2 Years After IPO, GM Is Piling Up Cash

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DETROIT (AP) — Two years after a wounded General Motors returned to the stock market, the symbol of American industrial might is thriving again.

Sunday marks the anniversary of GM's initial public stock offering in November 2010. The company has made money for 11 straight quarters, piling up more than $16 billion in profits. Its cars and trucks are selling for good prices. And sales are strong in China.

But there are signs of trouble. GM's U.S. sales, the prime driver of its profits, aren't rising as quickly as the overall market. There's been turmoil in the executive ranks, and the company is hemorrhaging cash in Europe.

Since the IPO, here are GM's achievements, struggles and question marks.

ACHIEVEMENTS:

BIG PROFITS: GM is making money — nearly $4 billion so far this year. Most of that came from the U.S., where GM cars and trucks are selling for almost 6 percent more than they did in January of 2011. The average selling price is $32,662, says the TrueCar.com auto pricing site. GM also is making good money in China and the rest of Asia, and it has turned around its money-losing South American operations with a host of new products.

BETTER CARS: Before its 2009 bankruptcy, GM relied on trucks and SUVs to make money. Cars were an afterthought, and GM got a reputation for poor quality. The business model worked fine until gas prices spiked over $3 per gallon around 2005 and buyers shifted toward cars. Since bankruptcy, the company has rolled out new compact, subcompact and mini cars that are selling well. Car-based crossovers, which are more efficient than traditional truck-based SUVs, also are selling. Trucks accounted for 32 percent of GM sales in 2008, with cars and crossovers making up 68 percent. Now, trucks are down to 27 percent. Sales of the Chevrolet Cruze compact are closing in on 200,000 through October, far better than GM's previous compact and a strong counterpunch to Toyota and Honda. Also, the Chevy Sonic, the only subcompact made in the U.S., has become the top car in its segment with more than 70,000 sales this year. That's more than 10 times the number of subcompacts that GM sold in the first 10 months of 2011.

CASH PILE: GM, which nearly ran out of cash at the end of 2008, ended the third quarter with $31.6 billion in cash and securities. Bankruptcy wiped out old GM's debts and burdensome contracts, and the new company's cars and trucks have sold well around the world. The cash allows GM to invest in products and restructuring. It even bought a U.S. auto finance company, which helps it to offer low-interest loans and cheap leases. GM also is bidding for international assets of Ally Financial, GM's former finance arm, to help make cheap loans in Europe and elsewhere. Early in November, GM took out $11 billion in new credit lines, giving it access to more than $42 billion. The giant figure leads many analysts to believe that GM is preparing to buy back at least part of the U.S. government's 26.5 percent stake in the company.

NEW LINEUP: As it headed into bankruptcy, GM cut spending on research. So for much of the past two years, the company had few new models to offer. But now it's flush with cash and spending millions to update or replace 70 percent of its North American lineup by the end of next year. That includes much-anticipated full-size pickup trucks, which pull in big profits. Cadillac also is getting a makeover with the new full-size XTS and the ATS, a small luxury sport sedan designed to compete with the BMW 3-Series, a top-seller in the luxury market. Buick gets the Encore small SUV, while Chevy is getting an all-new Impala big car as well as a new Malibu midsize car.

STRUGGLES:

STOCK PRICE: Shares of GM sold for $33 when the company re-entered the stock market on November 18, 2010. For a few months, everything looked good. The stock peaked in January of 2011 at almost $39. But then the bottom dropped out and the shares tumbled. In July of 2012, they hit a low of $18.72, weighed down by a slowing U.S. economy and troubles in Europe. They've recovered some since, but are still almost 30 percent below the IPO price. That means the U.S. government can't sell its 500 million shares in the company without losing billions. The government got its stake in exchange for a $49.5 billion bailout almost four years ago. But the taxpayers are still $27 billion in the hole on the investment, and GM shares would have to sell for $53 each for the government to break even.

U.S. MARKET SHARE: GM's share of the critical U.S. market has dropped to 18 percent from 22 percent since the end of 2008. That means rivals like Toyota are taking away buyers who used to drive a Chevy, Buick, Cadillac or GMC. There are more troubling signs ahead. GM's U.S. sales are up only 3.6 percent this year, far behind the 13.8 percent growth of the overall market. GM blames the slow growth on having the oldest model lineup in the market. That will soon change to the newest lineup, the company says. By the end of next year, GM will roll out 21 new or refurbished models, including a key Chevy Silverado pickup. GM, which relies on U.S. sales to turn big profits, could run into trouble if the new models don't sell.

EUROPE: GM has lost $16 billion in Europe in the past 12 years, but it's trying to resuscitate the business with cost cuts and new products. CEO Dan Akerson said this week that European operations are making progress toward profitability and he expects them to break even before taxes by the middle of this decade. Reaching that goal will be tough, though. The company expects to lose $1.5 billion to $1.8 billion in Europe before taxes this year, and analysts say it has 20- to 30-percent more factory capacity in the region than it needs. Closing more plants will require drawn-out negotiations and expensive buyouts of union workers.

QUESTIONS AHEAD:

LEADERSHIP: Akerson became CEO in September of 2010, GM's fourth leader in two years. He took the reins as the company's recovery from bankruptcy was hitting its stride. The board hoped his background in private equity would give him a fresh perspective and allow him to shake up the slow-moving company. Despite streamlining decision-making, many in the company view him unwilling to listen. He recently removed the heads of sales, marketing, and Europe, which some critics viewed as too much change too fast. Akerson has pushed to bring products to market faster, but has hit resistance from engineers who fear that quality could suffer. Finally, he has bred resentment among employees by complaining that GM's culture is risk-averse and slow. "If I'm told the culture I've been brought up in is bad, then it's almost like a personal insult," said Michel Anteby, a Harvard Business School professor who studies organizational behavior. Anteby says it takes longer than two years to change a company the size of GM.