Stellantis Q3 2024 Shipments and Revenues

Thursday, October 31, 2024

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Operator: Ladies and gentlemen, welcome to the Stellantis Third Quarter 2024 Shipments and Revenues Call. I will now hand you over to your host, Mr. Ed Ditmire, Head of Investor Relations at Stellantis. Mr. Ditmire, please go ahead.

Ed Ditmire: Thank you. Hello, everyone, and thank you for joining us as we review Stellantis Q3 2024 shipments and revenues. Earlier today, the presentation, along with the press release, were posted under the investors section of the Stellantis Group website. Today, our call is hosted by Doug Ostermann, the company's chief financial officer. After his presentation, 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 during 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 would like to hand over the call to Doug Ostermann, CFO of Stellantis.

Doug Ostermann: Thank you, Ed. Hello, everyone. Thank you for joining. I'm excited to be talking with the investment community today. I'd like to take a quick moment to thank our CEO, Carlos Tavares, our chairman, John Elkann, and the Board of Directors for the opportunity to partner with the company's leadership team in addressing tough challenges and to accelerate our progress along our strategic roadmap. I also want to take a moment to thank my predecessor, Stellantis CFOs, Natalie Knight and Richard Palmer, both of whom I worked with closely. And I'd like to thank them for the many things I learned from them. I'll look forward to engaging with many of you in the near future as well as hearing your perspectives on Stellantis and discussing ways to unlock value.

For today, though, let's focus on our shipment and revenue figures for the third quarter of 2024. The theme, at the top of the page is Clearing the Path for 2025. And there's three important elements to the period I want to cover in detail today. First, the top line performance in terms of revenue and shipments was difficult and certainly not where we want to be. But we're going to take some time to help you understand the significant impacts that operational actions and developments brought in the period, as well as where we're working on needed improvements. Second, we're going to discuss our strong progress reducing excess inventories in particular, but certainly not limited to the US dealer stocks, which is key to improving our shipment levels in 2025 and beyond. And third, we're going to make sure we keep you updated on our progress in launching our generational new product wave, which will reduce our platform complexity, give us the best multi-energy flexibility in the business, and better cover market’s fastest growing segments.

Let's look now on the next page at the top line results. So shipments of 1.15 million units were down 20%, or 279,000 units versus the prior year, and five points below the 15% decline in sales to customers. Revenues of €33 billion were down 27%. That's seven points more than shipments due to a combination of headwinds across mix pricing actions, mainly in North America and foreign exchange headwinds. Now, let's break down that 20% shipment decline into really two main drivers. First, we're making strong progress resolving an excess inventory issue in the third quarter. Total group inventories were reduced by 70,000 units, in contrast to a positive 10,000 unit build in the prior year third quarter. The delta between the two explains 80,000 of the year over year shipment decline.

Second, we have a big and exciting product wave, which is enabling platform consolidation and multi-energy flexibility. But this challenging transition has led to temporary gaps in our product portfolio as our factories go through significant retooling, and some innovative new vehicles saw launch delays to ensure they meet strict quality standards. This helped about 150,000 shipments from our year over year comparison, roughly 100,000 in Europe and 50,000 in North America. We expect this headwind to peak in the second half of 2024, and to diminish meaningfully as we advance through 2025. Let me walk you now in the next page through our headline figures.

Before we review and break down these figures, I want to say that we know the pullback in top line results in Q3 2024, as well as our guidance for the full year, represent a performance level which is nowhere near our potential. Consolidated shipments decreased by -20%, or -279,000 units year over year, 150,000 of this was associated with temporary gaps in our model lineup, 80,000 was related to efforts to normalize inventory levels, and the remaining 50,000 was due to the combination of lower sales performance by the company and industry headwinds, particularly in Europe. Combined shipments, which includes volumes associated with joint ventures, decreased 21%. Net revenues declined 27% due not only to the 20% consolidated shipment decline, but also with significant headwinds from changes in mix, pricing and foreign exchange rates. And on the next page, on page six, we'll break that down and talk a little bit more specifically here.

So now we look at the Q3 year over year revenue outlook at the group level, around 22 percentage points of the 87% decline in revenues explained by volume and mix. So mix saw headwinds from regional shifts. We had softer volumes in high average selling price, North America, and more resilient volumes in lower average selling price, Third engine regions. Net pricing was -1.3 billion, with almost all of this driven by North America. A dynamic that is likely to be sustained through the remainder of the year. And foreign exchange translation was a -1.1 billion. Almost two thirds of this was in the South American region, the vast majority from a weaker Brazilian Real. And with additional impact from changes in the Argentina Peso, Turkish Lira and the US Dollar. Let's briefly then on the next page, discuss performance by segment.

