

STELLANTIS

Sector: Industrials

NEUTRAL

Price: Eu23.87 - Target: Eu23.70

2H23 Results in Line; Industry Comments Support Higher FY24 Consensus

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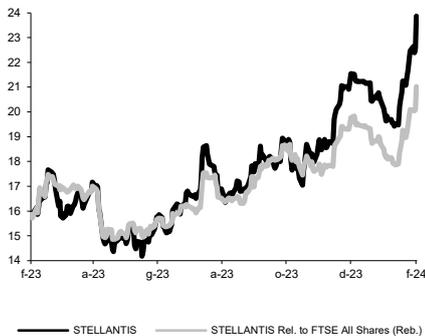
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 18.60 to 23.70		
	2024E	2025E	2026E
Chg in Adj EPS	3.6%	1.8%	

STELLANTIS - 12M Performance



Stock Data

Reuters code:	STLAM.MI		
Bloomberg code:	STLAM IM		
Performance	1M	3M	12M
Absolute	18.5%	26.4%	50.4%
Relative	14.3%	18.9%	36.9%
12M (H/L)	23.87/14.18		
3M Average Volume (th):	8,265.57		

Shareholder Data

No. of Ord shares (mn):	3,132
Total no. of shares (mn):	3,069
Mkt Cap Ord (Eu mn):	74,772
Total Mkt Cap (Eu mn):	74,772
Mkt Float - Ord (Eu mn):	49,808
Mkt Float (in %):	66.6%
Main Shareholder:	
Exor	14.4%

Balance Sheet Data

Book Value (Eu mn):	94,744
BVPS (Eu):	30.88
P/BV:	0.8
Net Financial Position (Eu mn):	33,953
Enterprise Value (Eu mn):	39,296

■ **2H23 results consistent with expectations.** STLAM reported revenues of €91.2bn, in line with consensus and flat YoY as positive volumes (+4%), price (+2%) and others (+2%) were offset by negative ForEx (-6%) and mix (-3%). Adj. EBIT was €10.2bn, vs. our/cons. €10.7/10.1bn, -10% YoY for an 11.2% margin, -1.1pp YoY. Looking at the bridge, the impact of industrial costs was positive, confounding negative expectations, thanks to purchasing efficiencies and despite the UAW strike, offsetting more negative Vol&Mix (higher share of BEVs and lower North America) and ForEx headwinds (TRY, USD and ARS). FCF was €4.2bn vs. our/cons. €4.4/3.7bn. Net cash, including dividends and buybacks of €1.6bn and a €1.4bn cash-out for 21% of Leapmotor, closed at €29.5bn (15.6% of sales vs 14.3% as YE22). Inventories increased to 1.46mn (~86 days of sales) from 1.39mn at 3Q and 1.07mn at FY22, but management doesn't expect significant further growth.

■ **Shareholder remuneration at ~10.8% of pre-event market cap.** Management proposed a DPS of €1.55, up +16% YoY, and implying a 26%/24% payout on reported and adjusted EPS (payout policy range 25%-30%). At the same time, a €3.0bn open market buyback was announced vs. €1.5bn in 2023. This equates to a payout of ~11% of the pre-event market cap.

■ **2024 guidance: not indicative, but enough to support a small increase in consensus.** Investors hoping for more precise guidance were left empty handed as STLAM reiterated its undemanding (and not really indicative) guidance for a double-digit EBIT margin and positive FCF; FY23 closed at 12.8% and €12.8bn respectively. With a macro environment that according to management enables revenue "to grow" and discounting peer indications pointing to relatively stable EBIT and margins, we see scope for mid-single-digit upgrades to consensus estimates, bringing them more in line with our forecast. In brief, we expect: revenue of €193.5bn, up +2% YoY on the back of slight volume growth (+2%), mix at +1%, driven by higher BEVs, and positive others offsetting negative pricing and marginally negative ForEx; adj. EBIT at €23.9bn, -2% YoY with volumes offsetting mix given higher BEV shipments and negative pricing offset by lower industrial costs and savings; FCF at €12.2bn with negative NWC, as the company is working to bring it back to a neutral position (from negative historically); CapEx of ~€10.9bn.

■ **Change in estimates.** We are making small adjustments to our estimates, with a better relationship between industrial cost and pricing only partly offset by a more negative mix. Our adj. EPS increases by 2%.

■ **NEUTRAL; target to €23.7.** STLAM's 2H23 results were consistent with expectations despite industry headwinds thanks to strong performance on industrial costs. On 2024, despite imprecise guidance we believe consensus has scope for a mid-single-digit increase considering a macro backdrop that according to management enables revenue "to grow" and peer indications pointing to relatively stable EBIT and margins. The reasons for our NEUTRAL stance (i.e. lower pricing and higher inflation biting into profitability) are not materialising, but the low upside to our updated TP of €23.7 (from €18.6 - mainly roll-over effect) leads us to confirm our rating.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	179,592	189,544	193,468	198,995	199,222
EBITDA Adj (Eu mn)	30,789	31,856	31,528	32,349	32,653
Net Profit Adj (Eu mn)	18,956	20,111	18,100	17,916	18,153
EPS New Adj (Eu)	5.991	6.420	5.898	5.962	6.041
EPS Old Adj (Eu)	5.324	5.922	5.691	5.859	
DPS (Eu)	1.340	1.550	1.540	1.557	1.577
EV/EBITDA Adj	0.6	0.7	1.2	0.9	0.5
EV/EBIT Adj	0.8	1.0	1.6	1.2	0.7
P/E Adj	4.0	3.7	4.0	4.0	4.0
Div. Yield	5.6%	6.5%	6.5%	6.5%	6.6%
Net Debt/EBITDA Adj	-0.8	-0.9	-1.1	-1.4	-1.7