S&P Global
Market Intelligence

Dividend Forecasting

Special Report

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US automakers

Resilience amidst recovery

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The take

- While vehicle sales in Europe are projected to increase 3.7% year over year, decreased demand and higher car prices are tempering the overall region's recovery, as depicted by European automakers' recent downward profit guidance.
- Despite challenges, the outlook for the North American automobile sector is brighter than its European counterparts.
- Dividend forecasting base scenario for US top automakers remains neutral, with minimal risk for cut/suspension.
- Dividend forecasting scenario analysis provided for Ford Motor Co. and General Motors Co.

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S&P Global Market Intelligence Dividend Forecasting serves top-tier financial institutions with their investment decision-making and risk management through provision of timely data, insights and commentary on dividend forecasts. Powered by a global team of 40 dividend analysts closely maintaining precise forecasts on the size and timing of payments based on bottom-up fundamental research as well as a proprietary advanced analytics model, our dataset incorporates the latest company news and market developments. We pride ourselves in an unmatched coverage that spans over 28,000+ stocks across the globe and our analysts are always available to engage in discussion and address users' queries.

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Introduction

The global automotive sector has navigated through some challenges amidst recent times, particularly in Europe, in which the main automakers have issued downward profit warnings. Moreover, we expect dividend cuts for these companies in 2025.

- Are these headwinds expected to affect their US competitors?
- Are US automakers' dividends at risk?

In this report, we analyze key sectorial trends of the US automotive sector and provide financial and dividend forecasting analysis for the US top automakers: **Ford Motor Co. and General Motors Co. (GM)**.

Automakers

The global picture

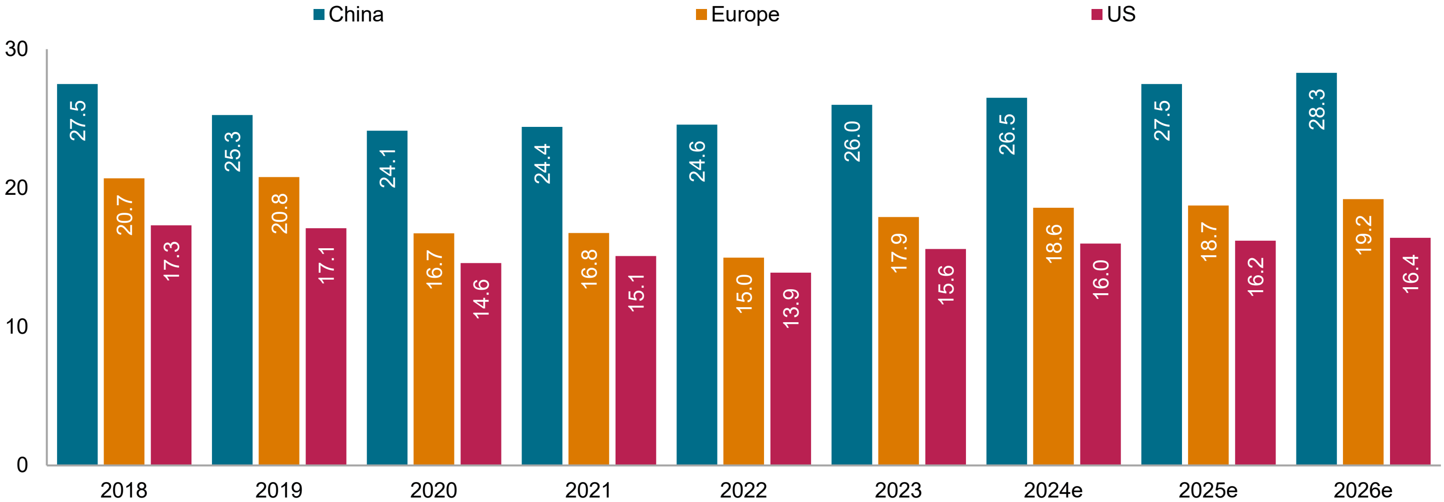
At the start of 2024, the automobile industry was confident about a rebound, anticipating over 2% production growth as supply chain disruptions from COVID-19 began to resolve. However, this has been dampened by significant challenges. Intensified competition from Chinese manufacturers is reshaping market dynamics, while the transition to electric vehicles (EVs) in Europe is lagging, complicating the landscape further. Consequently, major European automakers — Volkswagen AG, Stellantis NV, BMW Group and Mercedes-Benz Group — have issued profit warnings, highlighted by declines in their auto sales and increasing operational costs.

Light-vehicle demand in the US is improving compared to 2023, maintaining momentum from the latter half of 2023. However, challenges such as high interest rates and tight credit conditions continue to affect vehicle affordability. Despite these uncertainties, demand is expected to recover from the low levels seen in 2022 through 2026. Meanwhile, global battery-EV (BEV) sales are on the rise, with anticipated growth through 2024 due to numerous product launches.

