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# Private Equity Funds and the Automotive Industry

AUTOMOBILE

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I read with interest an article in Automotive News, June 8, 2015 edition titled "Where Are the Deals?" Of particular interest were the following excerpts:

- George Soros telling dealers at the NADA Convention that his family fund wanted to buy dealerships, but he has not found the right opportunity over the past 18 months;
- the repeated reference to the Van Tuyl sale to Warren Buffet;
- maybe there is too much excitement about outside money (coming in) buying dealerships; and finally
- people involved in private equity are some of the smartest people, and they are not going to overpay constantly.

The reality that private equity funds would not overspend on dealerships should not be surprising. Private equity funds may have significant capital to invest, but they can be expected to invest wisely, often with the intent to turn profits on their equity investments more quickly than a traditional dealer might. Our experience with institutional buyers in our market is that they are in no rush to overpay, even slightly. We expect traditional acquisitions will continue to be the rule as opposed to the private equity buyer exception.

Likewise, it was interesting to read Erin Kerrigan's comment in the same article, "Dealers haven't worked for someone in many years, and they certainly don't want to work for a private equity firm." The definition of entrepreneur does not include a reference to "employee."

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