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Partnership seeks 'premier' stores

Michael Dell-Jeffrey Rachor team could spend as much as \$500 million over 5 years

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The new partnership of computer billionaire Michael Dell and veteran auto retailer Jeffrey Rachor will focus on buying "premier" U.S. dealerships that sell luxury and high-volume import brands, Rachor said.

"We have the capital available to pursue virtually unlimited growth," said Rachor, a former president of the public dealership group Sonic Automotive Inc. "We have no specific growth or revenue targets at this time. We want to grow at a measured pace."

Dealership broker Sheldon Sandler predicted that the new venture, MSD Automotive Partners LLC, could spend as much as \$500 million over five years to acquire dealerships.

The auto retail partnership is an offshoot of MSD Capital LP, a private investment firm that manages more than \$12 billion in assets for Dell and his family. Dell, 43, is CEO of Dell Inc., of Round Rock, Texas, the No. 2 maker of personal computers. Last year, *Forbes* magazine ranked Dell the eighth-richest American.

Rachor, 46, is CEO of the auto partnership announced last week. The venture is based in Chattanooga, Tenn., Rachor's hometown. Rachor said Dell will not be "actively involved in the day-to-day management or investment decisions" of the auto retailer.

In an interview, Rachor told *Automotive News* he is "investing a significant portion of my personal net worth in this venture." He declined to specify the value of his minority stake. But he said he and Dell "will be owner-operators with major skin in



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the game."

MSD Capital "is prepared to invest what is necessary" to achieve the goals outlined by Rachor, a spokesman said last week.

Rachor would not say how many dealerships the partnership seeks to buy. Although the company is

Big deal

Here are key elements of the dealership acquisition strategy underlying the auto retail venture formed by Michael Dell and Jeffrey Rachor.

- Focus on U.S. dealerships that sell luxury and high-volume import brands
- Emphasis on Sun Belt states
- Minority equity stakes for dealership general managers
- No plans to go public

especially interested in dealerships in Sun Belt states, he said, "we are prepared to go anywhere we can find great assets and management."

Love of luxury

"We love the luxury brands — European, Asian and domestic," Rachor said. "And we particularly like the high-volume Asian import brands."

But he said he and Dell will be open-minded about domestic-brand dealerships "in the right situations and markets."

Rachor said the company does not plan to impose a corporate brand on the dealerships it buys: "The branding or name of the dealerships would be a local decision."

And the new venture has no plans to go public, Rachor said. Company executives "believe strongly that the auto dealership business model is best operated as a privately owned enterprise."

Sandler, CEO of Bel Air Partners LLC in Skillman, N.J., said he expects the Dell venture to focus on acquiring large private dealership groups that gen-

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Dell needed someone with auto experience

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erate more than \$500 million in annual revenue. Sandler's investment firm represents dealers in buying and selling dealerships.

Dell and Rachor "are going to do large deals to get a critical mass established," Sandler said. "It is long-term capital not looking for a short-term exit. I would say in the next five years they will invest as much as half

a billion dollars."

Sandler noted that Dell previously has sought to invest in auto retailing. In 2006, sources told *Automotive News* that Dell had expressed interest in buying the public retailer Asbury Automotive Group and taking it private.

'Missing piece'

"We worked on a number of very big deals with" MSD Capital, Sandler said. "They were never able to pull the trigger on the deals because they are smart enough to know what they don't know. They needed someone who had real hands-on experience" in auto retailing.

Sandler said Rachor, a 27-year industry veteran, supplies the "missing piece."

Rachor said he and his partners are not bothered by the industry's current slump. He said the new venture already has been "inundated" with inquiries from potential sellers.

"This cycle might create some opportunities," Rachor said. "In this environment, it is more difficult to operate your dealership. It could motivate some dealers to consider selling."

To attract and retain dealership talent, Rachor said his company will offer minority equity stakes to qualified general managers. He declined

to provide details.

Last month, Rachor quit his job as CEO of Pep Boys, an automotive aftermarket retailer.

Before he joined Pep Boys in 2007, he had executive posts at Sonic Automotive for the previous decade. As president, Rachor expanded and restructured Sonic, shifting its mix of dealerships toward luxury and import brands.

Rachor said he's excited to be back in auto retailing.

He said his new venture "will capture the benefit of scale without sacrificing the entrepreneurial spirit that has always been the foundation" of dealership success. **AN**