Figure 1

Light-vehicle sales

Millions of units



Data compiled Oct. 6, 2024.
e = estimated.
Source: S&P Global Market Intelligence.

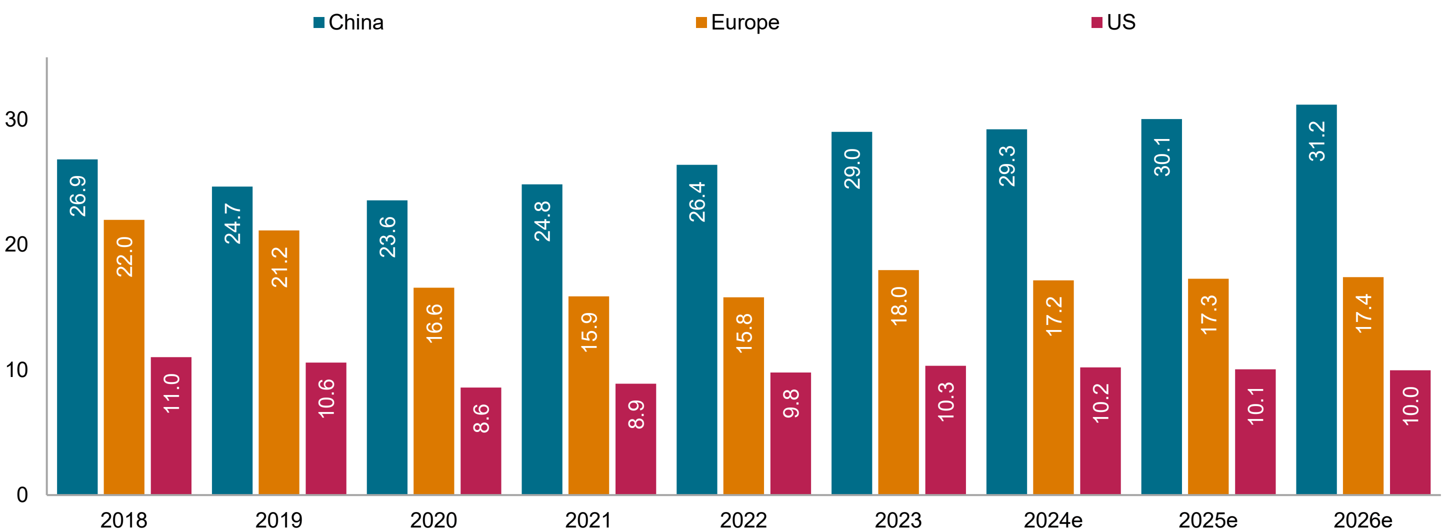
In Europe, sales are forecast to increase by 3.7% year over year, driven by better supply, although high car prices and decreased demand temper this recovery. China is expected to see a 1.9% increase in vehicle demand, with domestic brands thriving. Overall, these trends highlight a mixed landscape for automotive sales across the US, Europe and China, which together represent 70% of global projected unit sales for fiscal year 2024.

Production-wise, Europe's output is set to decline by 4.4% in 2024, reflecting a realignment of supply to demand. This stabilization is projected around 17.35 million units by 2025 and 2026, but challenges such as regulatory compliance and increased EV imports from China may pressure production levels. Notably, spurred by government incentives in the new-energy vehicle sector, China is projected to lead global production in 2024, contributing 33% of total output.

Figure 2

Light-vehicle production

Millions of units



Data compiled Oct. 7, 2024.
Source: S&P Global Market Intelligence.

US: Brighter outlook?

In the US, the environment reflects cautious optimism. The shift toward EVs is gaining momentum, driven by federal incentives and increasing consumer interest in sustainable options. After years of constrained vehicle supply due to the pandemic, inventory levels are starting to normalize, which is expected to align better with the rising demand in the region. This improvement in supply is likely to enhance sales, contributing to a more favorable outlook in the country.

Normalized supply chains are enabling a production rebound in the US, as demand for goods has eased amid elevated global interest rates and the lifting of pandemic-related lockdowns. In 2023, automotive production grew by 5.1% year over year, although total output remained 2.8% below 2019 levels, partly due to disruptions from the United Auto Workers (UAW) strike against the Detroit-3 automakers. Notably, most input costs, excluding labor, have deflated from their pandemic peaks, helping to stabilize aggregate input price pressure.

