

GM Ups Share Price, Cites High Demand

DETROIT (AP) — A confident General Motors has added 20 million shares of preferred stock to its initial public offering, and it raised the estimated price range for common shares by about 14 percent to \$32 to \$33.

The Detroit automaker, just 16 months out of bankruptcy protection, will now sell 80 million shares of preferred stock for \$50 each when its offering takes place on Thursday. Common shares will be sold by the U.S. government and two other owners, who inherited the stock for helping GM get through a painful restructuring last year.

GM announced the changes in a statement issued Tuesday morning. The automaker gave no reason for the increases, but people briefed on the sale say it's because of high investor demand. One person said bankers handling the sale had seven times more orders for the common stock than shares.

Earlier this month, GM said its owners will sell 365 million common shares for \$26 to \$29 each. GM also planned to sell 60 million preferred shares for \$50 each.

The increase in preferred shares lifts the amount GM will raise in the sale from \$3 billion to \$4 billion, according to the statement. Final pricing is to be set Wednesday, and bankers may stop taking orders for the shares as early as Tuesday afternoon, according to the person, who asked not to be identified because he is not authorized to speak publicly about the sale.

GM and its owners could sell even more preferred and common shares in the offering. Bankers have yet to exercise an option to sell 15 percent more of the shares due to high demand.

The preferred stock price will stay at \$50, but GM's total cost for those shares will remain about the same because it's reducing the expected dividend rate from a range of 5.5 to 6 percent to between 4.75 and 5.25 percent, the person said. The preferred shares will be converted to common stock in 2013.

Bankers have the option to sell roughly 55 million more common shares, although they have not yet decided to do that, the person said.

The common stock price increase is a boon for the U.S. government, which is GM's largest stockholder. The government is trying to get back the \$50 billion it gave the company last year to get through bankruptcy protection. Other owners selling stock are the Canadian and Ontario governments and a union health care trust fund.

Demand for the automaker's shares is rising as its financial outlook improves. Last week, GM announced a third-quarter profit of \$2 billion, bringing its earnings to a

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healthy \$4.2 billion for the year. In presentations to investors, GM said its debt and labor costs have been cut so much that it can break even at the low point in an auto sales slump. When sales fully recover, the company said it could make \$17 billion to \$19 billion per year before taxes.

The price hike comes during a week that could be the biggest for IPOs since 2007, according to investment adviser Renaissance Capital LLC. The IPO market has improved steadily since August 2009. The sector had been almost frozen for nearly a year after massive losses on mortgage bonds upended global credit markets.

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