

GM's 3Q Stock Rise Surprises Industry

Tom Krisher, AP Auto Writer

DETROIT (AP) — Surprise! The top-performing stock among automakers in the U.S. this quarter is General Motors.

The company, which endured management upheaval during the quarter and announced that it would lose substantial cash in Europe, saw its shares rise almost 18 percent from July through late September. The gain was the best since the first quarter of this year, when the stock climbed about 23 percent. GM posted strong profits in that period.

GM stock has outperformed all other major automakers in the U.S. including rival Ford Motor Co., which saw its shares rise only 5.5 percent. Only Nissan Motor Co.'s U.S. shares came anywhere close to GM's stock appreciation. They were up almost 11 percent.

General Motors Co.'s gains for the quarter surprised industry watchers, given publicity about management changes and the continued sales slump in Europe that has hit nearly every major automaker.

During the quarter, GM ousted its marketing chief and the head of European operations. It also lost several other key executives including its top electric-car engineer and head designer in Europe.

Investors now realize that most of the departures signal that GM is making necessary changes. That's better than sweeping management problems under the rug like it did in the past, said Bill Selesky, an industry analyst for Argus Research. The changes, he said, have set GM apart from its peers this quarter.

"I think people are now looking at the company and saying they're more proactive," Selesky said. "They're not the same company my father used to know."

For the quarter, GM shares gained \$3.48, rising from \$19.70 on July 2 to close at \$23.18 on Thursday. The stock pulled back a little in morning trading Friday, the last trading day of the quarter, falling 1.6 percent to \$22.81.

Shares of Japanese rivals Toyota Motor Corp. and Honda Motor Co. each lost ground during the quarter, with Toyota down slightly and Honda off almost 8 percent.

GM made \$2.5 billion through the first half of the year. But it's predicting lower profits in the second half as losses continue in Europe. Car sales are in their fifth-straight year of decline there, and GM has lost money in Europe for a dozen years. GM posted a \$361 million pretax loss in the region in the second quarter. During the third quarter, it warned that it may have to reduce the value of its European operations.

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

But GM has been taking small steps to fix Europe, including an announcement in August that employees at two German plants would work reduced hours during the next few months.

The fact that something is being done to change Europe is encouraging to investors, who see the company as a good short-term investment, Selesky said. "If you're a nimble investor, the potential is there to make some decent money."

GM still has problems to deal with elsewhere, including North America. GM's U.S. sales are lagging behind overall market growth. Through August, U.S. sales grew 3.7 percent over a year earlier, but the whole market grew almost 15 percent. The company hopes to gain sales by revamping 70 percent of its North American product lineup by the end of 2013.

Source URL (retrieved on 12/21/2014 - 4:52pm):

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