

GENERAL MOTORS CORP

Form 8-K

January 09, 2003

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549-1004

FORM 8-K
CURRENT REPORT PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report
(Date of earliest event reported) January 9, 2003

GENERAL MOTORS CORPORATION

(Exact name of registrant as specified in its charter)

STATE OF DELAWARE

(State or other jurisdiction
of incorporation)

1-143

(Commission File Number)

38-0572515

(I.R.S. Employer
Identification No.)

300 Renaissance Center, Detroit,
Michigan

(Address of principal executive offices)

48265-3000

(Zip Code)

Registrant's telephone number, including area code (313)-556-5000

ITEM 9. REGULATION FD DISCLOSURE

Forward Looking Information relating to General Motors Corporation (GM) financial objectives for 2003:

GM OUTLINES OBJECTIVES FOR 2003

\$5.00 earnings per share, excluding Hughes and special items

\$10 billion cash generation

Improved market share in all regions

DETROIT General Motors Corp. (NYSE: GM, GMH) today said it is pursuing a strategy to generate long-term profitable growth through its continued worldwide product offensive, and by further leveraging the strength of its product development, manufacturing, purchasing, quality and distribution capabilities.

GM's long term strategy for creating stockholder value is clear. We're focused on executing a global plan to win more market share, improve our profitability, and capitalize on new opportunities to grow our automotive business in both developed and emerging markets, said GM President and Chief Executive Officer Rick Wagoner, at a meeting of securities analysts and institutional investors during the North American International Auto Show here.

We're achieving solid operational improvements by leveraging our strengths in product development, manufacturing, purchasing, quality and our global sales footprint. Over the last several years, GM has demonstrated steady and significant improvement in our core operations. We have developed an extremely strong position in trucks and sport utility vehicles, and embarked on a remarkable resurgence at Cadillac, Wagoner said.

Additionally, we've established important and solid footprints in key growth markets such as China and Korea. In 2003, we're going to pick up the pace and build on our excellent operating base to capitalize on market opportunities around the globe, Wagoner said. We know what to do and we're planning to go fast in accomplishing our objectives.

GM Vice Chairman and Chief Financial Officer John Devine outlined the company's 2003 financial goals. This year, GM expects to earn \$5.00 per share of GM \$1-2/3 par value common stock, excluding Hughes and special items, generate \$10 billion in cash and improve market share in all four automotive regions.

The key to achieving these goals is great products, said Devine. Our increasingly competitive products and cost structure will position us for long-term improvement in our financial performance.

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GM North America is expected to earn approximately \$1.7 billion to \$1.9 billion in 2003, and GM Europe is expected to report improved financial results, in a range of break-even results to a loss of about \$200 million.

GM expects 2003 industry sales to be down modestly in the North American and European markets, at 19.4 million and 19.0 million respectively; up again in the Asia Pacific region at about 15.0 million units; and unchanged in the Latin America Africa Mideast region at 3.7 million units.

Pricing pressures are expected to continue in the North American and European markets in 2003, Devine added.

GM will continue to support its product offensive with total capital spending of about \$7 billion in 2003. Net material cost reduction for GM North America is targeted at 3.0 percent, and for GM Europe at 3.5 percent. For North America and Europe, GM is also targeting carryover structural cost, excluding pension expense, reflecting strong cost performance that will effectively offset increases in health care expense and economics. The strong material and structural cost performance expected in 2003 is on the heels of strong performance in 2002.

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GMAC expects another record profit in 2002, marking the eighth consecutive year of earnings growth at the wholly owned finance subsidiary. For 2003, GMAC expects another year of strong results, with net income targeted at \$1.7 billion to \$1.9 billion. In addition, GMAC's goal for 2003 is to again remit a dividend to GM while maintaining its funding-to-equity leverage ratio roughly in line with current levels. GMAC paid a \$400 million dividend to GM during the fourth quarter of 2002.

Strengthening GM's balance sheet continues as a priority in 2003. A significant factor affecting GM's 2003 financial performance will be increased pension expense, which is expected to rise to about \$3 billion in 2003, before tax, from about \$1 billion before tax in 2002. Strong cash generation in 2002 allowed GM to contribute a total of \$4.8 billion to its U.S. pension plans during the year, including a \$2.6 billion cash contribution in the fourth quarter.

