

General Motors reports net profit of \$1.1B in first quarter

By Eric D. Lawrence (excerpt)
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General Motors said Thursday it had net profit of \$1.1 billion for the first quarter of 2018.

The Detroit automaker's pretax profit of \$2.6 billion was a decline of \$944 million from the same period a year ago. Overall revenue of \$36.1 billion was a decline of 3.1% from the same period in 2017.

The company noted that it took a pretax charge of \$942 million from restructuring at its money-losing South Korea operations. GM plans to close a plant at Gunsan in May, but also reached agreement this week with union workers and is finalizing a deal with other stakeholders, which has staved off a bankruptcy threat.

Chuck Stevens, executive vice president and chief financial officer, said Thursday that the changes, which include up to \$500 million in cost reductions and cuts of 4,000 workers, will make the operations viable and sustainable going forward.

GM said production downtime related to the launch of new trucks had affected results for the quarter. Pretax profits in North America were at \$2.2 billion, down from the same period in 2017, when the figure was \$3.5 billion, and the operating margin for the region stood at 8%, with expectations of 10% for the year.

"Results this quarter were in line with our expectations with planned, lower production in North America related to the transition to our all-new Chevrolet Silverado and GMC Sierra. We are on plan to deliver another strong year in 2018," according to the Chairman and CEO Mary Barra

Stevens noted that the company was profitable in all operating segments. GM Financial also reported \$400 million in pre-tax profit for the quarter.

The Detroit-based automaker said it delivered 715,794 vehicles in the quarter in the United States, a year-over-year increase of 4%, and sales in China hit 986,052.

The automaker's earnings per share of \$1.43 beat estimates of \$1.24 based on reports from 24 analysts, according to MarketWatch.

The profitable quarter is a continuation of recent results.

GM said it made [\\$12.8 billion in pretax profits last year](#), but also reported a net loss of \$3.9 billion, a result of tax changes and the sale of its Opel brand. ...

...David Kudla, CEO and chief investment strategist for Mainstay Capital Management, noted that GM continues to benefit from sales of larger vehicles but that production adjustments may dampen results, at least temporarily, in coming months.

"Planned down time to retool for the new full-size 2019 Chevrolet Silverado and GMC Sierra pick-up trucks will have a detrimental effect on revenue and profitability in the near term. Although full size truck production has been slowing with retooling, it will pay off in the medium to long term with the expected demand for SUV and utilities to remain strong," Kudla wrote in a report ahead of the earnings release.

Kudla also referenced changes at the leadership of Cadillac, where GM has replaced Johan de Nysschen with Steve Carlisle, who had been running GM Canada. He said the move, which comes as Cadillac has seen its sales explode in China while slumping last year in the U.S., "signals a return of the brand back to its Detroit roots."

GM stock closed Thursday at \$38.25, up 0.39%.