General Motors Co. (GM)

Updated May 16th, 2019 by Jonathan Weber

Key Metrics

Current Price:	$38	**5 Year CAGR Estimate:**	10.4%	**Volatility Percentile:**	70.5%
Fair Value Price:	$44	**5 Year Growth Estimate:**	3.3%	**Momentum Percentile:**	45.0%
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.0%	**Growth Percentile:**	18.7%
Dividend Yield:	4.1%	**5 Year Price Target**	$52	**Valuation Percentile:**	76.2%
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**Total Return Percentile:**	61.4%

Overview & Current Events

General Motors is an automobile company that produces cars, trucks, and automobile parts, and provides automobile financing solutions to its customers. Its brand portfolio includes Chevrolet, Cadillac, Baojun, Buick, GMC, Holden, Jiefang, Wuling, Maven and OnStar. General Motors was founded in 1908, is headquartered in Detroit, MI, and currently trades with a market capitalization of $53 billion.

General Motors reported its first quarter earnings results on April 30. The company generated revenues of $34.9 billion during the first quarter, which was 3.3% less than revenues during the previous year's quarter. These revenues were created through selling 1.9 million vehicles during the quarter, which was 200,000 below the amount of vehicles that General Motors sold during the first quarter of fiscal 2018. General Motors' market share was, due to the sales decline, down 80 basis points year over year. General Motors generated adjusted EBITDA of $2.3 billion during the first quarter, with $1.9 billion of that being generated by General Motors' North American business. GM Financial contributed $400 million to the company's EBITDA, while GM International did not generate any profits once again.

The profitable China business is accounted for using the equity method, as General Motors is only active in the country through joint ventures. General Motors generated earnings-per-share of $1.41 during the first quarter, which beat the analyst consensus by more than 20%, but which was down marginally from the prior year's level of $1.43. General Motors' management continue to guide for earnings-per-share of $6.50 to $7.00 during fiscal 2019.

Growth on a Per-Share Basis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
EPS	--	$2.89	$3.88	$2.92	$3.18	$3.05	$5.02	$6.00	$6.62	$6.54	***$6.75***	***$7.94***
DPS	--	--	--	--	--	$1.20	$1.38	$1.52	$1.52	$1.52	***$1.52***	***$1.52***
Shares	--	1560	1560	1370	1500	1600	1540	1500	1400	1400	***1380***	***1350***

General Motors went bankrupt during the last financial crisis, was then restructured whilst majority-owned by the US government, and was finally taken public again in 2010. Because of this, there is no data available prior to 2010.

During 2018, General Motors enjoyed a tailwind from the launch of several major upgrades to its models, including the newest Chevrolet Silverado and GMC Sierra. These full-size pickup trucks are not only a major factor for the company's sales number, they also come at above-average sales prices and are therefore an important factor for General Motors' revenues and earnings. The rollout of these new models has allowed for above-average profitability during 2018, and the same should be true for 2019. Higher commodity costs will remain a headwind over the foreseeable future, and were the most important reason for General Motors' earnings decline during 2018.

In 2019 and beyond, General Motors should see earnings-per-share growth again, through measures such as the recent introduction of a four-cylinder full-size truck, as well as through growth in international markets, primarily China. Share repurchases, which have lowered General Motors' share count over the last several years, will play a role as well.

Electric vehicles, autonomous driving, and connectivity have not been a major factor for General Motors' results in the past, but could become more important during the 2020s. General Motors invests heavily into these technologies, and management expects them to start contributing to the company's bottom line in the early 2020s.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

General Motors Co. (GM)

Updated May 16th, 2019 by Jonathan Weber

Valuation Analysis

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Now	2024
Avg. P/E	--	12.0	7.3	8.0	10.5	11.3	6.8	5.2	5.7	5.2	***5.6***	***6.5***
Avg. Yld.	--	--	--	--	--	3.5%	4.0%	4.9%	4.0%	4.5%	***4.1%***	***2.9%***

General Motors has never traded at an especially high valuation since the company emerged from its bankruptcy in 2010. This makes sense, as the market is not keen to reward the company with a high valuation due to its poor past performance, and the cyclicality of General Motors' earnings. Shares trade for less than 6 times this year's net profits right now, which is below our fair value estimate, and provides for some upside potential.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2024
Payout	--	--	--	--	--	39.3%	27.5%	25.3%	23.0%	23.2%	***22.5%***	***19.1%***

