GM's Special-Item Loss, Tax Expense Bring Earnings Down; Chrysler is Up 22 Percent

GM last week reported third-quarter net income to common stockholders of $700 million or 45 cents per fully diluted share, down from $1.5 billion or 89 cents per fully diluted share a year ago.

Improvement in operating performance during the quarter was more than offset by a net loss from special items and incremental tax expense, said Tom Henderson, Finance and Purchasing spokesman for GM.

Net income to common stockholders includes a net loss from special items of $900 million or 51 cents per fully diluted share, including $800 million related to the repurchase of 120 million shares of Preferred Series A Stock, Henderson said. Results were also affected by an incremental tax expense of $500 million or 29 cents per fully diluted share in the quarter compared with the third quarter of 2012.

Net revenue during the quarter was $39.0 billion compared with $37.6 billion in the third quarter of 2012. Earnings before interest and tax (EBIT) adjusted was $2.6 billion compared with $2.3 billion in the third quarter of 2012, Henderson said.

"We made gains in the third quarter as we improved our North American margins and increased our global share on the strength of our Chevrolet brand," said Dan Akerson, GM chairman and CEO. "Our efforts to build great cars and trucks and deliver solid financial results were recognized this quarter by Moody's investment grade rating."

Figures released by GM showed that GM North America reported EBIT-adjusted of $2.2 billion compared with $1.7 billion in the third quarter of 2012.

GM Europe reported EBIT-adjusted loss of $200 million compared with $500 million in the third quarter of 2012.

GM International Operations reported EBIT-adjusted of $300 million compared with $800 million in the third quarter of 2012.

GM South America reported EBIT-adjusted of $0.3 billion compared with EBIT-adjusted of $0.2 billion in the third quarter of 2012.

GM Financial earnings before tax was $0.2 billion for the quarter compared with $0.2 billion in the third quarter of 2012.

"During the quarter, strong demand for new vehicles like the Cadillac ATS, Chevrolet Onix and the all-new Chevrolet Silverado helped boost our top line," said Dan Ammann, GM executive vice president and CFO. "We also further strengthened our fortress balance sheet and reduced our cost of capital through our $4.5 billion refinancing of high cost obligations."

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>
> – Mike Wall

Mike Wall, director of automotive analysis for IHS Automotive in Grand Rapids, said that most of the quarterly numbers from the OEMS and Tier I suppliers have been well-received by Wall Street.

Wall said that GM has managed to do well with its numbers. It reduced third-quarter losses from its European operations by $300 million compared with 2012.

And, Wall said, the company was able to generate strong sales in North America while standing firm on prices and producing products that have been generally well-received by the public.

"Look at the new Sierra and Silverado," Wall said. "The public seems to like those vehicles and they are coming out at a time when truck sales in North America are getting stronger. These vehicles have high profit margins and that's good for GM."

Wall said it looks like Ford, GM and Chrysler will be "slugging it out" for pickup truck market share. But all three manufacturers should see greater numerical truck sales no matter who wins the market share battle because "rising truck demand lifts all boats."

Wall said that as long as GM doesn't have "one-time" expenses like $800 million in stock repurchases in the next few quarters, things are looking good for the company.

Chrysler also reported its preliminary third-quarter 2013 results last week. The figures showed net income of $464 million, an increase of 22 percent from $381 million in the same quarter a year earlier. The third quarter marks the automaker's ninth consecutive quarter of positive net income. Net income for the first nine months of 2013 totaled more than $1.1 billion.

Chrysler's third-quarter sales figures showed net revenue was $17.6 billion for the third quarter of 2013, up 13.5 percent from $15.5 billion for the same period last year, primarily driven by an increase in vehicle shipments, including the Jeep Grand Cherokee and Ram pickup trucks.

Net revenue totaled $50.9 billion for the first nine months of 2013.

"Chrysler Group's ninth consecutive quarter of positive net income highlights our commitment to producing award-winning vehicles for consumers, such as the Jeep Grand Cherokee and the Ram 1500," Chrysler Group Chairman and CEO Sergio Marchionne said.

"We also are pleased to introduce the already award-winning Jeep Cherokee to the lineup, as it launches into the largest SUV segment in the United States."

And that's not a small thing, Wall said. Chrysler started producing the Cherokee back in June, but only started selling the vehicles in late October.

"Chrysler really didn't have a vehicle in the Cherokee segment for about a year," Wall said. "That's not nothing. Now that the Cherokee is beginning to hit dealerships, we should be seeing better numbers."