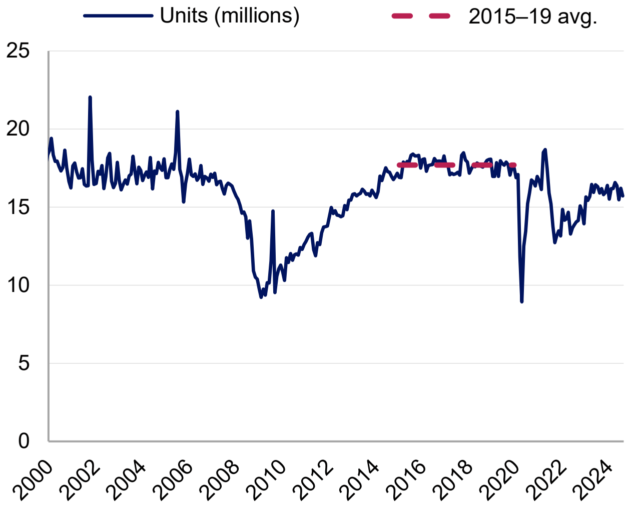
Despite some challenges, most original equipment manufacturers (OEMs) are financially robust and can manage these costs effectively. We expect North American light-vehicle production to return to the lower end of the pre-pandemic range by 2025.

Light-vehicle sales experienced a significant increase of 12.2% in 2023, driven by a rebound in production that brought supply to its highest level in three years. This surge in demand has been largely attributed to a backlog created by sales lagging behind pre-pandemic trends. Nonetheless, the current level remains 11% below the pre-COVID-19 averages registered between 2015 and 2019.

Figure 3

Total vehicle sales in the US

Monthly, s.a. annual rate



Data compiled Oct. 3, 2024.

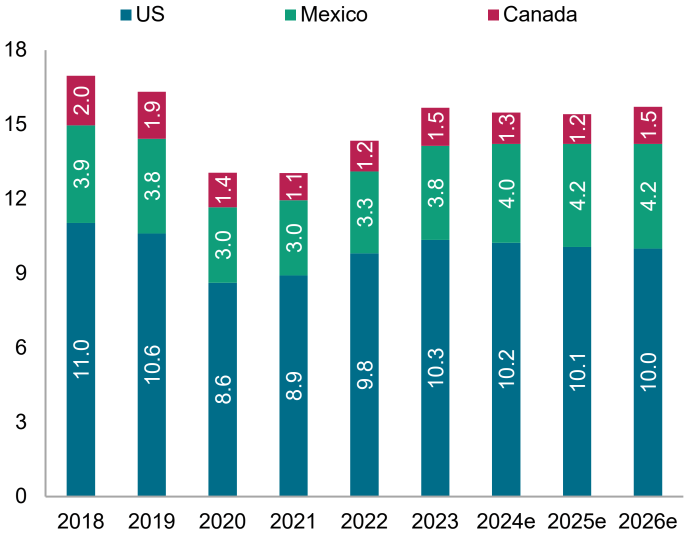
s.a. = seasonally adjusted; avg.= average.

Sources: S&P Global Market Intelligence; US Bureau of Economic Analysis.

Figure 4

North American light-vehicle production

Millions of units



Data compiled Oct. 7, 2024.

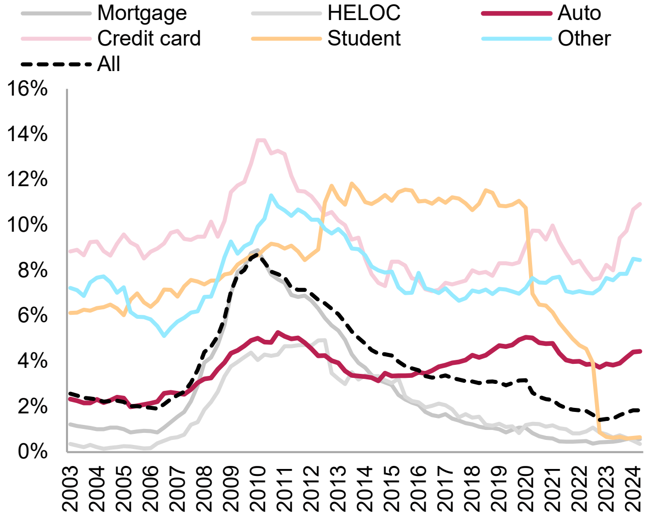
Source: S&P Global Market Intelligence.

Despite an improved supply/demand balance, **the elevated financing rates remain a significant challenge for the US auto sector.** The average rate on auto loans increased by 8% in the second half of 2023 and reached its highest level since 2000. Moreover, the average loan monthly payments have risen across all credit ranges since the pandemic, peaking in 2023. **The combination of high financing costs and rising monthly payments continues to impact affordability for consumers in the automotive market.**

Figure 5

Credit delinquency by loan type

Percent of balance 90+ days delinquent



Data compiled Oct. 3, 2024.

