

## Carl Icahn, the Car Guy: Why he bets on Hertz, Lyft and Pep Boys

Carl Icahn rarely takes his Mercedes out for a spin. And he figures many people in the U.S. will eventually treat their vehicles as dismissively as he does, if they bother owning any at all. That's part of why the billionaire expects he'll make a bundle on the offbeat collection of investments he's assembled, including a raft of auto repair and supply outlets, a small stake in Lyft Inc. and a controlling position in Hertz Global Holdings Inc.

"If you look at these businesses as single things, I don't think they're that great," he said in a recent interview. But they're positioned as a group to cash in on the new car culture. "There's a secular change happening, which we see as a great opportunity and it will be good for Icahn Enterprises."

Icahn imagines the next two decades or so of transportation the way a lot of experts do: Americans will ditch personal cars, opting instead for communal rideshares or short-term rentals, some of them self-driving and fueled by electricity. Icahn sees the migration playing into his hands. He's sure enough that he's invested more than \$3 billion so far, not counting what he's put into Hertz.

Lyft would benefit, of course, as it competes with leader Uber Technologies Inc. and since those companies have zero interest in taking care of fleets, the 1,900 service centers Icahn Automotive Group LLC owns, would stay busy. (They include AAMCO, American Driveline Systems,

Pep Boys, Precision Auto Care and Auto Plus.)

Meanwhile, Hertz is restructuring its main business and trying to set itself up as a manager of ride-hailing fleets and eventually, of so-called robotaxis. (Hertz's shares zoomed last June on news that Apple Inc. was leasing cars from the rental giant to test self-driving technology.)

"If Icahn is talking about managing a fleet of autonomous vehicles, then he has a business," said auto consultant Maryann Keller, who used to be on the board of Dollar Thrifty Automotive Group Inc., which was acquired by Hertz. "If Uber has fleets of autonomous cars, they will pay someone to manage them."

He's already linking his businesses. He arranged a partnership between Pep Boys and Hertz to locate 50 rental counters at the repair chain's locations. Lyft drivers can lease a Hertz vehicle and Pep Boys will inspect it to certify that it meets Lyft's specifications. If the car needs repairs, the driver can take it to Pep Boys, said Dan Ninivaggi, CEO of Icahn Automotive.

It's win-win-win, according to Ninivaggi, Lyft, the theory goes, will attract more drivers if people who don't own cars can easily lease them. Hertz will make money off its short-term rental fleet. At the moment, a car model that's put in 18 to 20 months of work for tourists and business

travelers is sent off to a used car auction, where it doesn't pull in a lot of cash in a depressed market.

And because the Lyft-lease vehicles will have already been depreciated, they'll be a lot cheaper for drivers than a brand new set of wheels. Depreciation is a bugbear, Ninivaggi said. "Car-rental companies have to operate other channels beyond an 18 to 20 month holding period."

Another plank in Icahn's strategy is consolidating his parts and service businesses and having them buy from Federal-Mogul, the second largest aftermarket parts seller in the U.S., Ninivaggi said Federal Mogul offers them better pricing than the likes of O'Reilly Automotive Inc. or AutoZone Inc.

These days, repair shops might be better off under one umbrella. As carmakers stuff more technology under the hood, it's tougher for small outlets to afford fancy diagnostic equipment and hire trained technicians, Icahn said. So as Icahn Automotive expands its service network, it has greater capability for purchasing and education.

"Carl spends a lot of time on this," Ninivaggi said. The billionaire may have missed his calling. "I joke with him that he could have worked in one of the shops in Queens, working on cars and moving tires around."

By David Welch; [www.bloomberg.com/news](http://www.bloomberg.com/news). In 20 years will all the garages in the U.S. really be empty?