Stellantis Full Year2024 Results

Wednesday, 26th February 2025

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Operator: Hello and welcome to Stellantis full year 2024 results. I will now hand over to our host, Ed Ditmire, Head of Investor Relations, to begin today's conference. Thank you.

Ed Ditmire: Hello, everyone, and thank you for joining us today as we review Stellantis full year 2024 results. Earlier today, the presentation for this call, along with the related press release, were posted under the investor section of the Stellantis Group website. Today, our call is hosted by John Elkann, executive chairman, and Doug Ostermann, the company's chief financial officer. After their prepared remarks, Mr. Elkann and Mr. Ostermann, will be available to answer questions from the analysts. Before we begin, I want to point out that any forward-looking statements we might make on today's call are subject to the risks and uncertainties mentioned in the Safe Harbor statement included on page two of today's presentation. As customary, the call will be governed by that language. Now I'll hand over the call to John Elkann, Executive Chairman, Stellantis.

John Elkann: Thank you, Ed. Doug and I are really happy to be here today. Good morning. Good afternoon. Good evening to all of you. We'd like to talk to you about our last 90 days, our 2024, 2025 and the future. But before we start, we'd like to share with you a sneak preview of the upcoming ad of The Grande Panda, which we did with Shaggy on the 30th anniversary of his global hit Boombastic. Enjoy.

Video: Still call me Mr. Boombastic, Mr. Roll. Fantastic, fantastic. Mr. Boombastic. Just like soften me up like I will. You will hear the beating of my heart. And you will shake me. Soften. The Fantastic Mr. Roll. 1970. One. The fantastic Mr. Smooth.

John Elkann: The reason we wanted to share with you this ad is because it does reflect the momentum, the mood of the company today and how we're very focused in making sure that we win customers. So in these last 90 days, we've prioritized on product launches. Just as a reminder, 20 in 2024, 10 in 2025. In December in the US, we're back with muscle cars with our Dodge Daytona [Charger]and the Wagoneer S. We also had launches in January in Europe, the Grande Panda, which you just saw, but the Citroen C3 and the Opel Frontera. We've also been extremely focused on building trust with our stakeholders, with you, our shareholders, and we want to thank you for your trust.

And Doug and myself have been reaching out and making sure that you know what's happening with our company. But we also have been very deliberate in working out with our suppliers, with our unions, with our dealers, as we believe that we need this trust, we need this unity in order for us to grow together. And lastly, we have been very focused in empowering our regions, making sure that decisions are made where our customers are and making sure that problems are solved where they happen.

Now, if we look forward, what we really want to focus on is growth. Profitable growth. We need our company to go back to profitable growth execution. We need to be rigorous in making sure as we develop, as we build, as we sell our cars, we are rigorous, and we execute.

And lastly, profitability. Top line doesn't necessarily equate with profits. And we want to make sure that at Stellantis it does. And we also want to make sure that those profits convert into cash. One of the things that we've been prioritizing to that end is really making sure that we spend capital where our customers are. And in order to do this, we have been very deliberate in making sure that our customers are free to choose. Our offering, both in products and powertrains, has been extended in order for us to have a much bigger reach in terms of coverage of the market, going from what we do in hybrids in Europe, going to combustion engines in the US or doubling down where we're very strong in South America, in Brazil with bio hybrids. Now, I have many other good news, but I'd like to stop now and pass it over to Doug to talk to you about 2024, which is a year we are not proud of.

Doug Ostermann: I certainly agree with your sentiment, John. 2024 was a very rough year, so let's walk through the numbers. I'll start with a summary of the key performance metrics. I'd like to focus first, in particular on the AOI margin and industrial free cash flow and how these landed within the context of the full year guidance that was updated in September of last year. In the second half of the year, to address excess US dealer inventories, the company dialed up incentives and cut back on production, which of course negatively impacted the AOI, which ended up at the bottom of the range that we had provided of 5.5 to 7% [AOI] margin. At the same time, success correcting inventories allowed us to begin normalizing production, which limited negative industrial free cash flow to €6 billion for 2024, closer to the better end of the -5 to -€10 billion guidance range.

Consolidated shipments of 5.4 million vehicles were down 750,000 units, or 12%, due to the following factors. About one third of that 750,000 units was the result of our inventory reduction actions. The other two thirds were related to lower sales in 2024 compared to the prior year. Of which about half was due to the temporary hiatus in certain nameplates, such as our European ICE powered Fiat 500, the Dodge two and four door muscle cars in the US, and of course, the lack of the Jeep Cherokee. And the other half was due, frankly, to lower commercial performance and loss of market share.

Net revenues of $157 billion declined 17%, as two factors exacerbated the lower shipment volumes. First was mix, particularly due to a lower contribution from North America, and the second was FX headwinds that we experienced in the third engine regions.

Adjusted diluted earnings per share of €2.48 declined 61%, with AOI down 64%, but the average share count 5% lower as a result of buyback activities.

