

GM posts another profit, moves toward stock sale

Manufacturing.net

In a signal moment for the turnaround of the American auto industry, General Motors is edging toward a public stock sale, and its profits are now solid enough that the demanding CEO will step aside, saying his work is done.

GM said Thursday that it made \$1.3 billion from April through June, its second straight quarter in the black and a complete reversal from last year, when it was forced into bankruptcy and the U.S. government took a majority stake.

CEO Ed Whitacre said he would leave his post Sept. 1. He said the GM board knew all along that he would do so after the company returned to health, and industry analysts said it was an important step leading up to the stock sale.

Whitacre, who will stay on as chairman through the end of this year, will be replaced as CEO by Daniel Akerson, a 61-year-old former telecommunications executive who sits on the GM board.

While executives would not discuss the stock sale Thursday, GM is expected to file its initial paperwork with federal regulators as early as Friday.

"Things look good. There's a foundation in place, a good foundation," said Whitacre, who was drafted him out of his first retirement by the government to fix the troubled GM. "I believe we've accomplished what we set out to do."

Last year, GM lost nearly \$13 billion in the second quarter alone. In the first six months of this year, GM made \$2.2 billion as cost cuts took full effect, sales in China grew and people paid more for GM's revamped vehicles in the U.S.

For example, GM's crossovers, which are similar to SUVs but built on car undercarriages, are fetching \$3,000 more this year than last. Crossovers such as the Chevrolet Equinox and Buick Enclave have sold well, and the company has high hopes later this year for the Chevy Cruze, its first decent compact, and the Volt, a \$41,000 rechargeable electric car.

The federal government got a 61 percent stake in GM in exchange for \$43 billion in aid to keep it alive. It could sell some or all of that when GM makes its public stock offering, perhaps as early as November.

GM must first reveal to the Securities and Exchange Commission how many shares it intends to sell on the open market and at what price. The government would then tell GM how much of its stake it will to sell, and GM would disclose that in another filing.

If GM's shares sell for too little, the government and other stakeholders are less

GM posts another profit, moves toward stock sale

Published on Chem.Info (<http://www.chem.info>)

likely to get their money back and GM is less likely to raise money to pay off debt.

The environment for new stock offerings is less than welcoming. Six initial public offerings have been postponed since June 1, in part out of fear that they wouldn't fetch a high enough share price, said Matt Therian, an analyst with Renaissance Capital, a Greenwich, Conn., firm specializing in public stock offering research.

GM, however, may have enough cache to overcome the sluggish economy, Therian said.

"The IPO market can be a case-by-case basis," he said. "I think in many ways GM is going to be a unique story."

Sweet said the Obama administration may be pressuring GM to sell prematurely to influence the November congressional elections and make the government's controversial investment look smart. Whitacre and the government have both said GM is in charge of the timing of the IPO.

Akerson will be GM's fourth CEO in 18 months. Like Whitacre, a former CEO of AT&T, Akerson worked in top executive positions at major telecommunications companies. He held top posts at MCI and Nextel.

Both have been described as hard-charging executives who demand results. Whitacre, 68, who was known within GM for his disdain for PowerPoint presentations and his surprise visits to factories, said Akerson shares his vision for the company.

Whitacre didn't directly address a question about whether executives with automotive experience were considered for the job. But he said Akerson has learned the auto business in his year on the board.

"Dan has been involved every step of the way," Whitacre said. "He knows this business from a board perspective and also from personal conversations."

Akerson will stay on with The Carlyle Group, a private equity firm, until he starts as GM CEO next month.

Bob Lutz, a former GM vice chairman who retired earlier this year, said in an e-mail that Akerson doesn't need auto experience to run GM because it has a solid management team. But he does need to listen to them, Lutz said

"He's very strong, very opinionated, not always right, and needs to work on listening skills," Lutz said. "If he can bring himself to trust his now-outstanding senior executive group and lead rather than direct, I think he'll do an outstanding job."

GM still faces problems. Its U.S. sales rose 14 percent in the first six months of this year, lagging behind the average industry increase of 17 percent. It spends more on car buyer incentives than any other automaker.

GM posts another profit, moves toward stock sale

Published on Chem.Info (<http://www.chem.info>)

GM has also relied heavily on sales to rental car companies, governments and corporations, which are less lucrative than sales to individual customers.

GM's return to profitability and impending stock sale are milestones in the restructuring of the beleaguered American auto industry. The administration rushed to its aid last year, after the 2008 bailouts of major banks.

Ford, which never needed government help, made \$2.6 billion for the second quarter, its fifth straight quarterly profit. Chrysler Group LLC, which got \$15.5 billion in federal aid, narrowed its second-quarter loss to \$172 million.

GM's profits, at a tough time for overall car sales in the U.S., are proof Whitacre has put the company on solid footing, said David Cole, the chairman of the Center for Automotive Research in Ann Arbor, Mich.

Cole said Whitacre was smart enough to leave in place things that were working — product development and manufacturing, which has grown leaner and more efficient through restructuring — while he streamlined GM's bloated management.

GM is now using 93 percent of its factory capacity, compared with 39 percent in the second quarter of last year as it idled factories while in bankruptcy protection.

"I think he'll be remembered as a short-term but effective leader," Cole said.

—

AP Auto Writer Dan Strumpf in New York and Associated Press Writer Ken Thomas in Washington contributed to this report.

[SOURCE](#) [1]

Source URL (retrieved on 09/17/2014 - 5:12pm):

<http://www.chem.info/news/2010/08/gm-posts-another-profit-moves-toward-stock-sale>

Links:

[1] <http://www.manufacturing.net/News/FeedsAP/2010/08/mnet-industry-focus-facilities-and-operations-gm-posts-another-profit-moves-toward-stock-sale/>