

## Stellantis NV

## Market share a key focus for '24

Reiterate Rating: BUY | PO: 25.00 EUR | Price: 23.87 EUR

## Earnings in-line, FCF &amp; buy-back ahead of expectation

H2 revenues of €91.2bn (cons: €91.7bn; BofAe: €91.8bn) and adjusted operating income (AOI) of €10.2bn (cons: €10.1bn; BofAe: €11.0bn) were broadly in-line, with consensus but FY Industrial FCF of €12.9bn beat by c3% (cons: €12.5bn; BofAe: €12.8bn). Shareholders were rewarded with a dividend of €1.55/sh (cons: €1.37; BofAe: €1.66) and a share buy-back of €3bn was announced, above our expectation for €2.5bn and +€1.5bn vs 2023. H2's AOI margin of 11.2% (cons: 11%; BofAe: 12%), included a negative €1.1bn (-1.2%) impact from UAW strikes. Industrial costs provided a €514m tailwind which should continue into 1H'24. In Q4, volumes declined by 7%y/y, forex detracted 7.1% and pricing faded to +0.6%, while mix was the only favourable factor at +4.6%. Net industrial cash remained flat vs 1H'23 at c€29.5bn (c40% of market cap). New vehicle inventories stood at 1.46m units (company: 331k; dealers: 1.13m), up from 1.39m at 3Q'23, while the orderbook remained stable vs. 3Q'23 at 3 months.

## Guide vague and cautious: "headwinds outweigh tailwinds"

Guidance metrics remain vague for a "double-digit operating margin" and "positive FCF", but some steer was provided on key puts including: raw materials (c€1bn), non-repeat of UAW strike impacts (€1.1bn) and efficiency measures (BofAe: €1.0bn). These are however expected to be overshadowed by negative pricing, labour costs and higher BEV sales. Management alluded to volume growth and further cost actions which could help sustain the '23 EBIT level. Comments also suggested that AOI in N. America and the "3<sup>rd</sup> engine" (EMs) could be flat/up y/y, implying a more cautious stance on Europe. This seems at odds with the positive expected impacts from new LCV launches and Renault's confidence on pricing ("slightly positive"), suggesting conservatism. That said, vehicle inventories are back at pre-pandemic levels (sales adjusted), and Stellantis aims for no further increases. Accordingly, volume growth will have to be driven by retail sales, making monthly sales data more relevant in '24. With a number of new model launches staggered through the year, this should be possible (BofAe: c2.3%y/y). Our unchanged AOI forecast of €24.3bn is flat y/y and remains c15% above Visible Alpha consensus.

## Valuation undemanding, shareholder remuneration upside

While Stellantis has re-rated to a 1yr fwd P/E of c4.5x, it still trades at a c35% discount to US peer Ford. Share buy-backs for €3bn and likely repurchase of the remaining Dongfeng stake should see this unwind to c4.2x. A dividend yield of c8% and a further expected step-up in shareholder remuneration are strong underpins. We think the market will continue to be surprised by earnings resilience in '24 and still expect consensus upgrades. We envisage further recurring buy backs of €3.5-4.0bn to be announced at the CMD on Jun 13<sup>th</sup> and see scope for dividends to rise: 1) by €0.33-0.66cps; 2) in frequency (bi-annual and later, quarterly); and 3) potentially shift to a stable/progressive policy. Our Price Objective is unchanged at €25/sh implying a potential 12 month return of c13% (capital 5%; dividend 8%). Accordingly, we retain our Buy rating.

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**Refer to important disclosures on page 4 to 7. Analyst Certification on page 3. Price Objective Basis/Risk on page 3.**

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## Stock Data

Price (Common / ADR)	23.87 EUR / 25.99 USD
Price Objective	25.00 EUR / 27.00 USD
Date Established	13-Dec-2023 / 13-Dec-2023
Investment Opinion	B-1-7 / B-1-7
52-Week Range	14.15 EUR-23.92 EUR
Market Value (mn)	74,954 EUR
Shares Outstanding (mn)	3,140.1 / 3,140.1
Average Daily Value (mn)	204.01 USD
Free Float	64.9%
BofA Ticker / Exchange	XVWGF / MIL
BofA Ticker / Exchange	STLA / NYS
Bloomberg / Reuters	STLAM IM / STLAM.MI
ROE (2023E)	24.8%
Net Dbt to Eqty (Dec-2022A)	-32.1%
ESGMeter™	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