In North America, shipments declined 36%, or 170,000 units, with almost 50,000 of the decrease associated with nameplates which are currently on hiatus pending upcoming launches of next generation successors and 80,000 associated with the normalization of inventory levels, which is really crucial. Pricing was materially negative due to the impact of temporarily enlarged incentives. Moving to Europe, where the market saw 5% industry volume decline. Our shipments declined 17%, or 103,000 units. This was due mostly to a temporary gap in our B segment lineup, where several high-volume nameplates, including Citroen C3, C3 Aircross and Opel Frontera, saw prior generation products retired at mid-year well before new successors were set to launch. On the other hand, we have seen success with the new C segment offers like the Stellantis medium based Peugeot 3008, which launched in the second quarter and delivered strongly in the third quarter. This created a favourable Q3 mix element, which drove much of the difference between shipments and revenue.

Shifting now to our third engine, let me start with Middle East and Africa, which saw a 26% decline in consolidated shipments, or 27,000 units. The majority of this was in Algeria, where a temporary import restriction has kept us from selling several imported Fiat models, and it also slowed the ramp of Algerian produced Fiat 500 and Doblo. Revenues fell more steeply at

37% due mainly to FX related headwinds. First, about eight points of translation impact, but separately around €500 million of revenue reduction triggered by easing inflation pressures in Turkey in a year over year comparison.

Now let's turn to the remaining segments. On the next page, you can see in South America where Stellantis enjoys the number one share position. Revenues were down 2% as a 14% increase in shipments. And increases in parts and services revenue was offset by foreign exchange translation impacts. This was primarily in the Brazilian real, but secondarily in the Argentinian peso, each of which weakened versus the euro. China and IAP and Maserati are very small parts of the financial picture, but represent significant long-term opportunity. And so, let's talk about where we are right now on each. In China, India and Asia Pacific, consolidated shipments were down 30% against a context of higher competitive pressures, particularly from Chinese OEM expansion throughout the region, but also reflecting the progressively tighter focus on our asset light strategy.

At Maserati, the 3200-unit decline in shipments reflects lower volumes of the SUV, as well as declines elsewhere in the portfolio, including the retirement of three products at the end of 2023. Now, Maserati welcomed new leadership in October, and I can tell you they're hard at work to return the brand to profitability. Now turning. Let's take a look at inventories where things are clearly moving in the right direction. Group inventories were reduced by 9% compared to the beginning of the year, and 6% in the last quarter alone. In the first six months of 2024, you can see 50,000 units of progress achieved primarily in Europe, and then in the third quarter of 2024, almost 80,000 units of additional progress, mostly achieved in North America, which frankly, was a big focus for us in the quarter.

So let's turn and look on the next page at the US inventories, which continues to be a special focus. We're making consistent progress reducing the stock levels in the US dealers, helping to make them more profitable partners and better able to support the launch of exciting new products. US dealer stock at mid-year was approximately 430,000 units. We're targeting a reduction to 330,000 and have progressively pulled forward the timeline. We now have a line of sight to achieve the 100,000 second half reduction sometime actually in November, so we can return to stronger plant utilization in December and throughout 2025. In combination with some modern improvements in sales volume, which I'll cover in a bit in more detail, day supply is improving from around 94 days at the end of June to a projected 85 days at the end of October. We have more work to get things done where we want to be, but we're excited about what that can mean for our 2025 performance.

On the next page, let's look at other important elements of improvement in North America, specifically sales effectiveness. We've engaged in a very fundamental review of the entire go to market approach, and identified ways to improve our performance at the top of what we refer to as the purchase funnel. In terms of ensuring we have healthy share of voice at the middle of the funnel, where we identify and progress qualified leads with our dealers, and at the bottom of the funnel where the right pricing and incentives maximize conversion to sales.

In Q3, we enhanced incentives on 2024 and older model year vehicles, both in terms of increasing the amount but also importantly, making them more customer facing. Meanwhile, on some model year 2025 vehicles, were adjusting MSRP to be lower in a way that increases the transparency for and consideration by consumers. And this also reduces the need for incentives. I'm pleased to report that we're seeing encouraging early indications, not only

improving market share in August and September, but with improvements in qualified leads for our dealers. October is shaping up nicely. We don't have the final figures yet, but we project an approximate 10% increase in unit sales versus September.

Now next page, let's turn to the big multi-year portfolio transition we're launching in 2024. We've been clear on the ways that this product wave puts us in a strong place, not only in terms of having incredibly appealing products, but critically from a business perspective, giving us more products in faster growing segments of the market, stand out multi-energy flexibility and putting us in a position to reduce our platform complexity. But I want to take a moment to be especially clear on some of the frictions we've experienced when implementing this more appealing, more flexible and more efficient product portfolio. For example, when an assembly facility prepares to go multi-energy for the first time, the degree of new equipment and associated training goes up, which can elongate factory downtime and slow the ramp of newly launched products. At the same time, the increase in technology required by today's products can create new challenges in the final stages of readying a vehicle for launch, and we've had to take the time needed to fully address issues before launch.

