

# Detroit Free Press

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## GM shows profit of \$3 billion in third quarter despite strike

By Jamie L. LaReau (excerpt)  
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The UAW's 40-day strike against General Motors had an impact on the carmaker's third-quarter earnings, but the company staved off major losses because it had plenty of inventory when the strike hit in mid-September.

Still, GM's results came in below the year-ago period and GM said the net strike impact to the quarter in North America was a pre-tax loss of \$1 billion. Analysts say the brunt of the strike will be felt in the fourth quarter and into next year.

GM lowered its full-year guidance. GM said it expects the strike to dilute its full-year per share earnings by \$2. In terms of net income, that's a \$2.86 billion hit for the year.

Also, GM had said it would save \$4.5 billion by the end of 2020 due to various cost-savings including idling four U.S. plants, one of which was Detroit Hamtramck. But as part of the new labor agreement, GM said it will invest in Detroit-Hamtramck to build an electric pickup and other electric SUVs. Therefore, GM has adjusted its year-end savings to \$4 billion to \$4.5 billion. The other three plants, Lordstown Assembly in Ohio and Warren and Baltimore transmission plants remain closed. ...

... GM shareholders will bear much of the cost of these payouts, including Michigan-resident shareholders, who will absorb a cost of approximately \$58 million, said Anderson.

But, said David Kudla, CEO of Mainstay Capital Management, "The brunt of the strike will be felt in the fourth quarter as there were more days of work stoppage (after Sept. 30) and GM will be

playing catch-up on now lower inventories and shortages of hot-selling vehicles."

The UAW ratified the new 2019 labor agreement with GM on Friday and GM's plants restarted Monday. Outside of the United States, GM had to temporarily stop building its highly profitable 2020 Chevrolet Silverado and GMC Sierra pickups in Mexico and the new 2020 Chevrolet Blazer SUV in Mexico due to a parts shortage. ...

... Kudla expects that GM will lower guidance for the fourth quarter because it will need to shift its focus from restructuring and production to finalizing the labor agreement.

"The effects of the strike will likely play out over the next few quarters," said Kudla. "GM management and investors alike will deem the work stoppage worthwhile if it provides the company's balance sheet flexibility for a potential economic slowdown."

GM has pledged to invest \$7.7 billion in into unionized U.S. plants, a move calculated to save and create 9,000 jobs, including a \$3 billion investment in the Detroit-Hamtramck Assembly Plant that will lead to 2,250 jobs when new electric vehicles and batteries are at full production there. That was a win for the UAW, said Kudla, but he added, "We believe GM supports their bottom line and, importantly, flexibility by closing the three factories slated for idling." ...