



SoftBank Investment Validates GM's Self-Driving Superiority

General Motors Co (GM: \$43/share) – up 15% vs. S&P +0%

We originally featured GM as a [Long Idea on 3/15/18](#). At the time of the report, the stock received an Attractive rating. Two key elements of our thesis were:

1. A valuation that implied an immediate 50% decline in after-tax profit ([NOPAT](#))
2. Self-driving and electric vehicles represent an opportunity for GM, not a threat

The market sees self-driving cars as a threat to incumbent automakers. We believe they represent an opportunity for GM to grow its business even further.

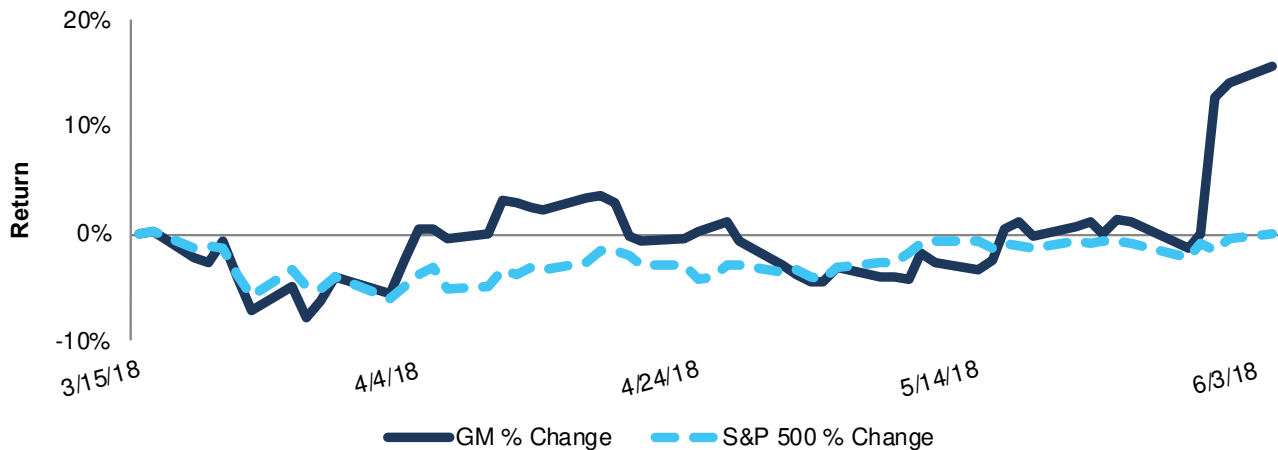
We're not alone when it comes to optimism over GM's self-driving opportunity. Last week, GM [announced](#) that Softbank plans to invest \$2.25 billion in its autonomous vehicle unit. GM's President Dan Ammann [put it best](#) when asked about SoftBank's investment, "*I also think it's a big recognition of the opportunity that lays ahead.*"

SoftBank's investment comes as Tesla (TSLA) faces scrutiny due to a [series of crashes](#) in cars using its Autopilot technology, another sign that GM poses a [larger threat](#) to Tesla than many once thought.

Since our original Long Idea report, GM has significantly outperformed as a long position, rising 15% compared to a flat S&P 500. Despite its outperformance, GM remains undervalued, and this latest positive development leads us to add it to our [Focus List – Long Model Portfolio](#).

Figure 1: GM vs. S&P 500 – Price Return: Successful Long

GM Performance During Holding Period



Sources: New Constructs, LLC and company filings

Note: Gain/Decline performance analysis excludes transaction costs and dividends.

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Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.

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2. **Un-conflicted** - Clients deserve unbiased research.
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4. **Relevant** - Empirical evidence must provide [tangible, quantifiable correlation](#) to stock, ETF or mutual fund performance.

Value Investing 2.0: Diligence Matters: Technology is Key to Value Investing With Scale

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