The last observation in this slide is really the diversity of brands represented on the page, illustrates the massive opportunity we have to leverage our technology spend across an incredible array of customer and geographic segments. This is really a strategic advantage for Stellantis. Now the next page, let's turn to something that I'm especially passionate about because of my prior role developing our strategy in China, the Leapmotor International partnership. We've launched this partnership on time, with the initial European launch commencing in late September through a scaled distribution network that already features over 200 European dealers, and with plans for sales in IAP and the Middle East set to begin in Q4 and South America in 2025.

What I think is important to note right now is that we're going to continue to move quickly, because we think the market is very receptive to the high tech, affordable and efficient Leapmotor products. The latest example of that would be the announcement that we made at the Paris Auto Show in October, that we're going to increase the nameplates offered in Europe from the initially launched T03 and C10 BEVs to include a range extender C10 variant, the BEV B10 by the end of 2025, and three more models by the end of 2027, giving us a very complete range of Leapmotor products in the region. We're also evaluating possibilities to utilize the European assembly capabilities of Stellantis to localize more quickly than competitors. Long term, we retain an unchanged view on the potential for over 500,000 annual sales globally through the Leapmotor International JV by 2030.

Okay, now let's turn on the next page to a few quick highlights on some of the notable new products we've launched recently. First is the Citroen C3 and EC3. These Citroen vehicles are incredibly exciting because they show how Stellantis can leverage significant advantages from our global, from the global nature of our business, in this case leveraging a very innovative vehicle originally conceived for our Third Engine markets but adapted in rapid fashion for the needs of the European customer. They deliver to customers a new level of capability and appeal at extraordinarily affordable price points. The C3 and EC3 began shipping in late September with a very healthy initial order book of over 50,000 units. We're especially excited by the roughly 50% BEV mix that customers are asking for, and the fact that a lot of the customers are choosing the higher trim versions.

The core value proposition of the C3 and EC3 will be shared with the soon to be launched C3 Aircross, Opel Frontera, Fiat Grande Panda, all built on the smart car platform. The BEV variants of all four, with their unique combination of European design and build at new levels of affordability, represent a powerful tool in our plans to meet the more stringent European emission requirements in 2025 and beyond. On the next page, let's look at the Peugeot 3008 and E 3008. These C-segment vehicles are not only an upgrade, they are very important, profitable and scalable franchise together with the 5008. And they're also the first products launched on the new STLA Medium platform. Engineered BEV first, but with comprehensive multi-energy flexibility. The E 3008 crossover in particular sets a new EV performance standard with up to 700km of range, leading its segment and does so with outstanding efficiency. The Q2 launch has been very successful, with not only strong order volumes, but with 60% choosing the high-end trims and a 25% BEV powertrain mix. This bodes especially well considering its core capabilities are shared not only with the 5008 and E5008 models, but also Opel Grandland and just announced, the Citroen C5 Aircross.

The last topic I want touch on is our full year financial guidance. In late September, the company adjusted its full year guidance to reflect, in part, the very significant costs of corrective actions to address North American inventory levels and sales performance, as well as lower expectations in Europe, where market volumes softened and we incurred some significant impacts from the delayed product launches. We are today reiterating this guidance for between 5.5% and 7%, for margins for the full year and a projected industrial free cash flow of -5 to -€10 billion. I'm certainly clear that the 2024 guidance range is both far below our potential and wider than analysts and investors might want.

While I'd love to be more specific, I think it's probably more important to keep clear that the company continues to evaluate the best ways to position ourselves for better top line and cost performance in 2025 and beyond. And as such, the wider range gives us valuable flexibility to take as much action as needed to set ourselves up for significant improvement in terms of free cash flow expectations. I view the significant cash outflow as really unacceptable in the context of the scale, profitability and capital efficiency of our business, and I've prioritized reviewing opportunities to improve our cash conversion.

On the topic of what this means for capital return support in 2025 and beyond, what I can say right now is that the company's robust balance sheet puts it in a place to weather what we're projecting to be cash outflows in 2024 without needing to change our long-term return practices. We will continue to rely on the capital policies that define our dividend payout and liquidity needs as a starting point on how we calibrate the 2025 capital return program in early 2025.

So before we open it up for Q&A, let me recap the main messages. We're clearly grinding through a transition year, which has included a mix of challenging industry dynamics, the temporary impacts of upgrading our product portfolio, and significant costs of resolving operational issues. I'm very much looking forward to working with this leadership team and thousands of Stellantis associates globally to deliver on the benefits of our leading scale and increasingly leveraging powerful new platforms, which are now finally beginning to come to market. And, of course, maximizing the advantages of our portfolio of iconic brands. Thanks for your attention, and I'll now hand it over to our operator to open up the Q&A.

