

GM likely to say it made more in 2nd quarter

By Greg Gardner
July 20, 2016

When General Motors reports second-quarter earnings Thursday morning, they almost certainly will be higher than a year earlier, but analysts and investors hope to learn more about the automaker's near-term performance in Europe and how much it is spending on autonomous vehicle technology and "new mobility" ventures.

GM will be the first major automaker to release second-quarter financial results.

Analysts polled by Thomson Reuters, on average, expect GM earned \$1.29 per share in the second quarter, up from \$1.08 a year ago. They expect revenue to be \$38.6 billion from \$38.2 billion in 2015's second quarter.

Once again, nearly all the profits will come from North America, where U.S. vehicle sales are running near last year's record pace. But GM's dropped about 8% in the second quarter from a year earlier because it has been reducing sales to daily rental companies such as Hertz, Avis-Budget, National, Enterprise and others.

What's not clear is whether GM is making a larger profit even after selling fewer vehicles in the U.S.

"That's what we think we'll see," said David Kudla, CEO and chief investment officer of Mainstay Capital Management in Grand Blanc. "They have been consistently increasing their share of retail sales. Their average transaction prices are among the highest in the industry."

Sales at GM's European Opel brand rose 11.2% in the quarter.

In the wake of last month's vote by British citizens to leave the European Union, several automakers, including GM, face uncertainty, but since the vote happened on June 23 and the quarter ended one week later, there shouldn't be much impact on this report.

Sales for GM and its joint-venture partners in China are up about 12% in the second quarter.

But South America, where GM lost \$67 million in the first-quarter, is still plagued by a variety of economic crises.

GM shares have risen about 13% since June 27, but it is still trading about \$2 below its November 2010 initial public offering price of \$33. Investors remain skeptical that the industry can generate more profit in the near-term as they expect the U.S. new vehicle market to level off or decline slightly over the next year.

On another issue, GM is expected to account for the acquisition of Cruise Automation, the San Francisco start-up that is testing partially self-driving cars with a device that integrates sensors, cameras and 3D maps to navigate certain routes.

It's been reported that GM paid more than \$1 billion for a three-year-old company with fewer than 50 employees. GM has never discussed terms of the acquisition, but it has been testing a handful of Chevrolet Bolt EV prototypes equipped with Cruise's system.