

Bloomberg

GM Forecasts Modest Profit Boost in 2014 From New Models

By Tim Higgins – January 15, 2014
(excerpt)

General Motors Co. (GM), which announced a 30-cents a share dividend yesterday, forecast 2014 profit to “modestly” improve this year as it introduces 15 new or refreshed vehicles in the U.S. and 17 in China.

Improved operating performance should offset \$1.1 billion in additional restructuring costs leaving GM’s margins for adjusted earnings before interest and taxes similar to 2013, the Detroit-based automaker said today in statements posted on its website. GM forecast 2 percent industrywide global sales growth to more than 85 million vehicles.

The outlook follows yesterday’s announcement that GM will issue its first quarterly payment since July 2008, and appointed Chuck Stevens as its new chief financial officer. Mary Barra, who had been the company’s product chief, today becomes the first female chief executive officer of a global automaker, succeeding Dan Akerson who is retiring.

“We continue to perform well in the two most important markets in the world, the U.S. and China,” Barra said in today’s statement. “We’re taking advantage of our strength in these countries to restructure and make the investments necessary to grow profitably in other parts of the world.”

GM, which will probably report its 16th straight quarterly profit next month, is benefiting from 18 new or refreshed vehicles introduced last year in the U.S. as the company rebounds from its 2009 U.S. government-backed bankruptcy reorganization. Shares rose after the announcements yesterday.

Balance Sheet

“Our fortress balance sheet, substantial liquidity, consistent earnings and strong cash flow provide the foundation for an ongoing payout,” Dan Ammann, the current chief financial officer who becomes president today, said yesterday in the statement. ...

...Optimism for GM has been building for the past year after the U.S. Treasury began unwinding its ownership stake in the automaker, one of the last vestiges of the U.S. government’s \$50 billion bailout and bankruptcy reorganization in 2009.

“A dividend yield of 3 percent will reward shareholders well, especially from a company that is in a growth phase,” David Kudla, chief executive officer and chief investment strategist of Mainstay Capital Management, LLC, said in an e-mail.

GM rose 1.1 percent to \$40.02 yesterday and climbed 1.2 percent to \$40.50 at 7:29 a.m. New York time, before regular trading. The shares gained 42 percent last year.