Questions and Answers

Operator: Thank you, sir. You have the opportunity to ask questions by typing star one on your telephone keypad. Please do not exceed one question and if necessary, a related one. The first question comes from the line of George Galliers from Goldman Sachs. Your line is open. Please go ahead.

George Galliers (Goldman Sachs): Yeah. Hi, Doug. Welcome to the new position. And congratulations. And thank you for taking the question. The question I had was just with respect to the inventory situation in North America. Obviously, this target of 330,000 units was set, I think, before you assumed the role. And I just wanted to get your thoughts on that target and whether or not you think it's enough. If I do some sort of rough math, assume a 16 million start. I assume that your market share is around 8%. Then I think that at 330,000 units, your day supply will still be fairly elevated in the context of peers.

And actually, to get to GM, which we'll describe as best in class at this point, you'd actually need to see the inventory at closer to 280,000 units. So really, the question I had was do you see scope and would you like to go further than the 330,000 units to get your day supply to a similar level to GM? The alternative obviously, would be that you improve your market share. If that is the case, how do you intend to do that? Will you do that through pricing, or do you have new products that you believe can help address the market share situation in the near term? Thank you.

Doug Ostermann: Hey, George, thanks for the question. A couple of things to say on that. One, that really normalizing the inventory in North America and in the US specifically is a very important short term corrective action for us. And that's why we have been working so hard at it and have accelerated the timeline. And right now, as I mentioned, we have a good line of sight to hit the initial target of 330 before the end of November. So I think that's a great achievement for the team. That being said, at the same time, we are working clearly on sales effectiveness. And so, when we think about days supply, we're really trying to hit it from both angles. Right. We're not satisfied with the sales pace. And of course, the inventory level which combined for the days supply.

I think roughly we're around probably 85 days supply right now, and we certainly don't intend to stop working on all those things that are improving our market share and accelerating our market share improvement. That's a big, big focus for all of us. And I have just relocated to North America. I'm going to be working very closely with the North American team on all of our initiatives around sales effectiveness. I think, like I said, we've seen some good progress, some early signs that the things we're putting in place are working. But clearly, we want to get the sales rate up so that ultimately the days supply is lower than we're at today.

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

Doug Ostermann: Thank you.

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

Jose Asumendi (J.P. Morgan): Thank you. Hi, Doug. Most welcome. It's Jose from J.P. Morgan. A couple of questions, please. When we think about the pricing and inventory situation in North America, I'm wondering if there are any processes which need to be changed in the

House in order to keep a tighter control over these metrics, which eventually will allow you to reduce the earnings volatility in the region. And also, any changes in how you plan to monitor financials in general across the group? The second question to follow up would be related to the dividend payment. I know it's very early days, but in the light of the severe cash burn in 2024, is the dividend policy still in place for next year? Thank you.

Doug Ostermann: Yeah. Thanks for the question, Jose. Yes, on your first question around pricing and what sort of things are we doing on the pricing front? There's a couple of things that the new team that's been put in place is very focused on. One, of course, is working on the entire funnel. Right. We don't want to only be focused on price because we know that consumers love our brands and they're willing to pay a premium for our brands and recognize the technology and the value that we're bringing to the market. So really, we're trying to work across the entire funnel, and that means getting our share of voice at the top of the funnel to make sure that consumers are aware of all the great products that we're bringing out.

We're working more closely with our dealers on all the leads that we're generating, to make sure that those people get into the dealerships where the dealers can really help them understand the product and get them in the product. Because really, that's where people fall in love with our products. Right? And then of course, the pricing elements, but to add to that on the pricing element to convert people into sales so many people are pricing are really shopping on a payment. And so getting the right lease programs out there, getting the right subvention programs out there to really hit those sweet spots in terms of payment is a big focus for the team as well.

Now the other thing I mentioned that I'll just outline again is that on a number of products we're looking also at the MSRP. And so, there are three products that we have identified already that were on the 2025 models. We'll go out with a price adjustment but then also bring down the incentive spend. We believe that provides more transparency to the consumer and also, of course, makes the products much more approachable. Right? From an MSRP standpoint, we think that's going to kind of pay dividends for us. In terms of the sales area and we've gotten pretty good receptivity to that idea. But we still have to play it out to see how it works in the marketplace. But there's a lot of things that we're working on there, Jose.