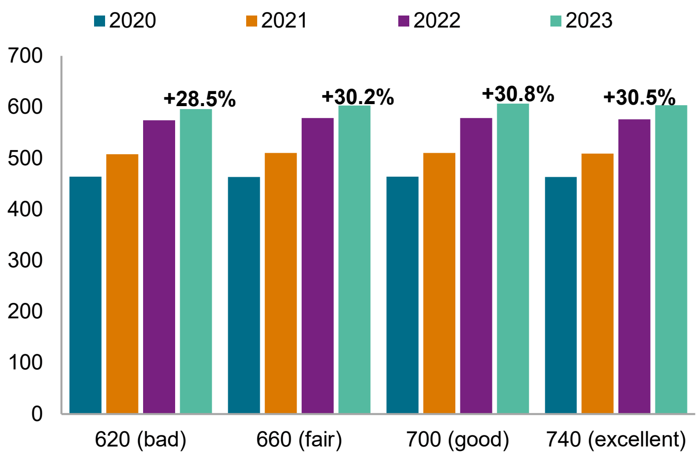
HELOC = home equity lines of credit.

Source: New York Federal Reserve Bank.

Figure 6

Average monthly payment per credit score

$



Data compiled Oct. 7, 2024.

The % change indicated above each 2023 average monthly payment per credit score indicates the cummulative increase in average monthly payments since 2020.

Source: New York Federal Reserve Bank.

US auto sales are expected to see a modest increase of 2.6% for fiscal year 2024. However, challenges may arise from affordability concerns tied to high financing costs, which could impact overall sales volumes. While vehicle prices are anticipated to stabilize, the extent of this normalization remains uncertain. **Although the economy may support demand through gradual real income growth, US automakers will need to navigate these complexities carefully to achieve any improvement in performance for 2025.**

Dividend forecasts: Ford & General Motors

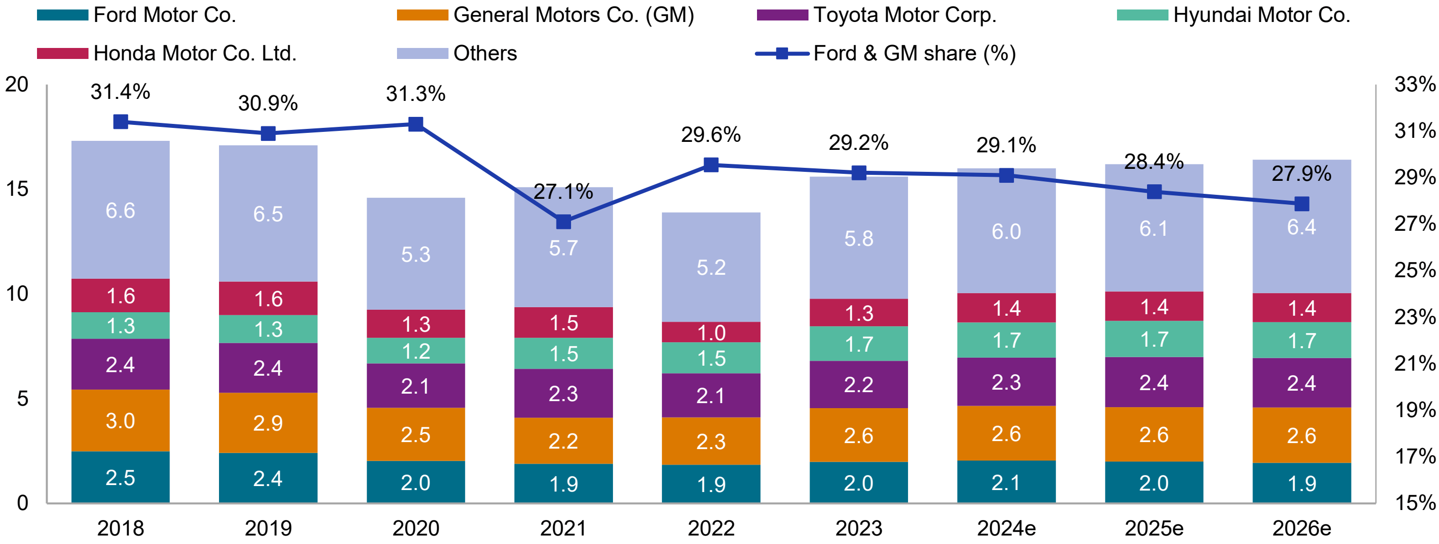
General Motors and Ford: Overview

GM has maintained its position as the leader in the US automotive sector, achieving a 17% market share in 2023, followed closely by Toyota Motor Corp. at 14.42%. Despite experiencing notable sales declines in 2021, primarily due to the chip shortage and supply chain issues, **both Ford and GM are expected to see sales growth in 2024,** with Ford projected to increase sales by 3.54% and GM anticipating a 0.7% rise. **Together,** both are expected to capture approximately **29% of the US market share** for the year, signaling strong presence and strength of operations.

Figure 7

Auto sales in the US

By top automakers, millions of units



Data compiled Oct. 7, 2024.
Source: S&P Global Market Intelligence.

