

Company	Ally Financial Inc	Ticker	ALLY	Current Price	Industry:	Financials	Sub-Industry	Consumer Finance	
Target Price	\$28.00	TTM P/E	4.60	\$26.43	Beta		1.27	Mkt Cap	8154
Stop Loss	\$21.14	Forward	4.20		Credit Rating	BBB- (S&P)		Avg Vol (12M)	298.6
52 wk High/Low	56.28/25.64	EPS	\$6.01		Rating Outlook	Stable		Div Yield	4.50%

Company Background

Ally Financial Inc., a digital financial-services company, provides various digital financial products and services to consumer, commercial, and corporate customers primarily in the United States and Canada. It operates through four segments: Automotive Finance Operations, Insurance Operations, Mortgage Finance Operations, and Corporate Finance Operations. The company was formerly known as GMAC Inc. and changed its name to Ally Financial Inc. in May 2010. Ally Financial Inc. was founded in 1919 and is based in Detroit, Michigan.

Industry Outlook

General macroeconomic conditions such as interest rates, employment rates and income levels significantly affect Auto Leasing, Loans and Sales Financing industry revenue. Over the five years to 2022, industry revenue volatility was moderate, primarily due to economic uncertainty caused by the spread of COVID-19 (coronavirus) in 2022. Overall, industry profitability is expected to decrease from 27.5% of industry revenue in 2022 to 26.8% in 2027.

Regulation of sales finance companies within the United States largely occurs on a state basis, normally undertaken by a consumer credit regulatory agency; however, regulation at the federal level is increasing.

Investment Thesis

- We firmly believe that Ally Financial is currently undervalued by the market and is a strong investment opportunity at the current price due to the following three reasons. Ally maintains its dominant position as the largest auto prime lender. Ally is well capitalized with their CET1 ratio at 9.6% which is well above their regulatory requirements. Ally continues to aggressively return capital to shareholders.

Investment Risks

- The concentration on auto loans is a concern, if economic conditions continue to weaken
- concerns that year-to-year comparisons in 2022 and 2023 will be very difficult as credit metrics begin to normalize and perhaps deteriorate even further. Additionally, we are concerned that vehicle originations may begin to slow as high inflation and rapidly rising financing costs may stifle demand as consumers cut back on large ticket items.

3-5 takeaways

- Consumer auto originations of \$12.3B | Strong underwriting & risk management capabilities supporting profitable asset growth
- 8.75% estimated retail auto originated yield, +1165bps YoY and 93bps QoQ, demonstrating continued pricing momentum
- Deposits: \$133.9B of retail deposits, \$2.7B QoQ | 2.6M retail depositors | On track for FY retail balance growth

Financial Performance

	2017	2018	2019	2020	2021
Revenue	9,866	10,466	11,618	10,882	10,690
Operating Profit	2,074	2,181	2,719	2,524	3,306
Net Income	929	1,263	1,715	1,085	3,060
Revenue Growth	0.32%	6.08%	11.01%	-6.33%	-1.76%
EBITDA%	63.1%	66.0%	67.2%	57.5%	66.2%
Operating Profit %	21.02%	20.84%	23.40%	23.19%	30.93%
Net Income Margin	10.4%	13.2%	12.4%	10.9%	27.5%
D/E	412.32	408.35	275.76	165.47	100.90
EPS	2.05	2.97	4.36	2.89	8.44
PE Ratio	12.98	7.01	8.37	11.33	5.91
Current Ratio	-	-	-	-	-
RoE	6.93	9.44	12.39	7.45	20.80
RoA	0.56	0.73	0.95	0.60	1.68
Dividend per share	0.40	0.56	0.68	0.76	0.88
FCF	27.0	441.0	27.0	-581.0	-1,078.0

Discounted Cash Flow

	2018-21	2022-31
Avg Revenue Growth	2.2%	1.8%
Avg Gross Margin	24.6%	25.6%
Avg EBITDA Margin	64.2%	54.8%
Avg NOPAT Margin	24.6%	27.4%
Avg FCF Margin	-2.75%	20.0%
Tax Rate		21%
WACC		8%
Perpetuity growth rate		3%