Let me try to address your second question now. I know you asked about the cash burn and the dividend policy that's in place and what the outlook could be for 2025. Look even though, of course, as a person who spent a lot of time as a group treasurer, I'm very disappointed by the cash conversion that we've got going on. We fundamentally have a strong balance sheet. We have strong liquidity, and we have faith in the ability of our business model to perform. A lot of the things that we talked about during the call, these are temporary operational issues. So we're very confident in the ability of the business to perform in 2025 and going forward.

And so, we certainly have a balance sheet to absorb what is likely to be a negative cash flow this year. And that's not something that's of the magnitude, in my opinion, to change our policy going forward. But those discussions we have to see how the rest of the year plays out and have those discussions at the appropriate time. And of course, we'll come back to you after those discussions have taken place. I would also say beyond the dividend on share buybacks, certainly, where our stock is trading at right now would lead me to believe that we'll be having a discussion around buybacks as well. Obviously, I can't predict where that will end, but I think

it certainly warrants a discussion for where we're going to take things in 2025. Thanks for the question, Jose.

Jose Asumendi (J.P. Morgan): 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. It's a massive welcome as well from my side. Two topics please. First, I'd like to come back on the guidance range. You mentioned you like to keep options open, but I'd like you to be a bit more specific on what would imply you're closer to 5.5 or 7, and 5 to 10 billion cash burn. And whether you can help us as well, understanding where you are in terms of underlying performance for H2, given the temporary nature of a lot of operational topics you've mentioned. That's the first question. And the second, I'd like you to outline the timeline for key new products, not all of them. The key ones in terms of commercial launches and their impact. Maybe talk about frame in the US and how long it takes from a BEV version to a PHEV version. And finally, the timing of the Cherokee successor. So one on the guidance and underlying performance and one on product speeds.

Doug Ostermann: Yeah. On the first one, as I kind of mentioned during the call, right, we don't really see the need to narrow the guidance range at this point. We're still at - we have just had a change of the management team the leadership in North America in enlarged Europe and in Maserati and Alfa. And so, we are still developing all the things that we're going to be implementing to improve the performance through the end of the year. So I really don't want to handcuff the team by providing a really narrow range and take things off the table when they really have only had a couple of weeks to evaluate the business and start to plan. And I think we're already seeing some great ideas. And I certainly don't want to hamstring that progress. So I'm not looking to provide a much narrower range until we have more clarity on all the actions. And there's so many great ideas coming forward that we really need to sort through them and evaluate what we're going to implement at this point, but I think we've got a lot of opportunity with this new team in place.

And then I think your second question was on some of the core launches in North America. I'm certainly very excited about the Dodge Charger Daytona. That is a product that, from my perspective as a car guy, is just amazing. I mean, I love that product. And the sooner we can get it out, the better. We are building batches of those right now. And like I said, everybody in the company is very excited about it. Wagoneer S same process. We're kind of in the early launch period. And, look, the key is these new products offer a ton of technology, in terms of hardware and in terms of software. And so, it really requires an additional level of attention from our entire team to make sure that the quality is absolutely flawless when we launch these vehicles, because these early adopters who come in, remember, these are our first BEV products in North America, and the adopters should come in from our brands and get into these initial vehicles. We want their experience to be fantastic, and we want the word of mouth to spread like wildfire, that these are fantastic products.

And so, we're really focused on making sure that these products are right. And I think the quality is paramount and needs to take precedence over the exact timing. I think that's the right decision for the business. It's the right decision for our brands long term. Of course, has financial implications too, right, because we don't want to see big warranty expenses on these

vehicles and that sort of thing as well. So it's financially beneficial as well. But we need to make sure that these brands are preserved and that our customers just have a have a fantastic experience.

Now, I think you asked specifically about the Cherokee. I think we've been clear that is coming in the second half of 2025. That that is clearly a big product gap right now for Jeep. And we're really looking forward to the new Cherokee coming out into the market. And that's going to going to really fill in some of those some of those gaps that I talked about in the presentation. So thanks for the question.

Thomas Besson (Kepler Cheuvreux): Thank you.

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

Patrick Hummel (UBS): Thank you. Hi, Doug. First question on the US business. Your launch pipeline for the next few quarters is quite EV heavy, and I'm just wondering what that's going to do to the mix from an ROI standpoint. Where would you see yourself relative to GM and Ford in terms of EV profitability? You obviously have a very different approach with multi-energy platforms, and I'm hopeful that profitability would be better for that reason. But if you can just give a little bit of context how you see the US mix evolving from an AOI standpoint with these EV launches kicking in over the next few quarters.

And my second question as far as enlarged Europe is concerned with despite the delays, now the product, the ramp up happening. Is Q4 already more or less a normal quarter in Europe, in your view, in terms of the run rate? Or is there still a bit of a lag here to be expected that gives us some more momentum in 2025? And how in Europe do you think about this complex of CO2 compliance and EV? I'm wondering because there were some comments out of Stellantis, you would push for more EVs production schedule from November onwards accordingly. My impression was that Stellantis is doing relatively well compared to competition. So why are you pushing EVs aggressively, and are you actually aiming at monetizing a long position in the European CO2 market here, or what's the strategy behind? Thank you.

