

# GM 2Q net earnings fall on loss from sale of European unit

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In this April 25, 2017, photo, a Chevrolet truck sits in a General Motors dealer's lot in Nashville, Tenn. General Motors Co. reports financial results, Tuesday, July 25, 2017. (AP Photo/Mark Humphrey)

General Motors' second-quarter net profit fell more than 40 percent as the carmaker lost money on the sale of its European unit and took charges for restructuring in India and selling its business in South Africa.

GM made net income of \$1.66 billion, compared with a record \$2.87 billion a year ago. But when the European loss and one-time items are

stripped out, GM made \$2.4 billion from continuing operations, or \$1.89 per share. That's down 12 percent from last year but still easily beat Wall Street estimates. Analysts polled by FactSet expected only \$1.68 per share.

Revenue was \$37 billion excluding Europe, falling short of analyst estimates of \$40.3 billion.

Chief Financial Officer Chuck Stevens called it a strong quarter with pretax earnings of \$3.7 billion. That's down \$100 million from a year ago, due largely to a \$270 million drop in North America that Stevens attributed to production cuts as the company ramps up to launch new Silverado and Sierra full-size pickup trucks.

GM's bottom line includes a \$770 million loss as it prepares for the sale of its European Opel and Vauxhall brands to France's PSA Group, owner of Peugeot and Citroen. It also includes \$654 million in one-time items from restructuring in India, the sale of GM's South Africa business and lingering legal costs from an embarrassing ignition switch recall. Stevens said the sale to PSA is on track to close by the end of the year.

GM's dealer inventory in the U.S. grew by 273,000 at the end of June compared with last year, to 980,000, as it ramped up to launch the Buick Enclave and other new midsize SUVs, and prepared for the new pickup trucks. That's enough inventory to supply dealers for 105 days. But Stevens said the company will cut production by 150,000 vehicles in the second half versus the first, including car reductions and 13 weeks of downtime at truck factories to switch to the new models. That should bring inventory down to a more normal 70-day supply of around 800,000 by the end of the year, he said.



In this April 25, 2017, photo, a General Motors dealer's sign displays the Buick and GMC brands in Nashville, Tenn. General Motors Co. reports financial results, Tuesday, July 25, 2017. (AP Photo/Mark Humphrey)

Partly because of the production cuts, second-half earnings will be lower than the first half, Stevens said. But he reaffirmed guidance of \$6 to \$6.50 pretax earnings per share for the full year.

On a conference call with analysts, CEO Mary Barra disclosed that GM is working on new electrical and infotainment systems that will allow over-the-air remote software fixes before 2020. At present, only electric car maker Tesla Inc. can do such software updates for safety-critical systems that operate the vehicle, but GM and others can update entertainment systems, said Navigant analyst Sam Abuelsamid.

Pretax profits in North America, GM's most lucrative region, fell 14 percent for the quarter to \$3.48 billion. But profits in International Operations, including China, nearly doubled to \$340 million. GM also

narrowed its loss in South America from \$118 million to \$23 million. Profits at its loan-making unit rose 67 percent to \$357 million.

GM made a strong profit in the U.S. even though sales were down 4 percent for the quarter. That's because much of the sales drop came from lower-profit cars, which were down 19 percent. Truck and SUV sales rose 3 percent, and that pushed up GM's average sales price per vehicle up 3 percent to \$39,118, according to Edmunds.com.

Shares of GM rose 21 cents to \$35.98 in midday trading.

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