## Recent company reports

Title: Subtitle	Author	Date
<a href="#">Stellantis NV: Model cycle inflects in '24</a>	Michael Jacks, CFA	13 December 2023
<a href="#">Stellantis NV: Stellantis CFO in New York</a>	Michael Jacks, CFA	29 November 2023
<a href="#">Stellantis NV: Still more earnings upside for FY23</a>	Michael Jacks, CFA	01 November 2023
<a href="#">Stellantis NV: An LCV surprise to kick off 2024</a>	Michael Jacks, CFA	25 October 2023
<a href="#">Stellantis NV: Fit for '55' Upgrade to Buy.</a>	Michael Jacks, CFA	12 July 2023

# Stellantis financial results summary

## Exhibit 1: Stellantis detailed financial outlook (EURm)

2H'23 revenue of €90.96bn (VA cons: €92bn; BofAe: €91.8bn) and adjusted operating income (AOI) of €10.2bn in line with VA cons.

EURm	FY 2022	H1 23	H2 23a	H2 23e	H2 23e VA cons	FY2023 a	FY 2023e	FY23e VA cons	FY 2024e	FY24e VA cons	BofA vs Cons.	FY 2025e	FY25e VA cons
<b>Consolidated shipments</b>	<b>5,782</b>	<b>3,202</b>	<b>2,966</b>	<b>2,943</b>	<b>3,009</b>	<b>6,168</b>	<b>6,145</b>	<b>6,233</b>	<b>6,290</b>	<b>6,405</b>	<b>-1.8%</b>	<b>6,575</b>	<b>6,640</b>
y-o-y change %	-1.5%	9.7%	4.0%	5.4%	1.3%	6.0%	7.6%	7.8%	2.3%	2.8%		3.9%	3.7%
<b>Group Revenues</b>	<b>179,592</b>	<b>98,368</b>	<b>91,176</b>	<b>91,779</b>	<b>92,089</b>	<b>189,544</b>	<b>190,147</b>	<b>190,201</b>	<b>187,540</b>	<b>190,249</b>	<b>-1.4%</b>	<b>197,207</b>	<b>197,717</b>
change y-o-y (%)	18.0%	11.8%	-0.5%	0.2%	0.5%	6.0%	5.9%	5.9%	-1.4%	0.0%		5.2%	3.9%
<b>Adjusted EBIT</b>	<b>23,323</b>	<b>14,126</b>	<b>10,217</b>	<b>11,017</b>	<b>10,264</b>	<b>24,343</b>	<b>25,143</b>	<b>24,187</b>	<b>24,356</b>	<b>21,259</b>	<b>14.6%</b>	<b>23,690</b>	<b>21,425</b>
% of sales	13.0%	14.4%	11.2%	12.0%	11.1%	12.8%	13.2%	12.7%	13.0%	11.2%		12.0%	10.8%
Special items	-3,303	-530	-1,382	-348	-471	-1,967	-878	-1,006	-750	-475	57.7%	-650	-593
<b>Reported EBIT</b>	<b>20,020</b>	<b>13,596</b>	<b>8,835</b>	<b>10,669</b>	<b>9,794</b>	<b>22,376</b>	<b>24,265</b>	<b>23,182</b>	<b>23,606</b>	<b>20,784</b>	<b>13.6%</b>	<b>23,040</b>	<b>20,832</b>
Group profit (loss)	16,779	10,918	7,707	8,573	7,111	18,625	19,492	18,076	18,139	15,637	16.0%	17,055	15,763
<b>EPS (adj. diluted)</b>	<b>5.31</b>	<b>3.45</b>	<b>2.49</b>	<b>2.78</b>	<b>2.36</b>	<b>5.94</b>	<b>6.25</b>	<b>5.82</b>	<b>6.02</b>	<b>5.19</b>	<b>15.9%</b>	<b>5.66</b>	<b>5.25</b>
<b>DPS (EUR)</b>	<b>1.34</b>				<b>0.00</b>	<b>1.55</b>	<b>1.66</b>	<b>1.37</b>	<b>1.82</b>	<b>1.47</b>	<b>23.3%</b>	<b>1.82</b>	<b>1.47</b>
Free cash flow	9,428	8,655	4,203	5,376	3,312	12,858	12,853	12,595	11,116	11,409	-2.6%	8,604	11,174
Net financial position	25,705	29,797	29,487	32,444		29,487	32,444		38,440			41,600	
<b>Divisions (EURm)</b>													
<b>North America</b>													
Shipments	1,861,000	1,023,000	880,000	898,387	899,079	1,903,000	1,921,387	1,917,974	1,865,762	1,937,543	-3.7%	2,081,087	2,028,276
y-o-y change %	5%	7%	-2%	0%	-0.3%	2%	3%	3.1%	-2.9%	1.0%		12%	5%
Revenues	85,475	45,916	40,584	41,221	41,085	86,500	87,137	86,710	80,974	85,054	-4.8%	89,763	88,740
y-o-y change %	23%	8%	-6%	-4%	-4.5%		2%	1.4%	-7%	-2%		11%	4%