Doug Ostermann: Well, thanks for all the questions. Let me see if I can cover all of those. Look, when we look at North America in our EV mix and EV profitability, it's a little bit tough to predict at this time. We're just kind of in the very early stages of the start of production of our first EVs. But I can tell you that we've been pretty open about the fact that we are profitable on our EV products in Europe and that we are driving with a clear objective to hit Profitability parity over time between our BEV products and our ICE products. Now that's a very challenging goal, but we've been making steady progress on it. And it's probably going to take a few more years, frankly, for some of the EV componentry, battery cell prices, et cetera to come down. But we're very, very focused on that. And North America, of course we are excited about these BEV products. I think customers are going to love them. And but I think even if they have very successful launches ultimately in 2025, they're still going to be a pretty small percentage of our North American mix.

Now, when we look at Europe, to your question about BEVs, well, look the regulations are getting much stricter in Europe and we've known that for a long time. So we've made the investments. We have a fantastic lineup that is deep and long across all of our brands of BEV products. And not just because of regulations, of course, but because we think that products are very exciting and we think our customers are excited. And I talked about a couple of them

and the high percentage BEV mix that we have among the initial customer orders. So that's very encouraging.

Of course, now when we think about Europe's performance next year, and you ask the question is kind of this quarter and next quarter really kind of at what we expect to see in terms of European performance for 2025, I would say no, because we still have a lot of products that will launch in in the first half of 2025 across our brands. I mentioned a number of them in the presentation, but those are, those are certainly going to add to our product offer and a lot of segments that we’re blank in right now and should help to drive more volumes and market share. Thanks for the question.

Patrick Hummel (UBS): Thanks.

Operator: The next question comes from the line of Bruno Dossena from Wolfe Research. Please go ahead.

Bruno Dossena (Wolfe Research): Hi. Thanks, Doug, for taking the questions. Look, I recognize the progress the company has already made destocking inventories. But to me, I think the key issue is sell through, not supply. And we've heard Stellantis talk about changes to sales and marketing strategies, including shifts between MSRP and incentives for most of this year. During this time, sell through in the US has remained stable, but it varies at very low levels. To me, the simplest answer is that too many consumers cannot afford Stellantis vehicles or are not willing to pay that premium. So I was hoping you could give us more context around how you and the new management team may rethink the overall pricing strategy, or if you are rethinking the overall pricing strategy, or at what point would it be time to actually make a change? Thanks.

Doug Ostermann: Well, thanks for the question. And Bruno, you hit on a couple of different topics there. In terms of sales momentum, we are seeing some positive signs, as I mentioned, from some of the changes that we've already made here in terms of the quality of the leads and of course quality qualified leads take a bit of time to work through the funnel, so I think we're going to be seeing further improvements as the months roll on reflecting the changes that we've made in strategy. But certainly, we're not going to stop there.

I agree with you. We need to improve sell through. You're absolutely right. It can't just be that we're going to reduce production, reduce inventory, and not do anything on sell through. Clearly, we've got to hit it from both angles. And I think we've got a team that clearly understands that in the new leadership. And we're very active at looking at what are the most effective methods of moving our customers. And frankly, finance can play an important role in that. And looking at the effectiveness of all of our strategies and all of our spend and making sure that we're maximizing our spend, so I agree with you.

I also would like to talk a little bit about affordability because that is a challenge, frankly, for the entire industry. And as you know, at Stellantis, we see our goal as providing clean, safe, affordable freedom of mobility to all, and so that affordability piece of it is particularly challenged because as the industry continues to introduce more and more technology on many vehicles the OEMs have been walking away from absolute affordability. And so, one of my big to do list items now, as the new CFO, is to really look at cost, look at affordability and work on that over time. Because you're right, it's a huge issue for us. It's a huge issue for the industry in general. Now luckily, we have a great leader in Carlos Tavares who is laser focused on cost.

Right. So this is one area where I think I'm going to get a lot of support and guidance. But clearly, it's a very important piece of what we need to get done in the business. So thanks for the question.

Bruno Dossena (Wolfe Research): Thanks. If I could just ask a quick follow up on free cash flow. Look, it's low this year and it's clearly being impacted by lower earnings. But there's also significant negative headwinds from negative working capital and other accruals associated with the with the lower volume. So I was helping you hoping you could give some context around the magnitude of the working capital and other headwinds so we can get a cleaner free cash flow ex working capital bridge or starting point as we bridge to 2025 free cash flow. Thank you.

