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## GM Weighs Bank Credit Plan

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By SHARON TERLEP

General Motors Co. is in talks with banks to set up a \$5 billion line of credit, a move that comes as the auto maker works to convince potential investors it can function without government support, people familiar with the situation said.

The facility would bolster GM's liquidity and provide additional working capital should the company's recovery plans hit a snag.  
Experience WSJ professional

GM also is weighing whether to issue additional shares as part of an initial public offering expected later this year, money that could go toward paying down the company's remaining debt and underfunded pension plans, these people said.

The car maker is on a campaign to pitch itself as reinvented company capable of delivering sustainable profits as it readies a return to the public markets. Finance chief Chris Liddell this week told a gathering of potential investors and auto analysts that the company aims to eliminate all debt and achieve an investment-grade credit rating.

GM was burning more than \$1 billion in cash a month before filing for bankruptcy in June 2009. In this year's first quarter, GM turned out a \$1.2 billion operating profit and generated \$1 billion in free cash flow. After nearly running out of cash last year, GM ended the first quarter with \$35.7 billion in cash and marketable securities.

**Setting up a revolving line of credit would be important to GM's viability, particularly if the U.S. economy enters a second recession or GM fails to meet sales targets, said Michael Fixler, a managing director in the capital-advisers division of Detroit turnaround firm Conway MacKenzie.**

**"If they ever want to be able to access the credit market again and have rated debt again they will have to take these steps," Mr. Fixler said. "It would take away or help to minimize any concern over, 'What if the numbers are wrong.' "**

A successful return to the public markets is necessary for the U.S. government to recoup the \$50 billion it spent last year to keep GM afloat. The U.S. Treasury holds a 61% stake

in the GM, with the rest held by the United Auto Workers union, the Canadian government and former bondholders.

Bankruptcy allowed GM to slash debt, downsize its operations and shed unprofitable brands, models and dealerships.

A year after emerging from Chapter 11, GM has \$15.4 billion in debt, including preferred equity, compared to \$53 billion before bankruptcy. The company is selling more cars and trucks despite eliminating half its eight brands. And Mr. Liddell said the company's break-even point is low enough for GM to make money even at the bottom of an industry downturn.

Yet GM still has some red flags it is working to address. The company's massive pension obligations are underfunded by \$26.8 billion.

When pensions are factored in, GM has greater debt and obligations than rival Ford Motor Co., the only Detroit auto maker to avoid bankruptcy. Ford on Wednesday said it was reducing its debt by more than \$4 billion, mainly in funds owed to a trust set up to provide health care to retired members of the United Auto Workers.

GM, like Ford, lacks an investment-grade credit rating, which drives up borrowing costs and limits access to capital.

In contrast, Toyota Motor Corp. and Honda Motor Co. benefit strongly from their investment-grade ratings and the flexibility of carrying little debt.

Mr. Liddell, in his presentation to Wall Street, didn't specify how GM intends to shed its debt or offer any timeline. But the approach of holding little or no debt is an unfamiliar one for Detroit auto makers, which historically have been highly leveraged.

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