From: Richard Kahn [redacted]
Sent: Tuesday, February 7, 2017 2:40 PM
To: jeffrey E.
Subject: Fwd: GM US: General Motors Company - GM produces solid 4Q16, taxes drive beat, constructive outlook maintained – first take - NEUTRAL - United States

General Motors Co =nbsp; purchase =ate—> 12/9/10 97,525 shares

Cost basis 36.77

Dividend yield 4.13%

stock at 9:38am =nbsp;35.45
unrealized loss (128,686)

Richard =ahn
HBRK Associates Inc.
575 Lexington =venue 4th Floor
New York, NY 10022
[redacted]

Begin forwarded message:

From: =/b>"Ens, Amanda" <amanda.ens@baml.com>

Subject: =/b>GM US: General =otors Company - GM produces solid 4Q16, taxes drive beat, constructive =utlook maintained – first take - NEUTRAL - United States

Date: =/b>February 7, 2017 at 8:36:31 AM =ST

To: =/b>"Rich Kahn"<richardkahn12@gmail.com>

Reply-To: =/b>"Ens, Amanda" <amanda.ens@baml.com>

Rich, as an update in case =ou still hold

Global Research

General Motors Company

GM produces solid 4Q16, taxes drive beat, =onstructive outlook maintained – first take

Maintain Rating: NEUTRAL

PO: 42.00 USD | Price: 36.83 USD

Equity | 07 February =017

Key takeaways

· =/span>GM reported 4Q16 op EPS of $1.28, =ell ahead of expectations. The majority of the beat was the result of a =ow tax rate.

· =/span>On an operating basis all regions =n the auto business were just ahead of our estimates while GM Financial =as just below.

· =/span>GM reiterated its 2017 EPS outlook =f $6.00-$6.50, which, at the midpoint, is a 2% increase =oY.

FULL REPORT

4Q16 operating results =argely in-line

GM reported 4Q16 operating EPS of =1.28, well above our $1.01 estimate and the Bloomberg consensus of =1.17. The majority of the bottom line beat was the result of a very low =ax rate of just 13.5% (BofAMLe 31.8% =amp; YTD ~28%), but on an operating basis all regions in the auto =usiness were just ahead of our estimates. Specifically, GMNA EBIT of =2.6bn (BofAMLe $2.56bn) and a good 8.4% =BIT margin (BofAMLe 9.0%) were driven by =olume on new models, slightly offset by increased product costs and =ix. Europe was also slightly better, printing EBIT of $(246)mm versus =ur $(355)mm estimate, largely driven by a continued focus on cost. =nternational ops EBIT of $316mm (BofAMLe =187mm) was above our estimate due to a similar focus on cost, while =MSA EBIT loss of $(65)mm (BofAMLe =$152mm) benefited from price actions (Table 1). GM Financial EBIT of =193mm was just below our $218mm forecast. We continue to expect GM's =uto results to be led by North America in the next few quarters, driven =y solid volumes, product launches, and the company's go-to-market =trategy, while macro volatility in Europe (i.e. Brexit), continued weakness in South America, =nd the tail risk of an eventual slowdown in China remain risks that, so =ar, are being well managed and mitigated by management execution. =

2017 outlook reiterated; =PS of $6.00-$6.50

Consistent with its commentary at =vents over the past few months, GM expects total company earnings to =mprove YoY in 2017. Specifically, GM expects to record 2017 EPS of =6.00-$6.50, which, at the midpoint, is a $0.13/sh increase from the 2016 level, or about 2% =oY. The midpoint of GM's range is also above our estimate of $6.00 and =he Bloomberg consensus of $6.06. Other aspects of GM's 2017 outlook =nclude: (i) higher YoY total revenue, (ii) greater than or equal to YoY =djusted EBIT and EBIT margin, (iii) adjusted auto free cash flow of =$6bn, and (iv) cash returned to shareholders (via dividends, share =epurchases, etc.) to be greater than the 2016 level. GM did not =rovide an explicit outlook by region, but we expect more color on the =onference call this morning.

Balance sheet stalwart; =apital allocation encouraging

GM generated $1.7bn of auto free cash =low in 4Q16, which was solid, driven by strong earnings and working =apital. At the end of 4Q, GM had gross cash and marketable securities =f $21.6bn and total liquidity of $35.6bn, while net cash stood at a =olid $10.8bn. We would note that the underfunded status of GM's US =ension improved to $7.2bn at the end of 2016 ($10.4bn at year-end 2015) =elped by discretionary contributions and apparently good asset returns. =or full year 2016, GM repurchased $2.5bn of common shares ($1bn in 4Q), =hich was solid. At the Detroit Auto Show earlier this month, GM =nnounced a new $5bn share repurchase program, bringing the total =utstanding authorization to $8bn, or almost 15% of the company's =urrent market cap. In aggregate, we believe management remains =isciplined in its overall capital allocation strategy, and will likely =ontinue to enhance shareholder value via dividends, buybacks, and =&A. However, we believe a more prudent course of actions may be to =uild a bigger cash cushion, so as to further ensure its dividend, =olster liquidity, and enhance its ability to invest in =roduction/technology through the next downturn.

John Murphy, CFA
Research Analyst
MLPF&S
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This report is intended for amanda.ens@baml.com =o:p class="">

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Publication: 60362967-11708784.pdf

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