Doug Ostermann: Yeah, I think the earnings piece you can get from kind of our AOI guidance kind of the range at which we're going to end up there. And of course, there is a working capital impact from the lower production volumes and the negative working capital cycle in the industry. Right. And so, as we've cut production in the third quarter, that has impacted us. What will really matter there for where we end up year end, of course, is how hard we run during kind of the last six to eight weeks of the year in terms of our plants. And that's why I'm excited, of course, about the marketing initiatives that are starting to show positive signs because we need a strong order book to run strong during kind of the final period of this year. And that's going to have a big impact on where we finish from a cash perspective.

Of course, that also is important for 2025, right? That we continue to build the order book because frankly when we when we are bringing down plants to correct inventory short term inventory issues and starting that back up, we run into a lot of kind off standard costs. Of course, we don't have as much volume to spread our fixed costs across as a lot of knock-on effects. And so, we really need to get into a position where we've rightsized the inventory, we've built up the order book, and then we can run very efficiently in 2025. And that's going to help us, as I said, spread fixed costs, improve our margins, et cetera. So it's really important that we finish this year in the right way with the business really aligned. So thanks for the question.

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

Philippe Houchois (Jefferies): Yes, thank you very much. And congratulations on your on your responsibilities. I have two questions. The first one is talk about this captive finance organization that you've been trying to build in the US. With all the changes in pricing and maybe more limited capital at your disposal to build out Finco. How is that proceeding? And do you think the current situation is helpful, or is that kind of impairing your ability to actually improve that sell through, which I completely agree is as important as the supply side of the equation?

Doug Ostermann: Yeah, I've been a proponent of us having a captive finance organization for a long time. So I'm very happy to see it building up in the United States. A captive finance organization that is well run is not only a great profit opportunity, but it's a great loyalty tool. Clearly, if you look, and I believe some of our competitors have been transparent about this as well, if you look at customers that are financed by your captive, the loyalty rates are much higher. Why? Because you know when they're coming back to market and your captive finance group has a clear incentive to get them back into one of your vehicles as opposed to the banks

that we partner with who just want to get you into a vehicle again. The captive really has an opportunity also to have a relationship with the customer over the entire life cycle of the entire ownership, and then, of course, come out with offers for that vehicle and conversion offers. And so, there's a lot of loyalty advantages there, and so I'm very excited.

Now, of course, as you know, we bought a subprime lender. And it does take time to build out all the pieces of the business. So of course, we're building out the Book of Prime. We're building out the wholesale floor plan, we're building out lease. And of course, lease, as is so important to the market today. Getting the right lease rates, particularly as we enter into the BEV mix where there's just, frankly, a lot of leasing. Right. So, it's going to be a very important tool for us. Now in terms of you asked the question of is capital constraint going to keep us from building the book there? And I would say the answer is no. The book is expanding rapidly, and we're very happy to see that the progress that the team has made there. But yeah, we're going to continue to support that business as it grows. But it's still relatively small compared to what we see at our competitors. Right?

Philippe Houchois (Jefferies): Yeah, indeed. And if I can follow up with another question, is I always have an issue a bit with your balance sheet at Stellantis or before the predecessor companies because you have a lot of net cash these days, but also a lot of negative net working capital that was touched upon. Your predecessor said they would reduce the negative net working capital. What I've seen so far is, yes, you sell fewer receivables, but you keep having very, very long payables and that inflates the cash flow in good years. And that creates a big cash burn when all of a sudden you have declines in volume, even without the destocking impact. So where do you stand on this? Are you determined to properly reduce that negative working capital and effectively improve the risk profile of the balance sheet, because it's not as strong as it looks, basically?

Doug Ostermann: I understand your point. Look, if you look at our half year numbers, right, the Q2 figures that we put out, if you look then focus on the trade working capital, we're not that far off of neutral trade, working capital. And we are making progress on that. I think we had previously, some of my predecessor CFOs, had said we kind of would like to be at neutral working capital kind of by 2026 or so. I think it is something that we really, we do want to focus on because you're right, it will reduce the volatility in our cash flows in our business. So we're keeping on top of it. But we aren't that far off when you look at trade working capital from being in a fairly close to a neutral position. But clearly, there is a bit of work to do there, and we need to keep focused on it. So thanks for the question.

Philippe Houchois (Jefferies): Yeah, thank you very much.

Operator: The next question comes from the line of Stephen Reitman from Bernstein. Please go ahead.

Stephen Reitman (Bernstein): Yes. Good afternoon. And again, congratulations on the new position. I'd like to ask you a little bit about your experience so far and the kind of feedback loops that are within the organization, because I think it's quite clear that the issues came about. And we obviously saw that a lot of it was reported, or a lot of the dealers had been complaining for a long period of time. So I'm just wondering, how do you feel the feedback loops are developing within Stellantis to avoid a sort of similar situation happening again? And could you maybe talk about if you've been meeting with the dealer groups already? Thank you.