Now let's get into how we've been working on fixing the root causes of the operational issues we faced in 2024. We're set to be in a much better position on three critical Factors as we progressed into 2025. First, inventory discipline. Second, market coverage. And third, our competitiveness. So on inventories, we first normalized European inventories in the first half of the year. And then in the second half, we reduced US dealer stock from 430,000 units in the mid-year to 304,000 units at the end of the year, well below our stated target of 330,000 units.

Second, we're launching a number of exciting new products. Not only late 2024 launches of the initial Smart Car and STLA Large products, namely nameplates like the Citroen C3, Dodge Charger and the Jeep Wagoneer S, but also in Q1 of 2025, introductions of the Citroen C3 Aircross, the Opel Frontera and the Fiat Grande Panda.

Last but not least, there was progress on making our cars more affordable as we exited 2024. For example, in the US, we repositioned MSRPs for four of our 2025 model year jeeps, and in Europe, our new generation of appealing B-segment cars bring BEV and mild hybrid powertrains to new price points.

Let's look quickly at where we ended the year on inventories. We're in a very healthy place at the group level, as well as in each of the four major regions we operate in. Total inventories were reduced around 140,000 units over the last three months of the year, with all of that decline coming in company inventories, while dealer inventories rose a very nominal 11,000 units, as planned increases in South America and Europe were mostly offset by reductions in US dealer stock. You can also see the decline in stock year over year, reflecting the more dialed in inventory management as well as the impact of some of the product lines where we were temporarily between generations.

As we launched several significant models in 2025, we expect some build in stock levels, but we'll be looking to keep the days' supply very carefully managed.

Okay, on this next slide, let's look at the net revenue bridge. Net revenues for the group declined 17% in 2024. As I said at the beginning of the Financial Review, volume and mix were the biggest revenue headwinds, driving 15 points of that revenue decline. Moving to pricing, there was a -1.3 billion group impact, or a little under 1%, which was the net of a roughly 2% headwind in each of North America and Europe, partially offset by positive pricing in the third engine regions. But that was mainly to offset FX. FX headwinds were -3.6 billion or -2%, driven by declines in the Turkish Lira, Brazilian Real and Argentinian Peso.

Now let's shift our attention to adjusted operating income. AOI came in at €8.6 billion. Of course, that's a steep pullback from the 2023 record €24.3 billion. In large part due to marginal profitability in the second half of 2024, when inventory clearing in North America and transition gaps in Europe brought temporary revenue and profitability impacts. We've detailed the headwinds in volume, mix and pricing already, but industrial costs were also higher by €1.5 billion, with most of this coming from North America, mainly driven by incremental warranty expense and the side effects of volume reduction. And lastly, we had a €2.5 billion negative impact from FX.

Let's turn to industrial free cash flow now. Obviously a very difficult result for the full year of 2024 with €6 billion in cash outflow. There's a couple of things I want to point out that are important. First, although the main reason for the lower cash flow was lower AOI, we were also impacted by growth in working capital of nearly €5 billion, and we had around €1.6 billion in higher capital expenditures.

Now, moving forward into 2025, we expect more normalized production schedules to stabilize working capital. And in fact, we saw fairly stabilized working capital even in the second half of last year. And of course, flattish capital expenditures as new product launch cadence normalizes a bit. Now let's review a few specifics on each of our regional segments.

In North America, of course, I want to recognize that the inventory reduction actions, and the progress repositioning our pricing relative to peers, pressured results in 2024, particularly in the second half. But this also sets the region up in a much-improved position to start 2025.

In Europe, we had an unusual gap in product in production of our A and B segment products, which reduced second half volumes by well over 100,000 units. The B segment successors are now in production, setting up improved market coverage moving forward.

The third engine regions collectively saw a 7% revenue decline, but would have been up single digits, excluding the impact of FX translation headwinds. Combined AOI margins were down by only one percentage point, still at a healthy 14%.

So now that we've reviewed the 2024 performance, let's take a look forward at 2025.

Looking now at the cap at the return of capital to shareholders, the company's strong balance sheet allowed it to execute the 2024 return capital return plan without interruption. This continued a track record of annual material returns to shareholders that we began back in 2022.

For the 68 cent per share proposed dividend, the company calibrated the payout at €1.7 billion. The top of the 25 to 30% policy, and then supplemented this with the €300 million enterprise value recognized by the Comau transaction. This delivers on the commitment the company made to separate Comau for the benefit of our shareholders.

The balance sheet remains in a very strong position, with a 32% ratio of liquidity, slightly above the top of our 25 to 30% target. Given the early stage though of our commercial recovery, we don't expect to be doing stock buybacks in the first half of 2025, and we'll return to evaluating them as income and cash flow improve throughout the year.

Now let's look at our initiation of 2025 financial guidance. Steady improvement from a difficult second half of 2024 through the first and second half of 2025 is expected as we expand our product portfolio and progress our commercial recovery.

On the revenue side, in 2025, we expect the second half of 2025 to be stronger than the first half of 2025, both in the absolute and more so in terms of year over year comparison, and full year net revenues are expected to show improvement compared to 2024.

