STELLANTIS

NEUTRAL

Sector: Industrials

Price: Eu17.60 - **Target: Eu18.60**

FY23 Set to Close Positively, but We Remain Cautious Looking at FY24

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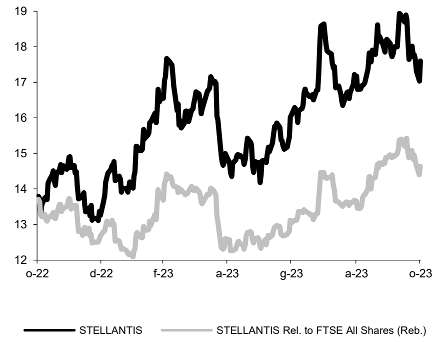
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.5%	1.2%	0.1%

STELLANTIS - 12M Performance



Stock Data			
Reuters code:			STLAM.MI
Bloomberg code:			STLAM IM
Performance	**1M**	**3M**	**12M**
Absolute	-3.3%	-5.6%	28.8%
Relative	-1.4%	1.2%	8.8%
12M (H/L)			18.94/13.12
3M Average Volume (th):			10,366.39

Shareholder Data	
No. of Ord shares (mn):	3,228
Total no. of shares (mn):	3,105
Mkt Cap Ord (Eu mn):	56,805
Total Mkt Cap (Eu mn):	56,805
Mkt Float - Ord (Eu mn):	37,840
Mkt Float (in %):	66.6%
Main Shareholder:	
Exor	14.4%

Balance Sheet Data	
Book Value (Eu mn):	86,607
BVPS (Eu):	27.89
P/BV:	0.6
Net Financial Position (Eu mn):	34,621
Enterprise Value (Eu mn):	20,023

- **3Q23 revenue: slightly above consensus, in line with our forecast.** STLAM reported 3Q23 revenues that were slightly above consensus expectations, but in line with our forecast. Revenues were €45.1bn (our/cons. €44.6/42.4bn), up +7% YoY, driven by higher volumes (+11% vs our +10%), carryover pricing (+4% vs our +4%), partly offset by negative FX (-7% vs our -5%), mix (-3% vs our -4%) and others (+1.6% vs our -1%). By region, North America (+2% YoY, 48% of total) was in line on higher ASP offset by lower volumes; Europe & Middle East (+16%, 38% of total) was better on higher volumes; South America (+8%, 9% of total) was a bit better; APAC and Maserati were both below forecast (-38% and -21%, 2%/1% of total) on lower volumes.
- **Guidance "confirmed".** Guidance for a double-digit margin and positive FCF was confirmed, but even including the UAW strike they still appear very low-hanging fruit given a strong 1H and messages provided during the call.
- **Feedback from the call**
  - **Industrial costs seen neutral in 2H (vs headwind prev. and our €-1.6bn est.) for ~6% positive impact**. The main surprise from the call is the indication that net industrial costs (the bucket where inflation, efficiencies, synergies, warranty and compliance costs are recorded) will be neutral in 2H versus a previous indication of a headwind and our €-1.6bn estimate, driving a positive 6% impact;
  - **UAW strike: €0.75bn or ~3% impact on FY23 estimates.** The strike at the Sterling Heights and Toledo North plants had a combined negative impact of ~50k units, €3bn in revenues and €0.75bn in pre-tax or ~3% at group's level;
  - **UAW contract renewal: similar impact to Ford should translate into ~5% impact.** As ratification of the new contract is still pending, STLAM said the magnitude of labour cost inflation linked to the new UAW contract is comparable to Ford, which indicated $850-900 per vehicle or a 0.6/0.7ppt impact on margins. With ~1.4mn vehicles produced in the US, we estimate a ~5% or 0.6ppt impact on EBIT and EBIT margins;
  - **Market environment becoming tougher.** Despite 2023 end-market outlook being improved from +6% to +8% on the back of better 9M sales in Europe and North America, management said the market environment was becoming tougher. Signals are: i) pricing has held, but at the expense of market share (YTD -0.9pp on a global basis with NA and EU -1.4/-1.7pp); ii) the order book has decreased to ~3 months vs 4 at the end of 2Q while inventories increased to 1.4mn units or 82 days of sales (vs 68/77/75 in 4Q22/1Q/2Q).
- **Change in estimates.** We make minor adjustments to our forecast (+vol, -mix, =price, +ind. costs, -UAW strike) resulting in substantial confirmation of estimates.
- **NEUTRAL and TP confirmed.** STLAM is on track to deliver a strong FY23 on the back of better volumes, but mostly on a much lower impact from inflation net of efficiencies, while pricing has not eroded as we envisaged and mix declined only slightly despite production normalization. Though pricing and inflationary pressure will not materialize as expected in FY23, we believe they may do so going forward as OEMs clear existing backlog and tackle decreasing order intake, higher inventories, and used car prices trending lower in a weaker macro environment. We recognize that the stock continues to trade at an undemanding valuation (~3.0x PE FY23), even on low short-term expectations, but with these risks in the air and the transition to EVs in the background we see no grounds for re-rating. TP and rating confirmed.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	152,119	179,592	193,428	195,954	200,798
EBITDA Adj (Eu mn)	23,999	30,095	33,518	32,870	34,155
Net Profit Adj (Eu mn)	13,346	16,779	18,386	17,670	18,189
EPS New Adj (Eu)	4.235	5.324	5.922	5.691	5.859
EPS Old Adj (Eu)	4.235	5.324	5.895	5.626	5.850
DPS (Eu)	1.040	1.340	1.490	1.432	1.474
EV/EBITDA Adj	1.3	0.6	0.6	0.5	0.3
EV/EBIT Adj	1.7	0.8	0.8	0.7	0.4
P/E Adj	4.2	3.3	3.0	3.1	3.0
Div. Yield	5.9%	7.6%	8.5%	8.1%	8.4%
Net Debt/EBITDA Adj	-0.8	-0.9	-1.0	-1.2	-1.3