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GM Falls as Pessimists on Speed of Tech Payoff Get Their Say

By David Welch, October 31, 2017 (excerpt)

General Motors Co. analysts are squaring off into two camps, and it's the pessimists who resonated in Monday's market.

The automaker fell 2.8 percent to \$43.37 at the close in New York, after earlier declining the most since February as at least two analysts began questioning whether its core auto business can sustain profit.

The words of warning came from Goldman Sachs analyst David Tamberrino, who cited a peaking North American auto cycle in general and GM's pickup truck changeover cycle in particular as he downgraded GM to sell from neutral...

...The reality check from Wall Street caps off a period of growth for the automaker, which had climbed 28 percent this year through Friday amid a parade of analyst reports lauding its newfound technology chops. Bullish investors are betting that GM's test fleet of self-driving electric cars can be converted into a lucrative robotaxi operation worth billions. A dimmer view says that advanced mobility businesses are a long way off and that profits from GM's core business will suffer as vehicle sales slow in its home market...

Price Targets

...Shorter term, GM may also face headwinds due to its upcoming refresh on pickups, Tamberrino said.

"As GM approaches a 2018 changeover with incremental downtime and given Ford's recently refreshed F-Series, we expect share shifts to pressure GM," he wrote in an Oct. 30 note. He said he'd be more positive on the stock if GM further reduces inventory levels and cuts incentive spending.

Thesis Challenged

Tamberrino's note drew a rebuke from at least one bullish money manager whose funds own shares of GM, David Kudla, chief executive officer of Mainstay Capital Management LLC. The "Goldman Sachs analysis, thesis and conclusion on GM is wrong," Kudla wrote in a research note, adding that GM's cost reductions and emphasis on selling more expensive models is improving margins.

"GM has articulated one of the most comprehensive strategies in terms of flexible mobility and electric vehicles," Kudla wrote. "They are quarters or even years ahead of many other automakers in this area."