A preliminary analysis of GM's U.S. pension plans showed that the plans' underfunded status was approximately \$19.3 billion at the end of 2002, based on a 2002 asset return of approximately negative 7 percent, and a discount rate of 6.75 percent. The discount rate, which is used to calculate the present value of future pension liabilities, was reduced from 7.25 percent in 2002. GM's U.S. pension plans were underfunded by \$9.1 billion at the end of 2001. Based on a comprehensive study by GM's asset managers and actuaries, GM has decided to reduce its asset earnings rate assumption to 9 percent in 2003 from 10 percent in 2002.

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Note to editors: General Motors will webcast its meeting with automotive securities analysts on Thursday, Jan. 9, 2003, from approximately 8:30 a.m. EST to 11:30 am EST. The presentation will be available live through GM Media Online (<http://media.gm.com>), or directly at <http://investor.gm.com> under the Events and Presentations section. A replay of the webcast will also be made available.

Presentation materials will be available under Recent Presentations in the Event and Presentations section.

Additionally, media may access the presentations via a live conference call (Listen Only). Dial-in access will begin at 8:00 a.m. EST. To access the conference call, please dial 1-888-428-4471 (612-332-1025 for international access) with confirmation #667309 and ask to be connected to the General Motors conference call.

A taped replay of the call will be made available from 8:00 p.m. EST, January 10 until 11:59 p.m. EST, January 12, 2003. Please dial 1-800-475-6701 (320-365-3844 for international access) and enter reservation number 667309 to access the taped replay.

2003 Auto Analyst Conference

R. Wagoner

01/09/03

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Taking GM to the Next Level

Leveraging Strengths,
Addressing Challenges,
Focusing on the Future

Rick Wagoner, *President and CEO*

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Today's Strengths Product Focus

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The Resurgence of Cadillac

| | <u>2001</u> | | <u>2002</u> |
|----------------------------|-------------|---|-------------|
| Retail Deliveries | 146,500 | > | 177,300 |
| % Change vs. Previous Year | (6)% | > | 21% |
| Average Age | 63 | > | 60 |
| Average HH Income | \$106K | > | \$112K |
| % College Grad | 47% | > | 50% |

Today's Strengths Product Focus

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Powertrain Leadership

Quality leadership in many categories

Globally integrated gas engine and transmission strategy

Emerging diesel strategy

Integrated and leveraged

Advanced technology capability

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Industry Leadership in Purchasing

Today's Strengths Operational Excellence

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Manufacturing Efficiency

Today's Strengths Operational Excellence

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Quality As A Value

J.D. Power

Among top 3 in 2002 IQS

10 of the top 14 plants in North America

Consumer Reports

Recommended list from 4 to 13

Lower warranty costs

Europe

Significant improvement in launch quality, warranty costs, consumer perception

Today's Strengths Operational Excellence

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Vehicle Development Process

Over past 5 years, VDP completely restructured

Time between Design Freeze and Start of Production reduced from 43 months to 18/20 months

Recent examples:

Buick Rendezvous 22 months

Saturn ION 4-door 20 months

Today's Strengths Operational Excellence

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Producing Results in 2002

Current guidance at \$6.75 EPS

Cash generation of \$10B thru Q3

Increased market share in three out of four regions

Continued improvement in quality and productivity to move among leaders

Today's Strengths

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But...Ample Opportunity to Improve

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Addressing Today's Challenges

Opel/Vauxhall turnaround

Traditional stand alone operations

Saab/Saturn

Aging North America car line-up

Balance sheet

Pensions, Hughes, Fiat

South American economic conditions

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What's Next...

Build on Strong Operational Base

Pick up the Pace

Capitalize on Opportunities

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Next Steps in Vehicle Development

Leverage global product and powertrain capability

Global engineering integration

Faster and more effective front end VDP

Push design capability

What's Next...Building on Strong Operational Base

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***Next Generation Material Cost
Purchasing/Engineering Integration***

One Target

BOM re-use

Optimal sourcing footprint

Net material cost savings > 3% for 2003

What's Next...Building on Strong Operational Base

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Manufacturing

Increased flexibility

Focus on capital efficiency

Continuing productivity improvements

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Quality

Interior quality

Perceived quality

Evolve focus from problem reduction to more recommended vehicles

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Picking Up the Pace

Continue to build ***GoFast!*** culture

Simpler, leaner, more focused organization

GoFast! process

Time as a performance metric

Full VDP

New vehicle changeover/start-up

Sourcing

Identify problems faster, and fix them

What's Next

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***Profitable Growth in
Developed Markets***

U.S./Canada

Rebuild car strength leverage regions, more derivatives

Broaden truck strength expand Hummer, small utilities, etc.