Despite facing near-term challenges, Ford is anticipated to strengthen its free operating cash flow thanks to enhancements in working capital and a reduction in global restructuring costs. Revenue is expected to rise by 5.42% by year-end, and, with no plans for mergers or acquisitions and minimal buyback activity, **Ford is likely to focus on rewarding shareholders primarily through dividends.**

In contrast, GM has made share buybacks a priority, dedicating 34% of its capital to this approach year to date as the company focuses on efficient capital deployment.[1] Following a new labor agreement with the UAW union, it announced a $10 billion accelerated share repurchase in November 2023, followed by an additional $6 billion in June 2024. Combined, this repurchase activity is about 79% of GM's projected $20.2 billion in free cash flow (FCF) for 2023 and 2024. **Since emerging from bankruptcy in 2010, GM has generated about $70 billion in FCF over the past 15 years and returned approximately $53 billion to shareholders through dividends and buybacks, resulting in a cumulative payout of 69.1%.**[2]

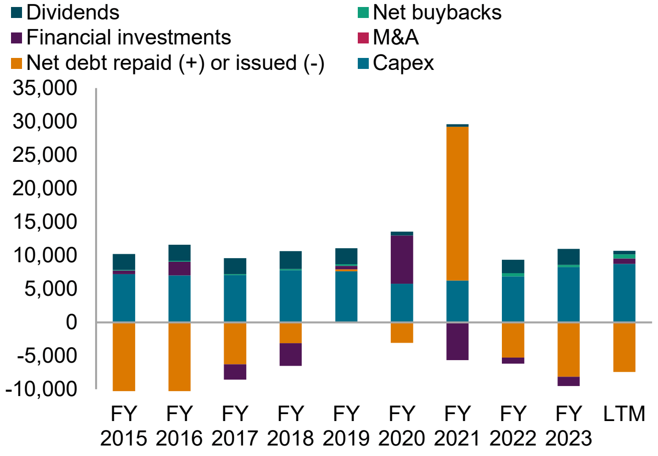
1. GM's recent $6 billion share repurchase approval targets to support the stock price given the challenging macroeconomic scenario, especially for EVs and stalling customer demand.

2. See the Appendix for detailed stats on Ford's and GM's financial performance and capital allocation trends.

Figure 8

Ford's capital allocation

$M



As of Oct. 3, 2024.
LTM = last-12-months.

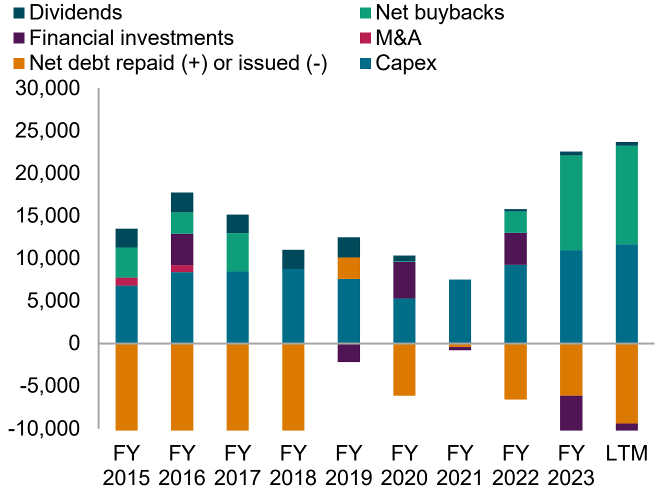
M&A: Cash acquisitions net of divestitures. Financial investments: Net purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

Figure 9

General Motors' capital allocation

$M



Data compiled Oct. 3, 2024.

M&A: Cash acquisitions net of divestitures. Financial investments: Net purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).

Source: S&P Global Market Intelligence.

Historical dividend trends

The analysis indicates a significant volatility in the historical dividend per share (DPS) trends for Ford and GM.[3] Notably, both companies suspended their dividends during the pandemic in 2020; however, Ford had previously suspended dividends in 2006. Currently, GM's base dividend is 68.4% lower than the pre-pandemic levels recorded in 2019. In contrast, Ford's base dividend of $0.60 per share has returned to its pre-pandemic levels, and when considering special dividends, Ford achieved the highest DPS in its history in 2023.

Dividend forecasts: Base scenario

We project that Ford and GM will not grow their dividends in the short-term outlook. Given that Ford has already distributed its special dividend in February and GM has increased its dividends for the first quarter of 2024, we believe a flat forecast is the most plausible scenario considering the global headwinds.

