

General Motors Co
Form 10-Q
April 30, 2019

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549-1004

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the quarterly period ended March 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from to

Commission file number 001-34960

GENERAL MOTORS COMPANY

(Exact name of registrant as specified in its charter)

STATE OF DELAWARE 27-0756180

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

300 Renaissance Center, Detroit, Michigan 48265-3000

(Address of principal executive offices) (Zip Code)

(313) 667-1500

(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 18, 2019 there were 1,418,392,858 shares of common stock outstanding.

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PART I

Item 1. Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENTS

(In millions, except per share amounts) (Unaudited)

	Three Months Ended March 31, March 31, 2019 2018	
Net sales and revenue		
Automotive	\$31,261	\$ 32,691
GM Financial	3,617	3,408
Total net sales and revenue (Note 2)	34,878	36,099
Costs and expenses		
Automotive and other cost of sales	28,229	30,184
GM Financial interest, operating and other expenses	3,306	3,014
Automotive and other selling, general and administrative expense	2,099	2,372
Total costs and expenses	33,634	35,570
Operating income	1,244	529
Automotive interest expense	181	150
Interest income and other non-operating income, net	805	549
Equity income (Note 7)	414	648
Income before income taxes	2,282	1,576
Income tax expense (Note 14)	137	466
Income from continuing operations	2,145	1,110
Loss from discontinued operations, net of tax (Note 18)	—	70
Net income	2,145	1,040
Net loss attributable to noncontrolling interests	12	6
Net income attributable to stockholders	\$2,157	\$ 1,046
Net income attributable to common stockholders	\$2,119	\$ 1,032
Earnings per share (Note 17)		
Basic earnings per common share – continuing operations	\$1.50	\$ 0.78
Basic loss per common share – discontinued operations	\$—	\$ 0.05
Basic earnings per common share	\$1.50	\$ 0.73
Weighted-average common shares outstanding – basic	1,417	1,408
Diluted earnings per common share – continuing operations	\$1.48	\$ 0.77
Diluted loss per common share – discontinued operations	\$—	\$ 0.05
Diluted earnings per common share	\$1.48	\$ 0.72
Weighted-average common shares outstanding – diluted	1,436	1,430

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Dividends declared per common share \$0.38 \$ 0.38

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions) (Unaudited)

	Three Months Ended March 31, 2019 2018	
Net income	\$2,145	\$ 1,040
Other comprehensive income, net of tax (Note 16)		
Foreign currency translation adjustments and other	149	34
Defined benefit plans	36	(7)
Other comprehensive income, net of tax	185	27
Comprehensive income	2,330	1,067
Comprehensive loss attributable to noncontrolling interests	17	7
Comprehensive income attributable to stockholders	\$2,347	\$ 1,074

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts) (Unaudited)

	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 17,176	\$ 20,844
Marketable securities (Note 3)	6,021	5,966
Accounts and notes receivable, net	12,116	6,549
GM Financial receivables, net (Note 4; Note 8 at VIEs)	27,230	26,850
Inventories (Note 5)	11,108	9,816
Other current assets (Note 3; Note 8 at VIEs)	6,439	5,268
Total current assets	80,090	75,293
Non-current Assets		
GM Financial receivables, net (Note 4; Note 8 at VIEs)	25,448	25,083
Equity in net assets of nonconsolidated affiliates (Note 7)	8,266	9,215
Property, net	38,336	38,758
Goodwill and intangible assets, net	5,518	5,579
Equipment on operating leases, net (Note 6; Note 8 at VIEs)	43,052	43,559
Deferred income taxes	24,303	24,082
Other assets (Note 3; Note 8 at VIEs)	8,119	5,770
Total non-current assets	153,042	152,046
Total Assets	\$ 233,132	\$ 227,339
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (principally trade)	\$ 24,560	\$ 22,297
Short-term debt and current portion of long-term debt (Note 9)		
Automotive	1,999	935
GM Financial (Note 8 at VIEs)	31,273	30,956
Accrued liabilities	27,471	28,049
Total current liabilities	85,303	82,237
Non-current Liabilities		
Long-term debt (Note 9)		
Automotive	12,954	13,028
GM Financial (Note 8 at VIEs)	60,858	60,032
Postretirement benefits other than pensions (Note 12)	5,363	5,370
Pensions (Note 12)	11,099	11,538
Other liabilities	12,917	12,357
Total non-current liabilities	103,191	102,325
Total Liabilities	188,494	184,562
Commitments and contingencies (Note 13)		
Equity (Note 16)		
Common stock, \$0.01 par value	14	14
Additional paid-in capital	25,661	25,563
Retained earnings	23,939	22,322
Accumulated other comprehensive loss	(8,849)	(9,039)
Total stockholders' equity	40,765	38,860

