Stellantis Investor Day – June 13, 2024
Transcript

Introducer:

Please welcome Ed Ditmire, Senior Vice President, Investor Relations.

Ed Ditmire:

Good morning everyone, and welcome to the Stellantis 2024 Investor Day. Special thanks to those here with us in person at the Chrysler Technical Center in Auburn Hills, Michigan, especially those that traveled long distances to get here. We're also excited to have those of you joining us virtually from around the world. We appreciate you tuning in to review the Stellantis story at such an interesting point of time. We have a really broad representation of our management you'll hear from today. You'll hear not only from our CEO, Carlos Tavares and CFO, Natalie Knight, but chief operating officers from our three most profitable regions, CEOs of three of our largest brands and EVPs leading three critical functions. In terms of logistics, we'll take a 15 minute break mid-morning and after the presentations are fully complete, we'll open things up for Q&A before ending around 12:00 PM. Today's presentation materials have been posted on our investor relations website.

And 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 in our presentation and available on the IR website. So what are you going to hear today? Four things should become very clear. Stellantis is highly differentiated, helping it better address today's critical challenges. Standout flexibility, especially multi-energy capabilities enable profitable delivery against a wide variety of scenarios. The company is addressing important 2024 challenges head on and Stellantis is committed to strong capital returns. Now let's kick off with a short video making clear who we are and the progress we've begun to make in the first three years since the formation of Stellantis before turning things over to CEO Carlos Tavares. Thank you.

Introducer:

Please welcome Carlos Tavares, Chief Executive Officer, Stellantis.

Carlos Tavares:

Good morning, good afternoon to you all. What a terrific moment we are going through. We have ahead of us a world of opportunities. And the more we see change, the more we see opportunities, the more we see challenges and headwinds, the more excited we are. And this is the reason why today we are so excited about hosting this event. We are going to show to you what we are doing today, what we are doing for the future. You'll feel the power of Stellantis. You will feel the brains of Stellantis. You will feel the leadership of Stellantis. So I would like to address in this introduction three different themes. The first one is to share with you where we think the industry is going. It's not about us, it's about the industry. What do we think is going to happen next and what is going to be the environment in which we will have to operate?

Second part will be about explaining to you why do we think that the differentiators of Stellantis are going to make Stellantis win? I use the word Darwinian. For some people it looks a little bit gloomy. It just means change. Change is there, change is now on. And as we believe we have strong differentiators, we are going to use those differentiators to win in a changing environment. And this is of course for us extremely exciting to be demonstrating that we are preparing to leverage those differentiators. And last but not least, of course, we will address some of the 2024 headwinds and challenges that we are now working on because we anticipate that you have significant questions on that matter. So let's move on and let's just consider that we will address those three topics. And we start with what's going on on the industry, what is going to happen and how should we be prepared to face this change.

Up to now, we used to say that in our industry we had a certain number of success factors that everybody needed to deliver. Global scale of course leadership in significant markets, good brands, trusted brands, and of course great products. And I understand that yesterday you had the opportunity to test drive some of those products. I hope that you had fun as much as we have fun when we create, develop and manufacture those products. So that's the historical stuff. That's what everybody needs to have to be getting the foundation to compete. But what is coming now in terms of disruption is additional things. Starting with customer expectations. It's quite clear and I will detail that we have a wide variation of customer expectations. They become larger, those expectations, they become more fragmented, more differentiated in function of the segmentation of the market. And this is going to represent a significant disruption compared to what we have been seeing over the last few years.

Of course, we have the electrification mandate. The electrification mandates become a very important part of this industry as we see dogmatic, pragmatic positions, accelerations, slowdowns, changes of direction. So the EV mandates, the electrification mandate is going to become a significant disruption of our industry. We have of course the rise of China. It's important to recognize that against March 2022, when we presented to you the therefore 2030 plan, it is fair to recognize altogether that the offensive of the Chinese brands has become much bigger than what we expected only three or four years ago. So how do we adapt to that reality? How do we face that challenge is a disruptive factor. Last but not least, the fact that the world is going fragmented and that is very important for our company as we have, we believe, strong differentiators that will give us a better capability to adapt to a fragmented wall.

