

STELLANTIS

Sector: Industrials

NEUTRAL

Price: Eu16.22 - Target: Eu17.40

Pricing Holding Up and Low Bar Allows FY23 Consensus Upgrades

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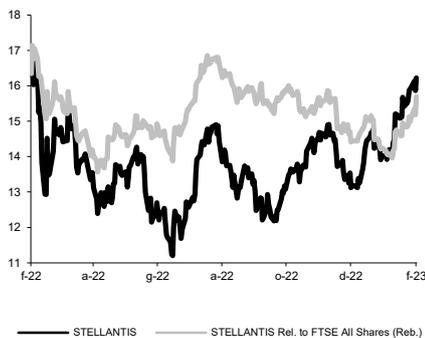
Stock Rating

Rating: Unchanged

Target Price (Eu): from 14.90 to 17.40

	2023E	2024E	2025E
Chg in Adj EPS	15.7%	13.1%	

STELLANTIS - 12M Performance



Stock Data

Reuters code: STLA.MI

Bloomberg code: STLA IM

Performance	1M	3M	12M
Absolute	15.6%	10.5%	-0.8%
Relative	10.8%	0.2%	-4.1%
12M (H/L)	17.07/11.20		
3M Average Volume (th):	10,443.11		

Shareholder Data

No. of Ord shares (mn): 3,228

Total no. of shares (mn): 3,151

Mkt Cap Ord (Eu mn): 52,345

Total Mkt Cap (Eu mn): 52,345

Mkt Float - Ord (Eu mn): 34,869

Mkt Float (in %): 66.6%

Main Shareholder:

Exor 14.4%

Balance Sheet Data

Book Value (Eu mn): 79,892

BVPS (Eu): 25.35

P/BV: 0.6

Net Financial Position (Eu mn): 26,568

Enterprise Value (Eu mn): 24,542

■ **2H22 results better than expected.** STLA reported a positive end to FY22, beating forecasts thanks to stronger pricing, and a lower impact from cost inflation as well as from SG&A and R&D expenses, more than offsetting the lower Vol&Mix. In brief, revenues were €91.6bn (€90.2/87.8bn our estimate/consensus), growing +19% YoY thanks to pricing up +8% (+7% est.), ForEx +7% (in line), Vol&Mix +1% (est. +4%) and others +2% (est. +0%). Adj. EBIT was €10.9bn (€10.4/9.7bn our estimate/consensus) with a margin of 12.0%, essentially flat YoY, but down 2.1pp HoH due to a weaker inflation pass-through and a lower reversal from changes in dealer inventories (1.2pp impact vs. 2.6pp in 1H22). FCF was €5.5bn (€3.0/3.3bn our estimate/consensus) due to higher operating results and lower CapEx. Net cash closed at €25.7bn, or 15% of sales.

■ **Management more open to shareholder remuneration.** Management proposed a DPS of €1.34 for a 25% payout on reported EPS. In addition, a buyback of €1.5bn was announced, bringing total remuneration to €5.7bn, which could be deemed low in the context of FCF of €10.8bn in 2022 and net cash of €25.7bn.

■ **2023 guidance: “wide and undemanding” as usual, but indications and consensus position leaves room for upgrades.** For FY23, management provided “wide and undemanding” guidance, as usual, pointing to a double-digit adj. EBIT margin and positive FCF vs. 13.0% and €10.8bn respectively in FY22. Nevertheless, indications support a 2023 performance that should not be as bad as previously expected, driving high-single digit consensus upgrades, in our view. As a reference, with a 2pp/1pp YoY margin drop, consensus adj. EBIT could be improved by 8%/15% from current low levels.

■ **Pricing: less pressure than expected for now.** Since Tesla cut prices at the beginning of the year (by ~10% globally), we note that among the major players only Ford has followed suit with cuts on its EV offering (although it had pushed prices up a lot in previous months). Indeed, all the big names advocated “disciplined” pricing, including STLA which gave guidance for pricing growth in 2023 deriving from the carryover effect of 2022 price hikes (we estimate +4%, vs. +1% previously). The accumulated backlog is helping in that sense, with 1H still seen as healthy, but we believe increased competition from newcomers, reduced car affordability, rebalancing supply/demand as supply chain conditions ease and higher inventories are undermining pricing power.

■ **Change in estimates.** We are revising our estimates upwards as a function of stronger pricing for the trends mentioned above, while cost inflation assumptions are confirmed (COGS per unit up +5% vs. +6% in 2022). Given the 100% drop-through of pricing, our adj. EBIT increases by ~20%. With pricing well above benchmark (+6.1% in main markets by brand), we expect STLA to continue to lose market share in 2023 with volumes essentially flat. The EPS improvement is lower, as are we no longer calculating adj. EPS.

■ **NEUTRAL; target from €14.9 to €17.4.** STLA again reported positive results, with guidance still “wide and undemanding”. While we recognise the stock’s undemanding valuation, we remain NEUTRAL as we expect pricing power to reduce while cost inflation remains. We welcome the announced buyback, although the size doesn’t appear enough to warrant a tangible re-rating. TP from €14.9 to €17.4 due to higher estimates.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	152,119	179,592	176,129	184,721	199,616
EBITDA Adj (Eu mn)	23,999	30,095	27,651	29,134	31,606
Net Profit Adj (Eu mn)	13,346	16,779	14,305	15,535	16,646
EPS New Adj (Eu)	4.235	5.324	4.539	4.930	5.282
EPS Old Adj (Eu)	4.235	5.319	3.922	4.357	
DPS (Eu)	1.040	1.340	1.142	1.241	1.329
EV/EBITDA Adj	1.3	0.6	0.9	0.7	0.4
EV/EBIT Adj	1.7	0.8	1.2	1.0	0.7
P/E Adj	3.8	3.0	3.6	3.3	3.1
Div. Yield	6.4%	8.3%	7.0%	7.6%	8.2%
Net Debt/EBITDA Adj	-0.8	-0.9	-1.0	-1.1	-1.2