

COMPANY PROFILE

General Motors Company

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COMPANY OVERVIEW

General Motors Company (GM or 'the company') is engaged in the design, development, production, and marketing of cars, trucks, and automobile parts. The company also provides automotive financing services. The company operates through five business segments, GM North America (GMNA), GM Europe (GME), GM International Operations (GMIO), GM South America (GMSA), and GM Financial. It operates globally with major presence in North America, Europe, and South America. It is headquartered in Detroit, Michigan.

The company reported revenues of (US Dollars) US\$166,380 million for the fiscal year ended December 2016 (FY2016), an increase of 9.2% over FY2015. In FY2016, the company's operating margin was 5.7%, compared to an operating margin of 3.5% in FY2015. In FY2016, the company recorded a net margin of 5.7%, compared to a net margin of 6.4% in FY2015.

The company reported revenues of US\$41,200 million for the first quarter ended March 2017, a decrease of 6.2% over the previous quarter.

KEY FACTS

Head Office	General Motors Company 300 Renaissance Center Detroit Michigan Detroit Michigan USA
Phone	1 313 556 5000
Fax	
Web Address	www.gm.com
Revenue / turnover (USD Mn)	166,380.0
Financial Year End	December
Employees	225,000
New York Stock Exchange Ticker	GM

SWOT ANALYSIS

General Motors Company (GM or 'the company') is engaged in the design, development, production and marketing of cars, trucks and automobile parts. The company derives significant competitive advantage by having a strong position in two of the world's largest auto market the US and China. Its major presence in these two markets supports in delivering sustainable business growth which helps GM to further consolidate its global market leadership. However, intense competition in the marketplace could result in lower sales volume as well as margins for GM and may result in declining market share.

<p>Strength</p> <p>Robust Technological Capabilities Enhances New Product Development Strong Positions in North America and China Provides Sustainable Business Growth</p>	<p>Weakness</p> <p>Frequent Product Recalls Distress Brand Image Underfunded Pension Obligations Negatively Impacts Financial Position</p>
<p>Opportunity</p> <p>Positive Outlook of Global Automotive Manufacturing Industry Could Boost Up Revenues and Market Share Poised To Benefit from the Growing Demand for Hybrid Electric and Alternate Fuel Vehicles Re-Entry in the Growing US Market For Medium-Duty Work Trucks</p>	<p>Threat</p> <p>Stringent Government Laws and Regulations Could Adversely Affect Operations, Sales and Revenues Fluctuations of Foreign Currency Exchange Rate Could Have a Material Adverse Impact on Operations and Financial Condition Intense Competition Could Adversely Impact the Market Share, Sales Volume and Margins</p>

Strength

Robust Technological Capabilities Enhances New Product Development

GM has strong product designing and development capabilities. The company spent approximately \$8.1 billion and \$7.5 billion on the research and development (R&D) activities in FY2016 and FY2015, respectively. It is focused on developing new products and services, improving existing products and services, including activities related to vehicle emissions control, improved fuel economy and the safety of drivers and passengers.

The company's top priority for research is to continue to develop and advance its alternative propulsion strategy, fuel efficiency and petroleum consumption through the development of a wide variety of technologies. In this regard, GM continues to develop FlexFuel vehicles that can run on gasoline-ethanol blend fuels as well as vehicles that run on CNG and liquefied petroleum gas (LPG). Currently, the company offers 11 FlexFuel vehicles in the US for the 2017 model year and an additional seven models to fleet and commercial customers capable of operating on gasoline, E85 ethanol or any combination of the two.

GM is also investing significantly in multiple technologies offering increasing levels of vehicle electrification, including eAssist, plug-in hybrid, extended range and battery electric vehicles. The company currently offers six models in the US featuring some form of electrification and continues to develop plug-in hybrid electric vehicle technology (PHEV) and extended range electric vehicles such as the Chevrolet Volt. Further, the company began production and sales of the Chevrolet Bolt EV, which provides an EPA-rated 238 miles of range on a full charge, in 2016.

Hence, in a rapidly evolving auto industry, GM's strong technological capabilities lead to new product development which in turn enhances customer satisfaction and revenues.

Strong Positions in North America and China Provides Sustainable Business Growth

GM's major strength is its market leading positions in North America and China, the world's two largest automotive markets. The company's business is diversified across products and geographic markets. With one of the strong product line-up in the industry, GM, its subsidiaries and joint venture entities sell vehicles under the Chevrolet, Buick, GMC, Cadillac, Baojun, Holden, Isuzu, Jiefang, Opel, Vauxhall and Wuling brands. In North America, GM manufactures and markets the Buick, Cadillac, Chevrolet and GMC brands. The company sold three million vehicles in 2016, with market share of around 17% in North America.

