

## General Motors Company

## EPS beat, initiates strong 2024 guidance

## Earnings Review

## EPS beat, initiates strong 2024 guidance

GM reported 4Q23 Adj. EPS of \$1.24, beating Bloomberg consensus of \$1.16. Revenue was ~flat YoY to \$43.0bn, above consensus of \$39.5bn. Adj. EBIT declined -54% YoY to \$1.76bn on 4.1% margins vs consensus of \$1.87bn. NA EBIT was \$2,011mn, down -45% YoY on EBIT margins of 5.7% vs margins of 10.3% YoY. NA wholesale vehicle sales were 782K in 4Q23, roughly flat YoY from 787K. NA market share was down ~100bps YoY to 15.2%. GMI had \$269mn in EBIT, down -1% YoY from \$272mn. GM Fin reported adj. EBT of \$707mn, down -9% YoY primarily due to moderation in credit performance; higher effective yields and portfolio growth offset by increased interest costs. Adj. Auto FCF was \$1,341mn vs \$4,460mn YoY driven by lower adj. EBIT, higher CapEx and a lower GMF dividend. GM's full year 2024 guidance was well above market estimates: adj. EBIT of \$12.0bn-\$14.0bn (est. \$10.8bn); adj. EPS of \$8.50-\$9.50 (est. \$7.70); and adj. Auto FCF of \$8bn-\$10bn. Management also noted that their expectation that fixed costs net of D&A will be \$2bn lower at year-end 2024 when compared to 2022.

During the earnings call, GM said that it remained committed to Cruise and the technology behind its product but expects spending in the segment to be down considerably in 2024. Management also noted that they are evaluating their China operations in the face of tariff and non-tariff barriers; and declining profit.

## Balance sheet remains strong

At the end of 4Q23, total auto debt (excl. pension) was \$16.4bn, flat sequentially. Based on 4Q23 Adj. Auto EBITDA of \$3.6bn (\$18.2bn FY23), gross auto leverage was 0.9x vs 0.8x sequentially. Net auto debt was \$(3.4)bn, compared to \$(12.6)bn sequentially. Auto cash & marketable securities totaled \$19.8bn, down from \$29.0bn sequentially. Total Auto liquidity was \$36.3bn with \$16.4bn in available credit facilities.

## Maintain Overweight rating

We are maintaining our OW rating on GM because we think they offer compelling value when compared to the ICE BBB Index (10yr). For reference, GM Co. 5.6% due 2032 are offered at a G-spread of 140bp, compared to the ICE BBB at 124bps. We also think GM 2032s look cheap given they trade about 25bps behind weaker rated Boeing (Baa2/BBB-/BBB-), which has a 3.625% bond due 2031 offered at 115bps. We realize that GM carries several risks. We think the most important challenge they face in 2024 is the likelihood that industry car prices will fall, especially if the macro backdrop materially weakens. GM could also struggle longer-term if EV demand never materializes or is significantly weaker than expected. However, we think investors are paid well for these risks.

GM has created a low leverage balance sheet with gross 0.9x and earnings look very strong heading into 2024, with guidance for FY24 EBIT +\$2.2bn above expectations. U.S. inventories have been rising modestly; but remain reasonably low at 49 days' supply or 436k units of total inventory, compared to pre covid levels of 55 days and 606K units. This lower level of absolute inventory does not eliminate the pricing risk or recession danger; but could help cushion the blow.

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High Grade Credit  
United States  
Automotive Manufacturers

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Table 1: Segment results

Adj. EBIT segment breakout.

EBIT-Adj. (\$ mn)	4Q23	4Q22
GMNA	2011	3654
GMI	269	272
Corp.	(439)	(377)
<b>Auto</b>	1,841	3,549
GM Cruise	(792)	(524)
GMF	707	775
<b>Total</b>	<b>1,757</b>	<b>3,799</b>

Source: BofA Global Research, Company Reports.

