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GM swings to first profit in three years

By Shawn Langlois, MarketWatch

SAN FRANCISCO (MarketWatch) -- General Motors Co. on Monday turned in its first quarterly profit in three years, riding a strong rebound in worldwide sales and the cost benefits of having emerged from bankruptcy almost a year ago.

The Detroit giant said it swung to a first-quarter profit of \$865 million, or \$1.66 a share, reversing a loss of \$6 billion, or \$9.78 a share, in the year-ago period when the company was tumbling toward a taxpayer bailout.

The last time GM pocketed a profit was in the second quarter of 2007 when it earned \$891 million.

Revenue rose to \$31.5 billion from \$22.4 billion.

"No doubt, GM is successfully engineering its turnaround," said Van Conway, president of Birmingham, Mich.-base consultancy Conway MacKenzie Inc.

"The company faces many of the same challenges as everybody else," he added. "But the way things are going right now, GM is on track to make a tremendous amount of money."

Leading that recovery is the steady surge in demand for GM's cars, thanks to an onslaught of new models and powerful industry promotions.

The company reported a 6.4% increase in U.S. sales in April to 183,997 cars and trucks from 173,007 a year ago. See full story.

"In North America we are adding production to keep up with strong demand for new products in our four brands," said Chris Liddell, vice chairman and chief financial officer. "We're also steadily growing in emerging markets, keeping our costs under control, generating positive cash flow and maintaining a strong balance sheet."

Worldwide production rose to 2.1 million vehicles in the first quarter, from 1.3 million in the year-ago period. Total worldwide market share remained flat at 11.2%.

Despite what he described as "encouraging" global results, Liddell cautioned that GM isn't "out of the woods yet" with regards to the European financial crisis.

Rival Ford Motor Co. (F 11.73, -0.39, -3.18%) last month also moved into the black with first-quarter earnings topping \$2 billion after the Dearborn, Mich.-based car maker lost about that much a year earlier. See full story about Ford.

GM's quarterly profit marks another stepping stone toward a public offering, which is needed for the U.S. government to fully recoup its \$50 billion investment. GM paid back a \$6.7 billion federal loan in April.

The IPO will happen "when the markets are ready and the company's ready," Liddell said. "It could happen by the end of this year, that's a possibility. Could it be next year? That's a possibility as well."

The government currently owns about 61% of the company.