

# GM earnings top expectations; forecast cut after strike

29 October 2019, by John Biers



General Motors reported better-than-expected earnings on strong auto sales, but trimmed its full-year forecast due to the hit to the bottom line from the lengthy strike that ended last week

General Motors reported better-than-expected quarterly earnings Tuesday on strong auto sales but trimmed its full-year forecast after a lengthy strike that ended last week.

The automaker saw net income in the third-quarter drop 7.1 percent to \$2.4 billion, easily topping Wall Street estimates, as revenues dipped 0.9 percent to \$35.5 billion. Shares surged following the report.

But the company said the strike, which effectively shut down GM's US production for 40 days, is expected to cut about \$3 billion from 2019 earnings.

The strike, which ended Friday after the United Auto Workers ratified a new contract, cut \$1 billion from operating earnings in the third quarter alone and also will hit the fourth quarter.

Company officials said they were ramping up new car production but would not be able to replace all of the output lost in 2019.

Nearly 50,000 US auto workers walked out last month while GM and the UAW bargained in negotiations that were haunted by expectations of a slowing auto market.

Workers won an \$11,000 ratification bonus, wage increases and a freeze on health care costs in exchange for acceding to GM's plans to permanently shut four plants.

## Good results, but car sales slump

The automaker touted the agreement as a good compromise, and said it would permit the company to "adjust workforce in response to changing industry levels."

The contract "is foundational for improving job satisfaction, health and safety, quality and productivity, all of which will strengthen the future of this company and create shareholder value," said Chief Executive Mary Barra.

"However, we have a lot of work to do in many areas as the lost profits from the work stoppage were significant."

The strike agreement follows a GM reorganization announced in November 2018 that was expected to help the company achieve \$4.5 billion in annual cost reductions.

GM on Tuesday trimmed that outlook somewhat following the labor agreement to a range of \$4.0 to \$4.5 billion based on a decision to keep open a plant in Detroit that had been slated for closure.

A note from JPMorgan Chase described the results as "much better than expected" and suggest the company would effectively manage costs despite a

"richer labor contract."

Chief Financial Officer Dhivya Suryadevara told reporters sales in North America were "solid" and despite the strike, "the underlying business was strong this quarter."

The company pointed to especially good sales of new pickups and sport utility vehicle models in North America.

However, GM said year-over-year car sales slumped nearly 11 percent during the quarter and the company "underperformed" the broader industry.

GM's share price jumped 4.3 percent to close at \$38.21.

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