

Detroit Free Press

GM hopes to stockpile billions more in cash from a one-day bond sale

By Jamie L. LaReau (excerpt)
May 7, 2020

General Motors sold bonds for the first time Thursday since 2018 in a one-day offering to stockpile cash amid the uncertain market conditions during the coronavirus pandemic.

The automaker said it offered senior unsecured fixed-rate notes, in other words, bonds, to investors on Thursday only.

At the end of the sale, GM said the pricing of three series of notes raised \$4 billion. The offering is expected to settle on May 12.

After the closing of the notes offering, GM said it expects to enter into a new 364-day revolving credit agreement that will provide it borrowing capacity of \$2 billion. GM said it has received commitments from lenders in excess of this amount. ...

... Likewise, with demand for new vehicles down and costs to operate still in the mix, GM is wise to shore up cash, some say.

"Where we are today, with zero production, they're on a constant cash burn rate," said David Kudla, chief investment strategist for Mainstay Capital Investment. "It makes good financial sense. It's very prudent that they'd want to look to ways to have ample liquidity on the balance sheet during this uncertain time amid COVID-19."

Mainstay Capital Investment manages \$2.5 billion for individuals, many of whom are employees and retirees of GM. Kudla said he will consider the offering. Earlier, he declined to speculate on how much GM might raise, but said, "Companies go to the debt market all the time and offer debt to raise cash for the balance sheet."

GM offered the junk-like yields on a three-part sale, Bloomberg reports, to try to maintain investment-grade ratings. The report does not identify sourcing, but said the longest portion, a seven-year security,

may yield about 7 percentage points above Treasuries. ...

... But GM will start ramping up next week for a targeted restart of its factories in North America beginning May 18, as first reported by the Free Press on Tuesday. GM idled the factories in March as the pandemic hit. ...

© 2020 Detroit Free Press.
Reprinted with permission.