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GM loses \$800 million in 2nd quarter, but beats Wall Street projections

By Jamie L. LaReau (excerpt)
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General Motors reported Wednesday its net income tumbled on slow sales and thin inventory in the second quarter, especially of its profitable pickups and SUVs following an eight-week factory closure due to the coronavirus pandemic.

GM, the first of the Detroit Three automakers to release report second-quarter numbers, announced a net loss of \$800 million, down 132% from the same time a year ago. Its earnings before interest and taxes adjusted were a loss of \$500 million, down 118%. Net revenue was down 53% to \$16.8 billion, but GM's China equity income was \$200 million for the quarter.

Most striking was its cash burn during the quarter. GM spent \$8 billion in automotive operating cash.

But during a call with the media, GM CFO Dhivya Suryadevara said the second half of the year will be better and it should allow GM to pay off the \$16 billion revolving line of credit it took earlier this year to get through the pandemic. ...

... It's been a rough year for the auto industry. GM withdrew its 2020 guidance last quarter and suspended stock buybacks and quarterly dividends, a \$2 billion savings. GM has also declared employee pay deferrals and cuts. It has doubled its debt to \$30 billion to stock its war chest.

"There is no doubt that automakers suffered a substantial hit during the second quarter, but proactive balance sheet actions have allowed these companies to bear the brunt of this shutdown without crippling them," wrote David Kudla, chief investment strategist at Mainstay Capital Management, in a Tuesday research note. "Not only is it a testament of past lessons learned, but the strong leadership in the company."

There are bright spots. GM's sales in China fell 5.3% in the second quarter, an improvement from the first quarter when sales plummeted 43%, Kudla said. ...

... Despite GM's sales being down 21.4% at 1,110,824 units through the first half of the year, Kudla said, the Chevrolet Blazer SUV that GM introduced last year was a bright spot as sales of it have soared 68% in the quarter.

Assembly lines rolling

Going forward, the focus for the next quarter is to refill dealer inventory to meet consumer demand, said Kudla.

"To complete inventory refill, GM will need to have three shifts running at important plants, such as the Wentzville Assembly Plant that makes GM's mid-size trucks," Kudla said. "This may prove difficult amid the pandemic." ...

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