

UConn Student Managed Fund Analyst Report

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Date: March 13, 2023

Lockheed Martin NYSE: GM		Recommendation: Buy
Target Price: \$47.79	Market Cap: \$52.75B	P/E Ratio: 5.96%
Current Price: \$35.57	Dividend Yield: .99%	EV/EBITDA: 2.3x
Stop Loss: \$26.68	Beta: 1.51	EBITDA Margin: 15.14%
52 Week High/Low: \$46.74/ \$30.33	ROE: 13.80%	Net Profit Margin: 7.2%

Company Background:

General Motors designs, manufactures, and sells internal combustion and electric vehicles through its various brands including Chevrolet, Buick, Chrysler, and GMC.

Industry Outlook:

Automakers benefited greatly from pent up demand from record low interest rates that lead to selling out inventory. Inventory levels are back and set to rise as the consumer begins to weaken. Most traditional ICE automakers are investing into the EV pivot and GM is a leader in making the switch while also investing heavily in autonomous vehicle development.

Investment Thesis:

General Motor's dominant share of U.S auto industry is the foundation of our thesis. The solid position in the industry allows them to be leaders in vertical integration of EV manufacturing among the legacy autos. R&D spend in AV's provides potential for a market leading position in the case of breakthrough innovation.

Investment Risks:

Consumer is weakening and GM is in a cyclical business. Slowdown in consumer spending and heavy investment in CAPEX may result in lower free cash flow in near to medium term future.

Financial Performance

In Million \$				
Year	2019	2020	2021	2022
Revenue				
Automotive	\$ 122,697	\$ 108,673	\$ 113,590	\$ 143,975
<i>Growth</i>	-7.78%	-11.43%	4.52%	26.75%
GM Financial	\$ 14,540	\$ 13,812	\$ 13,414	\$ 12,760
<i>Growth</i>	-4.25%	-5.01%	-2.88%	-4.88%
Total Net Sales	\$ 137,237	\$ 122,485	\$ 127,004	\$ 156,735
<i>Growth</i>	-6.67%	-10.75%	3.69%	23.41%
Operating Expenses				
Cost of Goods & Services	\$ 110,651	\$ 97,539	\$ 100,544	\$ 126,892
<i>% of Sales</i>	80.63%	79.63%	79.17%	80.96%
SG&A	\$ 8,491	\$ 7,038	\$ 8,554	\$ 10,667
<i>% of Sales</i>	6.19%	5.75%	6.74%	6.81%
Other Expenses	\$ 12,614	\$ 11,274	\$ 8,582	\$ 8,862
<i>% of Sales</i>	9.19%	9.20%	6.76%	5.65%
Total Costs and Expenses	\$ 131,756	\$ 115,851	\$ 117,680	\$ 146,421
<i>% of Sales</i>	96.01%	94.58%	92.66%	93.42%
Operating Income	\$ 5,481	\$ 6,634	\$ 9,324	\$ 10,314
<i>% Margin</i>	3.99%	5.42%	7.34%	6.58%
Non Operating Income (Loss)	\$ 1,469	\$ 1,885	\$ 3,041	\$ 1,432
<i>% of Sales</i>	1.07%	1.54%	2.39%	0.91%
EBIT	\$ 6,950	\$ 8,519	\$ 12,365	\$ 11,746
<i>% Margin</i>	5.06%	6.96%	9.74%	7.49%
Tax Expense	\$ 769	\$ 1,774	\$ 2,771	\$ 1,888
<i>Tax Rate</i>	11.06%	20.82%	22.41%	16.07%
NOPAT	\$ 6,181	\$ 6,745	\$ 9,594	\$ 9,858
<i>% Margin</i>	4.50%	5.51%	7.55%	6.29%
ADD: D&A	\$ 6,786	\$ 5,637	\$ 5,975	\$ 6,451
<i>% of Sales</i>	4.94%	4.60%	4.70%	4.12%
LESS: Capex	\$ 7,592	\$ 5,300	\$ 7,509	\$ 9,238
<i>% of Sales</i>	5.53%	4.33%	5.91%	5.89%
Less: Change in NWC	\$ (2,969)	\$ 10,927	\$ 6,681	\$ 1,583
<i>% of Sales</i>	-2.16%	8.92%	5.26%	1.01%
Free Cash Flow	\$ 8,344	\$ (3,845)	\$ 1,379	\$ 5,488