Let me address our expectation for strengthening second half revenues, which of course is in contrast to the typical seasonality that we run. Europe will benefit in the second half from the full ramp of recent launches of the Smart Car platform products, and later introductions of additional C segment products off of our STLA mid, while North America will benefit in the second half from the return of the ICE variants of the charger, the RamCharger range-extender truck, and the return of the midsize Jeep SUV with our first ever HEV powertrain.

In terms of adjusted operating income margin, we're driving to deliver mid-single digits for the full year of 2025, but with significant variation between the first half and second half. In the first half, we expect AOI margin to see solid sequential improvement from the second half of 2024, where we ran roughly break even, but remain still in low single digits. In the second half of the year, we expect larger sequential margin improvement as the growing product portfolio not only raises our volume potential, but also helps us run our manufacturing at a more efficient utilization level.

On the cash side, we expect to return to positive industrial free cash flow in 2025, and for those positive flows to come in the second half of the year. In essence, we expect gradual but solid improvement as 2025 progresses.

And finally, I want to talk about something beyond 2025. As I took the CFO job late in 2024 and began engaging with investors and analysts, of course, many of which are on the call today, I received very clear feedback. I'd say that giving more frequent and sometimes more detailed information is needed. And so, I'm very excited to announce that we've begun the process of transitioning to quarterly reporting, which we expect to begin in the first quarter of 2026. Now, the benefits for our stakeholders are clear, in particular facilitating better comparisons to our most relevant peers, the vast majority of whom are already reporting earnings on a quarterly basis.

So let me now turn things back to John to finish.

John Elkann: Thank you, Doug. And the future is brighter, as Doug mentioned, from where we were in 2024. I'd like to share with you a couple of reflections on the direction of travel. Our industry is very much addressing the forces that were the reasons why we created Stellantis in 2021. Electrification is growing. China is the largest market in the world, and we see progress in terms of market share overall. And we believe that we have made significant inroads both in terms of our offering of both electric vehicles and hybrid vehicles. We believe that software is becoming a major feature, and we see this with AI and autonomous features.

Last year, Tesla launched its robotaxis and more recently, BYD launched its God’s Eye feature. This is the reason why we have decided that software and engineering should be tighter together, in order for us to make sure that we are fast in terms of the applications we work on software. And finally scale. We are today with the 2024 figures, the third largest carmaker in terms of units. And we see scale, both in the incumbent world and the insurgent world, as extremely important. We see this with alliances, for example, like GM and Hyundai announced recently or consolidation happening in China. We have been beneficiary of this scale, and we also see our scale as opportunity of doing more, for example, like the JV that we announced with CATL. We've had rising challenges since we've come together and created Stellantis. Regulations have become tougher and divergent. We have now deep discussions with the European Commission in understanding what's the direction of travel in Europe pertaining to 2025, but also beyond, what happens in 2035? In the U.S., we have been encouraged to see the bill that Senator Moreno has introduced with the Transportation Freedom Act, which we support.

In terms of tariffs, we are very supportive of President Trump's policy of boosting American manufacturing, and we announced large US investments in the first 100 hours of his new Administration. We believe that the conversations that we're having with the other members of the D3 have been constructive, and we fundamentally believe that the first Trump Administration, as it negotiated the USMCA, was very cognizant of making sure that US content was in the products we build in Canada and Mexico, which we believe should remain tariff free. We also think that the real opportunity set for the Administration, in order to really boost jobs in America and manufacturing opportunities and investments, is by closing the loophole that currently allows approximately four million of vehicles into the country without any US content.

We also think that competition has increased since we came together, particularly competition coming from China. I just came back from a trip of a week where I had the opportunity of spending time with our partners, Leapmotor. First of all, we're very happy about their results in Q4. They have they have reached profitability in 2024. They've doubled their sales now to 300,000. And our Leapmotor International venture is up to a very good start. So overall, the challenges and the industry forces remain the same. But we have full confidence at Stellantis that what is ahead is probably among the most exciting periods for our industries, very much like the one the pioneers of our industry lived through.

And the reason why we believe in Stellantis, that the opportunities ahead are there to be captured is because we have people that are incredible. I've had the opportunity in the last 90 days to spend a lot of time inside our organization, a lot of time in our different regions and our people are just wonderful, and I really want to take the opportunity to thank them for what they do and how they do it. I also would like to take the opportunity to recognize the many contributions of Carlos Tavares to Stellantis. These contributions have helped create our company, which is a company that has not only strong foundations, but real competitive strengths, of which, are people.

I also want to take the opportunity of mentioning that the CEO selection is on track. We have excellent candidates, both internally and externally, and the conversations that we're having are very encouraging for us to have the best possible CEO for a company and stay on track with the announcement of our next CEO by the first half of 2025. Now, before answering your questions, and we hope there are many, we'd like to share with you this very special advertisement. That's number one spot on YouTube AD Blitz in 2025, which has already had 110 million views, this is our Jeep advertisement.