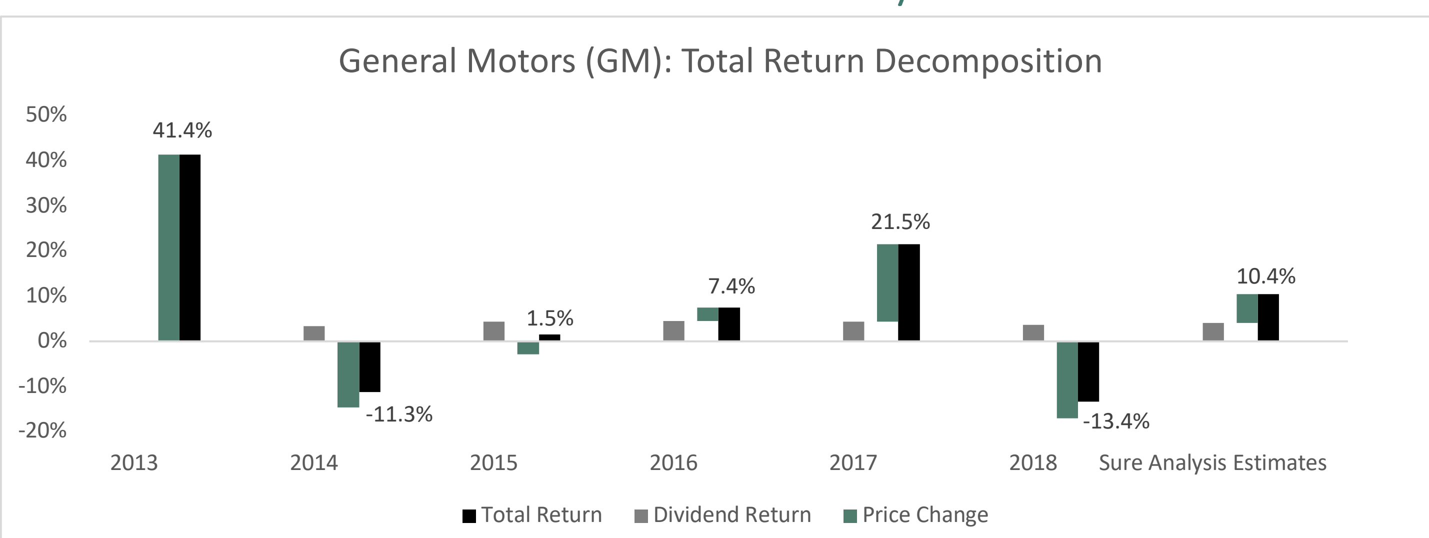
General Motors' dividend payout ratio has declined over the last couple of years due to the fact that the dividend has not been raised since 2016, while earnings-per-share have grown since then. The payout ratio is very low, but the very weak performance during the last financial crisis makes us believe that the dividend could still get cut in a recession.

General Motors has a relatively strong position in the US market and in the Chinese market, and General Motors is among the best positioned companies in the truck market. General Motors is not so strong in the European market, but if the company can continue to hold a strong market share in the US and in the fast-growing Chinese market, it will remain highly profitable. General Motors is vulnerable to recessions, which was dramatically illustrated during the last financial crisis. Such deep, global downturns are not very common, though, and General Motors' balance sheet is much cleaner than it was before the last crisis. The company thus should be able to weather future headwinds better.

Final Thoughts & Recommendation

The beginning of 2019 was not overly successful, but still better than feared by the analyst community. General Motors also continues to expect growing net profits during the current year. Shares trade at a very inexpensive valuation and provide an above-average dividend yield, which is why the total return outlook is strong. Investors should keep in mind that the automobile industry can be quite cyclical, but for those that don't mind that, GM is rated a buy.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.]

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

General Motors Co. (GM)

Updated May 16th, 2019 by Jonathan Weber

Income Statement Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenue ($B)	104.59	135.59	150.28	152.26	155.43	155.93	135.73	149.18	145.59	147.05
Gross Profit	-7606	16824	19890	12020	20502	17847	22730	27400	29359	26393
Gross Margin	-7.3%	12.4%	13.2%	7.9%	13.2%	11.4%	16.7%	18.4%	20.2%	17.9%
SG&A Exp.	13417	11446	12163	14031	12382	12158	11888	10345	9570	9650
D&A Exp.	11384	6930	7427	38762	8041	7238	7487	9819	12261	13669
Operating Profit	-21023	5108	6942	-3218	5672	1650	5538	8686	8661	4445
Op. Margin	-20.1%	3.8%	4.6%	-2.1%	3.6%	1.1%	4.1%	5.8%	5.9%	3.0%
Net Profit	N/A	6172	9190	6188	5346	3949	9687	9427	-3864	8014
Net Margin	N/A	4.6%	6.1%	4.1%	3.4%	2.5%	7.1%	6.3%	-2.7%	5.4%
FCF ($B)	-22.62	2.57	1.08	1.49	2.81	-1.81	-10.14	-11.27	-10.31	-10.24
Income Tax	-2166	672	-110	-34.8B	2127	228	-1219	2739	11533	474

Balance Sheet Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total Assets ($B)	136.3	138.9	144.6	149.4	166.3	177.5	194.3	221.7	212.5	227.3
Cash & Equivalents	22679	21061	16071	18422	20021	18954	15238	12574	15512	20844
Acc. Receivable	7518	8699	13215	14439	22813	25606	26388	24827	28685	33399
Inventories	10107	12125	14324	14714	14039	13642	13764	11040	10663	9816
Goodwill & Int.	45219	43660	39033	8782	7228	6410	5947	6149	5849	5579
Total Liab. ($B)	114.3	101.7	105.6	112.4	123.2	141.5	154.0	177.6	176.3	184.6
Accounts Payable	18725	21497	24551	25166	23621	22529	24062	23333	23929	22297
Long-Term Debt	15783	10758	11863	16050	36183	46665	63111	75123	94219	104951
Total Equity	21249	25789	27729	25853	39498	35457	39871	43836	35001	38860
D/E Ratio	0.74	0.30	0.31	0.44	0.85	1.32	1.58	1.71	2.69	2.70

Profitability & Per Share Metrics

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Return on Assets	92.2%	4.5%	6.5%	4.2%	3.4%	2.3%	5.2%	4.5%	-1.8%	3.6%
Return on Equity	-326%	26.2%	34.3%	23.1%	16.4%	10.5%	25.7%	22.5%	-9.8%	21.7%
ROIC	N/A	14.4%	18.6%	11.9%	8.1%	4.9%	10.4%	8.5%	-3.1%	5.8%
Shares Out.	--	1560	1560	1370	1500	1600	1540	1500	1400	1400
Revenue/Share	113.0	83.49	90.09	90.90	92.74	92.43	82.76	95.02	97.58	102.76
FCF/Share	-24.5	1.58	0.65	0.89	1.68	-1.07	-6.18	-7.18	-6.91	-7.16

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.