Partners after evaluating other buy-sell advisory firms. We put together a comprehensive set of projections to show how the Lake Norman dealership could perform in its newer and much larger facility, projections that demonstrated how the existing facility could be operated as a used-vehicle super store and how the CDJR dealership in Gastonia was poised for future growth due to a booming local economy. After a competitive process that brought offers from numerous leading groups, the dealerships were acquired by Parks Automotive Group, a leading dealer in the Carolinas and Virginia. We are pleased that we were able to help the Salzmanns to sell their dealership in North Carolina for what we were told is the highest price ever paid for any CDJR dealership.

In summary, dealership values remain close to record high levels, thanks to strong demand from well-capitalized buyers who are optimistic about the future. Almost two-thirds of sellers today recognize that they should retain a buy-sell advisor to help them when they decide they are ready to proceed. It's our pleasure to work with dealers of almost every size to help them Maximize the Value of Their Lives' Work™.

### ABOUT HAIG PARTNERS

Haig Partners LLC helps dealers maximize the value of their businesses when they are ready to sell. The team at Haig Partners has unmatched experience, with executives from leading retail dealer groups and financial institutions. The team has advised on the purchase or sale of more than 590 dealerships worth more than \$9.3 billion and have represented 25 groups that qualify for the annual Automotive News list of Top 150 Dealership Groups, more than any other firm. Haig Partners leverages its expertise and relationships to lead clients through a confidential and customizable sales process that also maximizes the value of their businesses. It publishes the [Haig Report](#), the industry-leading quarterly report that tracks trends in auto retail and their impact on dealership values, and co-author the National Automobile Dealers Association's guide, *Buying and Selling a Dealership*. For more information, visit [www.haigpartners.com](http://www.haigpartners.com) or contact Alan Haig at [alan@haigpartners.com](mailto:alan@haigpartners.com) or (954) 646-8921.