So on the right hand side of this slide, you see some disruptors that come in addition to the usual success factors that we have been dealing with over the last few years. So let's talk about the customer demands, and recognize that first of all, what is obvious to all of you and all of us is that affordability is a very strong, if not the most important demand, for zero emission mobility from our customers. Zero emission mobility that is not affordable will not make it. It'll not make it because we need the support of the middle classes to solve the zero emission mobility padding. And for that to happen that mobility needs to be affordable. This is one of the big disruptors that we have ahead of us. Then on terms of customer base, we see that we have clearly two different directions. We have one direction, which is about making our cars more comfortable and more simple, which is more related to the aging part of our customer base.

And on the other side we have the digital natives, younger generation who are looking for apps and multi-model solutions. So two very different directions that we need to face. And last but not least in terms of echo cautiousness, we see that the diversity in terms of expectations, the diversity in terms of speed, the diversity in terms of regulations are becoming higher by the day. So those three factors just represent the demonstration that we will have to adapt to those differences. We'll have to consider that one size cannot fit all. It'll not fit all the customers, it'll not fit all the markets, it'll not fit all the technologies. So we need to adapt this reality, which means making sure that the technology that we are developing and that we are embracing is able to bring solutions and not only the technology, but also the positioning of our brands. In a world that becomes fragmented in a customer segmentation that is asking for different solutions, meeting different kinds of needs.

The fact that we have 14 brands, not to say 15 with Leapmotor, is obviously a significant differentiator for our company, but this is about the market. So let me move on to electrification. In terms of electrification, what is quite clear is that we have to adapt to a world that we can hardly predict. So if we cannot predict the world, then we need to be very agile to adjust our roadmap and the course of action to the reality that we are facing. That means flexibility. That means flexibility. That means that when we made the choice three or four years ago when we created Stellantis to go on a multi-energy platform strategy. At that point in time we were criticized. I still remember. And now you see why it made sense to go on a multi-energy platform strategy because then you can adapt to these realities that you cannot predict.

In addition to that, the multi-energy platform strategy gives you the capability to be very flexible in manufacturing as you are putting the BVs, the PHEVs, the ICEs of the world on the same manufacturing line. So you can adjust to the market mix faster in a more efficient way along the course of your business plan. So multi-energy platforms, flexible manufacturing, this is again the recognition that the world is not moving at the same pace. The world is not accepting the same solutions because of affordability, because of the sensitivity of the different societies in which we operate. And then we have China. China is of course becoming a very important part of our business and everything that comes from China has an impact. Needless to say that we'll have the opportunity to discuss about the tariffs not only in the US but also in Europe.

What is clear is that we don't want to be defensive. Our strategy that remains an asset light strategy is about making sure that we are ourselves offensive and surfing the wave of the Chinese offensive. And this is exactly what we have done. We recognize that they have a 30% cost competitive edge against the western world. We recognize that they have done a fantastic work in terms of EE architecture based solutions. And this is exactly where we see the benefit of one of our major differentiators against some of our competitors. And finally, if we keep on describing the industry, we see that this nice word of deglobalization, such a soft word, to say that in fact the world is fragmented and getting more and more fragmented by the day. So if it is fragmented, you need to be a local hero. You need to be inside of each bubble and play a leading role inside of that bubble, which means you need to be local in the major markets and you need to leverage on a global basis your assets, your technologies and your developments, which is all about efficiency and effectiveness.

So we understand that the world is becoming more fragmented. We understand that inside of each of those bubbles we need to operate with local solutions that are best in class within that kind of framing. So if I conclude on this first part, which is about where is the market going, I would say that on the left-hand side of this slide, you have the traditional success factors, historical success factors, which of course I'm not going to comment because you know them very well. On the right-hand side though you have additional must-haves that any company that wants to compete in this industry needs to develop. And it's about agile strategy. It's about having a long-term strategy, like therefore 2030. But at the same time being able to go around the roadblocks, making sure that you are agile and you can steer the boat at the speed that the events are imposing on you, which means also rapid execution of those direction changes.

