Milan, 14 April 2025

Italian Equity Research – 1Q25 Preview

STELLANTIS

Sector: Industrials

NEUTRAL

Price: Eu7.67 - **Target: Eu8.50**

Weak Start of the Year as Spectre of US Tariffs Rears its Head

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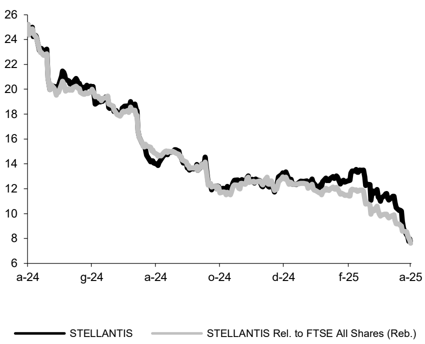
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 13.50 to 8.50
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-35.1%	-34.2%	-33.9%

Next Event

1Q25 Revenue Out 30th April

STELLANTIS - 12M Performance



Stock Data			
Reuters code:			STLAM.MI
Bloomberg code:			STLAM IM
Performance	**1M**	**3M**	**12M**
Absolute	-32.3%	-37.5%	-69.6%
Relative	-22.8%	-34.5%	-70.2%
12M (H/L)			25.00/7.67
3M Average Volume (th):			21,312.07

Shareholder Data	
No. of Ord shares (mn):	2,976
Total no. of shares (mn):	2,976
Mkt Cap Ord (Eu mn):	22,816
Total Mkt Cap (Eu mn):	22,816
Mkt Float - Ord (Eu mn):	15,670
Mkt Float (in %):	68.7%
Main Shareholder:	
Exor	15.2%

Balance Sheet Data	
Book Value (Eu mn):	83,505
BVPS (Eu):	28.06
P/BV:	0.3
Net Financial Position (Eu mn):	12,964
Enterprise Value (Eu mn):	9,852

The year started poorly, with shipments down 9% YoY on weak commercial performance, pointing to a drop of over 15% in 1Q25 revenues. On top of our concerns on the turnaround, where new models are offering little respite, the spectre of US tariffs has reared its head, posing a significant challenge for US activity. In this report we take a deep dive into the issue, showing that: i) STLAM has no clear edge over peers despite its local presence in the US, as tariffs are imposed across the supply chain with only US-made content exempt; ii) industry operations are only viable with a full pass-through of costs, but initial reactions aren't bullish. We are slashing our estimates to reflect both the impact of US tariffs, with a near full pass-through scenario, and also lower organic forecasts. Our target price goes to €8.5 from €13.5 (-37%). NEUTRAL.

- **Application of US tariffs across the vehicle supply chain may drive double-digit price hikes.** While overall import tariffs have been limited to 10%, the US has confirmed the 25% rate for the auto sector. The tariff took effect on 3 April on all light vehicle and parts imported from non-USMCA countries (i.e. not from Mexico and Canada). USMCA products are currently exempt, but as of 3 May they will be subject to a 25% rate on non-US content. We estimate companies will need to offset a low double-digit cost increase.
- **High exposure, low margins and supply chain make US tariffs hard to manage.** High US exposure (~38% for STLAM), low profitability and the supply chain structure make tariffs hard to absorb for the whole industry, and STLAM in particular. Despite ~60% of products sold in the US being assembled locally, STLAM is unlikely to have a clear edge over peers, as we presume suppliers are common to all manufacturers. Assuming 47% of US sales costs are exempt, STLAM's tariff bill could reach ~€7.5bn, swallowing nearly all the group's adj. EBIT. Even optimistically assuming production of imported vehicles could be shifted to the US on the same terms, the tariff bill would be cut by less than 20%.
- **Tariff survival hinges on pricing power.** Our analysis shows OEMs can only stay afloat with a full pass-through of tariffs, although US margins would fall to low single-digit - half the pre-tariff level - due to lower volumes (assuming 1x demand elasticity). Without at least 50% pass-through and tangible cost cutting (>2% of revenue), US operations would run deep losses. German OEMs with less US exposure could fare better, while US and Asian face severe hits: the three group would see hits of ~35/90%/70% of their global EBIT respectively.
- **Industry reaction: signs of pressure but with limited commitments, cuts to foreign production.** Initial industry reactions show some degree of pricing pressure, with STLAM among automakers with a combined market share of 46% offering discounts or keeping prices stable (hence absorbing the tariff). These look like short-term marketing tactics, however, and may prove unsustainable beyond May. On the production side, STLAM has halted operations in MX and CA and laid off ~0.9k temporary workers (~2% of its US workforce). 20% of peers have taken similar actions, while only 11% have announced plans to increase US production, mostly over the medium term.
- **Change in estimates.** We are cutting our FY25-27 forecasts by ~34% on average, 66% to reflect the total tariff effect and 33% for lower organic estimates. On tariffs, we embrace a near full pass-through scenario and 1x demand elasticity, with the ~€2.2bn impact including negative operating leverage from lower volumes. Organically, we are cutting estimates by 15% on average on a weak 1Q25 and lower 2H prospects. For FY25, we now model a -3% YoY drop in revenues to €152bn, EBIT of €6.2bn (4.1% margin) and FCF of €-0.1bn (ex-tariffs: -1% to €155bn, €7.5bn for a 4.8% margin and €1.1bn respectively).

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	189,544	156,878	152,027	156,502	161,219
EBITDA Adj (Eu mn)	31,390	15,340	13,005	13,710	14,405
Net Profit Adj (Eu mn)	20,111	7,369	4,698	5,311	5,609
EPS New Adj (Eu)	6.420	2.476	1.579	1.785	1.885
EPS Old Adj (Eu)	6.420	2.476	2.434	2.713	2.852
DPS (Eu)	1.550	0.680	0.395	0.446	0.471
EV/EBITDA Adj	0.7	2.5	0.8	0.7	0.5
EV/EBIT Adj	1.0	4.5	1.6	1.4	1.2
P/E Adj	1.2	3.1	4.9	4.3	4.1
Div. Yield	20.2%	8.9%	5.1%	5.8%	6.1%
Net Debt/EBITDA Adj	-0.9	-1.0	-1.0	-1.0	-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&PMIB40 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 of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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