The reason why we want to show this to you not only is to convey, as I did at the beginning, how our organization is really there to try and win customers and for us to get back to growing and gaining market share. But it is also because we have been very intentional, very deliberate in making sure that we can provide freedom to choose for our customers. And this is exactly what you'll see in this advertisement. But you also will see the strength of our brands, and particularly Jeep, which again, has been nominated in 2024 the most patriotic brand in the United States. Thank you.

Video: Longest thing we ever do is live our lives. But life doesn't come with an owner's manual. Might have been nice, huh? But that means we get to write our own stories. Freedom is yes or no or maybe. Freedom is for everything. But it isn't free. It's earned. There are real heroes in the world, but not the ones in the movies. Real heroes are humble. They're not driven by pride. Pride is a terrible driver. Freedom is a roar. One man's engine and the silence of another's. Freedom is the ability to inspire. The most sacred thing in life isn't the path. It's the freedom to choose it. You don't have to be friends with someone to wave at them. We won't always agree on which way to go. But our differences can be our strength. So choose, but choose wisely. Choose what makes you happy. My friends, my family, my work, make me happy. This Jeep makes me happy. Even though my name is Ford. That's my owner's manual. Get out there. Write your own.

Questions and Answers

Operator: If you wish to ask a question, you have to press Star One on your telephone keypad. Could you please limit yourself to one question and, if necessary, one related follow up? The first question comes from the line of George Galliers from Goldman Sachs. Please go ahead.

George Galliers (Goldman Sachs): Good afternoon and thank you for taking my questions. John, you did allude to this in your closing comments, but I really wanted to just ask a question about the group. Obviously, Stellantis was formed during a different period when we seemed to be heading towards global convergence on powertrains with high levels of electrification, and the risk presented by Chinese OEMs to global carmakers was also substantially lower.

Obviously, the industry dynamics have changed, and therefore the question I really had was operationally, does it still make sense to have a global auto company in a world which is seemingly increasingly geopolitically decoupled, and where perhaps it doesn't make sense to be one of the largest car players, but in fact, that may work against you in what is an increasingly dynamic industry. And perhaps related to this if there was a clear case to create shareholder value through breaking up the organization, is that something you would consider or explore? Thank you.

John Elkann: George, that's a great question. And I do believe that what is actually happening is playing to our strengths. And the reason why we have been empowering the regions is exactly to make sure that we're able to create regional scale. And we believe that our regional scale in the largest markets in which we operate is actually a big strength in allowing us to be differentiated in terms of what our customers want, but also in terms of what the different regulations are. Equally, if we look at different aspects of having global reach and without touching upon electrification, which has different velocities among the regions, but just on software or on some of the features that we've been working on our products, those actually benefit from us being global. And if we look at the incumbent world or the insurgent world, a Toyota or a Tesla, they're actually gaining market share, and they are of global size and global reach. But I believe that in our case where we have regional scale and global scale, we're actually very well equipped for the world to come.

George Galliers (Goldman Sachs): Great. Thank you.

Operator: The next question comes from the line of Thomas Besson from Kepler Cheuvreux. Please go ahead.

Thomas Besson (Kepler Cheuvreux): Thank you very much. I have a question to start, please on the dynamic of the year. Clearly, growth has become again, the key priority for the group. But it seems that for the time being, it's more an edge to story. Could you confirm that? And could you confirm that absolute inventory levels may be going up, which I think is understood by year end while maintaining data sales? I had the impression that the inventories were at an appropriate level. And I have a follow up question which is linked to a timely topic with tariffs in the USMCA region that you've mentioned in your comments. Could you try to help us understanding what the impact would be on your financial outlook for you, as much as for the industry, if these tariffs were to be implemented? Thank you.

John Elkann: Yeah, those are two great questions. And on the tariffs the discussions are ongoing. It's really premature to be able to express any view. We strongly believe that the real opportunity is really to try and close the loophole for four million cars that are sold in America that don't have any US content. And as conversations progress, and we're very aligned with the D-3 in those conversations, in making sure that what was negotiation, what was negotiated by the first Trump administration to create USMCA, is actually respected and valued and eventually improved. We are, of course, working in a very deliberate way in trying to understand what consequences this would have for us.

So what I can reassure you is we're doing the work, we are prepared and have different scenarios in place. Which of these scenarios will play out is premature for us to discuss today without having the knowledge? I also think that ’25 is the year where we need to get to our potential. We have had the first chapter of our history, which was very much linked to creating the synergies and to making our company, and to making our company efficient, but we have not grown. And so, 2025 is a year on the back of product launches 20 in ’24, 10 in ’25. As Doug was expressing that, we are in a trajectory of making sure that we get back to growth and profitable growth. In terms of the dynamic H1, H2, why don't you take that, Doug?

Doug Ostermann: So I think your question on inventory is a good one. When we think about the inventory dynamic, of course we're always thinking about inventory relative to sales pace. Right. Because it's all kind of about managing to days supply. Now as we're launching a number of products this year that are going to fill in these kind of blank spaces in our product portfolio, if we look at first half, of course, we know in Europe the Smart Cars are just a number of, the sister cars are just entering production right now and will be in the market in March. We talked a little bit about a few of those in terms of C3 Aircross, the Frontera, the Fiat Grande Panda. But we also have some STLA mid vehicles off the new STLA mid platform.