You need to have the right products, the right brands, to be bringing local heroes in those bubbles. Of course you need to manage profitably all the different powertrains and technologies that bring an answer to local needs. And this is of course looking at those businesses on a regional basis. You need to be totally cost competitive at the highest level without cost competitiveness, we will not be able to face the Chinese offensive because they are setting the bar. And I can read here or there questions about where are we in terms of cost-cutting, are we on the limits or not? Well, it is the same thing as asking do we have limits to our imagination? Do we have limits to our brains? At Stellantis, we keep on challenging ourselves every single day, every single minute on what kind of solutions can we find, how collective answers we can bring to the challenges that we are facing?

So in terms of bringing new ideas to break paradigms and face the competition, Stellantis is obviously bringing a breath of fresh air. And we are unapologetic. I repeat, we are unapologetic about the fact that we trust the brains of our people. We trust their scientific education, we trust their capability to bring solutions on a collective approach. We have one of our four values which is about winning together. And this is how we see it. We have a challenge out there. We are going to face the challenge by looking for elite cost competitiveness, and of course we will deliver on software, as you have seen yesterday, and we will deliver on services. So moving forward, now that I have shared with you some of our thoughts about where this industry is going and what are the new must haves in terms of succeeding in this changing environment, I would like to share with you some of the differentiators of Stellantis.

On this slide you have nine differentiators, and you have three major pillars. You have a first pillar on the left, which is about the strong core of this company. We have the biggest and most exciting portfolio of brands of the industry. We have a very strong presence in two major markets like North America and in large Europe. We have a third engine which is already competing for being the second most profitable region of the company with the Middle East and Africa, Latin America and India, Asia Pacific. And we have a highly flexible multi energy approach to this changing environment. So that's the left column. Those are some of the fundamentals of our differentiators. On the middle we have what we would call above average profitability metrics. We are certainly the leaders in the commercial vehicle business. We are capable of delivering on our commitments with the double digits AY margin. And we know that we have the best in class efficiency of our R&D and CapEx expenses compared to the other guys.

That's the middle pillar. And the third pillar on the right, it's about the critical speed and agility with some best in class sourcing strategies that will be presented to you today. We believe that we are leading this best in class country sourcing strategy. This is going to be a big differentiator, doesn't make us always popular, but this is what it takes to compete with the Chinese car makers. It is also very clear that we have a unique strategy asset, light strategy for China that is from our perspective, much more robust than many of our competitors. So with those three pillars, we believe that we have nine strong differentiators that gives Stellantis a unique opportunity to be one of the winners if not the winner of this fast changing period. So let me only comment three of them and let me start with the portfolio of iconic and innovative brands.

What we know is that in a fragmented world, having local heroes is a fundamental success factor. Think about what Jeep represents in the US for the 23rd consecutive year, Jeep has been considered the most patriotic US brand ahead of some well-known drink brands. You see what I mean? You see what I mean? Good. So we are with me. Thank you. So Jeep, think about Fiat in Italy, think about Peugeot in France, think about RAM in the US. So you see having local heroes in a fragmental world is bringing you the capability to perform inside of the bubble. And of course you need to perform inside of the bubble by bringing the appropriate assets, platforms, EE architecture, drive trains, battery cells. So Stellantis is providing this huge array of technologies and we have 14 brands to have inside of the bubbles, the local heroes using the platforms, the technology to perform and meet customer expectations. Not only we have those 14 if not 15 brands, including the local heroes in the most important markets, but we also have the capability to cover all the price bands of the market. Starting with the mobility devices like the Citroen Ami or the Fiat Topolino, up to the most sophisticated Maseratis, the Folgore versions. We cover the whole price band of the market, which means that we are able to compete with specific solutions in each of those price bands, which of course represents a very significant competitive edge. We are not about saying that we cannot compete in that area of the market because you don't have the right brand, the right cost competitiveness, the right attributes and the right capability to cover the price band profitably.

We have that. We have of course to organize, we have to make sure that we go to market in an efficient manner. But certainly the brand portfolio, which has been presented by some as being a handicap, appears to be in a fragmented world the major success factor to operate inside of the bubble with trusted brands that people want to buy. This is an important differentiator. The second one I would like to comment is about the commercial vehicle business. And if you look at this slide, this slide says it all.