In the emerging and growing Chinese market, GM is the largest foreign auto maker by sales. GM operates through a number of joint ventures and two wholly-owned foreign enterprises in Chinese territory. The company and its joint venture partners sold 28.3 million vehicles in 2016 in China with a market share of 13.8%. GM and its joint ventures offer one of the broadest lineups of vehicles and brands among automakers in the region. The company sells passenger cars and commercial vehicles under the Buick, Chevrolet, Cadillac, Baojun, and Wuling brands.

Hence, GM derives significant competitive advantage by having a strong position in two of the world's largest auto markets, North America and China. Its major presence in these two markets supports in delivering sustainable business growth which helps GM to further consolidate its global market leadership.

Weakness

Frequent Product Recalls Distress Brand Image

GM has recalled a number of its vehicles in the recent past, due to the supply of defective products, parts, or related after-sales services. For instance, in January 2017, GM issued a recall on the SKY, and SOLSTICE models. Also in September 2016, GM recalled more than 4 million vehicles, most of them in the US, to fix an air bag software defect that has been linked to at least one death. The vehicles involved in the recall are all from the 2014–2017 model years and include Buick, Chevrolet, GMC and Cadillac vehicles. In May 2016, the company recalled approximately 5,000 model year 2016–17 Chevrolet Silverado 1500 pickup trucks; and model-year 2016 Cadillac Escalade and Escalade ESV SUVs, Chevrolet Suburban, Tahoe, and GMC Yukon and Yukon XL SUVs, and Sierra pickup trucks because of an issue with their front upper control arms. In the same month, GM recalled 4,789 trucks and SUVs in

the US, including the 2016–17 Chevrolet Silverado 1500, 2016 Cadillac Escalade and 2016 GMC Yukon because of a suspension problem, according to the National Highway Traffic Safety Administration. The recall also includes the 2016 Chevrolet Suburban and Tahoe; 2016 GMC Sierra 1500 and Yukon XL; and 2016 Cadillac Escalade and Escalade ESV.

In April 2016, GM recalled certain model year 2016-17 Chevrolet Silverado 1500 and 2016 Cadillac Escalade, Cadillac Escalade ESV, Chevrolet Suburban, Chevrolet Tahoe, GMC Sierra, GMC Yukon and GMC Yukon XL vehicles. Such product recalls indicate decline in product quality which could negatively impact the consumer confidence in GM' products and could strain its sales in the future.

Underfunded Pension Obligations Negatively Impacts Financial Position

GM has significant underfunded pension obligations. The company provides benefit pension plans for most of its employees. GM's pension plans in the US were underfunded by \$7.2 billion and \$10.4 billion in FY2016 and FY2015, respectively. Furthermore, the company expects to contribute \$73 million to its US non-qualified plans and \$970 million to its non-US pension plans in 2017.

The pension funding obligations could increase significantly due to a reduction in funded status as a result of a variety of factors, including weak performance of financial markets, declining interest rates, investment decisions that do not achieve adequate returns, and investment risk inherent in the company's investment portfolio. Moreover, if the total values of the assets held by GM's pension plans decline and/or the returns on such assets underperform its return assumptions, the pension expenses would generally increase and could materially adversely impact the company's financial position.

Opportunity

Positive Outlook of Global Automotive Manufacturing Industry Could Boost Up Revenues and Market Share

The global automotive manufacturing industry has produced relatively stable and consistent levels of growth overall in recent years. The industry is expected to continue to follow a similar pattern through to the end of the forecast period in 2019. According to MarketLine, the global automotive manufacturing industry generated total revenues of \$1,390.4 billion in 2016, an increase of 3.7% over 2015. Furthermore, the industry is expected to grow at a CAGR of 4% for the 2016–20 period to reach a value of approximately \$1,616.4 billion in 2020. In addition, the industry production volume is expected to rise to 163.6 million units by the end of 2020, representing a CAGR of 3% for the 2016–20 period.

GM is one of the leading companies in global automotive industry. The company designs, develops, produces and markets of cars, trucks and automobile parts. The company operates globally with major presence in North America, Europe, and South America. Thus, the positive outlook of global automotive manufacturing industry could provide immense opportunities to GM to boost up revenues and market share.