As you know, we've launched Peugeot 3008, 5008 and the Opel Grandland just very recently. But we also have the C5 Aircross coming later in the year. So I would expect to see absolute inventories ramp a little bit towards the end of the year as these vehicles come into the European market and the sales pace picks up, but I don't think we'll see significant increase, even on an absolute level. But really, we'll be managing to a day supply perspective. North America, kind of a similar story in many respects. We're going to be getting the new HD pickups here in the first quarter, which is very exciting because pretty much now all of our, of our light duty and heavy-duty lineup will be renewed after we get the new HDs out. When we look at second half, of course we're very excited about having the Cherokee replacement come into the market with our first HEV powertrain. And again, I would expect that we would see a little bit of pickup in absolute numbers of inventory, but again, keeping days supply on a very reasonable level.

Thomas Besson (Kepler Cheuvreux): Thank you very much.

Operator: The next question comes from the line of Daniel Roeska from Bernstein Research. Please go ahead.

Daniel Roeska (Bernstein Research): Hi. Good afternoon to Europe. Thanks for taking my questions. Focusing on the US a bit more. You've lost about 5% of market share in the US since 2019, and if I look at your production plans for 2025, it looks like you want to attempt to recapture about 3 to 4% of market share spread between H1 and H2. Now that's higher than any OEM has ever managed in the US. I think the best was kind of 2% [inaudible] somewhere in the 1990s and 2000. So my question, other than the new models you're putting on, which additional measures are on the table that your executive team can take to kind of achieve that really aggressive market share gain in a market that's probably essentially flat in the US this year?

John Elkann: That's not what we're trying to achieve. So, I don't know how you got to that, but that's definitely not what we're expecting to achieve. We believe that the combination of great product, we believe that the combination of great trust with our dealers who are our partners, we believe the combination of great spending in marketing, and we believe the strength of our organization is what really is giving us traction. And if we look January, it's positive. On the client side, we still need to do work on fleets, but we're definitely not in the realm of what you are talking about. And by the way, if that would ever happen, 2025 would be extraordinary as a year. So as Doug mentioned to you, we're definitely very reasonable in our achievements for 2025.

Daniel Roeska (Bernstein Research): That's very good to hear. So, if the IHS analysts are listening, maybe they can take note. But if you think about the production ramp up you're planning throughout the year, how set in stone is that for you in the second half, depending on the market dynamics? How would you characterize your willingness to, let's say, do more discounts or be a little bit more caution on ramping up production in the second half?

Doug Ostermann: Yeah, maybe I can address that. Of course, our production planning and really our what we refer to as our cash flow is something that we look at on a very regular basis to see how the sales pace is going. And we oftentimes adjust production levels up or down depending on how market dynamics develop over time. Now, that being said, when we look at the price repositioning that we've done in the US market in the second half, we have a much more competitive pricing position right now and than we did in the first half. And as well as, of course, the new products that are coming into the market. So we are looking to, of course, grow share. We also are getting more active in terms of defending our share of voice. And so, I think the ads you saw today, particularly the great Jeep ad, are just a sign of some of the work that we're going to be doing on the marketing side. So it's a combination of efforts that we believe will grow back some market share, but not as aggressively as some of the numbers that you were quoting.

Daniel Roeska (Bernstein Research): Okay. Thank you. Excellent.

John Elkann: Thanks for confidence in us with those numbers, by the way.

Daniel Roeska (Bernstein Research): All the best. Thanks.

Doug Ostermann: Yeah. Thanks, Daniel.

Operator: The next question comes from the line of Patrick Hummel from UBS. Please go ahead.

Patrick Hummel (UBS): Yeah, thanks. Hi, everybody. My first question goes to Doug, please. We talked about your volume expectations for 2025 and the impact of the new model launches. Can you just elaborate a little bit on the other key building blocks in the AOI bridge? What about pricing? What about cost? Can you share your expectations, please? And my second question goes to John, please. You said this year has to be the year of growth, but how long can you give the company? How long do you give the company to get fully back on track, show the full potential again, and what is that full potential in terms of AOI margin and free cash flow? Is that still double digit AOI margin or is it still 10 billion free cash flow? What is it that you think this company should be capable of delivering? And in that context, do you think the company has to invest more? Has the company underinvested under Tavares leadership, or you think that's not an issue? Thank you.

Doug Ostermann: I'll start out. Okay. So a couple of comments on the AOI and AOI development. Look, I think when we look at North America, for example, I think we'll be looking to run kind of low single digit during the first half. It's very much will be more back half where we can, I think, achieve margins and kind of the mid to high single digit range. On Enlarged Europe, of course, I think we have significant opportunities to improve over the kind of 4.1% we ran for the full year of 2024. And now I know you specifically asked about pricing and costs.

So let me try and adjust, kind of address those two topics a little bit. I think it seems to be that the market expectations for North America are generally in the kind of 1 to 2% headwind on pricing.