This slide says it all. We have the largest, the most exciting, the most powerful product portfolio for CVs in the world. This is absolutely an outstanding asset. It is more than one third of our business footprint. It is accretive, means more profitable than the average of Stellantis. It's pulling Stellantis up. It is less exposed to disruption because it's more about the fundamentals of this specific kind of customers. And as you can see, we are number one in Europe, we're number one in Latin America. We are number one in Africa Middle East. We are number three in North America. We are of course number one in the BEV part of this market, which is expected to be the final destination for this kind of product. None of us can imagine that people will keep on delivering goods inside of the urban areas if the delivery tool is not zero emission.

And we are the leaders of the BEV commercial vehicle market. We are fighting and racing for leadership on a worldwide basis and we intend to win that race within the course of this therefore 2030 plan. And last but not least, let me talk about China, because it's a topic on which you have asked me many questions during our roadshows. First of all, it is important for you to understand that as we took 21% of Leapmotor who appears to be the number three NEV startup in China, so competing on the most edgy part of the NEV market in China, we also understand that there is a very strong appetite for that company to grow overseas. They have the products, that is unquestionable. We have driven those products. We look at the technology, they are on the edge in terms of technology, in terms of product, and they have significant capability to export given their manufacturing capacities.

They have a cost competitiveness, which is at the best level of the Chinese automotive industry. I can confirm the 30%. And we have created an export company called Leapmotors International that we own 51%. And all the exports of Leapmotor cars outside of China will be made through that Leapmotors international company that we control. Which means we have a financial interest in growing that business outside of China while they will take care of China as it is a very specific environment. So at the end of the day, what are we saying here? We are saying that we are going to leverage their own cost competitiveness. We are going to leverage their own technology mastering, namely in electric powertrains and everything that relates to connectivity.

And we are going to leverage this to our benefit through the export company. It's interesting because we are in a very fast changing environment. And one thing I can share with you, which is I think interesting for you to know. When we discuss about which cars we are going to bring to Europe as a starter and the other regions, as we have announced in China a few weeks ago, we have already pre-decided which of those cars would be assembled in our plants outside of China.

Which means when you look at the business case of saying this product could go to that market, that market, that market, and of course in all of those markers we have plants, we have already pre-decided from which level of tariffs we go CKD, and below that level of tariff we go CBU. It is already decided. We don't have to wait for the tariffs to appear. We have an index which gives you above this level of tariffs to go CKD to that plant with this car, below this level of tariffs stay CBU. So we are not waiting for things to happen and fall on our face. We're trying to anticipate what is going on in the world. And this is certainly one of the big differentiators we have against some of our competitors. While they are under pressure in the Chinese market with local competition where many of them are either too big or making red ink, which makes their life difficult, we are anticipating and leveraging the power of the Chinese industry to our benefit through this partnership, which is going very well.

So those are some of the differentiators. I wanted just to comment three on those nine so that you can have a glimpse. But most of those differentiators on that nine box slide will be presented by the members of the top leadership team of Stellantis today. So you'll see today how we are using those differentiators to make our company win. If I move now to the 2024 challenges, I would say that '24 is a year of transition. It's a year where, as I announced to you many times, we are starting a powerful electrification offensive in the US market. And we see that this electrification is of course going to absorb many of our resources in 2024. So it's a year where we prepare and we execute the first part of this offensive and you'll see the products in the second half of '24. They will come.

And of course we are very busy preparing all of those outstanding products. So we see that the global market will possibly be growing, but very slow growth, limited growth globally. There is no more significant industry supply limitation. We see that the price sensitivity is becoming higher and higher, mostly in the western world, but not only. And of course we see that the EV ramp up is quite volatile across the western markets. We expect that for Stellantis who will have a moderately decline of our share in North America as we prepare for the launch of the new products that will bring us back to the right position. We consider that Europe is now stabilized even though we are always trying to do better, but it's now stabilized. And we see that our third engine, as we told you a couple of years ago, the third engine is now fighting to be P2 in the ranking of profitability of our company.

