



# GM posts \$2 billion quarter profit, IPO next

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*By David Bailey*

DETROIT (Reuters) - General Motors Co posted a \$2 billion third-quarter profit on Wednesday, driven by an accelerating turnaround in North America as it rushes to complete an initial public offering of stock set for next week.

The quarterly profit was the largest for GM since it emerged from bankruptcy in July 2009 and provides the last piece of financial data for investors evaluating the automaker's \$13 billion IPO.

GM said it expected to post solidly profitable results for 2010, its first full-year profit since 2004.

A large part of that profit reflects lower operating costs and reduced sales incentives in GM's U.S. operations, which had posted deep losses in the run-up to its 2009 bankruptcy funded by the Obama administration.

**"It obviously will bode well for the IPO," said Van Conway, chief executive at turnaround specialists Conway MacKenzie. "It's more proof that they have executed the turnaround -- I don't say completely because I wouldn't say that just a couple of quarters make (a turnaround)."**

GM reported increased cash earnings in North America for a third consecutive quarter, with its international results flat to up slightly and a bigger loss in Europe.

"We know we have much more work to do," Chief Executive Dan Akerson said in a conference call. "We still need to fix Europe. We continue to be vigilant in reducing cost in the enterprise, and we have just started doing a better job in marketing our brands to consumers."

The automaker's IPO will include common and preferred shares and will allow the U.S. Treasury to reduce its stake in GM from about 61 percent to near 43 percent.

## SELLING GM

GM executives have started an investor road show to support the IPO plans. Akerson and Chief Financial Officer Chris Liddell did not take questions after a presentation on third-quarter results.

The pitch to investors, continuing this week, aims to sell a GM that has slashed costs in North America, has a plan to make Europe profitable and retains more exposure than any other automaker to the fast-growth, developing auto markets in Brazil, Russia, India and China.

"I think General Motors is just a lot better run company in part because they survived a horrific situation and they are more savvy about what they have to do now," Conway said.

Akerson replaced Ed Whitacre as CEO on September 1 and will add the role of chairman by year end. His participation in the GM earnings conference call marked a departure from practice under Whitacre, who had a reputation as a hands-off manager.

In North America, GM's earnings gain in the third quarter was driven mainly by a reduction in sales incentives and discounts to consumers on the back of better-selling new vehicles like the Chevrolet Equinox and GMC Terrain.

The automaker also reported an increase in truck production that supported the results since trucks like the Chevy Silverado carry higher prices and richer margins than smaller vehicles.

GM expects to build more cars in the fourth quarter with the introduction of the Chevrolet Cruze compact, a new car that represents the automaker's most serious effort to date to compete against the Honda Civic and Toyota Corolla on features and fuel economy.

GM's profit met the expected range it outlined last week when it released details of its plans for an IPO. The automaker reported earnings per share of \$1.20 for the quarter.

GM posted revenue of \$34.1 billion in the third quarter. GM emerged from its government-funded bankruptcy in July 2009, making year-ago comparisons less relevant.

GM's profit topped U.S. No. 2 rival Ford Motor Co's \$1.7 billion third-quarter profit, and Chrysler's \$84 million net loss for the quarter.

GM expects earnings before interest and tax to be significantly lower in the fourth quarter than it was through the first three quarters due to vehicle introduction costs and spending for future products, among other expenses.

The automaker expects to take a \$700 million noncash charge in the fourth quarter in connection with a plan to acquire the U.S. Treasury's holdings of GM preferred shares.

The U.S. automaker reported losses totaling about \$88 billion from 2005 to 2009, when it fell into bankruptcy, as losses mounted in its home market.