When I think about Stellantis specifically, we have done a significant recalibration in North America during the second half of 2024. We're in a much more competitive place right now. And so, while I don't think we're going to see significant adjustments during the first half from that point, of course, the year over year comparison, when we look at the really, really strong pricing we had in the market in early 2024, its going to make for a year over year comparison that probably will reflect that change, right? But I see really the second half maybe where we can abate some of those pricing headwinds as we bring in some very exciting new products and really kind of I think when we look at Europe, Europe, of course, stacks up as a very, very competitive environment, as you know. But again, because we have so much new product in our core segments, so in the B segment and in the C segment, I think a lot of that new product will be a mitigating factor against some of those competitive headwinds. So hopefully, that gives you a little bit of color.

Now let me just try to address costs again quickly. I think we have significant opportunities on costs in a couple of different areas. When we look at direct material costs. Of course, we do see some increases in steel and aluminum prices. We have, I think, very good contracts in terms of how those prices step up. I don't think we have a huge amount of exposure there on the components and raw materials for BEV. As you know, this year, we've seen prices come down and help us quite a bit on the raw material side there. When I think about the big opportunities for us on the cost side, frankly, it's in looking at the TPC of our vehicles, we really have the opportunity for some good technical improvements on TPC that I think can really help us on the cost side. And we are hard at work at that. So I think that's the big opportunity for us in this coming year.

Patrick Hummel (UBS): Thank you.

John Elkann: Just to add to Doug's comments, 2025 is the year where we need to get back to profitable growth. We need to get back to more profits. We need to get back to generating free cash flow. And that's really what we're focusing on as we deliver that. This is an incredible launch pad for our next CEO to really make sure that the company, with the great people that are in the company, reach the full potential of Stellantis.

Patrick Hummel (UBS): Okay. Thank you very much.

Operator: The next question comes from the line of Jose Asumendi from JP Morgan. Please go ahead.

Jose Asumendi (JP Morgan): Thank you very much. Jose from JP Morgan. A couple of questions, please. John, maybe the first one. I mean, you've been very clearly very involved with the management team in the US delivering the turnaround plan and the plan we're going to see in 2025. So as you look strategically at the company, are there any elements that you have decided to change in terms of how the company operates, how the company takes decisions, or even on the financial planning and volume and, and on the inventory side. And let me also take the chance to thank you for that step to improve the disclosure as we go into 2026 with the quarterly reporting. And second question, please, would be for Doug. If you could just give us a bit more details with regards to the financial planning for Europe, what are the key drivers in terms of volume pricing and how should we look at the margin first half or the second half? Thank you.

John Elkann: Thank you, Jose. Building trust is very much listening, and we have listened to you. And that's very much what Doug and Ed have been doing in trying to make sure that as we progress in 2026, we do have a quarterly cadence. The organization is now really more regionally empowered, and that's the biggest shift that we've had. And I strongly believe as the Board believes, that once we've really put the company together and we've achieved the synergies, now in order for us to grow, we need to be closer to the customer and we need to be closer to where the problems happen. And so, having more empowerment within our regions is really reflective of how the company is now operating and will operate in the future with our next CEO. We also are very impressed by our partnership with Leapmotor and are very confident about what we can do in China with them and what we can do outside of China with them. So probably that would be in terms of what we have more certainty from when we started at Stellantis in 2021, where we had no China, as you might recall, presence to one that is real and which we really are looking forward to build on.

Doug Ostermann: Maybe I can address the second half of your - or your second question, Jose. And by the way, it's nice to hear from you. On your second question, I think you were specifically asking about kind of the financial planning and dynamics for the European market. And, and again, I would say we likely will see a much stronger second half in Europe than first half. And specifically, some of the vehicles that we were just talking about in terms of the sister cars on the Smart Car platform. Now that we've launched kind of the first European Smart Car in the C3, when we now are looking to launch the C3 Aircross and all the other vehicles coming off of Smart Car, Really, those are just going into production right now. So when they go into sales in March, we won't have a full half of most of those vehicles. And many of the STLA mid sister cars, the sister cars to the Peugeot 3008 and the 5008, those also will not come into the market until kind of second half. So again, we'll really have kind of the full benefit of all those new vehicles, much more in the second half than we will in the first half. And that's why the dynamic this year, I think, is going to be stronger and much more weighted towards second half, both in AOI and probably even more extreme from a cash perspective.

Jose Sumaidaie (JP Morgan): Thank you very much.

Operator: Our next question comes from the line of Philippe Houchois from Jefferies. Please go ahead.

Philippe Houchois (Jefferies): Yes, thank you very much. And good afternoon. My question is going back on market share and introduced capacity. I mean, on public numbers, Stellantis, since creation, has lost five points of share in Europe and five points of share in North America and Europe is worse because the market has fallen. And I'm trying to think as you rebuild share, to what extent how do you balance the cost of rebuilding share? Which I appreciate is product, but is also positioning and therefore pricing, and how much do you take into account the cost of reducing the excess capacity that was inherited in some extent in Europe and created in the US because of the loss of market share? Because there could be a cost, if it's not immediate, two or three years down the road to resize the capacity. And so, I'm trying to get a sense of how you think about those issues of balancing those two parts of the cost base.