Europe turnaround

Leverage Holden

Grow profits in related businesses

GMAC

Aftermarket

OnStar

What's Next...Capitalizing on Opportunities

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Growing in Developing Markets

| | Industry Size (M) | | GM Position | | |
|----------|-------------------|---------|-----------------------------|-------------------|---------------------|
| | 2002 | '02-'07 | Established & Growing | New & Solid | "On the Case" |
| | Market | Growth | | | |
| China | 3.45 | 1.2 | | X | |
| S. Korea | 1.6 | 0.5 | | X | |
| Brazil | 1.5 | 0.5 | X | | |
| Russia | 1.3 | 0.2 | | | X |
| Mexico | 1.0 | 0.2 | X | | |
| India | 0.9 | 0.6 | | | X |
| Thailand | 0.4 | 0.3 | | X | |
| Poland | 0.3 | 0.2 | | X | |

What's Next Capitalizing on New Opportunities

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Alliances***Better Focus on Value Creation*****Areas of Cooperation/Leverage**

| | Purch. | Pwtrn. | Prod. | Distr. | Tech. |
|--------|---------------|---------------|--------------|---------------|--------------|
| Isuzu | Emerging | Solid | Limited | Limited | Limited |
| FHI | Emerging | Limited | Emerging | Emerging | Solid |
| Suzuki | Emerging | Emerging | Solid | Solid | Solid |
| Fiat | Solid | Solid | Emerging | Limited | Emerging |
| SAIC | Emerging | Solid | Solid | Solid | Emerging |

What's Next Capitalizing on Opportunities

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Summary

Strong track record of tackling tough issues

Example > Comprehensive North America turnaround

Robust 2002 results in overall challenging global environment

Still ample areas to improve and we have learned how to fix them faster

Focused on using #1 global position to:

Grow revenue, market share and profits

Rebuild balance sheet

Enhance shareholder value

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Financial Review and Outlook

John Devine, *Vice Chairman and CFO*

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Driving Value

Great
Products

Improve
Financial
Performance

Strengthen
Balance
Sheet

Driving
Shareholder
Value

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Agenda

2002 Performance Recap

2003 Outlook/Targets

2003 Downturn Analysis

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Performance to 2002 Priorities/Targets

| | |
|--------------------------------------|-----------|
| Priorities | |
| \$3.00 EPS <u>excluding</u> Hughes | ^ \$6.75* |
| Profitable Automotive Operations | G |
| Positive operating cash flow | G |
| Grow share in all regions | Y |
| Regional/Sector Income Targets | |
| North America: \$750M | G |
| Europe: (\$350M) | R |
| LAAM & AP: Positive | R G |
| GMAC: \$1,650M | G |
| Other Metrics | |
| Improved structural cost | G |
| Capital spending of \$7.1B | G |
| Net material cost reductions of 3.5% | Y |

* EPS excluding any special items

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2002 Performance Recap

2003 Outlook/Targets

2003 Downturn Analysis

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2003 Priorities

\$5.00 EPS (excludes Hughes)

Cash generation of \$10B

Grow market share in all regions

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Market and Industry Assumptions

North America

U.S. Industry of 16.5M (down 3.5%)

GM share targeted to improve

Continued pricing pressure

Europe

Industry estimated at 19.0M (down 1%)

GM share targeted to improve

Continued pricing pressure

Latin America and Asia-Pacific

LAAM industry sales flat, AP industry up 5%

Expect improved share in both regions

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U.S. Pension Funded Status

Preliminary 2002 year-end U.S. underfunded status of \$19.3 billion:

Reflects \$2.6B contribution in Q4 '02

Based on discount rate of 6.75% and preliminary 2002 actual asset returns of approximately -7.0%

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***U.S. Pension Funding Requirements
to Avoid VRP***

