CEO Letter to Shareholders

11-29-2023

To Our Shareholders,

Earlier this month, our manufacturing teams in the United States and Canada ratified new labor agreements.

Now, with clarity on our labor costs and production back on track, we are returning to our capital allocation framework by repurchasing $10 billion of common stock through an accelerated share repurchase program, raising our common stock dividend by 33% starting in 2024 and reinstating our 2023 earnings guidance. You can read more about the news here.

Our results, especially our cash generation, have been very strong. Our liquidity is at record levels, and from the beginning of 2022 through the third quarter of 2023, we generated more than $20.5 billion in adjusted automotive free cash flow after investing in the business. We returned $4.2 billion in common stock dividends and buybacks to shareholders over this period.

Our cash balance, which is well above our target, is a function of our recent record profits and our prudent management of resources through the pandemic, supply chain disruptions and labor negotiations. I am confident in our ability to continue generating significant free cash flow as we make the EV transition.

Although I am disappointed with our Ultium-based EV production in 2023 due to difficulties with battery module assembly, we have made substantial improvements both to the process and to the organization responsible for this work. In 2024, we expect significantly higher Ultium EV production and significantly improved EV margins.

We are also addressing challenges at Cruise. What Cruise has accomplished in the eight years since we acquired the company is remarkable. Our priority now is to focus the team on safety, transparency and accountability. We must rebuild trust with regulators at the local, state and federal levels, as well as with the first responders and the communities in which Cruise will operate.

This includes making improvements driven by the independent safety and incident reviews that are ongoing. We will share more details on the path forward when we have reviewed the findings and recommendations. We expect the pace of Cruise’s expansion to be more deliberate when operations resume, resulting in substantially lower spending in 2024 than in 2023.

We are working through our challenges, and we remain optimistic and excited about the road ahead. Our 2024 budget, which we are currently finalizing, will fully offset our increased labor costs through initiatives already underway.

The profitability and cash generation of our ICE business remains strong because we’ve made strategic investments for growth in high-margin segments. We’ve spent years preparing the company for an all-electric future, and our long-term EV profitability and margin goals are intact, despite recent headwinds. We have a clear path forward that includes greater operating and investment efficiency that will benefit both our ICE and EV portfolios.

While the rate of growth for EVs is slowing in the near term, it is projected to accelerate and grow substantially in the long term, as customers have more EV choices, and the public charging network expands.

As the EV market grows, we will have an exceptional, purpose-built electric vehicle line-up that is designed to win with customers. These include the Chevrolet Blazer EV, just named 2024 MotorTrend SUV of the Year, milestone vehicles like the Chevrolet Silverado EV, Chevrolet Equinox EV and the Cadillac OPTIQ, and a host of others in a wide variety of segments.

As our volumes grow, we will drive profitability through R&D, our scale, our vertical integration, our supply chain strategy and our manufacturing expertise. We are doing this while we are simultaneously reducing our capital spending estimates that we outlined last year.

These strategies are designed to keep our margins and free cash flow strong, and we are well-positioned as we head into 2024. I'm confident we'll be able to execute our plan and excited about what the future holds. We look forward to sharing our progress with you.

Thank you for your support.

mtb

Cautionary Note on Forward-Looking Statements: This press release and related comments by management, may include "forward-looking statements" within the meaning of the U.S. federal securities laws. Future declarations of quarterly dividends and the establishment of future record and payment dates are at the discretion of our Board of Directors and will be based on a number of factors, including our future financial performance and other investment priorities. Forward-looking statements are any statements other than statements of historical fact. Forward-looking statements represent our current judgment about possible future events and are often identified by words like "aim," "anticipate," "appears," "approximately," "believe," "continue," "could," "designed," "effect," "estimate," "evaluate," "expect," "forecast," "goal," "initiative," "intend," "may," "objective," "outlook," "plan," "potential," "priorities," "project," "pursue," "seek," "should," "target," "when," "will," "would," or the negative of any of those words or similar expressions. In making these statements, we rely on assumptions and analysis based on our experience and perception of historical trends, current conditions and expected future developments as well as other factors we consider appropriate under the circumstances. We believe these judgments are reasonable, but these statements are not guarantees of any future events or financial results, and our actual results may differ materially due to a variety of important factors, many of which are beyond our control. These factors, which may be revised or supplemented in subsequent reports we file with the SEC, include, among others, the following: (1) our ability to deliver new products, services, technologies and customer experiences; (2) our ability to timely fund and introduce new and improved vehicle models; (3) our ability to profitably deliver a broad portfolio of electric vehicles (EVs); (4) the success of our current line of internal combustion engine vehicles; (5) our highly competitive industry; (6) the unique technological, operational, regulatory and competitive risks related to the timing and commercialization of autonomous vehicles (AVs), including the various regulatory approvals and permits required for operating driverless AVs in multiple markets; (7) risks associated with climate change; (8) global automobile market sales volume; (9) inflationary pressures, persistently high prices, uncertain availability of raw materials and commodities, and instability in logistics and related costs; (10) our business in China, which is subject to unique operational, competitive, regulatory and economic risks; (11) the success of our ongoing strategic business relationships and of our joint ventures; (12) the international scale and footprint of our operations, which exposes us to a variety of unique political, economic, competitive and regulatory risks; (13) any significant disruption at any of our manufacturing facilities; (14) the ability of our suppliers to deliver parts, systems and components without disruption and at such times to allow us to meet production schedules; (15) pandemics, epidemics, disease outbreaks and other public health crises; (16) the possibility that competitors may independently develop products and services similar to ours, or that our intellectual property rights are not sufficient to prevent competitors from developing or selling those products or services; (17) our ability to manage risks related to security breaches and other disruptions to our information technology systems and networked products; (18) our ability to comply with increasingly complex, restrictive and punitive regulations relating to our enterprise data practices; (19) our ability to comply with extensive laws, regulations and policies applicable to our operations and products, including those relating to fuel economy, emissions and AVs; (20) costs and risks associated with litigation and government investigations; (21) the costs and effect on our reputation of product safety recalls and alleged defects in products and services; (22) any additional tax expense or exposure or failure to fully realize available tax incentives; (23) our continued ability to develop captive financing capability through General Motors Financial Company, Inc.; and (24) any significant increase in our pension funding requirements. A further list and description of these risks, uncertainties and other factors can be found in our most recent Annual Report on Form 10-K and our subsequent filings with the SEC. We caution readers not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information, future events or other factors, except where we are expressly required to do so by law.

Non-GAAP Reconciliation

The following table reconciles automotive net cash provided by operating activities under U.S. GAAP to adjusted automotive free cash flow (dollars in billions):

	Year Ending December 31, 2022		Nine Months Ending September 30, 2023	
Net automotive cash provided by operating activities	$	19.1	$	16.1
Less: Capital expenditures		9.0		7.1
Adjustments(a)		0.4		1.3
Adjusted automotive free cash flow	$	10.5	$	10.3

(a) Adjustments as of September 30th, 2023 include adjustments primarily related to our Buick dealer strategy and voluntary separation program. Adjustments as of December 31, 2022 include adjustments primarily related to patent royalty matters and our Buick dealer strategy. See our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 and our Form 10-K for the year ended December 31, 2022 for full details. We do not consider the potential future impact of adjustments on our financial results.