

## Europe Satellite\*

Recommended since 17.01.2021

02.08.2022



<b>Country</b> IT	<b>Market capitalization (bn)</b> EUR 44.2	<b>Perf. since reco. (%)</b>
<b>Sector</b> Automobiles & Parts	<b>Free float</b> 68.0%	Stellantis N.V. 18.6
<b>Factset</b> STLA-IT	<b>Closing price</b> EUR 14.05	Sector 5.8
<b>ISIN</b> NL00150001Q9	<b>ESG Risk score*</b> 24.0 Medium risk	

## Profile

Stellantis was born on January 16, 2021 from the merger of the French group PSA Peugeot Citroën and the Italian-American Fiat Chrysler Automobiles. The group ranks in the top 5 worldwide and number 2 in Europe with more than half of its vehicles sold, 1/3 in North America, less than 10% in the LatAm and 3% in Asia. Stellantis has 13 brands, positioned mainly on the mass market (Peugeot, Citroën, Fiat, Opel Lancia), with Alfa Romeo, Maserati and DS focused on the high-end. Stellantis is number 4 in the USA with the Jeep and Dodge Ram brands focused on the dynamic SUV and Pickup segments. Stellantis is also the European leader in commercial vehicles.

## Strengths/opportunities

- Quality management (CEO C. Tavares).
- 2nd European carmaker / 4th in the world / one of the most profitable.
- Success of the Peugeot/Citroën/DS/Jeep/Dodge ranges.
- Promising economies of scale on synergies.

## Weaknesses/threats

- Restructuring of Fiat (ranges/profitability).
- Weak presence in China.
- Price stability in Europe.
- Emission regulations drive major investments in electrification.

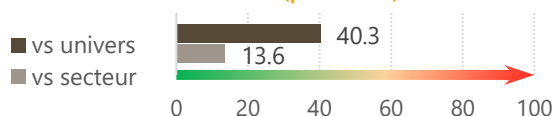
## Investment case

- Peugeot and FCA have joined forces: size being essential to amortize heavy investments (regulations/technological breakthroughs). The group has balanced its geographical risk and broadened its coverage (SUVs, pickups, commercial vehicles). The CEO's track record is an asset to maximize the use of Peugeot platforms (chassis/engines) and reduce costs (purchasing/R&D) so that Fiat can become profitable again. If FCA is profitable in the US (Jeep/Dodge) with big launches in 2022, it is also present in Brazil. The objective of synergies > 5 billion € and the success achieved with Opel let us hope for better (R&D/Capex) while the CEO expects a lot of economies of scale in electrification to lower costs and democratize the price of cars.
- Stellantis' first fiscal year (2021) has seen record results (€152bn sales / EBIT doubled to €18bn / 11.8% margin / FCF doubled to €6.1bn). Operations benefited from price increases, better product mix and merger synergies already at €3.2bn despite the shortage of components. For 2022, the group is targeting a very achievable double-digit margin based on the performance achieved in 2021, the advance on synergies and better sourcing (semiconductors): the remarkable H1 results already confirm this.
- The Dare forward 2030 plan has ambitious objectives: 1/ sales x 2 to €300bn; 2/ margin > 10% and > 12% in the long term; 3/ FCF > €20bn; 4/ better return to shareholders (pay-out 30% and share buy-back). It reinforces our view that Stellantis has important levers for the future: 1/ electrification of the range (> 75 models by 2030 vs 19 in 2021); 2/ development of premium brands (sales x 4 / profit x 5) and commercial vehicles (1st in Europe -> tomorrow in the world); 3/ sales of €20bn and 8% margin in China with Jeep; 4/ additional flows (financial services, after-sales, second-hand, software...) up to 13% of total sales with a double-digit margin.

## Valuation

The valuation of Stellantis would emerge at very attractive levels (PE, VE/CA, P/B) with a very marked discount on the European automotive sector and its US peers.

## ESG risk vs. universe &amp; sector (percentile)\*



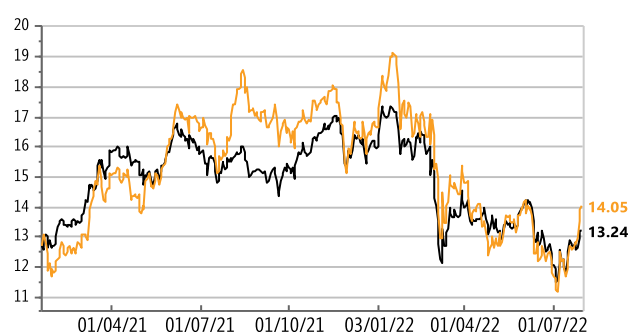
EUR	12/2021	2022e	2023e
Sales revenue (mio)	152'119	173'706	181'811
Sales growth	13.6%	14.2%	4.7%
EBIT adjusted (mio)	18'011	20'891	19'060
% of sales	11.8%	12.0%	10.5%
Net income (mio)	13'354	15'510	14'226
Net income growth	178.8%	16.1%	-8.3%
FCF/Sales	4.0%	4.5%	4.1%
Net debt/Ebitda	-0.9x	-0.9x	-1.1x
Dividend yield	0.0%	9.2%	9.1%
PE	3.3x	2.8x	3.1x
P/BV	0.9x	0.7x	0.6x

Factset estimates

## ESG - risks and key points

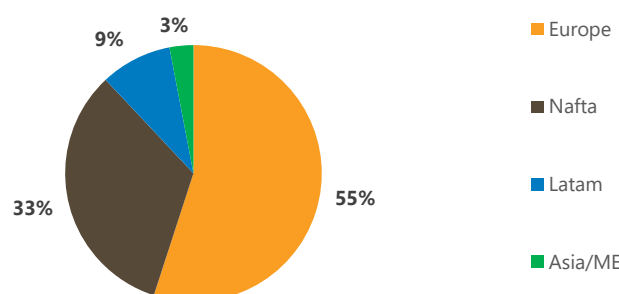
- Medium level of ESG risk.
- Despite serious ESG risk management programs, the company has experienced controversies in the past (defective parts and quality-related recalls, notably at FCA).
- The technology transfer between PSA and FCA and the electrification of the ranges will be gradual, highlighting the challenges and exposure of the group to emissions, product plans and ethical risks.

## Performance vs sector



Source: FactSet

## Geographical breakdown of vehicle sales



\*: see overleaf

Source: Peugeot, FCA

# Glossary

## Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

## ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

## b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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