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2003 U.S. Pension Expense

| | | |
|-----------------|-------|-------|
| Cy Assumptions | 2002 | 2003 |
| Discount Rate | 7.25% | 6.75% |
| LT Asset Return | 10.0% | 9.0% |

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Pension Assumption Benchmarking

Benchmarking survey indicates that GM's pension assumptions for 2002 year-end Discount Rate and 2003 Long-Term Expected Return on Plan Assets is in line with other companies' assumptions

Source: Watson Wyatt Survey of companies (123 companies for Discount Rate, 106 companies for L-T EROA)

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2003 U.S. OPEB Expense

| CY Assumptions | 2002 | 2003 |
|----------------|-------|-------|
| Trend Rate | 6.0% | 7.3% |
| Discount Rate | 7.25% | 6.75% |

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Structural Cost Reduction

Targeted carryover structural cost (excluding pension) despite increases in healthcare and economic cost pressures

Strong manufacturing productivity improvements

Hourly and salaried attrition

Increased engineering productivity

* At '03CY exchange rates

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Material Cost Reduction

Continued material cost reductions through:

One team approach

Carryover components/BOM re-use

Optimize supplier footprint globally

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*2003 Sector/Regional
Financial Targets*

| \$ in Millions | Net Income | | Market Share |
|----------------|---------------|---------|-----------------|
| | | | |
| North America | \$1,700 | \$1,900 | + |
| Europe | (\$200) | \$0 | + |
| Rest of World | \$100+ | | + |
| GMAC | \$1,700 | \$1,900 | N/A |

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2003 Target Earnings

EPS Excluding Hughes

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2003 Priorities/Targets

Priorities

\$5.00 EPS* excluding Hughes
 Cash generation of \$10B
 Grow share in all regions

Regional/Sector Income Targets

| | |
|----------------|--------------------|
| North America: | \$1,700 - \$1,900M |
| Europe: | (\$200) - \$0M |
| Rest of World: | \$100M+ |
| GMAC: | \$1,700 - \$1,900M |

Other Metrics

| | |
|------------------------------|--------------------------|
| Structural cost: | \$41.4B GMNA, \$7.8B GME |
| Capital spending of \$7.0B | |
| Net material cost reduction: | 3.0% GMNA, 3.5% GME |

* EPS excluding any special items

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Cash Generation of \$10B in 2003

- + Automotive operating cash flow
- + Hughes monetization
- + Debt offerings
- + Dividends from GMAC
- + Sales of non-core assets
- GM $\$1\frac{2}{3}$ Dividend payments

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2002 Performance Recap

2003 Outlook/Targets

2003 Downturn Analysis

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2003 Downturn Analysis

***Likelihood of U.S. Downturn (15.5M Industry)
Internally Estimated at below 20%***

Assumptions

U.S. industry 15.5M vs. 16.5M (down 6%)

European industry 18.2M vs. 19.0M (down 4%)

Further deterioration in net pricing

Lower material savings

Targets

*\$1.00+ EPS

Breakeven operating cash flow
(including GMAC dividends)

* EPS excluding any special items and Hughes

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Summary

2003 \$5.00 EPS based on aggressive cost and market targets

Substantial pension related drag on earnings/cash flow will improve over time

Continued intense pricing environment

Focus on cost reduction will continue

Focus on cash generation

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GME Business Update/Key

Metrics

Mike Burns, *President GME*

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Agenda

2002

Overview

2003

Market Outlook

Share

New Products

Diesel Engines

Operational Improvements

Quality, Material Cost, Structural Cost

2003 Objective

Summary

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2002 Overview

Difficult year

Missed net income objective

Share improvements not at expected rate

Detracted from continued improvements on cost structure

Cost improvements

Capacity rationalization on track

Best material performance since mid-80 s

Headcount reductions on track

Significant further progress in reducing structural cost

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GME Net Income 1998-2002

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Saab Situation 2002

Net Income for 2002 deteriorated substantially

Key drivers:

Lower volumes

Adverse mix

Foreign exchange

Also impacted by:

Higher marketing costs

Diesel warranty expense

Higher material costs

Start-up costs of new 9-3

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Saab Actions to Improve

Personnel changes at senior level

Government and Unions notified of intention to separate up to 1,300 people in 2003