Analyst Opinion

Buy: 11	Sell: 1	Hold: 7
Rating	Target	
S&P NetAdvantage	Hold	27
Bloomberg	Buy	33
Yahoo Finance	Buy	33.34

Financial Performance

Name	Ticker	Mkt Cap. 1	MC to BV	Total	P/S:Y	P/E:Y	P/FCF:Y	P/S:Y	GMV	EBIT/Net	RDEY	ROA:Y
(BSES Best FR)		(USD)		Assets:Y						Sales:Y		
Median		1,996	1.01	2,058	2.00	5.91	9.10	2.00	88.64%	15.69%	24.74%	2.92%
ALLY FINANCIAL INC	ALLY US	7,526	0.74	182,118	1.61	5.91	--	--	1.61	--	20.01%	1.62%
CAPITAL ONE FINANCIAL CORP	COF US	37,720	0.82	432,388	2.00	5.35	5.33	2.00	--	--	21.60%	2.92%
CREDIT ACCEPTANCE CORP	CACC US	5,720	3.62	7,056	5.96	11.43	10.42	5.96	--	--	46.95%	13.33%
SOFI TECHNOLOGIES INC	SOFI US	4,978	0.96	9,188	7.66	--	--	7.66	--	--	--	-5.21%
ONEMAIN HOLDINGS INC	OMH US	4,528	1.50	23,088	1.33	4.63	2.95	1.33	--	--	43.99%	6.45%
INDIUM CORP	INDI US	1,998	0.67	80,816	1.03	5.78	3.14	1.02	--	--	25.02%	0.79%
USPART HOLDINGS INC	USPT US	1,616	2.12	1,828	13.93	105.80	77.12	13.93	--	16.60%	24.46%	11.79%
ENOVA INTERNATIONAL INC	ENVA US	1,168	1.01	2,768	1.23	5.88	3.37	1.23	84.79%	24.20%	26.16%	10.80%
MERIDIANET INC CL A	NRDS US	1,018	3.93	364,100	2.12	--	164.48	2.12	92.49%	10.27%	24.56%	13.59%
ENERGELUX CORP	LC US	922,584	0.88	4,908	2.62	134.33	11.47	2.62	--	--	2.68	0.55%
INTERNATIONAL MONEY EXPRESS	IMXI US	943,484	5.89	340,544	1.34	12.19	9.10	1.34	--	14.78%	43.09%	17.04%

Total Return

Rating	Company	S&P 500	Industry Sect.
YTD	-47.09	-21.95	-14.93
2021	-49.68	-20.18	-17.89
Last 3 years	-19.39	21.29	14.54
Last 5 years	-5.58	43.74	24.53

CSR Characteristics	Company	Peers
ESG Disclosure score	2	1.6
Governance disclosure score	7.37	6.65
Social Disclosure score	1.58	0.92
Environmental disclosure score	0	0

Book Value Analysis

Company	Stock Symbol	Stk. Mkt. Cap. (m)	Revenue 2021 (m)	P/E Ratio	EPS	Current \$	Tangible B/Share	Result
Ally Financial Inc.	ALLY	\$7,829.00	\$8,671.00	4.3x	\$6.01	\$26.07	\$33.66	Undervalued
Credit Acceptance Corporation	CACC	\$5,480.30	\$1,683.40	7.9x	\$54.09	\$424.12	\$117.15	Overvalued
Synchrony	SYF	\$5,480.00	\$9,466.00	4.7x	\$6.88	\$32.41	\$19.87	Overvalued
Discover Financial Services	DFS	\$25,863.90	\$11,869.00	6.22x	\$15.34	\$94.68	\$45.24	Overvalued
Capital One Financial	COF	\$36,942.50	\$32,379.00	4.25x	\$22.98	\$96.25	\$87.84	Overvalued
Sofi Technologies	SOFI	\$4,750.20	\$977.30	-	-\$0.47	\$5.15	\$3.34	Overvalued

* Industry Avg. includes companies listed

Prepared by Team Hartford (Month Day, Year) using Bloomberg, S&P Net Advantage, Morning Star, Yahoo Finance