

With U.S. selling GM stock, is it time to buy?

By Susan Tompor (excerpt)
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If the federal government is selling, does that mean that everyday investors should be buying stock in General Motors? Or should those who already own GM take a clue from Uncle Sam and sell GM, too?

One point to consider if you're pondering this question: GM stock already has floored it with Camaro-style speed in just a year.

GM stock has climbed nearly 43% in a year -- or more than three times as fast as the Dow Jones Industrial Average during the same time frame. GM closed at \$19.05 a share on Dec. 19, 2011 -- and then zoomed up to close at \$27.18 a share on Dec. 19, 2012.

GM stock closed at \$27.32 Friday. Wall Street welcomed the news last Wednesday that the U.S. government plans to sell its remaining 500 million shares within 12-15 months. The unwinding starts with a \$5.5-billion buyback deal in which GM will purchase 200 million of its own shares at \$27.50 a share. The agreed buyback price of \$27.50 is a 7.9% premium over Tuesday's close of \$25.49 a share.

The outlook for car and truck sales is strong for 2013, according to many analysts.

Economists at HIS Global Insight, for example, are forecasting 15.1 million car and light truck sales for 2013. That's up from an expected 14.45 million in 2012. ...

...Efraim Levy, for S&P Capital IQ, reiterated a buy opinion on GM last week and raised the target price for 2013 by \$4 to \$32 a share.

He noted that the U.S. Treasury plans to exit its entire stake in GM within 12-15 months.

"Besides reducing the number of shares outstanding, we believe Treasury's exit will improve consumers' perception of GM and afford the company greater financial flexibility," Levy wrote. ...

...David Kudla, CEO and chief investment strategist for Mainstay Capital Management in Grand Blanc, said the government sale of its stake in GM is a positive development for GM stock -- and takes uncertainty off the table as to the timing of when the government will get out of the picture.

"We think there's further upside to this stock," Kudla said.

Kudla noted that GM would have more flexibility in attracting talent down the road once it does not have to adhere to government restrictions involving bailout money. A senior Treasury official told the Free Press that the executive pay cap would remain in place for as long as the government owns shares.

Other analysts say the buyback can inspire investor confidence, too. ...