

Detroit Free Press

General Motors made \$294 million net income in first quarter, down 87%

By Jamie L. LaReau (excerpt)
May 6, 2020

Hit by the coronavirus crisis, General Motors is the latest of the Detroit Three automakers to have a rough quarter.

The automaker reported a net profit of just \$294 million, down 86.7% from \$2.1 billion for the first quarter a year ago. Its earnings before interest and taxes was \$1.2 billion, down 45.9% percent. Net revenue was down 6.2% to \$32.7 billion, and China operations lost \$167 million.

There are a few factors to blame for GM's results. U.S. car demand has declined as most states have had stay-in-place orders in effect to mitigate the spread of coronavirus. In Michigan, car dealers could not even sell any cars for nearly three weeks. GM reported its U.S. customer deliveries in the quarter dropped 7% from the prior year period to 618,335 deliveries.

"The strength of this company has always been its people, and I am proud to stand with our best as we confront these challenges together — as one team — while we continue our transformation," GM CEO Mary Barra said in a statement. "We have a track record of making swift, strategic and tough decisions to ensure our long-term viability and create value for all of our stakeholders."

GM said it will start ramping up next week for a targeted restart of its factories in North America beginning May 18, as first reported by the Free Press on Tuesday. GM will begin a limited, cadenced and site-specific approach for a restart, it told its UAW members Tuesday and confirmed Wednesday in its earnings announcement. ...

... Liquidity is key ...

... GM ended the quarter with \$33.4 billion in automotive liquidity.

"Liquidity is the name of the game for not only the markets, but also auto companies, such as GM, during this shutdown," said David Kudla, chief investment strategist for Mainstay Capital Management. "If GM can provide a clear timeline to resume operations, along with details on product launches, they will surely bolster investor and consumer confidence." ...

... Barra said GM will continue to watch customer demand and market trends each quarter to find ways to conserve its cash.

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