

GM Faces investor demand for slice of \$25 billion cash hoard

By Ben Klayman
February 12, 2015

An investor group demand that General Motors Co give back more of its \$25 billion cash hoard confronts Chief Executive Mary Barra with a challenge to her plans for building the company and rewarding shareholders.

Barra and GM's chief financial officer Chuck Stevens have signaled they will recommend returning more of the cash once the Detroit automaker knows how much it will have to spend to resolve legal issues related to the company's recalls of millions of cars equipped with defective ignition switches. That includes a U.S. Justice Department criminal investigation. ...

...Wilson and a group of hedge funds are pressing GM to buy back \$8 billion in stock over the 12 months following its June annual meeting, and agree to give Wilson and possibly other shareholders seats on its board. ...

GM told Reuters on Thursday it has turned to Morgan Stanley and Goldman Sachs Group Inc to give advice on how to respond to the demands of Wilson's group.

The company hasn't discussed its position regarding Wilson's proposals since revealing them on Tuesday. It said then that its goal was maximizing shareholder value through both boosting its share price and returning cash via dividends and share buybacks.

Others are worried about whether Wilson and his group really have GM's long-term interests at heart. ...

...David Kudla, CEO of Mainstay Capital Management in Grand Blanc, Michigan, said investors should leave it to Barra and her team to decide how to spend GM's cash.

"Are these hedge fund managers thinking about GM over the next 10 years or the next 10 weeks?" said Kudla, whose firm owns GM stock and has many GM retirees as clients. ...

...Barra and GM's independent directors could take until the June annual meeting to craft a response to the challenge from the hedge funds that goes beyond the company's Feb. 4 decision to recommend increasing the common stock dividend by 20 percent. ...

...GM does have plans for a good chunk of its cash.

In addition to recall-related litigation costs, Stevens last month laid out other calls on the automaker's cash in 2015, including \$9 billion in capital spending, about \$2 billion for dividends, \$1 billion for restructuring and an estimated \$1.2 billion of remaining recall costs. ...

...John Smith, a former group vice president at GM who ran global product planning, has little sympathy for those who want GM to sacrifice a chunk of its cash.

"You can almost not have enough cash," he said. "GM had run out of money by the time it got to the second half of '08 so who would want to repeat that?"