Intermonte

Milan, 15 July 2024

Italian Equity Research – 1H24 Preview

STELLANTIS

NEUTRAL

Sector: Industrials

Price: Eu18.64 - **Target: Eu20.10**

Weak 1H expected; US Inventory Glut Calls for Caution

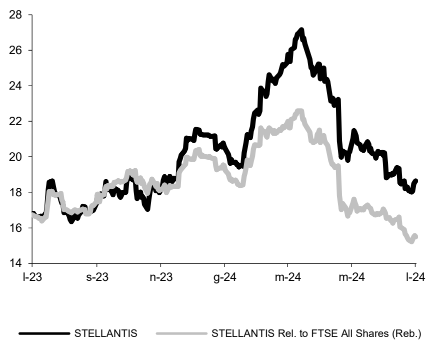
Gianluca Bertuzzo +39-02-77115.429
gianluca.bertuzzo@intermonte.it
Alberto Villa: +39-02-77115.431
alberto.villa@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 21.10 to 20.10
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-3.2%	-4.2%	-2.8%

Next Event

1H24 Results Out 25th of July

STELLANTIS - 12M Performance



Stock Data			
Reuters code:			STLAM.MI
Bloomberg code:			STLAM IM
Performance	**1M**	**3M**	**12M**
Absolute	-7.8%	-23.6%	11.4%
Relative	-8.6%	-26.2%	-9.0%
12M (H/L)			27.16/16.35
3M Average Volume (th):			10,205.76

Shareholder Data	
No. of Ord shares (mn):	3,042
Total no. of shares (mn):	3,042
Mkt Cap Ord (Eu mn):	56,711
Total Mkt Cap (Eu mn):	56,711
Mkt Float - Ord (Eu mn):	37,778
Mkt Float (in %):	66.6%
Main Shareholder:	
Exor	14.4%

Balance Sheet Data	
Book Value (Eu mn):	88,219
BVPS (Eu):	29.00
P/BV:	0.6
Net Financial Position (Eu mn):	29,833
Enterprise Value (Eu mn):	26,879

- **1H24 preview: revenue/EBIT down -12/-35% YoY and minimal FCF.** We expect 1H24 results to be weak on the back of negative commercial figures and ongoing destocking efforts. We forecast revenues at €86.5bn (vs. cons at €87.6bn), down -12% YoY mainly due to Vol&mix (-12%) and negative FX effect (-2%), while pricing is seen marginally positive (+1%, but neutral in 2Q). All regions are seen declining YoY with the main burden attributable to North America (-18%) where sell-out was down -20% in 2Q on high inventory, while pricing in Europe seems to be under more pressure due to competition, especially in the EV space. Adj. EBIT is seen at €9.1bn, down -35% YoY, with profitability at 10.4% (toward the bottom end of management guidance of 10-11%), losing ~4ppts YoY on the back of negative vol&mix, while cost deflation and pricing offer very little relief. FCF is expected to be relatively minimal at €0.6bn, burdened by lower operating results, NWC absorption (incl. reversal of sales incentives to dealers), and front-loaded CapEx. Industrial NFP seen at €23.4bn, down -€6.1bn compared to FY23 due to dividend payments and buyback programs for a total of €6.7bn.
- **Expecting reiteration of guidance, but no surprise.** We expect confirmation of the double-digit EBIT margin and positive FCF guidance, as they represent low-hanging fruit looking at the FY23 EBIT margin of 12.8% and FCF of €12.9bn. Some recovery is expected to come in 2H24 on the back of new vehicle launches, an improved inventory position in Europe, and cost reduction plans. However, we note the risks pertaining to the slower roll-out of new vehicles and the high stock level in North America. FCF is expected to improve compared to 1H because of more favourable NWC dynamics, and lower R&D and CapEx.
- **Weak situation in North America.** According to market data, in the United States used car prices are declining (-4% YTD and -24% since 2022 highs) and inventories are steadily rising, crossing the 3mn unit mark, thus close to pre-covid levels. In particular, we note STLAM is the carmaker with the highest days of supply at 181 vs the industry average of 113. To solve the situation, we note STLAM announced a $2k cash-back bonus (~4% of ARPU in North America) on vehicles sitting on dealers' lots. In our view, this situation calls for caution as it signals a deteriorating market.
- **Change in estimates.** We are cutting our FY24-26 EPS by ~3/4% per year due to lower vol&mix, partly offset by lower cost inflation/higher cost-cutting benefits. Overall, we assume revenues down -7% in FY24, mainly burdened by North American shipments (-12% YoY), and adj. EBIT to decrease -22% YoY.
- **NEUTRAL; TP at €20.10.** While consensus forecasts and the stock price seem to already incorporate deteriorating fundamentals (YTD: FY24E EBIT -13%, total return -6%), we see issues underlying our cautious view that have not yet been solved, starting from high inventory in the US (55% of EBIT). High inventory is of particular concern given its negative repercussions on pricing of both new and used cars, potentially impairing brand equity, and on the launch of new vehicles as dealers still have to clear inventory of older versions in the face of decreasing market appetite. We therefore confirm our NEUTRAL recommendation and cut our TP to €20.1 in light of lower estimates.

