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GM ready to repay govt loan, sees chance of profit

By Dee-Ann Durbin
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DETROIT (AP) — General Motors Co., steadily returning to health after its near-collapse in 2009, said Wednesday it plans to pay off its government loans by June — five years ahead of schedule — and could report a profit as early as this year.

GM said it lost \$3.4 billion in the fourth quarter of 2009 on revenues of \$32.3 billion. But things are on the upswing. Sales and production have increased and GM has gained U.S. market share since the start of the year. The automaker will try to maintain that momentum while facing a stiff challenge from a revitalized Ford Motor Co.

For the period from July 10, when GM emerged from bankruptcy protection after shedding billions in debt, through Dec. 31, GM lost \$4.3 billion on revenues of \$57.5 billion. But much of that loss was for one-time items, including a \$2.6 billion payment to the United Auto Workers union for retiree health care. The company also reported several indicators of improving health: It took in \$1 billion more than it spent in the period and began this year with \$36 billion in cash and \$60 billion in debt. At the start of 2009, it had \$14 billion in cash and \$104 billion in debt.

"General Motors should never again be in the financial position it found itself in last year," GM Chief Financial Officer Chris Liddell said during a conference call with analysts and media.

Repaying \$6.7 billion in government loans has been a top priority for CEO Ed Whitacre. The government's autos task force set a repayment deadline of 2015 as a condition of giving GM the loans last year. As of the end of March, GM has paid back \$2.4 billion and Liddell said GM plans to pay the rest by June at the latest.

GM owes an additional \$45.3 billion to the government. That will be repaid when GM makes a public stock offering, which Liddell says will happen "when the markets and the company are ready."

David Kudla, CEO of Mainstay Capital Management in Grand Blanc, Mich., which manages investment accounts for many GM retirees, said he's encouraged that the company is paying off its loans faster than expected. A year ago, he said, many people weren't sure GM would survive.

Kudla said GM has made some good decisions, including restructuring its balance sheet, investing in products and shedding brands.

"They're not only putting themselves in a position to survive going forward but to thrive going forward," he said.

Kudla said among GM's biggest obstacles now is the sluggish economy, which has dragged down vehicle sales.

Liddell, who came to GM at the beginning of the year from Microsoft Corp., wouldn't say whether GM will make money in the first quarter, but said there's a good chance the company will make a profit in 2010 based on encouraging first-quarter sales and production. GM plans to release first-quarter results next month.

"I think there is a danger of overpromising and underdelivering," he said. "When we put the numbers on the board, we will come out and tell you about them."

GM, which remains the largest car company by sales in the U.S., saw a slight gain in U.S. market share in the first three months of this year compared to a year ago. Sales of some of its new crossovers, including the Chevrolet Traverse and Equinox and GMC Acadia and Terrain, have been particularly strong. Worldwide production rose to 1.9 million vehicles in the fourth quarter, up from 1.6 million in the same quarter in 2008.

But rivals are nipping at its heels. Ford Motor Co., which didn't take government aid and reported a \$2.7 billion profit for 2009, outsold GM in February for the first time in a dozen years. Toyota Motor Corp. came close to outselling GM last month when it used heavy incentives to lure buyers after a series of safety recalls.

Liddell said Toyota's incentives, which GM had to match, will have some impact on profits. But said GM is making cuts elsewhere so it won't have to rely so heavily on U.S. sales. Automakers are predicting a modest recovery in U.S. sales to around 11.5 million vehicles this year. That's about 1 million more than in 2009, when the recession-wracked industry saw its worst sales in nearly 30 years.

"I don't believe we need significant industry improvement to get to profitability," he said.

Things are also on the mend at Chrysler Group LLC, which also went into bankruptcy protection last year and is now managed by Fiat SpA. Chrysler CEO Sergio Marchionne said last week that the automaker has \$5 billion in cash on hand and expects to break even this year. Chrysler plans to provide more detailed financial results later this month.

Since July, GM has shed four brands — Pontiac, Saturn, Saab and Hummer — and made a series of management changes and cut thousands of employees. GM had 217,000 employees at the end of 2009, down 11 percent from the prior year.

The results GM reported Wednesday aren't comparable to prior years because the company used fresh-start accounting, which allows companies to completely revalue their assets after bankruptcy protection. GM says it's the largest company ever to go through fresh-start accounting.