GM To Buy Back 200M Shares As Part Of Gov't Exit

Tom Krisher, AP Auto Writer

DETROIT (AP) — The Treasury plans to sell its remaining stake in General Motors over the next 15 months, allowing the automaker to shed the stigma of being partly owned by the U.S. government.

GM said Wednesday it will spend $5.5 billion to buy back 200 million shares of its stock from the Treasury by the end of this year. The government, in turn, plans to sell its remaining stake of 300 million shares on the open market over the next 12 to 15 months.

GM will pay $27.50 for each share, about an 8 percent premium over Tuesday's closing price of $25.49. The shares shot up more than 8 percent in premarket trading to $27.57.

The deal almost certainly means that the government will lose billions on a $49.5 billion bailout that saved GM from being auctioned off in pieces during the financial crisis in 2008 and 2009. GM's buyback will cut the Treasury's stake to 19 percent from 26.5 percent. For it to break even, Treasury would have to sell the remaining 300 million shares for average of about $70.

For GM, getting the government out of its business removes a major business obstacle. GM Chief Financial Officer Dan Ammann told reporters that GM has market research showing that government ownership has held down sales of the company's cars and trucks.

"This is fundamentally good for the business," he said at a hastily called news conference Wednesday morning.

The government got its stake as part of the bailout of GM that began nearly four years ago.

The Treasury Department said in a statement that it would sell the remaining 19 percent stake "in an orderly fashion" within the next 12 to 15 months, subject to market conditions.

Treasury said it will have recovered more than $28.7 billion of its investment through repayments of loans, sales of stock, dividends, interest and other income after GM buys back the 200 million shares. But that leaves Treasury about $21 billion short of recouping its investment.

In 2008 and 2009, the U.S. Treasury bailed out GM to help stabilize and restructure the company at the trough of the financial crisis. The bailouts of GM and Chrysler

were part of the $700 billion Trouble Asset Relief Program created by Congress during the financial crisis in the fall of 2008.

"The auto industry rescue helped save more than a million jobs during a severe economic crisis," said Timothy Massad, Treasury's assistant secretary for financial stability. "The government should not be in the business of owning stakes in private companies for an indefinite period of time."

Massad said that exiting the GM investment "is consistent with our dual goals of winding down TARP as soon as practicable and protecting taxpayer interests."

Although GM is paying a premium for the government shares, Ammann said it's still a good deal for GM shareholders. The number of shares on the market will reduced about 11 percent, which should increase the value of the remaining shares.

The move was approved by the GM board on Tuesday evening after the company got opinions from its management and financial advisers, GM said.

Government-ordered pay restrictions will remain in effect. But a ban on corporate jet ownership and requirements on manufacturing a certain percentage of GM cars and trucks in the U.S. will be lifted. GM says it already has exceeded the manufacturing requirements and will continue to do so for the foreseeable future.

The company said it has no immediate plans to buy or lease corporate jets.

Source URL (retrieved on *09/23/2014 - 4:32am*):
http://www.impomag.com/news/2012/12/gm-buy-back-200m-shares-part-govt-exit?qt-recent_content=1&qt-most_popular=0