STELLANTIS

Sector: Industrials

OUTPERFORM

Price: Eu6.11 - **Target: Eu8.50**

Timing Misjudged, Turnaround More Painful but Still Credible

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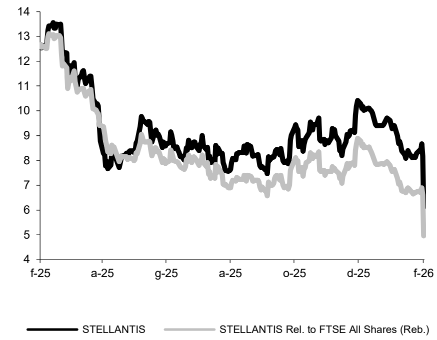
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 12.00 to 8.50
	2026E	**2027E**	**2028E**
Chg in Adj EPS	-28.2%	-23.8%	

Next Event
Results Out 26th of February

STELLANTIS - 12M Performance



Stock Data			
Reuters code:			STLAM.MI
Bloomberg code:			STLAM IM
Performance	**1M**	**3M**	**12M**
Absolute	-35.0%	-30.1%	-51.8%
Relative	-35.4%	-36.7%	-75.4%
12M (H/L)			13.56/6.11
3M Average Volume (th):			26,019.28

Shareholder Data	
No. of Ord shares (mn):	2,883
Total no. of shares (mn):	2,883
Mkt Cap Ord (Eu mn):	17,616
Total Mkt Cap (Eu mn):	17,616
Mkt Float - Ord (Eu mn):	12,098
Mkt Float (in %):	68.7%
Main Shareholder:	
Exor	15.2%

Balance Sheet Data	
Book Value (Eu mn):	58,371
BVPS (Eu):	20.25
P/BV:	0.3
Net Financial Position (Eu mn):	6,992
Enterprise Value (Eu mn):	10,623

Our upgrade in early December proved premature, and we regret the subsequent share price reaction. While we had identified the underlying issues before they materialised, we underestimated the duration of the trough. Weaker-than-expected FY25 results, the scale of impairments, softer FY26 guidance, and the lack of meaningful regulatory support in Europe are clear negatives and may continue to weigh on the stock in the near term.

That said, we remain constructive on the turnaround. Early signals from key operating KPIs point to improving fundamentals, supported by a coherent and pragmatic value-creation strategy. The group has a proven track record of recovering from difficult phases and, in our view, this turnaround is more about restoring historical strengths with better execution and discipline than reinventing the business. We continue to see scope for MSD AOI margins and close to €2bn of FCF as early as 2027. Reflecting lower estimates, we cut our TP to €8.5 from €12.0, still implying meaningful upside from current levels.

The pillars of our investment case remain improved product development, strengthening commercial momentum, gradual margin recovery, and constructive policymaker engagement. Key risks include weaker product reception, intensifying competition, slower progress on quality, adverse regulatory outcomes, and supply-chain constraints.

- **2H25 below expectations.** Revenues of €78/80bn (+10% YoY) exceeded expectations on stronger shipments (+11% YoY vs +8% exp.), but AOI of €-1.2/-1.5bn missed our/cons. €2.0bn. Lower volume/mix, pricing, and FX headwinds were only partly offset by industrial cost relief. Excluding €2.1bn of additional unusual items (on top of €22.2bn), the AOI margin would still have been ~1% vs 2.5% expected. The reported net loss was ~€-19/-21bn. FCF was €-1.4/-1.6bn (vs our/cons. €-1.3/-2.5bn).
- **Large extraordinary charges to reset strategy.** €22.2bn of charges were booked, mainly related to product realignment (66%, product cancellations), warranty provisions (18%, powertrain quality), EV supply-chain resizing (9%, battery plants in NA) and organisational restructuring (6%, workforce reduction in EU). The related €6.5bn cash-out is spread over four years and appears manageable.
- **FY26 guidance below expectations.** FY guidance implies MSD % revenue growth (~€160/163bn), a LSD % AOI margin (adj. EBIT €1.6/4.9bn) and improving FCF vs FY25 (€-4.2bn), still below our/cons. ~€2bn. Margins should improve sequentially, driven by new models (especially in NA), volumes, mix, and cost efficiencies. Pricing is expected to be flat (+NA/-EU), while raw materials and tariffs remain headwinds. FCF should broadly track AOI evolution, with positive FCF achievable above ~2% margins (net of ~€2bn one-offs).
- **Balance sheet protection.** The 2026 dividend has been suspended (vs ~€0.15ps, ~€0.43bn outflow). The BoD has authorised up to €5bn of non-convertible perpetual hybrid bonds to support the investment-grade profile. No capital increase is envisaged, supported by €46bn of liquidity (top end of the 25–30% revenue target range), an improving FCF profile, and a well-staggered debt maturity schedule.
- **Organic turnaround gaining traction despite weaker EU regulation.** NA and EU show improving sell-out, market share and order intake, with momentum expected to build as new models launch. Increasing visibility on hybrid and diesel engines is supportive, while warranty headwinds from past powertrain issues are easing, as reflected in improving quality KPIs. However, the EU regulatory backdrop has deteriorated, with CO_2 changes largely cosmetic, no ICE import duties on China (and potentially lower BEV duties), and no progress on local content rules.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	156,878	153,470	162,167	171,960	173,359
EBITDA Adj (Eu mn)	15,340	6,000	9,562	13,095	15,073
Net Profit Adj (Eu mn)	7,369	-992	3,487	5,762	6,907
EPS New Adj (Eu)	2.476	-0.344	1.210	1.999	2.396
EPS Old Adj (Eu)	2.476	0.675	1.686	2.623	
DPS (Eu)	0.680	0.000	0.302	0.500	0.599
EV/EBITDA Adj	2.5	3.2	1.1	0.7	0.6
EV/EBIT Adj	4.5	nm	2.5	1.3	0.9
P/E Adj	2.5	nm	5.1	3.1	2.6
Div. Yield	11.1%	0.0%	4.9%	8.2%	9.8%
Net Debt/EBITDA Adj	-1.0	-1.4	-0.7	-0.6	-0.6

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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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIB40 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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As at 9 February 2026 Intermonte's Research Department covered 133 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.33%
OUTPERFORM:	37.59%
NEUTRAL:	29.33%
UNDERPERFORM:	00.75%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (72 in total) is as follows:

BUY:	54.17%
OUTPERFORM:	31.94%
NEUTRAL:	12.50%
UNDERPERFORM:	01.39%
SELL:	00.00%

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