# General Motors Co. (GM)

*Updated March 13th, 2021 by Felix Martinez*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $59 | **5 Year CAGR Estimate:** | -2.8% | **Market Cap:** | $85.1 B |
| **Fair Value Price:** | $37 | **5 Year Growth Estimate:** | 7.0% | **Ex-Dividend Date:** | N/A |
| **% Fair Value:** | 162% | **5 Year Valuation Multiple Estimate:** | -9.1% | **Dividend Payment Date:** | N/A |
| **Dividend Yield:** | N/A | **5 Year Price Target** | $51 | **Years Of Dividend Growth:** | 0 |
| **Dividend Risk Score:** | N/A | **Retirement Suitability Score:** | N/A | **Last Dividend Increase:** | N/A |

## Overview & Current Events

General Motors produces cars, trucks, and automobile parts and provides automobile financing solutions to its customers. GM's 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 $64.4 billion.

General Motors reported its fourth-quarter and Full Year (FY)2020 earnings results on February 10, 2021.

The full year's total revenue was $122.5 billion, which is (10.7)% lower than what The Company made in FY2019. Automotive revenue was $108.7 billion, and the financial segment brought in $13.8 billion for the year. However, the fourth quarter had an excellent result. Total sales reported was $37.5 billion, which was 21.7% higher than 4Q19. Net income was up for the quarter by $0.1 billion in 4Q19 to now $2.8 billion. The big increase in net income is because GM was able to increase revenue and keep costs relatively flat when compared to the fourth quarter of 2019. On the downside, The Company was not able to increase its total market share in the quarter. Total market share drop (0.1)% from 11.0% to now 10.9% market share. Even though there was a pandemic in 2020, The Company grew earnings by 2% for the year, from $4.82 per share in 2019 to now $4.90 per share. Total assets increased by 3.1% year over year, but so did total liabilities by 1.9%. Overall, GM balance sheet looks very healthy.

We expect GM to earn $5.24 per share for the entire year of 2021. This would represent an increase of 6.9% compared to 2020. GM has not mentioned if they will reinstate the dividend that was suspended during the COVID-19 pandemic.

## Growth on a Per-Share Basis

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $3.92 | $3.24 | $3.18 | $3.05 | $5.02 | $6.12 | $6.62 | $6.54 | $4.82 | $4.90 | ***$5.24*** | ***$7.35*** |
| **DPS** | $0.00 | $0.00 | $0.00 | $1.20 | $1.38 | $1.52 | $1.52 | $1.52 | $1.52 | $0.38 | --- | --- |
| **Shares[1]** | 1564.0 | 1366.0 | 1500.0 | 1600.0 | 1544.0 | 1498.0 | 1402.0 | 1400.0 | 1429.0 | 1442.0 | ***1442.0*** | ***1442.0*** |

General Motors went bankrupt during the last financial crisis, was then restructured while majority-owned by the US government, and was finally taken public again in 2010. In 2021 and beyond, General Motors should see earnings-per-share growth also through measures such as the recent introduction of a four-cylinder full-size truck and growth in international markets, primarily China. Share repurchases, which have lowered General Motors' share count over the last several years, will also play a role.

Electric vehicles, autonomous driving, and connectivity have not been significant factors for General Motors' results but could become more critical during the 2020s. General Motors invests heavily in these technologies, and management expects them to start contributing to its bottom line in the early 2021s. Thus, we are estimating a 7% average growth in earnings annually for the next five years.

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[1]*Shares in Millions*

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## Valuation Analysis

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Now | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Avg. P/E** | 7.3 | 8 | 10.5 | 11.3 | 6.8 | 5.2 | 5.7 | 5.8 | 7.8 | 8.5 | ***11.3*** | ***7.0*** |
| **Avg. Yld.** | --- | --- | --- | 3.5% | 4.0% | 4.9% | 4.0% | 4.0% | 4.1% | 0.9% | --- | --- |

General Motors has never traded at an exceptionally 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. However, shares trade for 11.3 times this year's EPS right now, which is above our fair value estimate of 7.0 times earnings. The current dividend has been suspended, which was part of the total return for this company. We do see The Company reinstating the dividend sometime this year as the Auto industry looks encouraging.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

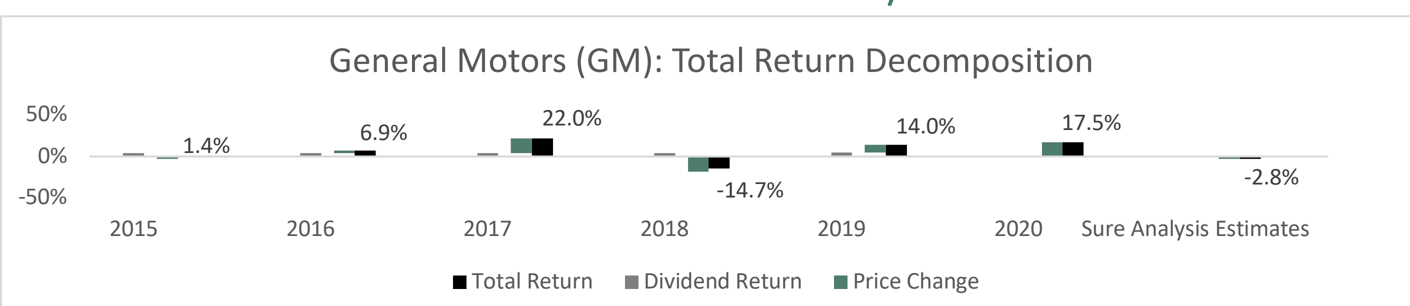
| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Payout** | 0% | 0% | 0% | 39% | 27% | 25% | 23% | 23% | 32% | 8% | --- | --- |

General Motors' dividend payout ratio has declined over the last couple of years since the dividend has not been raised since 2016, while earnings-per-share have grown. The payout ratio is low, but the weak performance during the last financial crisis makes us believe that the dividend could be cut in a recession, as it was last year. General Motors has a relatively stable position in the US market and the Chinese market, and General Motors is among the best-positioned companies in the truck market. General Motors is not strong in the European market, but if the company can continue to hold a healthy market share in the US and the fast-growing Chinese market, it will remain stable. With that said, 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 before the previous crisis, and it has been improving YoY. The Fiscal Year 2019 Debt to Equity was 4.36, and now the company has a Debt to Equity ratio of 2.5 and an Interest Coverage of 8.4. The company thus should be able to weather future headwinds better.

