

General Motors Company

GM not just on autopilot, but trucking with strong 4Q:23 & 2024 guide – first take

Reiterate Rating: BUY | PO: 75.00 USD | Price: 35.39 USD

4Q:23 op. results solid, beat driven by lower tax rate

General Motors' (GM) 4Q:23 adj. EPS of \$1.24 was above our \$1.05 estimate and Bloomberg consensus of \$1.17. On an operating basis, 4Q:23 total adj. EBIT of \$1.76bn was largely in-line with our estimate and consensus, while the bottom line benefited from a lower tax rate (10.8% vs. our 18.1% estimate). At the segments, EBIT was higher than our forecast in GM International and GM Financial, and just below in GM North America. Corporate and Cruise spending were higher. GMNA, which accounts for the largest portion of GM's earnings, posted 4Q EBIT of \$2.01bn, just below our estimate of \$2.09bn, with an EBIT margin of 5.7% (BofAe 6.1%). Recall, we raised our forecast ahead of earnings given our latest estimate of the impact from the UAW strike, which had a \$1.1bn impact in 2023. On a YoY basis, GMNA results benefited from favorable pricing, offset by softer mix, higher costs, and an EV inventory allowance. GMI adj. EBIT was solid at \$269mm (BofAe \$225mm) with favorable pricing and lower costs offsetting modestly weaker volumes and mix. GMF posted EBIT of \$0.71bn vs. BofAe at \$0.53bn. Cruise spending of \$792mm was higher (BofAe at \$725mm).

'24 outlook far better than feared, even better than BofA

GM provided its initial 2024 financial outlook which was a bit better than our forecast and far better than feared. GM expects adjusted EBIT of \$12bn-\$14bn (vs. BofAe of \$13.2bn, comparable consensus \$11.1bn), adjusted EPS of \$8.50-\$9.50 boosted by share buybacks (vs. BofAe \$7.75, consensus \$7.71), and adjusted automotive free cash flow of \$8bn-\$10bn (vs. BofAe of \$6.7bn). GM expects capex of \$10.5bn-\$11.5bn (vs. BofAe of \$12bn) including the battery JV, which is consistent with the level of spending in 2023. GM anticipates GMNA will have a 2024 full year adj. EBIT margin of 8-10% (vs. BofAe of 9.2%). We'd highlight that GM's EPS guidance reflects a \$1.45/share additive impact from the accelerated share repurchase assuming a weighted avg. diluted share count that is just below 1.15bn in 2024, partially offset by \$0.50 from a higher tax rate and lower interest income. Overall, GM's outlook is based on a US SAAR of 16mm, which is in range of our 16.1mm forecast.

Free cash flow lower YoY in 4Q, but strong 2023

GM generated \$1.3bn in adjusted Auto free cash flow in 4Q:23 (\$4.5bn in 4Q:22) and \$11.7bn for FY23. The decline in 4Q was driven by lower EBIT and less benefit from working capital. At the end of 4Q:23, GM had gross cash and marketable securities of \$19.8bn and total liquidity of \$36.3bn, while net cash stood at ~\$3bn. GM's liquidity levels should be sufficient to manage through volatility in the macro environment, while also proactively investing for the future and returning meaningful value to shareholders.

Maintain Buy rating on GM

We maintain our Buy rating on GM, which is predicated on our view that the company remains a leader among the industry in its Core to Future transition. More specifically, GM's ongoing execution and strength in its Core business continues to enable the company to make investments in EVs, AVs, and other areas to future-proof the business, while continuing to return value to shareholders.

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Timestamp: 30 January 2024 08:17AM EST

30 January 2024

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Stock Data

Price	35.39 USD
Price Objective	75.00 USD
Date Established	26-Jul-2023
Investment Opinion	B-1-7
52-Week Range	26.30 USD - 43.63 USD
Mkt Val (mn) / Shares Out (mn)	48,767 USD / 1,378.0
Free Float	99.8%
Average Daily Value (mn)	618.72 USD
BofA Ticker / Exchange	GM / NYS
Bloomberg / Reuters	GM US / GM.N
ROE (2023E)	17.7%
Net Dbt to Eqty (Dec-2022A)	5.3%
ESGMeter™	High

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Glossary

EV = Electric vehicle
AV = Autonomous vehicle
GM = General Motors
GMNA = GM North America
GMI = GM International
GMF = GM Financial

