



By Michael Wayland  
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## European losses, unusual circumstances weigh down GM's 2012 earnings



David Kudla

GRAND BLANC, MI -- General Motors Co.'s 2012 earnings were hindered by unusual circumstances and higher than expected losses in Europe, according to officials. ...

...GM lost about \$1.8 billion in Europe last year, where it continues to restructure its operations.

"The mitigating circumstance really for 2012 was Europe," said David Kudla, Mainstay Capital Management LLC founder, CEO and chief investment strategist. "When you've lost nearly \$2 billion in one market, that's going to have a large impact ... even on earnings the size of General Motors." ...

...Without special items, the company's operating profit rose 14 percent to \$1.25 billion for the fourth-quarter.

GM's most-profitable market was North America with earnings before interest and tax of \$7 billion in 2012, down from \$7.2 billion in 2011. Based on its North American performance, GM will pay profit sharing of up to \$6,750 to approximately 49,000 eligible U.S. hourly employees.

Kudla said expect GM's operations in North America and Asia continue to offset losses in Europe, which could grow if the economy worsens.

"China is the largest car market in the world, GM has a very good footprint and presence there and they are continuing to expand," he said. "China is going to be a bright spot for GM for years to come."

GM and its joint ventures sold a record 2.8 million vehicles in China in 2012, a 11.3 percent increase from 2011. The company's market share in China last year grew from 13.2 percent in the fourth quarter of 2011 to 14.3 percent to end 2012. ...

...Kudla said another positive for GM is the government announcing its exit plan from the company as a result of the 2009 auto bailout.

In December, GM and the U.S. Treasury announced the automaker would buy back 200 million shares of stock at a premium from the U.S. Treasury as the first step to the government's complete exit by March 2014.

After the repurchase, the U.S. Treasury will continue to own approximately 300 million shares of GM stock, or approximately 19 percent of the automaker, and start selling of its remaining shares as soon as January 2013. ...

..."As investors know that the government is going to be out of the picture, and it's all GM, that's going to enhance the attractiveness of shares to investors as well," Kudla said.

The company's stock closed at \$27.75 on Thursday, following its full-year and fourth-quarter earnings being released.

Revenue in the fourth quarter of 2012 increased 3 percent to \$39.3 billion, compared with the fourth quarter of 2011. Overall, revenue last year increased 1 percent to \$152.3 billion, compared with \$150.3 billion in 2011.

Kudla said GM's share price appreciation could rise as much as 15-25 percent thanks to the growing global market, pent-up demand, bank lending increasing and new products.

"They will have continuing positive profits in the coming quarters," he said. ...