<b>Adj EBIT</b>	<b>13,989</b>	<b>8,027</b>	<b>5,271</b>	<b>5,243</b>	<b>5,340</b>	<b>13,298</b>	<b>13,270</b>	<b>13,283</b>	<b>11,483</b>	<b>11,529</b>	<b>-0.4%</b>	<b>12,183</b>	<b>11,456</b>
% margin	16.4%	17.5%	13.0%	12.7%	13.0%	15.4%	15.2%	15.3%	14.2%	13.6%		13.6%	12.9%
<b>Enlarged Europe</b>													
Shipments	2,626,000	1,478,000	1,336,000	1,334,991	1,323,008	2,814,000	2,812,991	2,805,869	3,012,112	2,885,643	4.4%	3,045,332	2,957,281
y-o-y change %	-8%	8.5%	6%	6%	4.7%	7%	7.1%	6.8%	7%	3%		1%	2%
Revenues	63,311	34,861	31,737	32,897	32,508	66,598	67,758	67,502	71,687	68,507	4.6%	71,097	70,296
y-o-y change %	7%	11%	-1%	3%	1.6%		7%	6.6%	6%	1%		-1%	3%
<b>Adj EBIT</b>	<b>6,293</b>	<b>3,725</b>	<b>2,794</b>	<b>3,324</b>	<b>2,938</b>	<b>6,519</b>	<b>7,049</b>	<b>6,632</b>	<b>8,506</b>	<b>5,818</b>	<b>46.2%</b>	<b>7,071</b>	<b>5,720</b>
% margin	9.9%	10.7%	8.8%	10.1%	9.0%	9.8%	10.4%	9.8%	11.9%	8.5%		9.9%	8.1%
<b>South America</b>													
Shipments	859,000	420,000	459,000	464,348	471,101	879,000	884,348	890,853	906,757	930,752	-2.6%	951,204	968,070
y-o-y change %	3%	4%	1%	2%	3.3%	2%	3%	3.7%	3%	4%		5%	4%
Revenues	15,620	7,563	8,495	8,081	8,611	16,058	15,644	16,172	14,909	16,641	-10.4%	15,342	17,402
<b>Adj EBIT</b>	<b>2,048</b>	<b>1,075</b>	<b>1,294</b>	<b>875</b>	<b>932</b>	<b>2,369</b>	<b>1,950</b>	<b>1,996</b>	<b>1,793</b>	<b>1,811</b>	<b>-1.0%</b>	<b>1,925</b>	<b>1,859</b>
% margin	13.1%	14.2%	15.2%	10.8%	10.8%	14.8%	12.5%	12.3%	12.0%	10.9%		12.5%	10.7%
<b>MEA</b>													
Shipments	283,000	208,000	235,000	188,353	231,505	443,000	396,353	446,659	331,859	463,713	-28.4%	304,988	479,010
y-o-y change %	4%	51%	62%	30%	59.7%	57%	40%	57.8%	-16%	3.8%		-8%	3%
Revenues	6,453	4,698	5,862	4,963	5,450	10,560	9,661	10,050	7,612	10,256	-25.8%	6,919	10,650
<b>Adj EBIT</b>	<b>1,078</b>	<b>1,218</b>	<b>1,285</b>	<b>1,079</b>	<b>1,006</b>	<b>2,503</b>	<b>2,297</b>	<b>2,170</b>	<b>1,763</b>	<b>2,029</b>	<b>-13.1%</b>	<b>1,513</b>	<b>2,016</b>
% margin	16.7%	25.9%	21.9%	21.7%	18.5%	23.7%	23.8%	21.6%	23.2%	19.8%		21.9%	18.9%
<b>China-India-APAC</b>													
Shipments	127,000	58,000	44,000	44,768	53,271	102,000	102,768	114,471	145,693	116,847	24.7%	165,235	135,999
y-o-y change %	8%	-6%	-32%	-31%	-18.0%	-20%	-19%	-9.9%	42%	2%		13%	16%
Revenues	4,505	1,986	1,542	1,574	1,881	3,528	3,560	3,814	4,909	3,998	22.8%	5,616	4,405
<b>Adj EBIT</b>	<b>654</b>	<b>294</b>	<b>208</b>	<b>218</b>	<b>210</b>	<b>502</b>	<b>512</b>	<b>504</b>	<b>665</b>	<b>468</b>	<b>42.1%</b>	<b>797</b>	<b>548</b>
% margin	14.5%	14.8%	13.5%	13.8%	11.2%	14.2%	14.4%	13.2%	13.6%	11.7%		14.2%	12.4%
<b>Maserati</b>													
Shipments	25,900	15,300	11,300	12,247	14,091	26,600	27,547	29,591	27,413	33,395	-17.9%	26,680	36,498
y-o-y change %	7%	50%	-28%	-22%	-10.2%	3%	6%	14.3%	0%	13%		-3%	9%
Revenues	2,320	1,309	1,026	1,120	1,289	2,335	2,429	2,630	2,530	3,010	-16.0%	2,551	3,334
<b>Adj EBIT</b>	<b>201</b>	<b>121</b>	<b>20</b>	<b>242</b>	<b>145</b>	<b>141</b>	<b>287</b>	<b>264</b>	<b>355</b>	<b>328</b>	<b>8.1%</b>	<b>379</b>	<b>390</b>
% margin	8.7%	9.2%	1.9%	21.6%	11.2%	6.0%	11.8%	10.1%	14.0%	10.9%		14.8%	11.7%

