

Automotive News

Chrysler stores are a no-sale

Bradford Wernle | March 5, 2007

Lithia Motors Inc. is one of the nation's largest Chrysler group dealers, with 109 franchises in 40 locations. But Lithia CEO Sidney DeBoer is in no rush to buy more Chrysler stores.

That's because DaimlerChrysler CEO Dieter Zetsche put the Chrysler group up for sale Feb. 14, and nobody knows who the new owner will be or even whether there will be a new owner. "The uncertainty has alarmed us," DeBoer says.

With talks heating up last week, General Motors appeared to have the inside track to buy the Chrysler group. Dealers and brokers say buying and selling of Chrysler, Dodge and Jeep stores has slowed to a virtual halt because of doubts about the Chrysler group's future.

"There's virtually no demand for Chrysler stores in our shop," says Sheldon Sandler, managing partner of Bel Air Partners, a dealership brokerage and consulting firm in Princeton, N.J. "With the uncertainty we're looking at, the market is evaporating. No investor likes uncertainty, and you've got a mountain of uncertainty facing Chrysler right now."

"You pay blue sky for the value of the franchise and future earnings. Given current conditions, the future for Chrysler overrides any expectations of what's going to happen in the future."

DeBoer says current uncertainties haven't changed his belief that Chrysler group franchises are still a good deal for Lithia, of Medford, Ore. -- if they're in the right location, that is.

"Historically, we pay three to four times over pretax earnings for Chrysler as good will," DeBoer says. Lithia would pay roughly double that for a Toyota or Honda store.

The network

The Chrysler group's U.S. dealer body

Franchises: 3,750

Stores with all 3 brands (Chrysler, Dodge, Jeep): 1,950

Source: Chrysler group

No interest

But Lithia has no interest in buying Chrysler group stores in metro areas.

"Nobody wants domestics (Detroit 3 stores) in metro markets that are overdealed and they're tired old stores," DeBoer says.

Mark Johnson, president of M.D. Johnson Inc., a Seattle company that helps clients navigate dealership ownership transfers, says uncertainty could produce good deals. Would-be buyers should know the multiples could shoot up if the right buyer picks up Chrysler and assures its future.

"I think it's a great time for someone to buy a Chrysler store if they know what they're doing," he says.

Doubts about GM

Ralph Martinez, owner of Town & Country Chrysler-Jeep and Town & Country Dodge in Portland, Ore., says he thinks GM might not be such a good buyer for Chrysler.

With GM still working on its own recovery plan, he says, "it will be four, five years before you see any true efficiencies."

Martinez thinks Chrysler has the best new products of the Detroit 3. He has been a Chrysler dealer since 1976 and doesn't plan to change.

"We've got fresh merchandise, and we hope gas prices stay low," he says.

"If somebody buys them, we'll be fine -- or they need to announce they're not going to sell it and get back to the future."

But Stephen Kaiser, president of Fairfield Chrysler-Dodge-Jeep in Muncy, Pa., says Chrysler's uncertainty has been "disheartening" for dealers in a slow winter season.

The Chrysler group's dealers have invested heavily in stores to keep up with new products, Kaiser says.

But potential store buyers don't want to take a risk on a Chrysler group store, he says. "Or if they do, they want it at bargain-basement prices."