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STELLANTIS (STLA) – CELANI FUND PROPOSAL

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AGENDA



Company Overview

Industry and Macroeconomic Analysis

Financial Overview

DCF and Ratios Analysis

Final Recommendation Risk

COMPANY OVERVIEW

- STLA Operates in manufacturing and marketing of cars and commercial vehicles.
- Revenue--North America (~45%); Enlarged Europe (~33%)
- Revenue increase in 'post-covid' ('21-'22) of +20%; due to increase in sales volume (Bloomberg).
- Current Strategy—Dare Forward 2030:
 - 1) Net Zero Emissions, 2) 100% BEV sales mix in EU, 3) 50% BEV sales mix USA, 4) Achieve EUR 300B (Rev)



COMPANY OVERVIEW

- STLA as well as other automakers are pushing towards PHEV and BEV line-ups that can compete with ICE's
- STLA plans to produce BEV's starting at EUR 19,900
- The majority of sales in NA; however, are still ICE's.
- Dividend plus buyback yield of 8.57%

INDUSTRY ANALYSIS - AUTOMAKERS

- LEV's are considered the next step for the Autos industry, operators in the United States are required to switch to LEV production by mid 2030's.
- Bloomberg reports that large automakers' inventories are normalizing after the post-covid semiconductor shortage
- Industry competition has caused the BEV premium over ICE models to drop from US 16,400 to US 2,800.

DCF ANALYSIS

- WACC of 11.34%
- Long-term growth rate of 1.79%
- Fair value per share = \$57.37
- Beta = 1.66
- **Undervalued by = 115.36%**
- **This is unreasonable, Reject DCF**

WACC

Weighted average cost of capital	
Weight of equity	85.42%
Cost of equity	12.53%
Weight of debt	14.58%
Cost of debt	4.36%
WACC	11.34%

Terminal Value

Terminal Value	
Numerator	16,559
Denominator	9.55%
Terminal value	173,425
Present value of terminal value	101,350
Add first five years	56,090
Enterprise value	157,440
Less: Net debt	(22,276)
Equity value	179,716
Value per share	57.37
Share price	26.64
% Undervalued	115.36%

NOTES ON VALUATION

- Automaker valuations trade below typical market multiples due to the high cyclical nature of the industry
- Current industry P/E multiples (ex-Tesla) are 4-7x
- Multiple valuation is a more accurate way to value Stellantis
- Industry executives see value at this multiple with GM repurchasing 17% of its outstanding shares in Q4 2023
- STLA has enough cash on its balance sheet to repurchase 43% of outstanding shares

FINANCIAL OVERVIEW - RATIOS

- STLA's profitability ratios show exceptional profitability in comparison to relevant market players, F and GM.
STLA's capital structure shows only 14.6% Debt-to-Assets and a very healthy 1.24 Current Ratio.
- STLA also boasts an extremely profitable 20.12% GM, well over that of its competitors.

Profitability Ratios - 2023A			
	STLA	F	GM
Return On Equity	24.2	10.11	15.17
Return On Assets	9.58	1.64	3.77
Return On Capital	18.53	2.84	5.65
Return On Invested Capital	17.59	4.3	4.92
Gross Margin	20.12	9.17	17.76
EBITDA Margin	15.79	7.78	12.53
Net Income Margin	9.81	2.47	5.89
Sustainable Growth Rate	17.98	-0.6	14.43

Liquidity Ratios - 2023A			
	STLA	F	GM
Current Ratio	1.24	1.2	1.08
Quick Ratio	0.78	1.01	0.83
Debt/Equity	35.31%	39.58%	37.16%

COMPARABLE VALUATION

- STLA trades cheap when compared to its main competitors
- Using consensus FWD EPS estimates of \$5.94, we value STLA at \$30.67

Valuation Ratios				
	STLA	GM	F	Average
FWD P/E	4.47	4.49	6.53	5.16
2023 FCF to Equity Yield	14.1%	11.8%	3.8%	9.87%
EV/EBITDA	2.78	9.6	14.44	8.94

Price Target	
2024 FWD EPS	\$5.94
Average P/E Multiple	5.16x
Target Share Price	\$30.67
Current Share Price	\$26.64
Upside to Target	15.1%

INVESTMENT RISKS

- Key U.S. and European markets slow in 2024
- Electric vehicle segment could underperform targets
- Traditional ICE vehicles see margin compression from high labor costs and high competition

AOI Margin*

Double-Digit

Minimum Commitment

Tailwinds

↑ Raw Materials

↑ Non-repeat NA Labor Negotiations

↑ Efficiency Initiatives

Headwinds

↓ Electrification Mix Impact

↓ Pricing Normalization

↓ Labor Cost

PROJECTED EXIT STRATEGY

**Price Increase to
(US\$30.67)**

Sell 50% of shares, reevaluate
other 50%.

**Price Hold Steady
(US\$26.63)**

Hold until Target

**Price Decrease to
(US\$21.00)**

Reevaluate with plans to
liquidate Position

BUY PROPOSAL

Buy (\$125,000)

Purchase 4712 shares of STLA at
26.53 per share

~4.5%

Buy (\$75,000)

Purchase 2827 shares of STLA at
26.53 per share

~3%

Do Not Buy

Do not purchase STLA