Vehicle final assembly in Sweden to be reduced to one line with significant productivity improvement

Grow product line-up through increased leveraging of other GM and Alliance vehicles

Increased alignment with GM/GME functional direction

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2003 Objective Breakeven

Key success factors

Saab turnaround

Market share

Continued focus on cost structure

Improvements driven by new product and engine launches in 2003

Meriva

Signum

Vectra Wagon

Saab 9-3 Convertible

2003 Diesel Engine 1.3L (Agila, Corsa)

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*Market Overview
Western and Central Europe*

Market Has Declined Since 1999

All numbers include light commercial vehicles

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GME Share of Total Market

Western and Central Europe

Decline reversed

Includes: Opel/Vauxhall, Saab, NAV and Isuzu (2001 and 2002 only)

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GME Market Share

W/C Europe 2003 vs. 2002

Includes: Opel/Vauxhall, Saab, NAV & Isuzu (2002 Only)

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GME Diesel Share Development

Also, 80% increase in number of diesels with automatic transmissions between 2002-2005

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Improvement of Delivery Quality

Dealer Satisfaction With Quality

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Improvement of Delivery Quality

Warranty Claims After 12 Months of Ownership

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Improvements in Long Term Durability

Cost Per Car

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Quality Momentum

Vectra continues strong improvements in launch quality

Problems Per 1,000 Vehicles

Pre-delivery inspection, initial 3 month average

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Material Cost Performance

Includes Purchasing Synergies from FIAT J/V activity

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GME Structural Cost 1999-2003

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GM Europe

Project Olympia

Expectation of Cost Reduction earlier than Revenue Growth
Olympia remains on schedule

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GME Net Income Target

2003 vs. 2002

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Summary

Market remains difficult

Exciting product pipeline

Strong improvement in quality

Significant cost improvement at Opel/Vauxhall

Actions identified for Saab to reverse losses

Beat Breakeven in 2003

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01/09/03

Improving the Car Portfolio

in the Marketplace and the Bottom Line

Bob Lutz, Vice Chairman Product Development and Chairman GMNA

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- 1 What are we going to do to improve share performance in cars?
- 2 How are we going to do it profitably?
- 3 What have I been doing since I got here?

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great design

and perceived quality

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**Portfolio Plan
Development**

> Portfolio
Plan >

Document of
Strategic Intent

DSI

> >

**Advance
Vehicle
Development
Process &
Design**

Vehicle
Program
Initiation

VPI

**Vehicle
Development Process**

Start of
Production

SOP

> Vehicle Development >

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Winning Themes Exterior

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Winning Themes Interior

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bill of material
and architecture reuse

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Global Part Level Reuse Metric GMNA

| Vehicle & Powertrain | | 2003 | 2004 | 2005 |
|---------------------------------|-----------------------|-------------|-------------|-------------|
| Annual | | 87% | 93% | 97% |
| Mid-Cycle | | 81% | 93% | 95% |
| New/Major | New Architecture | | 43% | 50% |
| New/Major | Existing Architecture | | 68% | 75% |

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Capable Engine Architectures

Global 4-cylinder engine families

Eight engine families converging to four in 2006

6-cylinder engine families

Six engine families converging to three in 2009

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global product leveraging

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gotta-have products

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Summary

We re focused on delivering gotta-have products with the highest levels of product quality and perceived quality

BOM and architecture reuse are keys to profitability

Global product leveraging is essential

No competitor has the product capability that we have

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GMNA Business
Update/Key Metrics

Gary Cowger, *President GMNA*

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2002 Key GMNA Metrics

| Metric | Status |
|-----------------|---------------|
| Market Share | G |
| Net Income | G |
| Material Cost | G |
| Structural Cost | G |
| Cash Flow | G |
| Warranty (6MIS) | Y |

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U.S. Market Shares

2002CY vs. 2001CY

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2002 Product Launches

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U.S. Truck Sales

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Quality of Share

Trucks as a Percentage of Total U.S. Sales

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Attacking GMNA Structural Costs

As of 11+1 Forecast

Includes Special Items

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GMNA Assembly Labor Productivity