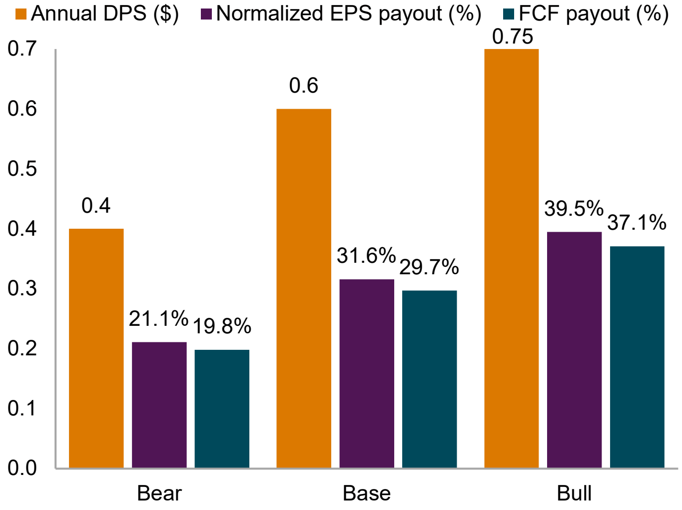
A flat base DPS would lead to dividend expenses of $2.34 billion for Ford and $540 million for GM, resulting in payout ratios of 31% and 4.9% of normalized earnings, respectively. Our forecasts suggest forward FCF payouts of 34.4% for Ford and 6.2% for GM, based on 2025 FCF consensus estimates of $6.8 billion for Ford and $8.7 billion for GM.

3. See the Appendix for the complete historical DPS trend of each company.

Figure 10

Ford

Dividend forecast scenarios



Data compiled Oct. 3, 2024.

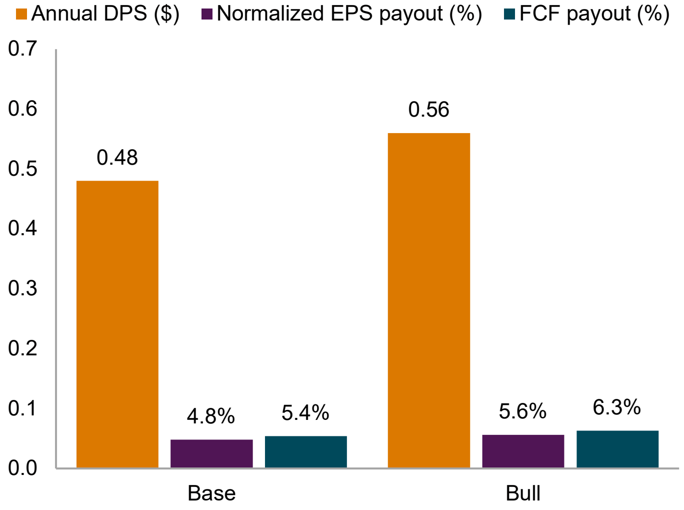
EPS = earnings per share.

Source: S&P Global Market Intelligence.

Figure 11

General Motors

Dividend forecast scenarios



Data compiled Oct. 3, 2024.

EPS = earnings per share.

Source: S&P Global Market Intelligence.

Forecast risks: General Motors

A cut in GM's dividends seems highly improbable, primarily due to its minimal payout ratio, which is less than 5% of its annual capital expenditures over the last-12-months (LTM). Furthermore, GM has aggressively repurchased stock, totaling $11.6 billion in the LTM, indicating a strong capital management strategy.

GM forecast risks are skewed toward the upside. In the Bull-case scenario, a slight dividend increase of 2 cents, translating to a quarterly payout of $0.14 per share, would still result in minimal earnings per share (EPS) and FCF payout ratios. This suggests that GM is positioned well to maintain its dividend while being able to explore modest increases as market conditions improve.[4]

Forecast risks: Ford

In contrast to GM, we believe there are downside risks to our dividend forecast for Ford. The dividend consumes a higher portion of Ford's FCF compared to GM, which maintains a stronger overall financial position, despite having higher leverage. While it is unlikely, if Ford were to cut its dividend, we would anticipate an annual DPS of $0.40, reflecting historical patterns of dividend reductions. The most recent dividend cut occurred in the third quarter of 2006, just a quarter before Ford's first dividend suspension, aside from the one during the pandemic. On the upside, while less likely, Ford could continue topping up its base dividend with a special distribution, similar to what it has done for the past two years.[5]

4. Our Base scenario implies annual S&P 500 DIPs of 0.0638, while the Bull case would result in annual S&P 500 DIPs of 0.0745.

5. Our Base scenario implies annual S&P 500 DIPs of 0.2772, while our Bear and Bull cases would result in annual S&P 500 DIPs of 0.1848 and 0.3465, respectively.