John Elkann: Philippe, that's a really pertinent question. And what we really want to address in 2025 is our ability of really gaining market share, which is a function of products. We have between 24, 25, 30 new products that we're launching. And it's a function of being more focused on that part, which is why we're being more and we're empowering more the regions, we're being closer to the customers, and we are investing more in marketing. That's really today, the focus. As we sell more, we use more of our plants. And so, the way you should think about this is really, not that selling more is going to cost us more in terms of pricing, because, as Doug mentioned, we have aligned ourselves in terms of pricing. It's not really going to cost us more because we have invested in the products. So it's really a question of making sure that our great products are going to reach the customers, and that's what we're focused on. So if you want a car, Philippe, you know who to ring.

Philippe Houchois (Jefferies): But at some point, you will have to address the capacity. Or do you think you can grow back into using that capacity on your own, or maybe through using working for Leapmotor, or I try to think for how do we resolve that issue of that excess capacity?

John Elkann: Well, we start selling more cars. That's a good starting point.

Philippe Houchois (Jefferies): Right. Now on that topic, if I can follow up, we, all the investors that we speak to, we look at the data on market share and we've done you've done a great job on reducing inventory. That's fantastic. In the US, the retail market share data is pretty ugly still. In Europe too, we don't see it as much, but I appreciate it's the case. Yeah, but the retail market share that we see in Europe and in the US is still pretty ugly. And I'm just trying to think is how long does it take? I'm sure you, as an organization, working with your dealers to reposition the product, to reprice the incentives, etc., when do you think we start to see some good news on the retail share so that because that's critical to build the confidence in the market that fine you've resized, but now from here, we grow. Is it two months? Is it three months?

John Elkann: We're seeing good signs. We're seeing that. As I mentioned in the US, January on the retail side was good. We're seeing in Europe in key markets like Italy or France, progress. As market shares losers, you have market share gainers. So in some ways, this is quite quick how the rebalancing happens. We're very confident by our products. We're very confident by the ability of our organization to be close to the customer, and we're very confident in our dealers, and I think that's really what we need to see at work.

Doug Ostermann: Yeah. Maybe I can just add a couple of comments. When you look at, as John mentioned, it is very early in the year, of course, we really just have the results for January. We certainly have made more progress in January in Europe than we have in the US. And of course, our plans as we roll out more product and fill in these gaps in our product lineup certainly is to utilize those new exciting models to gain on market share. But we have returned to the market in a bigger way with our share of voice, and some of our marketing support and advertising. We are building back the relationship, I would say, with our dealers in the United States, which is very important.

I spent some time with our dealers down at the recent NADA conference, and I think we're very much on the right track, and we're starting to see in terms of our order banks, we're starting to see more orders coming in, the dealers expressing more confidence. So these are all, I would say, positive signs, but I want to be cautious about the fact that we're still very, very early in the year. And frankly, we need to execute that. That is clearly the focus. I think the opportunity is there for us this year. But we have got to do a great job of execution.

John Elkann: Yeah. And I think Doug's right in making sure that we have the right prudence and humility in this, but we feel confident about the products and our people. Having said that, we need to see how the year develops.

Philippe Houchois (Jefferies): Great. Thank you both.

Operator: The next question comes from the line of Tim Rokossa from Deutsche Bank. Please go ahead.

Tim Rokossa (Deutsche Bank): Yeah. Thank you very much, Tim from Deutsche Bank. I have two questions, please, as well. The first one, Doug, probably to you on adjustments. It's a pretty big number again that we've seen in H2. Can we get some details on the specifically €1.2 billion impairment that you had there for Maserati. And then also, when we think about this, obviously adjustments serve a certain purpose to the capital market. That is to give us a better feeling for the underlying profitability. But if those adjustments continue to be as big as they were now for a while, for a very long time, that kind of gets a bit absorbed because the underlying profitability and the actual profitability and the cash and the earnings to be distributed. How should we think about that number going forward?

And then secondly, I'm not sure if to you, John or to Doug as well. John, you said obviously Carlos has done a lot of really good stuff for this company. He's also been extremely efficient on the cost side, especially when we think about things like R&D. Now we're seeing some other OEMs stretching out their investment fee targets because they have to reinvest into ICE. Do you feel the R&D levels of this business are sufficient? Do you think you need to catch up on certain elements? Is there any change in trend? Thank you very much.

Doug Ostermann: Okay, maybe I can start out. So you had asked about the unusuals and you're certainly right, Tim. I mean, this year, we had a fairly high level of one-time unusual items. And maybe I can just walk through those and give you some color. One, we had €1.6 billion of restructuring charges related to workforce reductions, primarily in, in Europe and North America. A lot of those decisions, frankly, were made last year and are playing out from a cash perspective as we move forward, much of the cash related to that, we had a fairly large cash outflow related to that restructuring in the second half of 2024. But I don't see these large workforce reductions continuing going forward.

