

General Motors (NYSE: GM)



Sector: Consumer Cyclical

Target Price:	Current Price:	52W High:	52W Low:	P/E:	MKT Cap:	Div. Yield:	Beta:
\$61.92	\$55.62	\$55.62	\$26.30	4.97x	\$59,995 B	0.89%	1.3

Business Description:

General Motors (GM) and its subsidiaries design, manufacture, and sell vehicles and automotive parts, providing a range of services across North America and international markets. GM generates revenue through vehicle sales, financing options, and after-sales services, leveraging a broad portfolio of brands, including Chevrolet, GMC, Cadillac, and Buick. The company focuses on innovation in electric vehicles, autonomous driving, and connected vehicle technology. GM operates through distinct segments: GM North America, GM International, Cruise (autonomous vehicle development), and GM Financial.

Industry Trends:

GM operates solely within the Automotive Manufacturing Industry. Over the past 5Y, barring outliers like Tesla, the industry has seen very moderate growth, if not been flat. That outlook is expected to change in the next decade, with a projected CAGR of 10.3%. Currently, the industry is still producing and heavily reliant on Internal Combustion Engines (ICEs), with consumers being partial towards SUVs and small trucks. Additionally, due to negative public sentiment towards fossil fuel usage and climate change, industry players have increasingly shifted capital allocation towards R&D of Electric Vehicles and hybrid engines. Also, since the spike in pricing power from COVID, the industry has seen more normalization from inflationary pressures.

Investment Thesis:

GM is strategically positioned to benefit from the industry shift toward electric and autonomous vehicles, leveraging substantial investments in EV technology and its established brand portfolio. With a focus on scaling EV production, autonomous driving, and optimizing costs, GM can capture growing demand for sustainable mobility solutions. The company's core combustion vehicle business and GM Financial arm provide a steady cash flow foundation, enabling GM to fund its transition to a more technology-driven, sustainable business model while maintaining financial stability.

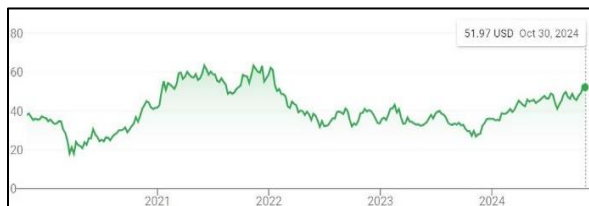
Valuation Assumptions:

Perpetuity Growth: 2.00% WACC: 7.51%

Current Price: \$55.62 Implied Price: \$61.92

Margin of Safety: 16.07%

5 Year Chart: As of 10/30



Competitive Advantages:

GM's competitive advantage lies in its well-established brand portfolio, covering a broad consumer base with vehicles from Chevrolet, GMC, Cadillac, and Buick, allowing it to cater to diverse market segments. The company's heavy investments in electric and autonomous vehicle technology position it as a leader in the EV transition, supported by its Ultium battery platform, which enables scalable and cost-effective EV production. Additionally, GM's vertical integration and control over its supply chain reduce dependency on external suppliers, while GM Financial provides a steady revenue stream and enhances customer loyalty through financing options. This combination of brand strength, technological innovation, and financial services reinforces GM's ability to compete in the evolving automotive landscape.

Risks:

GM faces several key risks as it pursues growth in the evolving automotive market. The shift to EVs requires substantial capital investment, and delays in EV adoption or challenges in scaling production could hinder their competitive positioning. Additionally, a recession poses a risk to consumer vehicle demand, potentially impacting revenue from both car sales, GM Financial. Supply chain disruptions, particularly in critical materials like lithium for EV batteries, could strain production and increase costs. Additionally, heightened competition from both traditional automakers and new EV-focused entrants may pressure GM's market share and margins. Regulatory changes, particularly related to emissions and EV incentives, could also impact GM's cost structure and demand forecasts, adding uncertainty to its long-term strategy.

ESG Profile:

Total ESG Score: 28.5 (63rd Percentile)

GM's ESG profile is focused on sustainable vehicle production, workforce diversity, and responsible governance. Environmentally, GM is committed to achieving carbon neutrality by 2040 and has invested heavily in electric vehicles to reduce its emissions footprint. The company also focuses on sustainable sourcing, particularly for EV battery materials, and aims to use renewable energy across its facilities. In the social sphere, GM promotes DEI by expanding representation in its workforce and leadership, and supports local communities through job creation and educational programs. On governance, GM emphasizes transparency and accountability, with a diverse board that oversees ethical business practices, compliance, and sustainable growth aligned with shareholder interests.

Report Prepared by:

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