Poised To Benefit from the Growing Demand for Hybrid Electric and Alternate Fuel Vehicles

The demand for hybrid electric vehicles (HEVs) across the world is rising steadily primarily due to global concerns about reducing carbon emissions coupled with highly volatile prices of fuel. According to industry estimates, electric vehicle market is anticipated to reach approximately \$5 billion by the end of 2020, growing at a CAGR of 23% for the 2017–21 period. The key markets for HEVs include the US, Western Europe, and Japan, although the rapidly growing Chinese market is also expected to experience relatively strong demand for these fuel efficient and environmentally friendly vehicles. Rising energy costs and increased emissions regulations are likely to increase the demand for hybrid-electric vehicles (HEVs), as hybrid engines are more fuel efficient and less polluting than conventional gasoline and diesel engines. Cost disparities between HEVs and conventional light vehicles are expected to decline as production volumes increase. The primary markets for HEVs will be within the US, Western Europe, and Japan, although the rapidly growing Chinese market is also expected to experience relatively strong demand for these fuel efficient and environmentally friendly vehicles.

Leveraging experience and capability developed around these technologies in its global operations, GM continues to develop FlexFuel vehicles that can run on gasoline-ethanol blend fuels as well as vehicles that run on CNG and LPG. The company currently offers 11 FlexFuel vehicles in the US for the 2017 model year and an additional seven models to fleet and commercial customers capable of operating on gasoline, E85 ethanol or any combination of the two. GM also markets FlexFuel vehicles in Australia, Thailand and other global markets where biofuels have emerged in the marketplace. In Brazil a substantial majority of vehicles sold were FlexFuel vehicles capable of running on 100% ethanol blends. The company produces CNG bi-fuel capable vehicles in Europe such as the Opel Zafira, and in the US the Chevrolet Express and GMC Savana fullsize vans and the Chevrolet Silverado and GMC Sierra 2500 HD pick-up trucks that are capable of switching between gasoline or diesel and CNG. In addition, the company recently launched Astra and Mokka X along with the 2017 launches of the Insignia, Ampera E, and two new crossovers.

GM is investing significantly in multiple technologies offering increasing levels of vehicle electrification including eAssist, plug-in hybrid, extended range and battery electric vehicles. The company currently offers seven models in the US featuring some form of electrification and continues to develop plug-in hybrid electric vehicle technology (PHEV) and extended range electric vehicles such as the Chevrolet Volt, Opel Ampera and Cadillac ELR.

Thus, GM's focus on hybrid technology and fuel-efficient eco-cars will enable it to capitalize on the positive market trends thus boosting revenues and market share.

Re-Entry in the Growing US Market For Medium-Duty Work Trucks

The company has reentered the growing US market for medium-duty work trucks, an area it abandoned during its restructuring last decade. In November 2016, GM opened a store at the Renaissance Center in downtown Detroit. In 2015, GM and Navistar reached a long-term agreement to develop and assemble future medium-duty, conventional cab Class 4/5 commercial vehicles, allowing Navistar to strengthen its product lineup and GM to expand its Chevrolet commercial truck portfolio. In 2015, GM and Isuzu Motors reached an agreement on the commercial vehicle collaboration in the US. As part of the agreement, Isuzu will produce low cab forward models for GM, based on the Isuzu N-Series. The agreement is expected to strengthen Isuzu's product lineup and enable GM to expand its commercial vehicle portfolio in the US. Further, to strengthen the product lineup, GM and Isuzu announced to explore the use of GM commercial

vehicle components for Isuzu low cab forward trucks and GM would continue to produce and supply the 6.0L V-8 gas engine and six-speed transmission for Isuzu gasoline-powered low cab forward trucks.

Moreover, the outlook for the US medium and heavy trucks market is robust. According to MarketLine, the US medium and heavy trucks market is expected to grow by 3.2% in 2017 to reach a value of \$42 billion. In 2021, the US medium and heavy trucks market is forecast to have a value of \$49 billion. Isuzu and GM have maintained a strategic partnership for more than 40 years, producing collaborative business opportunities throughout the world.

The company's re-entry in the growing US market for medium-duty work trucks is expected to provide incremental growth opportunities in the medium term. The deal would also enable GM to more effectively compete with its peers.