Table 2: Ratings &amp; recommendations

Security ratings

Agency	GM Co	GM Fin
Mdys/SP/Fitch	Baa2/BBB - /BBB	Baa2/BBB - /BBB
Outlooks	S/S/S	S/S/S
<b>BofA Credit Recommendations</b>		
GM Co Bonds		Overweight
GM Fin Bonds		Overweight
GM Co CDS		Sell Protection

Source: BofA Global Research, Moody's, S&P, Fitch.  
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Table 3: Select pricing

Representative issues

GM Co	Price	YTW	G-Sprd
5.600% '32	\$100.96	5.46%	140
5.200% '45	\$90.16	6.03%	163
5yr CDS			133

Source: BofA Global Research.  
Note: Levels are offer side.

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## Valuation & risk

### General Motors (GM)

We are Overweight (OW) General Motors at the issuer level. GM is a dominant global auto OEM with strong credit fundamentals. GM has had solid operating performance and has been able to maintain low automotive balance sheet leverage and an excellent liquidity profile even through the pandemic. A risk to our OW will be if the macro backdrop, especially for the US consumer gets materially worse. Credit risks are worse than expected impacts from the UAW strike, worsening macro events that could cause a recession, and the cyclical in end markets.

### GM Financial (GM)

We have GM Financial at Overweight at the issuer level. GM Financials' valuations are supported by the credit quality and operating performance of parent company General Motors Co. The two companies typically trade close to one another. The support agreement improves the credit quality of GMF. We believe GM's conservative IG credit metrics are attractively priced at current spreads, and it is positioned well with its solid balance sheet. Risks to our recommendations are: If the Support Agreement between GM and GM Financial weakens, if new issuance at GMF expands rapidly, if the credit quality of the GMF loan portfolio weakens, or if the credit quality of the parent company GM Co weakens.

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## Security/Loan pricing

## General Motors Company / GM

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
4, Senior, USD, 2025:B	500	01-APR-2025	Baa2/BBB/BBB	98.59	29-Jan-2024	5.25	57
5, Senior, USD, 2028:B	750	01-OCT-2028	Baa2/BBB/BBB	100.13	29-Jan-2024	4.97	95
5.6, Senior, USD, 2032:B	1,250	15-OCT-2032	Baa2/BBB/BBB	100.86	29-Jan-2024	5.47	143
5, Senior, USD, 2035:B	750	01-APR-2035	Baa2/BBB/BBB	94.41	29-Jan-2024	5.68	156
6.25, Senior, USD, 2043:B	1,500	02-OCT-2043	Baa2/BBB/BBB	101.36	29-Jan-2024	6.13	170
5.2, Senior, USD, 2045:B	1,250	01-APR-2045	Baa2/BBB/BBB	89.76	29-Jan-2024	6.06	160
5.4, Senior, USD, 2048:B	750	01-APR-2048	Baa2/BBB/BBB	90.16	29-Jan-2024	6.19	172
6.25, Senior, USD, 2043:B	1,500	02-OCT-2043	Baa2/BBB/BBB	101.36	29-Jan-2024	6.13	170
Senior Unsecured, USD, Y5:CDS					30-Jan-2024		145

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

## GM Financial / GM

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
4, Senior, USD, 2025:B	1,000	15-JAN-2025	Baa2/BBB/BBB	98.63	29-Jan-2024	5.49	70
4.3, Senior, USD, 2025:B	800	13-JUL-2025	Baa2/BBB/BBB	98.51	29-Jan-2024	5.38	84
3.6, Senior, USD, 2030:B	1,100	21-JUN-2030	Baa2/BBB/BBB	89.99	29-Jan-2024	5.48	148
6.4, Senior, USD, 2033:B	1,000	09-JAN-2033	Baa2/BBB/BBB	105.19	29-Jan-2024	5.64	159

