

Automotive News

AutoNation goal: Buy luxury-brand stores

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DETROIT -- AutoNation Inc. is getting back into dealership acquisitions after a period of consolidation, says Mike Jackson, CEO of the retail group.

Jackson said the nation's largest auto retail group is particularly interested in acquiring premium luxury dealerships.

He would not characterize how aggressive AutoNation might be in buying stores.

"We are out there shopping. We're looking in our existing markets," largely in Sun Belt states, said Jackson, who was in Detroit for the induction of AutoNation founder Wayne Huizenga into the Automotive Hall of Fame.

Premium luxury dealerships have gone from 11 percent of AutoNation's revenues to 22 percent in five years, Jackson said. They account for 30 percent of the group's profits.

AutoNation, of Fort Lauderdale, Fla., earned \$496.5 million on sales of \$19.25 billion in 2005. The group owns 370 new-car franchises in 272 dealer locations.

The company's last acquisition was AutoHaus of Pompano Beach, Fla., earlier this year. AutoNation changed the name to Mercedes-Benz of Pompano.

Jackson said AutoNation also would look at buying volume dealerships for brands such as Honda and Toyota.

He also wouldn't rule out buying domestic-brand dealerships.

"We certainly would buy the right domestic store, but those are going to be difficult to find," he said.

Jackson said domestic manufacturers still have not properly adjusted manufacturing capacity downward to compensate for lost market share.

AutoNation has spent the past several years consolidating its gains and funneling dividends to shareholders instead of making acquisitions, said Sheldon Sandler, a retail analyst for Bel Air Partners LLC in Skillman, N.J.

Sandler doubts that AutoNation will have any luck with a serious shopping spree because the company hasn't been prepared recently to pay enough to tempt independent dealers into selling their stores.

"They've been very conservative about pricing deals," he said.

"When you're doing \$20 billion a year, and you can tweak that \$20 billion a little bit, you can have a lot of money fall to the bottom line without taking a risk on new deals."

Jackson said that some of that tweaking has included reducing customer transaction times on the showroom floor.

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