A special breed of cool cat

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Automotive News' latest ranking of the **top 150 dealers**, published last month, was notable for the rise of so many aggressive, acquisitive private dealership groups.

It's true that family offices, equity funds and other nontraditionals are buying dealerships, but the private groups that have grown so rich since the recession are also piling up stores.

Mark Johnson, the veteran broker with a gift for describing the inner workings of M&A, says the availability of capital is making it possible for them to go for the glory.

"They're smart because you can borrow money for nothing," he said. "You can take $100 million and borrow $500 million on it so you're going to lever up.

"The thing is they get to write their own deal and don't have to PG the stuff anymore. When the deals are big they don't have to sign personal guarantees. The deal itself has enough cash flow to be the deal, so you can borrow that kind of money and you don't have to sign your name. Just your company signs for it."

That sounds pretty audacious, but a special breed of cool cat can pull it off. They're the kinds of dealers who way overpaid for stuff 10 years ago because they had a 20-year outlook.

Many of them are first generation owners who "don't have the risk gene because their self-confidence is so overblown," Johnson said.

He remembers watching some of these guys go big, and then hang tough during the Great Recession.

"They would say to the bank: 'What are you doing? You need me more than I need you. You've got $400 million invested in me and you're not getting paid this month.'"

The lender, said Johnson, would say: "'Okay, when can you pay us? 'How much can you pay us?' When can you pay us whatever you can pay us?'

"When you get big you own the lenders," he said. "I saw that during the recession."

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