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GM second quarter profit drops, partly on higher steel, aluminum costs

By Jamie L. Lareau (excerpt)
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DETROIT — General Motors reported a net profit of \$2.4 billion for the second quarter of 2018, down 2.8 percent from the same period a year ago in part the result of increases in the costs of steel and aluminum as well as fluctuations in currency, it said Wednesday.

The Detroit automaker's pretax profit was \$3.2 billion, down 13.3 percent from the same period a year ago. GM reported its overall revenue of \$36.8 billion dipped 0.6 percent from the same period in 2017. ...

...GM is warning that the second half of the year will present continued challenges with commodity prices and currency, and lowered its earnings expectations for the year. For the full year, GM expects to earn about \$6 per share compared with previous guidance of \$6.30 to \$6.60 per share. Its free cash flow will be about \$4 billion compared with previous expectations in the mid-\$5 billion range, it said. GM anticipates net income will be \$1 billion less from 2017, versus previous guidance anticipating a \$500 million hit, a spokesman said.

GM's second-quarter results were supported by large gains in sales of pickup trucks. Chevrolet and GMC pickup sales rose 21 percent, and the brands' large SUV sales were up 22 percent compared to the year-ago period, GM said.

GM sold 912,000 vehicles in North America. GM China sold 858,000. In the quarter, GM China reported equity income of \$592 million driven by strong sales in Baojun and Cadillac brands, it said. In the year-ago quarter, GM China reported net income of \$509 million. ...

...Other analysts agree that, despite being on "the backside of peak auto," GM expects to generate continuing strong earnings in declining industry sales and have the products and strategic plans to do so.

"Whatever demand in EVs and hybrids ultimately materializes, GM is ready to meet it, and to compete with Tesla and other automakers in this growing market," David Kudla, CEO and chief investment strategist for Mainstay Capital Management in Grand Blanc, wrote in a statement ahead of the earnings release.

On flexible mobility, he said, GM has a solid plan to do everything in house — make the car, write the code, and sell the rides.

But he said, "GM's successful penetration into China's growing markets is important, but for now, profitability is largely based on performance in North America."

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