STELLANTIS

NEUTRAL

Sector: Industrials

Price: Eu16.67 - **Target: Eu18.30**

1H24 Even Weaker; Challenges Remain, Doubts Over DD Margins

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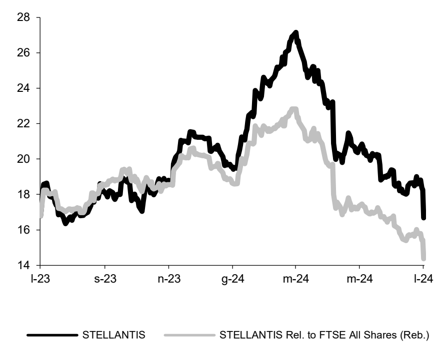
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 20.10 to 18.30
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-4.9%	-6.7%	-7.7%

STELLANTIS - 12M Performance



Stock Data			
Reuters code:			STLAM.MI
Bloomberg code:			STLAM IM
Performance	**1M**	**3M**	**12M**
Absolute	-13.9%	-27.2%	-0.7%
Relative	-14.1%	-26.9%	-16.8%
12M (H/L)			27.16/16.35
3M Average Volume (th):			10,346.40

Shareholder Data	
No. of Ord shares (mn):	3,007
Total no. of shares (mn):	3,007
Mkt Cap Ord (Eu mn):	50,141
Total Mkt Cap (Eu mn):	50,141
Mkt Float - Ord (Eu mn):	33,401
Mkt Float (in %):	66.6%
Main Shareholder:	
Exor	14.4%

Balance Sheet Data	
Book Value (Eu mn):	86,102
BVPS (Eu):	28.63
P/BV:	0.6
Net Financial Position (Eu mn):	26,486
Enterprise Value (Eu mn):	23,656

- **1H24 results: even worse than feared.** Despite the warning issued at the presentation of 1Q revenues, STLAM reported even weaker results than expected on the back of poor commercial results and de-stocking efforts on a tough comparison base after last year's restocking. Revenues were €85.0bn (vs. our/cons. €86.5/86.7mn), down -14% YoY, with Vol&Mix -12%, Price +1% (-1% in 2Q) and ForEx & Others at -3%. By region, Europe was lower than expected due to a more negative Price&Mix, while North America was slightly better but this was thanks to higher volumes leading to a further increase in dealers' inventories. Adj. EBIT was €8.5bn (vs. our/cons. €9.1/8.9bn), down -40%, for a 10.0% margin (bottom end of 10-11% guidance range). Looking at the bridge, ForEx & Others (€-1.5bn vs. €-0.3bn), Industrial costs (€-0.2bn vs. €+0.7bn) and Price (€0.5bn vs. €1.2bn) were worse than expected, only partly offset by better Vol&Mix (€-4.7bn vs. €-6.4bn) and R&D/SG&A (€+0.2bn vs. €-0.2bn). FCF was negative at €-0.4bn vs. our/cons. €0.6/2.5bn, on the back of lower operating results due to higher CapEx. Net cash declined to €22.2bn vs. €29.5bn after the payment of €6.7bn to shareholders.
- **Double digit margin guidance looking shaky, no commitment on FCF floor.** The "broad" guidance for a double-digit EBIT margin and positive FCF was confirmed. However, while margin guidance was seen as "low hanging fruit" at the start of the year in light of the 13% achieved in 2023, it now does not look particularly achievable. Indeed, i) the tailwind coming from new vehicle launches could be hindered by ongoing demand deterioration; ii) the high inventories in North America and the need to de-stock will continue to burden Vol&Mix; iii) the benefits from cost cutting (€0.5bn) and the lack of a repeat of the UAW strike in North America (€0.7bn) would be wiped out by a ~1% cut in prices. Our 2H EBIT estimate assumes a 2% price reduction due to pressures to reduce stock in North America leading to a 10.0% margin. On FCF, management didn't commit to figures above €0, suggesting a volatile situation.
- **Change in estimates.** We are cutting our EBIT forecast by -10% as we change our 2H assumption, now featuring lower shipments in North America, and reduced shipments and ARPU in Europe, partly offset by higher cost efficiencies. Our EPS cut is less severe due to better net financial income on cash investments visible in 1H.
- **NEUTRAL; target €18.3.** Despite the warning issued in the last few months, 1H24 proved even weaker than expected, afflicted by disappointing commercial results and ongoing de-stocking efforts. Our investment case (summarised below) is playing out, but with key issues still unresolved, starting from high inventory levels in North America, and newsflow that is not expected to improve, we are sticking to our rating. Our NEUTRAL recommendation comes in light of risks from: the challenging 2023 comparison base due to last year's numbers being helped by re-stocking, the high inventory situation in North America ahead of the launch of new models, high current pricing in a normalised demand/supply market and increased competition, especially on EVs. TP cut to €18.3 from €20.1 on the back of lower estimates.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	179,592	189,544	170,245	175,386	180,683
EBITDA Adj (Eu mn)	30,035	31,390	23,973	26,372	27,577
Net Profit Adj (Eu mn)	18,956	20,111	13,686	14,003	14,612
EPS New Adj (Eu)	5.991	6.420	4.551	4.657	4.859
EPS Old Adj (Eu)	5.991	6.420	4.785	4.991	5.267
DPS (Eu)	1.340	1.550	1.161	1.301	1.458
EV/EBITDA Adj	0.6	0.7	1.0	0.8	0.4
EV/EBIT Adj	0.8	1.0	1.4	1.1	0.7
P/E Adj	2.8	2.6	3.7	3.6	3.4
Div. Yield	8.0%	9.3%	7.0%	7.8%	8.7%
Net Debt/EBITDA Adj	-0.9	-0.9	-1.1	-1.1	-1.4

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- 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)

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Frequency of research: quarterly.
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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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OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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