Source: BofA Global Research estimates, company report, Visible Alpha

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### Key abbreviations:

BEV: Battery Electric Vehicle, CMD: Capital Market Day, EM: Emerging Market, FCF: Free Cash Flow, GM: General Motors, KPI: Key Performance Indicator, LCV: Light Commercial Vehicle, UAW: United Auto Workers, US: United States

## Price objective basis & risk

### Stellantis NV (XVWGF / STLA)

Our price objective of €25.0 (\$27.0) is derived using our multiples-driven sum of the parts (SOTP). We base our valuation on the average of our next 3 year forward estimates and apply an average of EV/Sales, EV/adj. EBIT and PE to STLA reported segments. For NAFTA, we assign EV/sales and EV/adj. EBIT of 0.28x and 3.6x and for Enlarged Europe we apply 0.22x EV/Sales and 3.0x EV/adj. EBIT. For South America, APAC and MEA we apply a lesser 0.15x and 1.0x, respectively due to their lower profitability and scale. We value Maserati using an EV/Sales of 1.0x and EV/adj. EBIT of 5.0x, implying a 50% discount to luxury peers. We assign a PE of 3.7x to the group. While Stellantis has a strong net automotive cash position, we adjust this downwards for its net negative working capital position and factoring, which we treat as debt.

Upside risks: 1) Higher unit sales, price and mix, better offsetting increasing CO2 and EV content costs, 2) Forex tailwinds or lower raw material costs, 3) realization of better-than-expected synergies.

