

General Motors made \$12.8 billion pre-tax in 2017, workers get \$11,750 checks

By Eric D. Lawrence
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General Motors made \$12.8 billion in pretax profits in 2017 while reporting a net income loss for the year. The company's UAW-represented workers will get profit-sharing checks of \$11,750 on Feb. 23.

The figure equaled what the Detroit automaker earned in 2016 and came as the automaker changed its global footprint by completing the sales of its Opel and Vauxhall brands and leaving south and east Africa and India.

The company reported a net loss for the year of \$3.9 billion because of a number of special charges, including \$7.3 billion related to tax reform and a \$6.2 billion charge related to the Opel sale.

Pretax profits dropped in North America, from \$12.4 billion to just under \$12 billion, and the profit-sharing checks will represent a slight dip from the \$12,000 last year. But the company noted that it returned to profitability in South America.

The company's earnings per share were up more than 8% to \$6.62, which beat the consensus of as high as \$6.50 per share. For the fourth quarter, the company made more than \$3 billion before taxes and had earnings per share of \$1.65.

"The actions we took to further strengthen our core business and advance our visions for personal mobility made 2017 a transformative year. We will continue executing our plan and reshaping our company to position it for long-term success," Chairman and CEO Mary Barra said in a news release.

Chuck Stevens, executive vice president and chief financial officer, said the company plans to build on its momentum in 2018.

"Improvements in all operating segments and an intense focus on cost reductions generated a record quarter and another record year," Stevens said in the release.

GM's profit-sharing checks for approximately 50,000 workers are higher than its cross-town Detroit rivals. Ford planned to provide profit-sharing checks of \$7,500, and Fiat Chrysler said it would pay its UAW-represented workers an average of \$5,500. FCA also said it would give U.S. workers, aside from senior leadership, \$2,000 bonuses.

GM, like other automakers, has been profiting from an auto market that remains historically strong and a consumer thirst in the U.S. for more profitable SUVs and trucks. The company said it sold 8.9 million vehicles globally in 2017, which was a 0.8% increase from 2016.

David Kudla, CEO and chief investment strategist for Mainstay Capital Management, noted in a report released last week that GM was using its sales of those SUVs and trucks to fund its development of autonomous vehicles and other technology, and that the company's strategy is being rewarded by Wall Street.

"With a fortress balance sheet, successful product pipeline and well-articulated strategic vision for the future of the automotive industry and mobility in general, investors can see real value in GM, beyond a nice dividend," Kudla wrote. "We are now on the backside of peak auto. However, GM expects to generate continuing strong earnings in declining industry sales. We believe they have the products and strategic plans to do so."