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Noncontrolling interests	3,873	3,917
Total Equity	44,638	42,777
Total Liabilities and Equity	\$233,132	\$ 227,339

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions) (Unaudited)

	Three Months Ended March 31, March 31, 2019 2018	
Cash flows from operating activities		
Income from continuing operations	\$2,145	\$1,110
Depreciation and impairment of Equipment on operating leases, net	1,897	1,859
Depreciation, amortization and impairment charges on Property, net	2,219	1,722
Foreign currency remeasurement and transaction losses	80	243
Undistributed earnings of nonconsolidated affiliates, net	(413)	(648)
Pension contributions and OPEB payments	(291)	(400)
Pension and OPEB income, net	(149)	(300)
Provision (benefit) for deferred taxes	(253)	365
Change in other operating assets and liabilities	(5,316)	(3,503)
Net cash provided by (used in) operating activities	(81)	448
Cash flows from investing activities		
Expenditures for property	(2,014)	(2,272)
Available-for-sale marketable securities, acquisitions	(677)	(914)
Available-for-sale marketable securities, liquidations	678	2,062
Purchases of finance receivables, net	(7,215)	(4,925)
Principal collections and recoveries on finance receivables	6,207	3,478
Purchases of leased vehicles, net	(3,747)	(4,496)
Proceeds from termination of leased vehicles	3,059	2,379
Other investing activities	(2)	(40)
Net cash used in investing activities – continuing operations	(3,711)	(4,728)
Net cash provided by investing activities – discontinued operations	—	166
Net cash used in investing activities	(3,711)	(4,562)
Cash flows from financing activities		
Net increase in short-term debt	959	120
Proceeds from issuance of debt (original maturities greater than three months)	11,757	11,334
Payments on debt (original maturities greater than three months)	(10,777)	(6,832)
Dividends paid	(626)	(566)
Other financing activities	(236)	(287)
Net cash provided by financing activities	1,077	3,769
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	44
Net decrease in cash, cash equivalents and restricted cash	(2,715)	(301)
Cash, cash equivalents and restricted cash at beginning of period	23,496	17,848
Cash, cash equivalents and restricted cash at end of period	\$20,781	\$17,547
Significant Non-cash Investing and Financing Activity		
Non-cash property additions – continuing operations	\$1,785	\$2,675

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(In millions) (Unaudited)

	Common Stockholders'				Noncontrolling	Total
	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Interests	Equity
Balance at January 1, 2018	\$ 14	\$ 25,371	\$ 17,627	\$ (8,011)	\$ 1,199	\$ 36,200
Adoption of accounting standards	—	—	(1,046)	(98)	—	(1,144)
Net income	—	—	1,046	—	(6)	1,040
Other comprehensive income	—	—	—	28	(1)	27
Purchase of common stock	—	(44)	(56)	—	—	(100)
Cash dividends paid on common stock	—	—	(536)	—	—	(536)
Dividends to noncontrolling interests	—	—	—	—	(30)	(30)
Other	—	10	(7)	—	(2)	1
Balance at March 31, 2018	\$ 14	\$ 25,337	\$ 17,028	\$ (8,081)	\$ 1,160	\$ 35,458
Balance at January 1, 2019	\$ 14	\$ 25,563	\$ 22,322	\$ (9,039)	\$ 3,917	\$ 42,777
Net income	—	—	2,157	—	(12)	2,145
Other comprehensive income	—	—	—	190	(5)	185
Stock based compensation	—	95	(6)	—	—	89
Cash dividends paid on common stock	—	—	(539)	—	—	(539)
Dividends to noncontrolling interests	—	—	—	—	(18)	(18)
Other	—	3	5	—	(9)	(1)
Balance at March 31, 2019	\$ 14	\$ 25,661	\$ 23,939	\$ (8,849)	\$ 3,873	\$ 44,638

Reference should be made to the notes to condensed consolidated financial statements.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Nature of Operations and Basis of Presentation