Downside risks: 1) Lower unit sales, price and mix, leading to margin contraction, 2) Forex headwinds & higher raw material price changes, 3) realization of lower-than-expected synergies, 4) failure of cultural integration post-merger, 5) market share losses to new BEV entrants and Chinese OEMs in Europe.

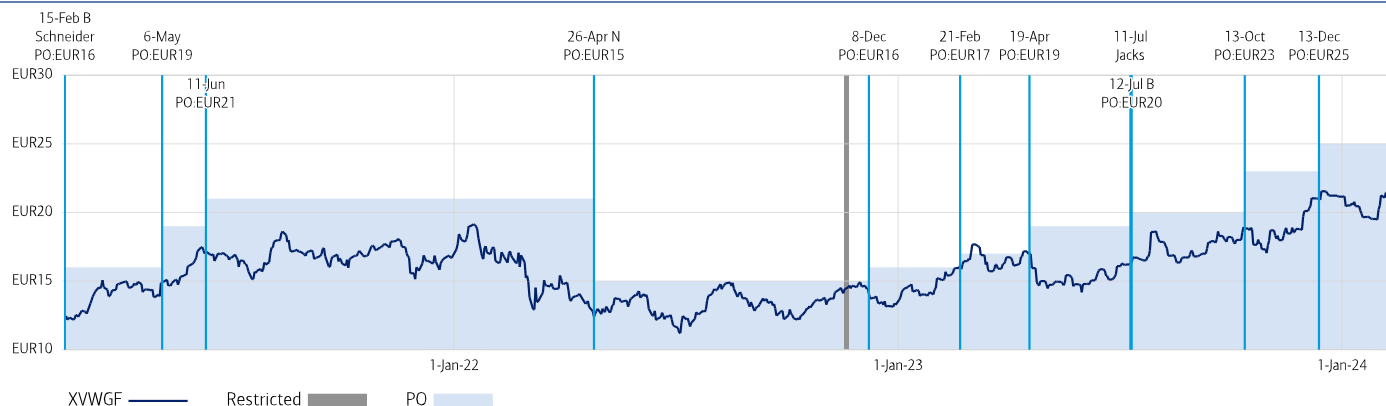
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I, Michael Jacks, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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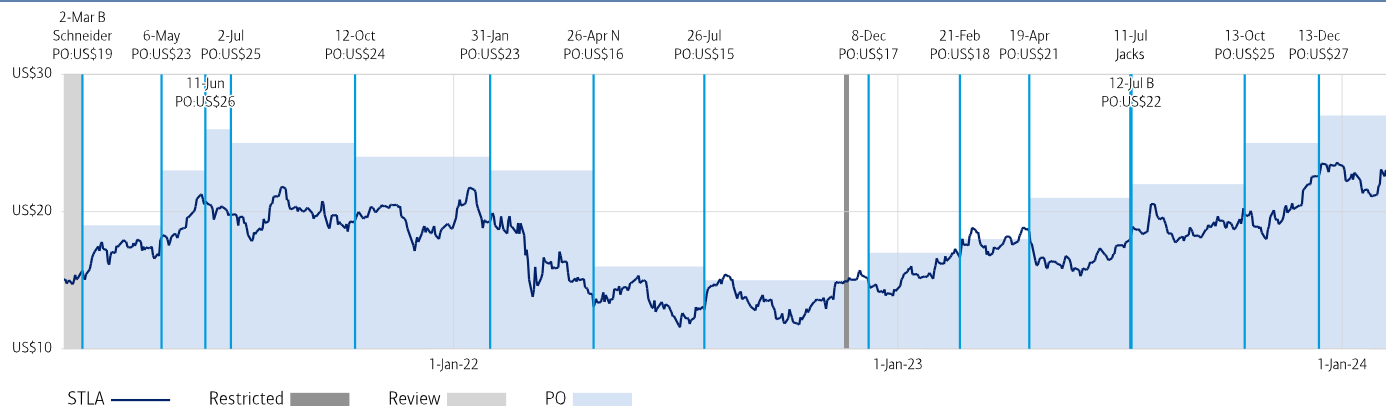
### Stellantis (XVWGF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Stellantis (STLA) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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