Automotive News

GM delivers record 9.9 million vehicles globally in 2014

Executives forecast higher operating profits, 3% global growth in 2015

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DETROIT -- General Motors said today it posted its second straight year of record global vehicle sales, with deliveries growing 2 percent to 9.9 million units.

"GM is making solid progress and has good momentum," CEO Mary Barra **said in a statement**.

"Our customer focus, the new cars, trucks and crossovers we launched in China and North America, technologies like OnStar with 4GLTE and the revitalization underway at Opel helped us achieve another record year, despite very challenging market conditions in different parts of the world."

Earlier today, GM executives said they expect operating profits to grow in 2015, even as the company funnels more money toward developing new vehicles and strengthening its brands through increased marketing.

The improved profits should be driven by an expected 3 percent growth in global automotive sales, continued improvement in GM's European operations and better results in North America from selling a more profitable mix of vehicles, GM CFO Chuck Stevens told reporters today.

GM, which doesn't announce 2014 earnings results until Feb. 4, said its operating profit and margin improved last year, despite upheaval in Russia and South America.

Black ink

GM, **in a statement**, said its operating profit and margins should improve again this year, even after adjusting for about $3.1 billion in expenses that GM incurred through the third quarter of last year from its deluge of safety recalls.

GM's 2014 pretax profit, excluding one-time items, is likely to surpass the $8.58 billion it earned in 2013. GM said at the start of 2014 that it expected modest improvement on that number. Stevens told reporters today that the still-unannounced results are "much better than we expected" at the start of the year.

GM said it will spend about $9 billion in capital this year, an increase over the $7.5 billion that it had earmarked in 2014, as it prepares for several key vehicle launches, including next generations of the Chevrolet Malibu and Cruze and significantly increased spending on future Cadillac models.

In North America, Stevens said new entries such as the Chevy Colorado and GMC Canyon and a full year of sales for its redesigned large SUVs will result in a more profitable mix of vehicle sales in 2015, aiding margins and overall profits.

Still, after a more than two-year run of record average transaction prices, Stevens said that pricing would be "flat to slightly negative" compared with the previous year, as the weaker pricing power on older models will offset newer entries. He said GM's pricing should rebound toward the end of this year as several redesigned cars begin hitting showrooms.

GM shares today closed down 2.7 percent to $34.29 during a down day on Wall Street.

Hot streak

Even so, GM expects its **hot streak in truck sales** to continue amid low gasoline prices. The company's pickup and SUV lineups have been completely replaced over the last 18 months with redesigned vehicles, as well as the recent launch of the Colorado and Canyon.

"The truck business will continue to be a huge profit engine," GM President Dan Ammann told analysts.

GM executives said the company remains on target for its goal for 2016 to boost its operating profit margin in North America to 10 percent.

In Europe, GM said its results were better than expected in 2014, despite the collapse of sales in Russia and the currency devaluation there that hurt profits.

GM gained European market share in 2014 for the second straight year, Barra told analysts during a presentation today. This year, GM expects the launches of redesigned Astra and Corsa small cars -- which account for about half its total European sales – to bolster results.

GM also will benefit from lower manufacturing costs in Europe stemming from capacity cuts, such as the recent closure of its assembly plant in Bochum, Germany. Within three years, GM expects to utilize about 90 percent of its manufacturing capacity in Europe, up from about 60 percent now, Stevens said.

GM reiterated its goal of returning its European division to a pretax profit in 2016.

China growth

In China, GM expects to grow its income, despite the expectation of a relatively modest 6 to 8 percent growth rate for overall industry sales.

GM expects to sell a more profitable mix of vehicles in China from the expansion of Cadillac and other higher-priced vehicles, such as the Buick Envision midsize crossover.

In GM's International Operations -- excluding China, including Australia, Korea, India and other Asian markets -- GM expects to lose money in 2015, although restructuring put in place last year should improve the results, Stevens said.

South America was the only one of GM's four regions that did worse than the company expected last year amid currency devaluation and falling sales volumes. Stevens said GM doesn't see sales improving there this year, although it projects an improved operating profit partly from the recent launch of several new vehicles.

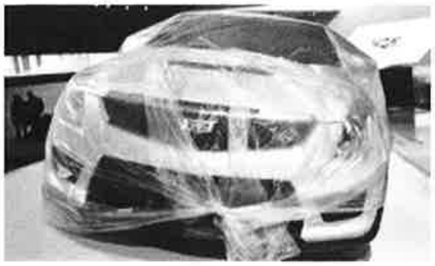
GM also expects its GM Financial unit to account for a growing share of its retail sales. Last week, GM confirmed that it has made the in-house captive its **exclusive lender for lease subsidies**, a step toward growing its capability to match that of other automakers' lending units.

GM Financial "will continue to be a growth story over the next few years and will continue to drive growth in our core automotive operations," Ammann said.

Overall, GM eliminated about $1 billion in material and logistics costs last year, primarily by working more closely with suppliers to eliminate waste, Barra said.

"It's the beginning of the work we're doing with suppliers," Barra said.

Philip Nussel contributed to this report.



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