*** Excludes Mexico and Launch**

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2003 Key GMNA Metrics

| Metric | Target |
|-----------------|---------------|
| Market Share | ^ |
| Net Income | \$1.7-\$1.9B |
| Material Cost | 3% |
| Structural Cost | \$41.4B |
| J.D. Power | ^ |

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2003 Industry Outlook

Challenging NA Industry Continues

2003 CY U.S. industry volume in the mid 16M units

Aggressively competitive market becoming hyper-competitive in some segments

Continued pressure on price

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Net Income

2003 CY Target vs. 2002 CY Forecast

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Structural Cost

2003 CY Budget vs. 2002 CY Forecast

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Material Cost Reduction Strategy

One target

Integrated approach

Drive performance with top 20 suppliers

Total cost elements focus

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J.D. Power IQS2

GMNA Total Problems Per 100 Vehicles

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GMNA Total Problems Per 100 Vehicles

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Direct Run Rate (First Time Quality)

GMNA Plants

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Consumer Reports

Recommended 2003 Models

Note: Through December, 2002 Issue

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Vehicle Accessories Growth

\$27 Billion domestic accessories market

Our Accessories group at SPO is focusing on four interdependent strategies:

Integrate product development process

Incorporate accessories into the vehicle selling process

Enhance distribution and installation capabilities

Grow GM Performance Parts revenue

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Labor Relations

Build on positive relationship with our unions

Continue open communications and maintain a constructive, problem-solving approach

Continue current positive momentum

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GMAC Strategic and Financial Review

Eric Feldstein, *Chairman and President GMAC*

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GMAC Net Income

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GMAC 2002 Net Income by Sector

<=> Financing Operations

Improved income from high asset level and cost containment

Increased contribution from full-service leasing and used vehicle financing in Europe

Unfavorable borrowing spreads and higher credit losses in North America

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GMAC 2002 Net Income by Sector

<=> Financing Operations

V Insurance Operations

Continued improvement in underwriting (operating) income more than offset by lower investment income, including impairment of certain securities

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GMAC 2002 Net Income by Sector

∧ Financing Operations

∨ Insurance Operations

∧ Mortgage Operations

Record income at commercial mortgage and conduit operations on strong origination volume

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GMAC 2002 Net Income by Sector

<=> Financing Operations

V Insurance Operations

^ Mortgage Operations

= **Record 2002 Net Income**

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GMAC 2003 Objectives

Generate net income of \$1.7-\$1.9 billion

Remit dividend to GM

Contain funding/equity ratio

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GMAC 2003 Key Issues

Credit losses

Lease residuals

Balance sheet capacity

Funding outlook

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GMNA U.S. Asset Quality

*Total Retail and SmartLease Losses
as % of Average Serviced Receivables*

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***GMAC U.S. Auto
New and Used Retail Loans***

Frequency of loss has remained low with favorable delinquency trends

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*GMAC U.S. Auto
New and Used Retail Loans*

Average Gross Loss per Unit with a Loss

Severity of loss has increased reflecting weaker used car market

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GMAC U.S. Asset Quality

Memo: Approximately 65% of contracts gone bad result in some loss

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GMAC U.S. SmartLease
Book Gain per Unit

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*GMAC U.S. SmartLease
Residual Outlook*

Residual expectations on terminating units peaked in 2000

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*GMAC U.S. SmartLease
Residual Outlook*

Residual expectations on terminating units peaked in 2000
Will decline by about 8 p.p. (\$2,200) over next two years

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***GMAC U.S. SmartLease
Terminations Outlook***

Volume of terminating units will decline by over 330,000 units (46%) from 2002 through 2004

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GMAC Serviced Assets and Funding

** Ratio reflects debt net of cash and is adjusted for certain securitization transactions*

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GMAC Balance Sheet Capacity

* Ratio reflects debt net of cash and is adjusted for certain securitization transactions

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***Borrowing Spreads Over
10-year U.S. Treasuries***

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GMAC U.S. Term Funding Sources

***Institutional Unsecured Debt
as % of Total Funding Volume***

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GMAC 2003 Net Income by Sector

V Financing Operations

^ Insurance Operations

^ Mortgage Operations

= **\$1.7-\$1.9 Billion Net Income**

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date January 9, 2003

GENERAL MOTORS CORPORATION

(Registrant)

By
/s/Peter R. Bible

(Peter R. Bible,
Chief Accounting Officer)