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## Disclosures

## Important Disclosures

## Credit opinion history

## General Motors Company / GM

Company	Date <sup>R1</sup>	Action	Recommendation	Price
General Motors Company / GM	31-Dec-2020		Marketweight	
	16-Mar-2022	Upgrade	Overweight	
	16-Mar-2022		Overweight	
	08-Nov-2022	Restricted	NA	
	08-Nov-2022	Coverage Resumed	Overweight	
	15-May-2023	Restricted	NA	
	30-May-2023	Coverage Resumed	Overweight	
Security	Date <sup>R1</sup>	Action	Recommendation	Price
4, Senior, USD, 2025:B	31-Dec-2022		Overweight	
	15-May-2023	Restricted	NA	NA
	30-May-2023	Coverage Resumed	Overweight	97.00
5, Senior, USD, 2028:B	31-Dec-2022		Overweight	
	15-May-2023	Restricted	NA	NA
	30-May-2023	Coverage Resumed	Overweight	97.18
5.6, Senior, USD, 2032:B	31-Dec-2022		Overweight	
	01-May-2023	Added to iQ Model	Overweight	97.58
	15-May-2023	Restricted	NA	NA
	30-May-2023	Coverage Resumed	Overweight	95.18
5, Senior, USD, 2035:B	31-Dec-2022		Overweight	
	15-May-2023	Restricted	NA	NA
	30-May-2023	Coverage Resumed	Overweight	88.38
6.25, Senior, USD, 2043:B	31-Dec-2022		Overweight	
	15-May-2023	Restricted	NA	NA
	30-May-2023	Coverage Resumed	Overweight	93.22
5.2, Senior, USD, 2045:B	31-Dec-2022		Overweight	
	15-May-2023	Restricted	NA	NA
	30-May-2023	Coverage Resumed	Overweight	81.44
5.4, Senior, USD, 2048:B	31-Dec-2022		Overweight	
	15-May-2023	Restricted	NA	NA
	30-May-2023	Coverage Resumed	Overweight	82.83



**General Motors Company / GM**

Company	Date <sup>R1</sup>	Action	Recommendation
6.25, Senior, USD, 2043:B	31-Dec-2022		Overweight
	15-May-2023	Restricted	NA
	30-May-2023	Coverage Resumed	Overweight 93.22
Senior Unsecured, USD, Y5:CDS	31-Dec-2022		Sell Protection
	15-May-2023	Restricted	NA
	30-May-2023	Coverage Resumed	Sell Protection 232.27

Table reflects credit opinion history as of previous business day's close.<sup>R1</sup> First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."

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B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); EP=Equity Preferred; CDS=Credit Default Swap

**GM Financial / GM**

Company	Date <sup>R2</sup>	Action	Recommendation	
GM Financial / GM	31-Dec-2020		Marketweight	
	16-Mar-2022	Upgrade	Overweight	
	15-May-2023	Restricted	NA	
	05-Jul-2023	Coverage Resumed	Overweight	
Security	Date <sup>R2</sup>	Action	Recommendation	Price
4, Senior, USD, 2025:B	31-Dec-2022		Overweight	
4.3, Senior, USD, 2025:B	31-Dec-2022		Overweight	
	15-May-2023	Restricted	NA	NA
	05-Jul-2023	Coverage Resumed	Overweight	96.93
3.6, Senior, USD, 2030:B	31-Dec-2022		Overweight	
	15-May-2023	Restricted	NA	NA
	05-Jul-2023	Coverage Resumed	Overweight	86.40
6.4, Senior, USD, 2033:B	09-Jan-2023	New Issue	Overweight	
	15-May-2023	Restricted	NA	
	05-Jul-2023	Coverage Resumed	Overweight	
	13-Jul-2023	Added to iQ Model	Overweight	100.23

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**Corporate Credit Issuer Investment Rating Distribution: Global Group (as of 31 Dec 2023)**

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R3</sup>	Count	Percent
Buy	144	37.21%	Buy	119	82.64%
Hold	193	49.87%	Hold	163	84.46%
Sell	50	12.92%	Sell	37	74.00%

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