Valuation: Discounted Cash Flow Analysis

General Motors Company (NYSE: GM)							
2023	2024	2025	2026	2027	2028	2029	2030
\$ 146,855	\$ 146,855	\$ 148,323	\$ 149,806	\$ 151,304	\$ 154,330	\$ 157,417	\$ 160,565
2.00%	0.00%	1.00%	1.00%	1.00%	2.00%	2.00%	2.00%
\$ 12,824	\$ 12,888	\$ 12,952	\$ 13,017	\$ 13,082	\$ 13,148	\$ 13,213	\$ 13,279
0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
\$ 159,678	\$ 159,742	\$ 161,275	\$ 162,823	\$ 164,387	\$ 167,478	\$ 170,630	\$ 173,845
1.88%	0.04%	0.96%	0.96%	0.96%	1.88%	1.88%	1.88%
\$ 130,936	\$ 130,989	\$ 132,246	\$ 133,515	\$ 134,797	\$ 137,332	\$ 139,917	\$ 142,553
82.00%	82.00%	82.00%	82.00%	82.00%	82.00%	82.00%	82.00%
\$ 11,177	\$ 11,182	\$ 11,289	\$ 11,398	\$ 11,507	\$ 11,723	\$ 11,944	\$ 12,169
7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
\$ 9,182	\$ 9,185	\$ 9,273	\$ 9,362	\$ 9,452	\$ 9,630	\$ 9,811	\$ 9,996
5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%
\$ 151,295	\$ 151,356	\$ 152,808	\$ 154,275	\$ 155,756	\$ 158,685	\$ 161,672	\$ 164,718
94.75%	94.75%	94.75%	94.75%	94.75%	94.75%	94.75%	94.75%
\$ 8,383	\$ 8,386	\$ 8,467	\$ 8,548	\$ 8,630	\$ 8,793	\$ 8,958	\$ 9,127
5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%
\$ 1,597	\$ 1,597	\$ 1,613	\$ 1,628	\$ 1,644	\$ 1,675	\$ 1,706	\$ 1,738
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
\$ 9,980	\$ 9,984	\$ 10,080	\$ 10,176	\$ 10,274	\$ 10,467	\$ 10,664	\$ 10,865
6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
\$ 1,846	\$ 1,847	\$ 1,865	\$ 1,883	\$ 1,901	\$ 1,936	\$ 1,973	\$ 2,010
18.50%	18.50%	18.50%	18.50%	18.50%	18.50%	18.50%	18.50%
\$ 8,134	\$ 8,137	\$ 8,215	\$ 8,294	\$ 8,373	\$ 8,531	\$ 8,691	\$ 8,855
5.09%	5.09%	5.09%	5.09%	5.09%	5.09%	5.09%	5.09%
\$ 7,225	\$ 7,228	\$ 7,298	\$ 7,368	\$ 7,438	\$ 7,578	\$ 7,721	\$ 7,866
4.53%	4.53%	4.53%	4.53%	4.53%	4.53%	4.53%	4.53%
\$ 9,341	\$ 9,585	\$ 9,677	\$ 9,769	\$ 9,863	\$ 10,049	\$ 10,238	\$ 10,431
5.85%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
\$ 2,954	\$ 2,955	\$ 2,984	\$ 3,012	\$ 3,041	\$ 3,098	\$ 3,157	\$ 3,216
1.85%	1.85%	1.85%	1.85%	1.85%	1.85%	1.85%	1.85%
\$ 3,064	\$ 2,825	\$ 2,853	\$ 2,880	\$ 2,908	\$ 2,962	\$ 3,018	\$ 3,075
Implied Equity Value & Share Price				WACC Calculation			
Perpetuity Growth Rate		1.00%	WACC	7.175%			
Terminal Value	\$	50,293	Rf	3.82%			
PV of FCF	\$	17,454	Equity Risk Premium	0.0511			
Enterprise Value	\$	67,747	Beta	1.515346326			
Less: Debt	\$	17,844	Cost of Equity	0.115654197			
Add: Cash & Equivalents		\$19,153	Total Equity	71927			
Equity Value	\$	69,056	Equity Weight	0.272412579			
Shares Outstanding		1445	Interest Expense	987			
Implied Share Price	\$	47.79	LT & ST Debt	17844			
Current Price	\$	37.15	Cost of Debt	0.05531271			
Margin of Safety		28.64%	Weight of Debt	0.727587421			
			Total Liabilities and Equity	264037			