## Final Thoughts & Recommendation

GM Shares trade above our fair value estimate. The company no longer has an above-average dividend yield compared to the broader market. Thus, we project a return of (2.8)% annually at the current price for the next five years. This estimate is based on the expected earnings of $5.24 for FY2021. Investors should keep in mind that the automobile industry can be pretty cyclical. Thus, we have a Sell recommendation for GM at the current price. This is because the expected total return is flat to negative for the potential risk of investing in the auto industry.

## Total Return Breakdown by Year

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[1]*Shares in Millions*

*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.*

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## Income Statement Metrics

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue ($B) | 150.28 | 152.26 | 155.43 | 155.93 | 135.73 | 149.18 | 145.59 | 147.05 | 137237 | 122485 |
| Gross Profit | 19890 | 12020 | 20502 | 17847 | 22730 | 27400 | 29359 | 26393 | 13972 | 13672 |
| Gross Margin | 13.2% | 7.9% | 13.2% | 11.4% | 16.7% | 18.4% | 20.2% | 17.9% | 10.2% | 11.2% |
| SG&A Exp. | 12163 | 14031 | 12382 | 12158 | 11888 | 10345 | 9570 | 9650 | 8491 | 7038 |
| D&A Exp. | 7427 | 38762 | 8041 | 7238 | 7487 | 9819 | 12261 | 13669 | 14118 | 12815 |
| Operating Profit | 6942 | -3218 | 5672 | 1650 | 5538 | 8686 | 8661 | 4445 | 5481 | 6634 |
| Op. Margin | 4.6% | -2.1% | 3.6% | 1.1% | 4.1% | 5.8% | 5.9% | 3.0% | 4.0% | 5.4% |
| Net Profit | 9190 | 6188 | 5346 | 3949 | 9687 | 9427 | -3864 | 8014 | 6732 | 6427 |
| Net Margin | 6.1% | 4.1% | 3.4% | 2.5% | 7.1% | 6.3% | -2.7% | 5.4% | 4.9% | 5.2% |
| FCF ($B) | 1.08 | 1.49 | 2.81 | -1.81 | -10.14 | -11.27 | -10.31 | -10.24 | -8.98 | -3863 |
| Income Tax | -110 | -34.8B | 2127 | 228 | -1219 | 2739 | 11533 | 474 | 769 | 1774 |

## Balance Sheet Metrics

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets ($B) | 144.6 | 149.4 | 166.3 | 177.5 | 194.3 | 221.7 | 212.5 | 227.3 | 228.0 | 235194 |
| Cash & Equivalents | 16071 | 18422 | 20021 | 18954 | 15238 | 12574 | 15512 | 20844 | 19069 | 19992 |
| Acc. Receivable | 13215 | 14439 | 22813 | 25606 | 26388 | 24827 | 28685 | 33399 | 33398 | 34244 |
| Inventories | 14324 | 14714 | 14039 | 13642 | 13764 | 11040 | 10663 | 9816 | 10398 | 10235 |
| Goodwill & Int. | 39033 | 8782 | 7228 | 6410 | 5947 | 6149 | 5849 | 5579 | 5337 | 5230 |
| Total Liab. ($B) | 105.6 | 112.4 | 123.2 | 141.5 | 154.0 | 177.6 | 176.3 | 184.6 | 182.1 | 185517 |
| Accounts Payable | 24551 | 25166 | 23621 | 22529 | 24062 | 23333 | 23929 | 22297 | 21018 | 19928 |
| Long-Term Debt | 11863 | 16050 | 36183 | 46665 | 63111 | 75123 | 94219 | 104951 | 103324 | 109894 |
| Total Equity | 27729 | 25853 | 39498 | 35457 | 39871 | 43836 | 35001 | 38860 | 41792 | 45030 |
| D/E Ratio | 0.31 | 0.44 | 0.85 | 1.32 | 1.58 | 1.71 | 2.69 | 2.70 | 2.47 | 2.44 |

## Profitability & Per Share Metrics

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | 6.5% | 4.2% | 3.4% | 2.3% | 5.2% | 4.5% | -1.8% | 3.6% | 3.0% | 2.8% |
| Return on Equity | 34.3% | 23.1% | 16.4% | 10.5% | 25.7% | 22.5% | -9.8% | 21.7% | 16.7% | 14.8% |
| ROIC | 18.6% | 11.9% | 8.1% | 4.9% | 10.4% | 8.5% | -3.1% | 5.8% | 4.5% | 4.2% |
| Shares Out. | 1560 | 1370 | 1500 | 1600 | 1540 | 1500 | 1400 | 1400 | 1439 | 1442 |
| Revenue/Share | 90.09 | 90.90 | 92.74 | 92.43 | 82.76 | 95.02 | 97.58 | 102.76 | 95.37 | 84.94 |
| FCF/Share | 0.65 | 0.89 | 1.68 | -1.07 | -6.18 | -7.18 | -6.91 | -7.16 | -6.24 | -2.68 |

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