

STELLANTIS

Sector: Industrials

NEUTRAL

Price: Eu12.60 - Target: Eu12.80

Some Progress But Still Travelling in a Low Gear

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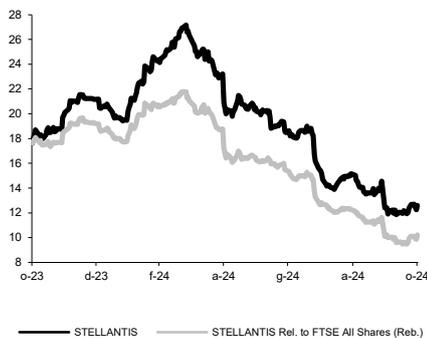
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-1.0%	0.2%	0.2%

STELLANTIS - 12M Performance



Stock Data

Reuters code: STLAM.MI

Bloomberg code: STLAM IM

Performance	1M	3M	12M
Absolute	1.5%	-18.2%	-28.4%
Relative	1.3%	-19.4%	-51.7%
12M (H/L)	27.16/11.86		
3M Average Volume (th):	14,332.18		

Shareholder Data

No. of Ord shares (mn): 2,968

Total no. of shares (mn): 2,968

Mkt Cap Ord (Eu mn): 37,385

Total Mkt Cap (Eu mn): 37,385

Mkt Float - Ord (Eu mn): 25,676

Mkt Float (in %): 68.7%

Main Shareholder:

Exor 15.2%

Balance Sheet Data

Book Value (Eu mn): 79,739

BVPS (Eu): 26.87

P/BV: 0.5

Net Financial Position (Eu mn): 15,046

Enterprise Value (Eu mn): 22,339

While we acknowledge that results contained some positive elements, such as progress on inventories, the confidence expressed by the CFO, the future re-introduction of a Midsize SUV in the US and some EU order momentum, we remain sceptical on the stock. Our concern relates to the effectiveness of new vehicle launches in the US, BEV profitability in Europe and low visibility on performance by “third engine” regions. The election of Trump as US President may lead to looser emissions targets, but short-term risks prevail at this stage, such as a tougher trade stance (i.e. tariffs on the lucrative Mexican production imported to the US). TP confirmed.

■ **3Q24 revenues: in line with forecast, but with some regional differences.** With shipments already disclosed there was little scope for surprises, so revenues of €33.0bn were in line with our estimate/cons. of €32.8/33.1bn. Nevertheless, we note some regional differences in terms of APRU, with Europe stronger buoyed by a shift in the mix from B to C vehicles, but all other regions worse. North America saw a greater impact from incentives to reduce inventories (negative for pricing), Middle East and South America suffered more severe ForEx headwinds, APAC was down on pricing.

■ **2024 guidance: recent revisions confirmed, range remains broad.** The recently provided FY24 guidance was confirmed, pointing to an EBIT margin of 5.5-7.0% and FCF of €-5 to €-10bn. The new CFO argued that the wide range is to avoid handcuffing the new management team to strict targets, as it has only just taken office.

■ **North America: progress on inventories, but questions remain.** US inventories fell further in October to <350k units, -30k/-80k vs. September/June levels. This gave management the confidence to call the end of the de-stocking phase in November, rather than December (target <330k). While this update is clearly positive, we note that: i) sales improved +10% MoM in October, implying a flattish YoY trend, which suggests de-stocking was achieved through production cuts; ii) the result also came about after higher-than-expected incentives, which will burden current pricing/earnings, but also be a drag on future products, in our view; iii) days of sales outstanding still stands at 85 days, and other players such as Ford are also destocking. Pricing will remain above peers, although we expect a decline in FY25. Moreover, we don't expect massive volume benefits from the new products (Dodge Charger, Jeep Wagoneer S, RAM 1500 EV). The Jeep Cherokee (Midsize SUV) has been announced, although the timing is uncertain (2026?). Lastly, a Trump victory in the upcoming US Presidential race poses short-term risks, especially from trade tariffs with Mexico, where STLAM has a significant and lucrative industrial footprint that feeds the US market.

■ **Europe and other regions.** Europe seems to be improving, as the delayed vehicles are now on track to hit the market, with a positive picture painted on reservations for new models. However, we expect the growing share of BEVs to burden profitability. In 3rd engine regions (40% of 2024E EBIT), we note performance trends in the Middle East reversed after the strong 2023, while South America looks solid.

■ **Balance sheet seen “strong” by new CFO.** The new CFO said that despite this year's FCF burn, the balance sheet remains strong, and at this stage there is no need to change the remuneration policy. We believe this provides support to shareholder remuneration, with the high end of the dividend payout range (25-30%) looking more likely.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	179,592	189,544	157,868	165,926	170,937
EBITDA Adj (Eu mn)	30,035	31,390	16,446	18,738	19,645
Net Profit Adj (Eu mn)	18,956	20,111	7,999	7,705	8,476
EPS New Adj (Eu)	5.991	6.420	2.695	2.596	2.856
EPS Old Adj (Eu)	5.991	6.420	2.721	2.590	2.850
DPS (Eu)	1.340	1.550	0.533	0.541	0.714
EV/EBITDA Adj	0.6	0.7	1.4	1.1	0.9
EV/EBIT Adj	0.8	1.0	2.3	2.1	1.6
P/E Adj	2.1	2.0	4.7	4.9	4.4
Div. Yield	10.6%	12.3%	4.2%	4.3%	5.7%
Net Debt/EBITDA Adj	-0.9	-0.9	-0.9	-0.9	-1.0

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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