We will, of course, continue to be frugal and efficient, but I think the size of the reductions will come down. When we look at the second large adjustment there, we had €800 million related to the expansion of the Takata airbag recall campaign. I believe this is the last piece of that. And so, that €800 million should finish off. So again, not something I would expect to recur going forward. in terms of the other two non-cash items that we had first there was a €1.8 billion in write downs of capitalized platforms and goodwill intangibles for Maserati. I believe you were talking about the €1.2 billion piece of that, which is the non-goodwill piece of it, but certainly as we look at the pace of our activity in Maserati, we have now and have to recognize that the dynamics in that business, particularly in the Chinese market, as kind of our expectations in terms of how quickly that luxury market would transition to electrification, those things have been adjusted.

And along with that, we have adjusted the financials to reflect that outlook. And then of course, we have a €600 million provision related to one time service contracts. Those are service contracts that actually were entered into even before the merger. So, we had to take a look at those service contracts as they roll forward. And the expectation is that they will be less profitable than we originally anticipated. But again, these are all things that I would not expect to continue going forward. In addition, I will mention that was also in a below the line adjustment, where we had €2.3 billion tax benefit due to the recognition of a deferred tax asset in Brazil. So that was actually a positive one timer. But hopefully, that gives you the detail you need. But happy to follow up offline with you, Tim.

John Elkann: Tim, we have invested in the last four years, and the result of those investments are the products that we've launched in 2024 and the ones we'll be launching this year. I think what is very clear is, going back to what we said about the freedom to choose for our customers, and also a regulatory context, which is changing, is really for us to be flexible. And we have invested in flexibility with our multi-energy platforms. So, one of the things that we have actually been doing is investing in different powertrains abilities for hybrids and combustions, which actually is a way in which we can cover a larger part of the market. And again, by covering a larger part of the market, we will be able to give customers more choice. And that's where we have been thoughtful in directing CapEx in 2025. We strongly believe that the level of investments that we're doing are sufficient for the company that Stellantis is.

Tim Rokossa (Deutsche Bank): Thank you very much for those details, guys.

Doug Ostermann: Thanks, Tim.

Operator: The last question we will be taking on this call comes from the line of Stuart Pearson from BNP Paribas. Stuart, please refrain yourself to one question only. Please go ahead.

Stuart Pearson (BNP Paribas): Thank you. I'll try, maybe one and a half. So quickly, just for Doug on the cash flow side, just to understand if you're committing to being free cash flow positive, excluding working capital coming in, just trying to think how we should think about that. And when you get to a true level of cash generation, I'm going to link to that as well. Is just on the Tesla pooling deal. Just if you can help us understand the cash impact of that timing of that, is that an option or is that something that you're committed to paying them despite what happens or doesn't happen on March the 5th?

And then my half a question just to finish with maybe for John to finish just on this CEO search because we're all left here guessing. And I noticed you talk about bringing together software and engineering. So what kind of qualities and experience are you looking for in the next CEO? Would it be fair to assume you're hunting around Silicon Valley as much as Michigan maybe, is it, or am I thinking of the wrong way there? So just wondering what kind of experience you're looking for that CEO. Thank you.

Doug Ostermann: All right. So Stuart, all great questions. And of course, questions about my favorite topic, cash. So look, when we look at the cash dynamic, just to answer your question directly, yes, we are expecting significant positive free cash flow, excluding change in working capital. Now, that being said, I don't think we're going to see a huge change in working capital. We saw working capital primarily stabilize in the second half of last year, of 2024. And I think we'll see relative stability in working capital this year. But yes, we're committed to positive free cash flow, excluding working capital on credit pooling. As you picked up on, we have entered a pool that is public knowledge in Europe. And as you noted, Tesla is in that pool.

Also, please note that our partner, Leapmotor is in that pool, which will allow us, via the pooling, to take advantage of the credits that we're helping to generate in Europe there through the significant sales effort. And we're expecting a pretty big ramp in Leapmotor sales this coming year. Of course, the details of those pooling ranges relationships and, and the contracts are all private. But in terms of the cash flow, just to give you some feeling, the cash flow typically is after the pools, after the credits are created and confirmed, which typically is in the year after the activity. So just to give you I think your question was specifically on cash flow, and I think the second question is all yours, John.

John Elkann: That's a great way to end this call. And first of all, thank you all for being here and for your questions. We had a very good Board, and the search committee reported on excellent candidates that we have both internally and externally, and the conversations that we're having are very much in trying to understand leadership abilities and cultural dexterity, because Stellantis, as we've discussed, is strong because it's present in the different regions. We also need a leader that understands capital, a leader that understands technology, and a leader that understands how to work in a unified way with our organization and our different stakeholders. And as I mentioned earlier, we're very confident that we'll be able to appoint the best possible CEO for Stellantis in the first half of 2025. Thank you all for your support.

Doug Ostermann: Thank you.

[END OF TRANSCRIPT]