Sensitivity Analysis						
Perpetuity Growth Rate						
	0.25%	0.50%	1.00%	1.50%	2.00%	
WACC	6.50%	47.44	\$ 48.95	\$ 52.38	\$ 56.50	\$ 61.54
	6.75%	46.01	\$ 47.40	\$ 50.56	\$ 54.33	\$ 58.88
	7.18%	43.79	\$ 45.02	\$ 47.79	\$ 51.04	\$ 54.93
	7.50%	42.26	\$ 43.38	\$ 45.90	\$ 48.83	\$ 52.30
	8.00%	40.13	\$ 41.12	\$ 43.31	\$ 45.84	\$ 48.78

Relative Valuation

Name	EV/EBITDA	P/FCF	P/E FY1	
Median		3.79	7.01	7.40
GENERAL		2.35	8.86	6.85
FORD MO		2.59	#N/A N/A	7.95
TESLA INC		34.42	84.77	51.14
LUCID GR		#N/A N/A	#N/A N/A	#N/A N/A
RIVIAN AU		#N/A N/A	#N/A N/A	#N/A N/A
BAYERISC		4.98	5.15	4.17
TOYOTA M		11.38	#N/A N/A	10.25
MERCEDE		2.03	4.99	6.35

Name	Return on Equity	EBITDA Margin	EBITDA Growth (%)	Sales Growth (%)
Median	16.60	14.01	9.52	21.94
GENERAL MOTORS	16.09	15.14	7.49	23.41
FORD MOTOR CO	16.60	8.81	21.97	15.93
TESLA INC	33.90	21.58	86.87	51.35
BAYERISCHE MOT	22.84	15.86	-13.87	17.08
TOYOTA MOTOR C	9.29	12.88	-8.15	14.92
MERCEDES-BENZ	17.07	16.46	11.55	20.46

Name	Total Debt/EBITDA (x)	Total Debt/Total Assets (%)	EBITDA/Interest Expense (x)
Median	4.97	41.48	42.47
GENERAL	4.87	43.81	24.36
FORD MO	10.09	54.90	11.41
TESLA INC	0.33	6.98	96.21
LUCID GR	#N/A N/A	27.88	-15.00
RIVIAN AU	#N/A N/A	6.68	-2.00
BAYERISC	5.06	44.26	70.01
TOYOTA M	6.21	39.14	132.08
MERCEDE	4.75	50.89	60.58

ESG

Environment, Social and Governance (ESG) Risk Ratings [?]

Total ESG Risk score

31 | 66th percentile
High

Environment Risk Score

10.3

Social Risk Score

12.9

Governance Risk Score

7.7

Controversy Level [?]

● GM ■ Peers ▼ Category Average

4 | High Controversy level



ESG data provided by Sustainalytics, Inc. Last updated on 8/2022