Appendix

Ford

Ford’s financial performance

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Revenue ($M)	169,090	165,901	149,079	126,268	115,941	143,640	148,320	145,663	141,547
Revenue (YOY %)	1.9%	11.3%	18.1%	8.9%	-19.3%	-3.2%	1.8%	2.9%	0.7%
Gross margin (%)	8.0%	9.2%	10.9%	12.1%	4.7%	8.3%	9.3%	10.6%	11.1%
EBITDA margin (%)	5.4%	6.7%	9.2%	9.3%	2.5%	5.5%	8.4%	9.7%	8.6%
Net income margin (%)	2.1%	2.5%	-1.3%	13.2%	-1.0%	0.0%	2.3%	4.9%	3.0%
FCF ($M)	-847	-1,593	1,748	9,399	4,127	4,076	4,689	218	9,730
FCF margin (%)	-0.5%	-1.0%	1.2%	7.4%	3.6%	2.8%	3.2%	0.1%	6.9%
Net debt / EBITDA	12.0x	9.8x	7.2x	7.8x	35.7x	14.8x	9.7x	8.4x	8.8x
Net debt / (EBITDA - capex)	68.6x	28.8x	13.2x	14.9x	NM	91.1x	23.1x	15.7x	19.0x

Data compiled Oct. 3, 2024.
NM = not meaningful.
Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

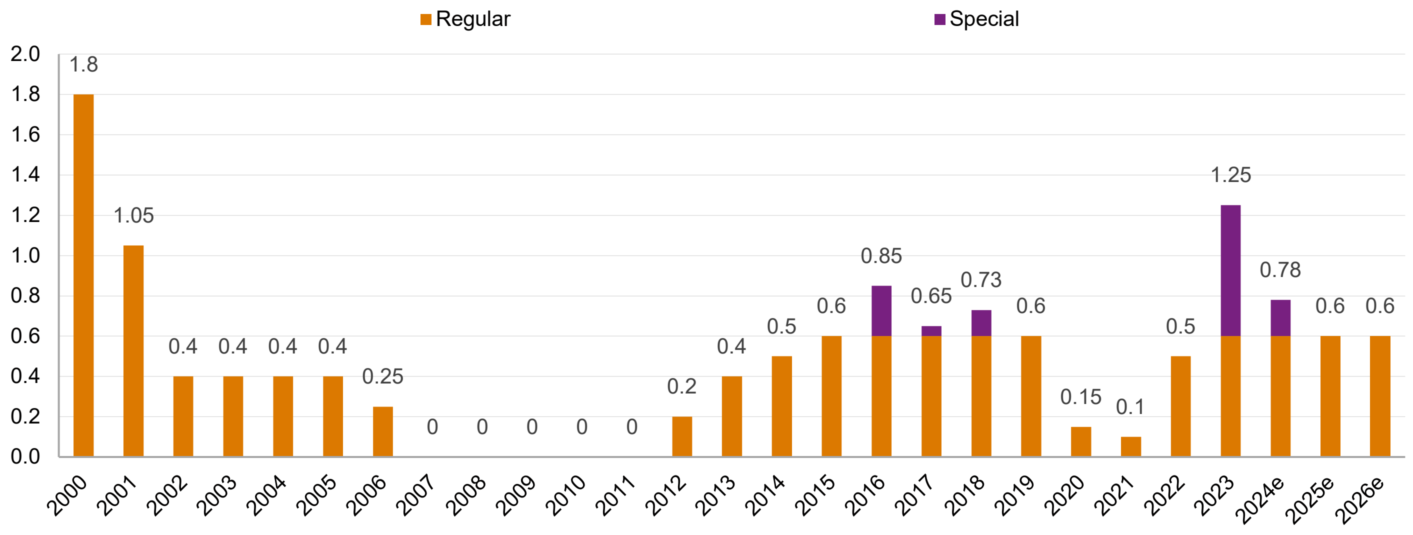
Ford’s capital allocation

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Capex	8,701	8,236	6,866	6,227	5,742	7,632	7,785	7,049	6,992
Net debt repaid (+) or issued (-)	-7,432	-8,155	-5,275	22,990	-3,095	277	-3,139	-6,260	-11,028
M&A	0	0	0	0	0	0	0	0	0
Financial investments	856	-1,377	-921	-5,681	7,233	543	-3,387	-2,331	2,074
Net buybacks	579	335	484	0	0	237	164	131	145
Dividends	529	2,398	2,009	403	596	2,389	2,705	2,384	2,384

Data compiled Oct. 3, 2024.
M&A: Cash aqcuisitions net of divestitures (if any). Financial investments: Purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).
Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

Ford's dividend history and forecast

DPS ($)



Data compiled Oct. 3, 2024.
Source: S&P Global Market Intelligence.