Threat

Stringent Government Laws and Regulations Could Adversely Affect Operations, Sales and Revenues

The automobile industry worldwide is influenced by a broad spectrum of regulations governing the emission levels of exhaust fumes, carbon dioxide/fuel economy guidelines, noise level limitations, recycling-related restrictions and safety standards. These regulations have become increasingly stringent. For instance, in the US, the Federal Clean Air Act imposes stringent limits on the amount of regulated pollutants that lawfully may be emitted by new vehicles and engines produced for sale in the US. In 2014, the Environmental Protection Agency (EPA) finalized new Tier 3 regulations that phase in increasingly stringent motor vehicle emissions standards beginning with the 2017 model year; compliance with these standards could be challenging. Pursuant to the Clean Air Act, California may establish its own unique vehicle emissions control standards; the California standards can also be adopted by other states. The California Air Resources Board has adopted LEV III standards, which took effect with the 2015 model year and impose increasingly stringent tailpipe and evaporative emissions requirements for light and medium duty vehicles. Thirteen states, primarily located in the Northeast and Northwest, have adopted the LEV III standards. Moreover, the California vehicle emissions program also includes requirements for manufacturers to produce and deliver zero-emission vehicles (ZEVs) for sale.

Furthermore, European Union (EU) directives and related legislation limit the amount of regulated pollutants that may be emitted by new motor vehicles and engines sold in the EU. Stringent new Stage V emissions standards took effect for vehicle registrations starting in 2011; Stage VI requirements applied from September 2014, with a second phase beginning in September 2017. Stage V particulate standards drove the deployment of particulate filters in diesel engines, and Stage VI further tightened the standard for oxides of nitrogen. Also, many countries, in an effort to address air quality concerns, are adopting previous versions of European or United Nations Economic Commission for Europe (UN-ECE) mobile source emission regulations. Some countries have adopted more advanced regulations based on the most recent version of European or the US regulations. For example, China adopted emission regulations for large cities based on European Stage V emissions standards. Korea and Taiwan have adopted stringent US-based standards for gasoline vehicles, and European-based standards for diesel vehicles. Brazil, Argentina, and Chile have also introduced more stringent emissions standards.

Such regulations will result in substantial costs, which could be difficult to pass through to GM's customers, and could result in limits on the types of vehicles the company sells and where it sells them, which could affect its operations, including facility closings, reduced employment, increased costs and loss of revenue.

Fluctuations of Foreign Currency Exchange Rate Could Have a Material Adverse Impact on Operations and Financial Condition

GM operates globally with major presence in North America, Europe, and South America. The company has foreign currency exposures related to buying, selling and financing in currencies other than the functional currencies of the operations. In FY2016, GM's most significant foreign currency exposures were the Euro/British Pound, Euro/US Dollar, US Dollar/Mexican Peso, Euro/South Korean Won, US Dollar/South Korean Won and US Dollar/Canadian Dollar. Given the nature of the automotive industry and global spread of the company's business, GM have significant exposures to risks related to changes in foreign currency exchange rates, which can have material adverse effects on its business. Moreover, for 2016, the company expects its biggest challenges would be associated with unfavorable foreign currency pressures.

Furthermore, in preparing the consolidated financial statements GM translates its revenues and expenses outside the US into US Dollars using the average foreign currency exchange rate for the period and the assets and liabilities using the foreign currency exchange rate at the balance sheet date. As a result, foreign currency fluctuations and the associated translations could have a material adverse effect on GM's results of operations and financial condition.

Intense Competition Could Adversely Impact the Market Share, Sales Volume and Margins

The global automotive industry is highly competitive and overall manufacturing capacity in the industry exceeds demand. Many manufacturers have relatively high fixed labor costs as well as significant limitations on their ability to close facilities and reduce fixed costs. GM's competitors may respond to these relatively high fixed costs by attempting to sell more vehicles by adding vehicle enhancements, providing subsidized financing or leasing programs, offering option package discounts or other marketing incentives, or reducing vehicle prices in certain markets. Manufacturers in lower cost countries such as China and India have emerged as competitors in key emerging markets and announced their intention of exporting their products to established markets as a bargain alternative to entry-level automobiles. These actions have had, and are expected to continue to have, a significant negative effect on the company's vehicle pricing, market share and operating results, and present a significant risk to GM's ability to enhance its revenue per vehicle.

GM competes with its competitors on several factors, including price, quality, available options, style, safety, reliability, fuel economy and functionality. The company faces strong completion from companies such as Volvo, Daimler, Fiat Chrysler, Ford Motor, Honda Motor, Hyundai Motor, Mazda Motor, Nissan Motor, Renault, Toyota Motor, and Volkswagen. Hence, intense competition in the marketplace could result in lower sales volume as well as margins for GM and may result in declining market share.

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