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GM Shows Money Can Be Made in the Boring, Old Car Business

By David Welch (excerpt)
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General Motors Co. is showing that the old-school business of carmaking can still be sexy.

The automaker's shares surged as much as 8.8 percent on Wednesday after GM posted a surprise jump in quarterly profit and announced fresh cost cuts. The earnings belied expectations for the sector that were awfully low -- analysts were using phrases like ugly and predicting a bloodbath.

It's been more common for GM's stock to get a bump lately because of its Cruise self-driving car unit, which has lured billions of dollars in investment from a SoftBank fund and Honda Motor Co. This time, it's getting credit for selling new pickup trucks and sport utility vehicles at fatter prices in the U.S., plus higher-margin Cadillacs are catching on in China.

"The issue has not been financial performance, it has been negative investor sentiment," said David Kudla, chief executive officer of Mainstay Capital Management LLC, which holds GM shares. "Strong performance in China and positive forward guidance could change that sentiment."

Adjusted profit unexpectedly rose to $1.87 a share when analysts anticipated a decline from a year earlier, as GM overcame slowing demand. Quarterly revenue rose the most since 2011.

GM pulled this off despite its global retail sales falling 15 percent for the quarter. The company is minding costs now and making cuts while times are good. Chief Executive Officer Mary Barra sent a letter to staff Wednesday offering buyouts to salaried employees in North America who have been at the company at least a dozen years. About 18,000 workers are eligible. ...