Exhibit 1: GM segment EBIT variance table (\$mm)

GM reported 4Q:23 adjusted EPS of \$1.24 versus BofAe of \$1.05

	Versus BofAe			YoY Change		
	4Q:23A	4Q:23E	Variance	4Q:23A	4Q:22A	Variance
GM North America - GMNA	\$2,011	\$2,086	(\$75)	\$2,011	\$3,654	(\$1,643)
GM International - GMI	\$269	\$225	\$44	\$269	\$272	(\$3)
GM Financial - GMF	\$707	\$527	\$180	\$707	\$775	(\$68)
GM Cruise	(\$792)	(\$725)	(\$67)	(\$792)	(\$524)	(\$268)
Corporate/Eliminations	(\$439)	(\$325)	(\$114)	(\$439)	(\$377)	(\$62)
Corporate (including Cruise)	(\$1,231)	(\$1,050)	(\$181)	(\$1,231)	(\$901)	(\$330)
Total Company EBIT	\$1,757	\$1,788	(\$31)	\$1,757	\$3,799	(\$2,042)
EPS (Continuing operations)	\$1.24	\$1.05	\$0.19	\$1.24	\$2.12	(\$0.88)

Source: Company filings, BofA Global Research estimates

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Price objective basis & risk

General Motors Company (GM)

Our price objective of \$75 is based on an EV/EBITDAP multiple (EV/EBITDA adjusted for pension) of roughly 4x on our 2024 estimates. This valuation methodology reflects a multiple within GM's historical range (3-6x). We believe a multiple at this level is warranted considering the timing of the cycle and as GM's Core business is being well managed even amidst a choppy macro, while the accelerating focus on Future-proofing the business with the development of the necessary components of the future of mobility services, including an autonomous electric vehicle fleet (Cruise Anywhere) and connectivity (OnStar), may provide upside.

Downside risks: 1) a more swift and/or material downturn in US auto sales, 2) a sharp and sustained rise in input costs, 3) disruption in the supply base, 4) significant increase in gas prices, 5) new vehicle pricing deteriorates, 6) market share losses pressure results, 7) unwillingness of dealers to shoulder inventory risk, 8) suppliers gain significant pricing power, 9) stress in capital markets makes borrowing more expensive, 10) key members of management leave.

Upside risks: 1) continued strength in US auto cycle, 2) growth in China remains robust, which benefits GM through its established market position, 3) mix and pricing remain favorable, 4) capital allocation is directed towards shareholder returns (share repurchases, etc.).

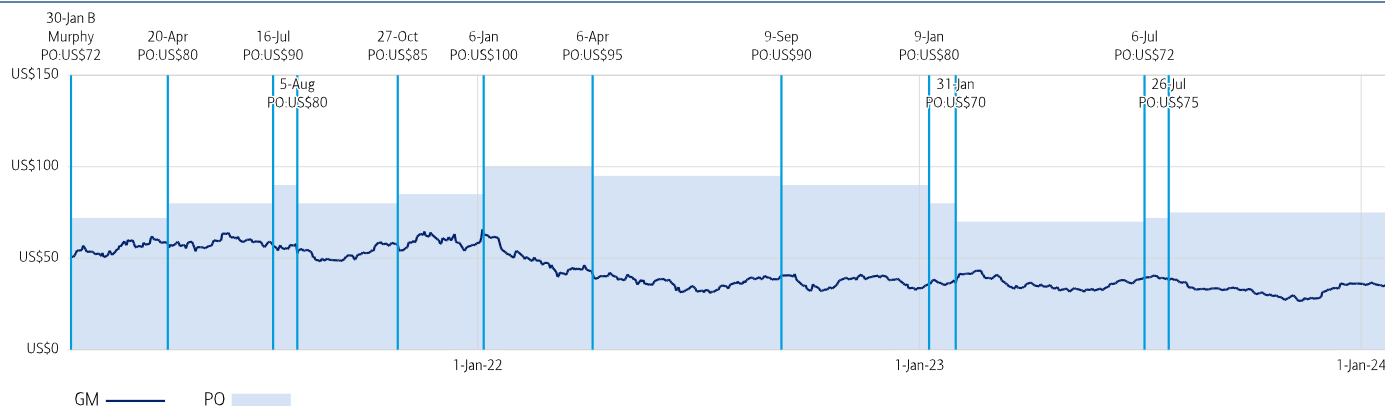
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General Motors (GM) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

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