New Cars Key To GM Profit

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DETROIT (AP) — New cars were key for General Motors' in the first quarter. New trucks will be the key to the rest of this year.

Two new Opels — the Mokka subcompact SUV and Adam small car — helped GM stanch its first-quarter losses in Europe, while the Cadillac XTS and Chevrolet Malibu sedans took China by storm. GM's worldwide sales rose almost 4 percent in the first three months.

Now, GM's fortunes rest on the redesigned Chevrolet Silverado and GMC Sierra full-size pickups. The trucks, which were last updated in 2007, go on sale in a few weeks. GM hopes to cut into Ford's lead in the pickup segment, which is red-hot due to a recovery in the housing and construction markets.

"They're long overdue," said Bill Visnic, a senior editor and analyst with the auto shopping site Edmunds.com. "They really need these trucks to get out there and defend their share."

GM said Thursday that its net income fell 14 percent to $865 million, partly because it slowed shipments of the old pickup models so factories could prepare to make the new ones. GM also spent more on incentives to try to clear old pickups off dealer lots.

The Silverado and Sierra remain huge sellers, even though the Dodge Ram and Ford F-Series have been retooled more recently. One of every 12 vehicles GM sold worldwide last year was a full-size pickup, and the Silverado is the second best-selling vehicle in the U.S. behind the F-Series. The big profits from GM's trucks — estimated at up to $10,000 per vehicle — can be plowed into other products around the globe.

Kurt McNeil, GM's U.S. sales chief, said he expects GM's North American profits to rise in the second half of the year, when it will be able to command higher prices for the new Silverado. The trucks are hitting the market at the perfect time. Rising home construction helped full-size truck sales increase 27 percent through April in the U.S., or nearly four times faster than the industry as a whole.

GM's earnings fell to 58 cents per share from 60 cents per share in the January-March period a year ago. Excluding one-time items, including currency devaluation, GM earned 67 cents per share, topping analysts' forecast for 54 cents, according to FactSet. Revenue also topped Wall Street's expectations.

Shareholders cheered the news. GM's shares rose 3.2 percent to close at $31.16. At one point Thursday, they hit $31.81, their highest level since July 2011. The shares are up 8 percent since the beginning of this year.

"GM delivered a solid beat against a backdrop of muted expectations, validating our thesis that GM, while still beset with issues, is generally executing better than investors give it credit for," Barclays auto analyst Brian Johnson wrote in a note to investors.

Worldwide sales rose 3.6 percent to more than 2.3 million. GM had record sales in China, its biggest market. And the automaker boosted its share of the North American and European markets.

GM's earnings in North America fell 12.5 percent from a year ago to $1.4 billion. Chief Financial Officer Dan Ammann said that was due to the lower shipments of pickups, since automakers book profits on vehicles when they leave the factory.

Chrysler Group also blamed lower vehicle shipments when it released weaker first-quarter results earlier this week. Chrysler's earnings tumbled 65 percent to $166 million after it slowed shipments of the Jeep Liberty to make way for its replacement, the new Jeep Cherokee.

GM sold 816,373 vehicles in China, up 10 percent from the first quarter a year ago. The Cadillac XTS full-size sedan went on sale there in February, and Chinese buyers snapped up more than 2,000 XTS sedans in March despite their steep starting price of $56,000.

The strong showing in China, however, couldn't offset weakness in other regions, including India. Profits in GM's international operations division fell 5 percent to $495 million.

The XTS and smaller ATS also helped GM at home. U.S. sales rose 9 percent to 664,964 cars and trucks in the quarter, outpacing the industry's gain of 6 percent. U.S. Cadillac sales jumped 38 percent while Buick sales were up 27.5 percent thanks to the new Verano small car and Encore small utility. Silverado sales rose 22 percent.

In Europe, where the government debt crisis and high unemployment have led to 18 straight months of declining industry sales, GM's loss narrowed to $175 million from $294 million a year ago. It was the company's first year-over-year improvement in Europe since the third quarter of 2011.

Ammann said GM is not yet ready to say that the European auto industry has hit bottom. But the company is proceeding with its plan to invest in new products like the Mokka and close a German plant by 2014.

"There are things we can control and we're making good progress on those," he said.

GM's results in Europe were far stronger than those at Ford, which is also restructuring its operations and introducing some new cars there. Ford's European losses more than tripled to $462 million in the first quarter.

Still, Ford earned a record $2.4 billion in North America in the first quarter, or $1 billion more than GM. And its 11-percent profit margin in North America was nearly double GM's 6.2 percent. Ford last month reported first-quarter net income of $1.6 billion.

GM's quarterly revenue fell 2.3 percent to $36.9 billion.

CEO Dan Akerson pointed out that GM's global market share now stands at 11.4 percent, up slightly from last year.

"This was a solid quarter for GM, and we are much more of a formidable competitor now than we have been in a generation," he said.

Detroit-based GM is still 16-percent owned by the U.S. government, a legacy of the U.S. Treasury's bailout of the automaker in 2009. So far, the government has recovered around $30.4 billion of its $49.5 billion bailout, and plans to sell its remaining shares. But those shares would have to sell for around $79 each — more than double GM's current stock price — for taxpayers to break even.

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