



General Motors Bullish Positioning Continues

Ticker/Price: GM (\$39)

Analysis:

General Motors (GM) with 3000 June 2020 \$37 puts sold to open for \$3.30 showing confidence in the large cap and continues a trend of bullish positioning in GM including 5000 January \$41 calls bought on 7/26, December \$41 calls with 6000 bought, and notable open interest remaining including 10,000 September \$36 and \$40 call positions. GM shares this week have pulled back to YTD VPOC support and retesting its bull flag breakout after breaking out of a two-year downward channel. The \$38.50 and \$37.50 levels are key support. The \$55.85B automaker trades 6.1X Earnings, 12.45X FCF and 3.1X EV/EBITDA with a 3.9% dividend. GM is coming off another strong quarter where it continues to show positive numbers despite a weakening auto industry, performing well to peers and its cost initiatives have really helped. The US recently cleared a Softbank-backed investment in the GM Cruise and in May announces its aim to scale back its car-sharing service. GM has been investing in their autonomous venture, Cruise, and planning to double their staff as they ramp up production with a goal of getting their taxi service up by year-end. The company has partnered with Lyft and recently got a \$1.9B investment recently which valued the unit at \$19B. They've partnered with Honda, Softbank, and others in the venture. Analysts have an average target near \$47 and short interest subdued at 1.9% of the float. Citi boosted its target to \$68 seeing a path to \$76-\$134 per share through unlocking value in pickups. RBC has a \$52 target and sees potential for more than \$8 EPS in 2020. CSFB is at Outperform with a \$50 target calling it one of the few bright spots in auto land, noting "To be clear, not all is certain for GM – it faces challenges from China choppiness, vol in SA, and questions on pickup competition. Yet with 2H to benefit from a complete truck lineup, cost actions, reset expectations in China, SUV launches, and GM Financial health, we see a solid set-up, with opportunity for continued strength into 2020 – indeed, GM is one of the few names in our coverage with opportunity for positive earnings revisions. Hedge Fund ownership was down 8.8% in Q1 filings, Berkshire Hathaway a top holder.

Hawk Vision:



Hawk's Perspective: GM is a value name with a nice yield plus upside to estimate optionality, a favorite automaker. If markets can stabilize it looks good versus near-by support levels.

Confidence Ranking: \$\$\$