General Motors Company (sometimes referred to in this Quarterly Report on Form 10-Q as we, our, us, ourselves, the Company, General Motors or GM) designs, builds and sells trucks, crossovers, cars and automobile parts worldwide and is investing in and growing an autonomous vehicle business. We also provide automotive financing services through General Motors Financial Company, Inc. (GM Financial). We analyze the results of our continuing operations through the following operating segments: GM North America (GMNA), GM International Operations (GMIO), GM South America (GMSA), GM Cruise and GM Financial. Our GMSA and GMIO operating segments are reported as one, combined international segment, GM International (GMI). GM Cruise is our global segment responsible for the development and commercialization of autonomous vehicle technology. As a result of the growing importance of our autonomous vehicle operations, we moved these operations from Corporate to GM Cruise and began presenting GM Cruise as a new reportable segment in the three months ended June 30, 2018. All periods presented have been recast to reflect the segment changes. Nonsegment operations and Maven, our ride- and car-sharing business, are classified as Corporate. Corporate includes certain centrally recorded income and costs such as interest, income taxes, corporate expenditures and certain nonsegment-specific revenues and expenses.

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information. Accordingly they do not include all of the information and notes required by U.S. GAAP for complete financial statements. The accompanying condensed consolidated financial statements include all adjustments, which consist of normal recurring adjustments and transactions or events discretely impacting the interim periods, considered necessary by management to fairly state our results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our 2018 Form 10-K. Except for per share amounts or as otherwise specified, dollar amounts presented within tables are stated in millions. In the three months ended June 30, 2018 we changed the presentation of our condensed consolidated statements of cash flows to separately classify Depreciation and impairment of Equipment on operating leases, net and Depreciation, amortization and impairment charges on Property, net. In the three months ended March 31, 2019 we changed the presentation of our condensed consolidated balance sheets to reclassify the current portion of Equipment on operating leases, net to Other current assets and our condensed consolidated statements of cash flows to reclassify Payments to purchase common stock to Other financing activities. We have made corresponding reclassifications to the comparable information for all periods presented.

Principles of Consolidation We consolidate entities that we control due to ownership of a majority voting interest and we consolidate variable interest entities (VIEs) when we are the primary beneficiary. Our share of earnings or losses of nonconsolidated affiliates is included in our consolidated operating results using the equity method of accounting when we are able to exercise significant influence over the operating and financial decisions of the affiliate.

Recently Adopted Accounting Standards

Effective January 1, 2019, we adopted Accounting Standards Update (ASU) 2016-02, "Leases" (ASU-2016-02) using the modified retrospective method, resulting in a cumulative-effect adjustment to the opening balance of Retained earnings for an insignificant amount. We recognized \$1.0 billion of right of use assets and lease obligations included in Other assets, Accrued liabilities and Other liabilities on our condensed consolidated balance sheet for our existing operating lease portfolio at January 1, 2019. We elected to apply the practical expedient related to land easements, as well as the package of practical expedients permitted under the transition guidance in the new standard, which allowed us to carry forward our historical lease classification. The accounting for our finance leases and leases where we are

the lessor remained substantially unchanged. The application of ASU 2016-02 had no impact on our condensed consolidated income statement or condensed consolidated statement of cash flows.

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GENERAL MOTORS COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table summarizes our minimum commitments under noncancelable operating leases having initial terms in excess of one year, primarily for property, at December 31, 2018 as disclosed in our 2018 Form 10-K:

	Years Ending December 31,						
	2019	2020	2021	2022	2023	Thereafter	Total
Minimum commitments(a)	\$ 296	\$ 286	\$ 247	\$ 180	\$ 146	\$ 582	\$ 1,737
Sublease income	(61)	(51)	(44)	(38)	(33)	(129)	(356)
Net minimum commitments	\$ 235	\$ 235	\$ 203	\$ 142	\$ 113	\$ 453	\$ 1,381

(a) Certain leases contain escalation clauses and renewal or purchase options.

Refer to Note 13 for information on our operating leases at March 31, 2019.

Note 2. Revenue

The following table disaggregates our revenue by major source for revenue generating segments:

	Three Months Ended March 31, 2019						
	GMNA	GMI	Corporate	Total Automotive	GM Cruise	GM Financial	Eliminations/Reclassification
Vehicle, parts and accessories	\$25,962	\$3,567	\$ —	\$ 29,529	\$ —	\$ —	\$ —
Used vehicles	627	35	—	662	—	—	—
Services and other	776	248	46	1,070	25	—	(25)
Automotive net sales and revenue	27,365	3,850	46	31,261	25	—	(25)