General Motors

General Motors' financial performance

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Revenue ($M)	163,031	157,658	143,975	113,590	108,673	122,697	133,045	133,449	140,205
Revenue (YOY %)	3.4%	9.5%	26.7%	4.5%	-11.4%	-7.8%	-0.3%	-4.8%	8.0%
Gross margin (%)	11.8%	11.2%	13.5%	14.2%	11.8%	10.3%	9.7%	12.6%	13.0%
EBITDA margin (%)	10.1%	9.2%	11.4%	13.3%	11.1%	9.3%	7.8%	10.3%	10.1%
Net income margin (%)	6.2%	5.9%	6.3%	7.9%	5.2%	4.9%	5.5%	-2.7%	6.3%
FCF ($M)	1,106	5,038	11,063	6,954	6,795	10,218	11,928	6,066	16,794
FCF margin (%)	0.7%	3.2%	7.7%	6.1%	6.3%	8.3%	9.0%	4.5%	12.0%
Net debt / EBITDA	5.7x	6.3x	4.9x	5.0x	6.2x	6.4x	7.2x	5.0x	3.5x
Net debt / (EBITDA - capex)	15.8x	19.7x	10.0x	8.9x	10.1x	15.3x	30.5x	11.5x	8.0x

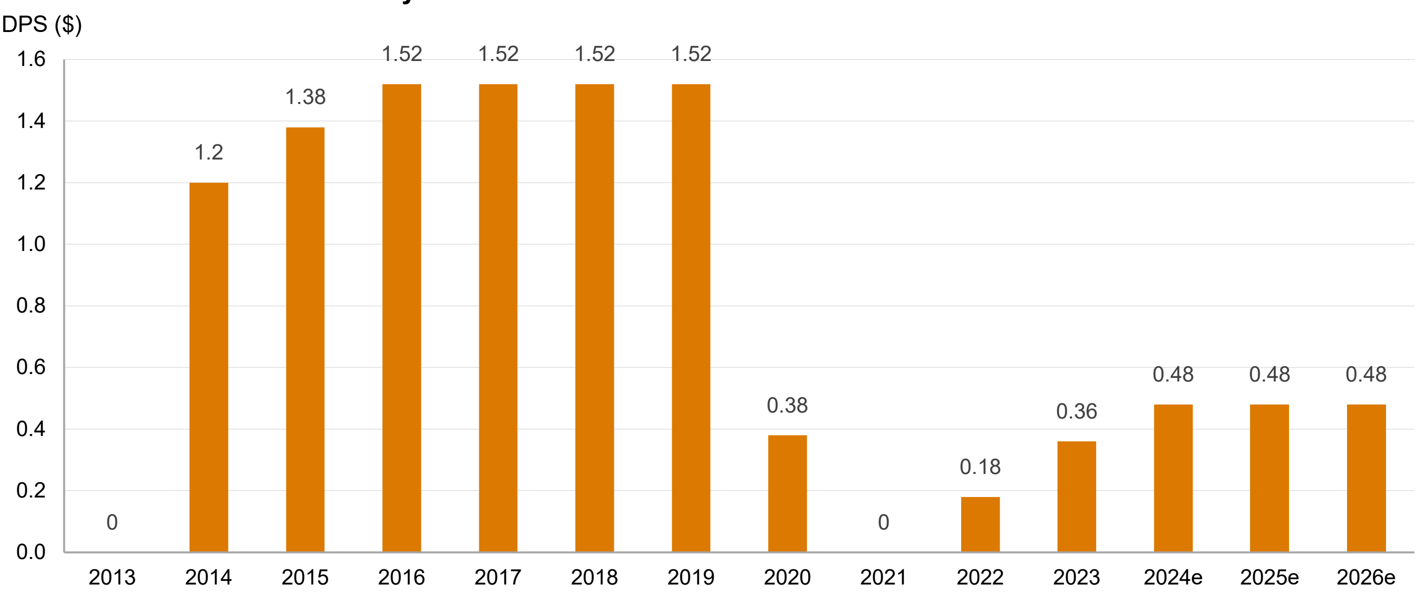
Data compiled Oct. 3, 2024.
Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

General Motors' capital allocation

Metric	LTM	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Capex	11,639	10,970	9,238	7,509	5,300	7,592	8,761	8,453	8,384
Net debt repaid (+) or issued (-)	-9,399	-6,132	-6,580	-406	-6,141	2,531	-11,664	-18,455	-21,027
M&A	0	0	0	0	0	0	0	0	804
Financial investments	-1,542	-4,916	3,780	-385	4,263	-2,190	-2,288	-3,504	3,701
Net buybacks	11,592	11,115	2,500	0	90	0	0	4,492	2,500
Dividends	440	477	257	0	669	2,350	2,242	2,215	2,337

Data compiled Oct. 3, 2024.
M&A: Cash aqcuisitions net of divestitures (if any). Financial investments: Purchase (+) or sale (-) of marketable securities. Repurchases: Net buybacks (+) or issuance (-).
Sources: S&P Global Market Intelligence; S&P Capital IQ Pro.

General Motors' dividend history and forecast



Data compiled Oct. 3, 2024.
Source: S&P Global Market Intelligence.

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