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Despite Strong Earnings, G.M. Has Much to Prove to Investors

Business Day

BY BILL VLASIC (excerpt)

DETROIT — Since going bankrupt in 2009 and needing a government bailout to survive, General Motors has methodically rebuilt itself as a profitable automaker that has capitalized on surging sales in the United States market.

But despite reporting on Thursday that its first-quarter earnings had more than doubled from a year ago, G.M. still apparently has a lot to prove to investors.

The company's stock price hardly budged from its recent level of \$32 on the news that G.M. earned \$1.95 billion in the quarter, compared to \$945 million in the same period in 2015.

Industry analysts have been generally impressed by G.M.'s comeback from its financial problems and its recent safety crisis over faulty ignition switches linked to 124 deaths. ...

...Now G.M., with its domestic rivals Ford Motor and Fiat Chrysler, is pushing hard to be a major player in the industry's high-technology revolution centered on autonomous vehicles and electric cars.

And rather than try to develop all the technology itself, G.M. is spending freely to acquire and work with Silicon Valley companies that can accelerate its transformation from an old-line automaker into a leader in all aspects of personal mobility. ...

...Mary T. Barra, G.M.'s chief, said on Thursday that the company intended to be a leader in autonomous cars and electric vehicles, even if that meant spending big for companies like Cruise Automation, a tiny software business that customizes cars with self-driving equipment.

"We see a significant opportunity, and that's why we are moving so aggressively on all fronts," Ms. Barra said in a conference call with analysts. ...

... "The electric car is integrated into the portfolio," Ms. Barra said. ...

...As G.M. tries to carve out a larger business in electric cars, it is also acting to improve profit margins in its core North American business.

The company is pulling back on less profitable sales of vehicles to rental fleets, and taking advantage of consumer demand for trucks by introducing variants such as its midsize pickup and a Chinese-built small sport utility vehicle.

In the first quarter, G.M. increased its pretax profit in North America by 5 percent, from a year ago, to nearly \$2.3 billion.

It also improved in other regions, particularly in Europe, where it reduced losses to \$6 million in the quarter, compared to a loss of \$239 million in the same period in 2015. ...

... "The great story about G.M. is that even if a sales slowdown occurs, the company is in position to still remain profitable due to an improved balance sheet, flexible production, and disciplined decision making," said David Kudla, chief executive of the investment firm Mainstay Capital Management. ...

...with another strong quarter behind it, G.M. may be starting to change some of the negative perceptions that have dogged it since its bankruptcy.

"A strong start to the year once again shows why G.M. is a fundamentally different company than it once was," the Citibank analyst Itay Michaeli said in a research note.

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