Doug Ostermann: Well, the answer to the second question is no, I have not had time to meet with dealer groups yet. That being said, I just relocated to the United States. My office is right next to Antonio's office, and we're going to be working very closely together. So I would love to be included in those in those dealer meetings. And I look forward to it. As you may know from my background, I was a zone manager for a while during my time at General Motors. I worked with dealers in the northeast region every day, all day. I have a very healthy respect and admiration for dealers. I understand their business and, yeah, I look forward to being a part of that feedback loop that you mentioned, but look, when you look at our inventory build last year in 2023, which happened for a number of reasons. Right. We were going into labor negotiations. And so, we built up some inventory. We did not want our dealers to run out of vehicles to sell.

We didn't know how those labor negotiations were going to go if they were going to lead to a protracted strike, etc, and so we built some inventory. We knew that some of the vehicles were going to be in an extended changeover period. Charger, Challenger, et cetera, and so we built some inventory again at the dealerships to make sure that they would have product to sell until the new product came out. And then as I think we were pretty clear in the Q2 call on, we had some marketing initiatives where while we recognized that the end of kind of the scarcity period, if you will, was coming to an end. Our marketing initiatives in the first half in North America just were not as effective as we were hoping they would be. And when you have dealers that have taken a bunch of inventory for good reasons, but you then come out with marketing programs that aren't as effective as you'd like to, of course, it's going to impact their business, and that's not where we want to be.

And so, we do need to have more effective marketing, of course. Number one but also, we need to work with the dealers to understand what kind of headwinds they're experiencing and where we can, where we can we be more effective. And of course, it's not just about price. It's about how we provide high quality leads, how we work with them to get those customers familiar with the products and treat them well and all that kind of stuff. So it's pretty broad. But look, I think given my background I hope I can be helpful in those discussions and support the business, but I think it's a very important area to your point.

Stephen Reitman (Bernstein): I mean. Maybe could you comment on the quality of the dealer inventory? Obviously, you've made progress in reducing the absolute figures, but in terms of where it stands at the moment, between 2023's and 2024's and early 2025's in the mix, is there anything you could say about that?

Doug Ostermann: Yeah. I mean, look, the majority of our incentive dollars have been put on the 2024 and older models clearly. Right. I mean, that's where we're focused on bringing down the inventories is kind of the age stock. And that's obviously crucial to the health of our dealers, because those are the older units that they're eating up their floor plan dollars and of course interest charges for them and the like. So, we're very focused and I think very aligned in that regard.

Stephen Reitman (Bernstein): Thank you.

Operator: The last question comes from the line of Michael Jacks from Bank of America. Please go ahead.

Michael Jacks (Bank of America): Hi, Doug. Thanks for taking my question as well. I just have one left. The US-Mexico-Canada agreement, and more broadly, imports from Mexico are one of the focus points for the US presidential race. Could you perhaps try to frame for us what the potential challenges are here for Stellantis and the measures or levers you might have to help offset a more adverse trade outcome here? Thank you.

Doug Ostermann: Yeah. Look, the US presidential election, as a fellow American, it's just so close. It's too close to call. But and, of course, everybody in the industry is trying to study the different policy positions of the two potential administrations. Right. And when things could take effect and how they could impact us of course, on trade and emissions and other things. I think the key for us is not being able to accurately predict which way things are going, but to put in place the type of flexibility that regardless of which way things go, that we can adjust and adapt.

And to your point. Look, in terms of emission policy, which I know wasn't part of your question, but I think it's an important issue as well. Our multi-energy platforms clearly can allow us the type of flexibility to adjust to adoption rates of EVs that may get accelerated by fiscal policies or may get retarded by fiscal policy. So I think we built in flexibility there. Likewise, we have plants all over North America. And there are many products that are built in in multiple locations even, so in the near term, we can adjust on the edge. In the longer term, of course, it would be more significant to really move away and make big, big adjustments. But like I said, we have plants all over North America and I think we have the flexibility to deal with these policy changes.

Michael Jacks (Bank of America): Helpful. Thank you.

Operator: This ends today's Q&A session. I'll now hand over to Doug Ostermann for closing remarks.

Doug Ostermann: Thank you. Look, I'd just like to thank everyone for taking the time to follow the Stellantis story and your interest in the company. As I think I made clear, we have a lot of opportunity, but we really have a lot to do to secure it. And I very much look forward to continuing the dialogue that we've started today in the months to come. I'll be scheduling some meetings with investors and at various conferences and also really look forward to getting to ask you some questions and hear your views on the company as well. So thanks again for your time and we'll talk to you soon.

Operator: Thank you for joining today's call. You may now disconnect your lines.