Key Figures & Ratios	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales (Eu mn)	179,592	189,544	176,772	182,111	187,611
EBITDA Adj (Eu mn)	30,095	31,856	26,583	28,445	29,555
Net Profit Adj (Eu mn)	18,956	20,111	14,558	15,186	16,025
EPS New Adj (Eu)	5.991	6.420	4.785	4.991	5.267
EPS Old Adj (Eu)	5.991	6.420	4.945	5.210	5.417
DPS (Eu)	1.340	1.550	1.360	1.459	1.580
EV/EBITDA Adj	0.6	0.7	1.0	0.8	0.4
EV/EBIT Adj	0.8	1.0	1.4	1.1	0.6
P/E Adj	3.1	2.9	3.9	3.7	3.5
Div. Yield	7.2%	8.3%	7.3%	7.8%	8.5%
Net Debt/EBITDA Adj	-0.9	-0.9	-1.1	-1.2	-1.5

DISCLAIMER (for more details go to DISCLAIMER)

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.
This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.
The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.
This disclaimer is constantly updated on Intermonte's website www.intermonte.it under LEGAL INFORMATION. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question. For a list of all recommendations made by Intermonte on any financial instrument or issuer in the last twelve months consult the PERFORMANCE web page.
Intermonte distributes research and engages in other approved activities with respect to Major U.S. Institutional Investors ("Majors") and other Qualified Institutional Buyers ("QIBs"), in the United States, via Plural Securities LLC under SEC 15a-6 guidelines. Intermonte is not registered as a broker dealer in the United States under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is not a member of the Securities Investor Protection Corporation ("SIPC"). Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.
The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.
Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.
The analyst responsible for the report is not a) a resident of US; b) an associated person of a U.S. broker-dealer; c) supervised by a supervisory principal of a U.S. broker-dealer. This Research Report is distributed in the U.S. through Plural Securities LLC, 950 3rd Ave, Suite 1702, NY 10022, USA.

GUIDE TO FUNDAMENTAL RESEARCH

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.
Explanation of our ratings system:
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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.
As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:
Intermonte is acting as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.
Intermonte is acting as financial advisor to Eagle S.p.A. and intermediary responsible for coordinating the collection of sale requests in relation to the sell-out procedure on Greenthesis S.p.A.
Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambienthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.
Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.
Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, DHH, El.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, Go Internet, GPI, Greenthesis (formerly Ambienthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luve, Matica Fintec, Mondadori, Notorious Pictures, Omer, Pharmanutra, Reevo, Relatech, Reply, Revo Insurance, Reway, Sababa Security, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.
Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.
Intermonte SIM performes as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.
Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider on the following companies: Abitare In, Alkemy, Allcore, Almawave, Banca Sistema, Bifire S.P.A., B&C Speakers, Casta Diva Group, Cleanbnb, Cofle, Crowdfundme, Cube Labs, Cy4gate, Cyberoo, Digital Bros, Digital Magics, Digitouch, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Energy, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, High Quality Food, Ikonisys, Intercos, Intred, ISCC Fintech, Lventure Group, Maps Group, Masi Agricola, Matica Fintec, Neodecortech, Notorious Pictures, Olidata, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, SG Company, Solid World Group, Spindox Digital Soul, Talea, Tamburi, Tesmec, Tinexta, TMP Group, Tps Group, Trendevice, Ulisse Biomed, Wiit.
Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website MiFID
Further information is available