Which means that our company today has three engines, North America, Europe, and the combination of Latin America, Africa Middle East, and India Asia Pacific. This company has three engines of course, which represents a significant de-risking of our business against what is going on in the world. In terms of profitability, we see that there will be headwinds in the US and Europe, mostly driven by the competitiveness of the market, but not only. Also about the hesitations that we see. What we see right now in Europe is clearly demonstrating that Europe is fragmented, not going in the same direction in terms of automotive thinking. It's quite obvious. You just have to look at the PRs that were sent out yesterday when we heard about the first tariffs that will happen in Europe against the Chinese imports. It's quite obvious we see that last year in H1 2023 we could benefit from very, very supportive market conditions still benefiting from the backlog of the semiconductor supply crisis.

And that has disappeared this year and we consider that with our double digit AY margins that we committed to you within the therefore 2030 plan. We'll continue to be among the leaders of this market in terms of profitability. So in a nutshell, we would like today, and I would like today, to confirm that our commitment to deliver a double digits AY margin is intact. It is good for you to know despite all the things that are ongoing. If I look at North America, which is one of our headwinds or challenges for 2024, the situation is quite clear. We have to fix a problem in manufacturing. Manufacturing has been difficult in a couple of our US plants, mostly.

Mexico is okay. In US, we have a couple of plants that are not operating as they should and we have to fix that. We also see that we are not sophisticated enough in the go-to market strategies, in terms of marketing. And we spent the whole day yesterday working on that dimension, which is how to be more sophisticated in the way to go to market, more efficient in terms of managing the purchase funnel and putting the money where the money has a meaning in terms of closing the deals. That's clear. That's the second one. The third one is that we are reinforcing our talent pool in North America. We...

PART 1 OF 7 ENDS [00:35:04]

Carlos Tavares:

... forcing our talent pool in North America, where we still have a certain number of key positions that need to be filled. Not many, two, most of it it's two, but we will continue to reinforce our talent pool in North America to be able to compete with the best. So we will continue to manage our inventories, but of course make sure that we can bring back profitable share as we are working on those areas.

If I talk about the LEV and the BEV mix, which of course represents a significant amount of uncertainties. The only way to be comfortable about the LEV and the BEV myth is to meet two conditions. The first condition is never put yourself in trouble from a compliance standpoint. We have no intention to pay fines and we have no intention to buy credits.

When we pay fines we destroy value. So we intend to be fully compliant, because we don't want to destroy value, we don't want to waste your money. And we have no intention to buy credits, because when you buy credits you become weaker and your competitors become stronger. Which of course is not what you expect from us.

On those two dimensions, we have exactly what we need and we are executing. And it's going to happen this year. So we are putting a strong focus, and to a certain extent some pressure, in the company to make sure that we get things done properly.

We are doing it in a very rigorous way, in a very professional way, but this is the year where those electrified products, which are going to be best in class, and I can tell you they are going to be best in class, are going to come up.

Let me just give you an example which is already out there, that was presented by the Jeep run CEO a couple of weeks ago, the Wagoneer S.

Look at the metrics of the Wagoneer S. If you look at the metrics as an engineer, you will obviously conclude that that product is best in class. Which brings to you a very relevant information, which is the credibility of our technology, and the fact that now we are able to blend the credibility of our electrified technology with what we do best, which means great appealing products. And this is important for you to understand.

So that's point number one. Point number one is don't put yourself in trouble in fines or weakening your opposition against your competitors through the purchase of credits. That is in the strategy, is being executed.

The second thing is we need to make sure that we accelerate the per unit margin convergence between electrified products and ICEs. This per unit margin convergence is the key success factor to be able to digest the bumps that we are going to find on the road on the pace of electrification in the different regions.

I must say that we are progressing well in Europe, we are quite advanced and things are moving. And we are now accelerating in North America on that direction. Which means that, don't be surprised, we are going to ask a lot to our partners, but never more than what we do for ourselves.

Everything we ask to our partners is generally speaking less than what we do inside of our own plants, which gives us the moral authority to ask for that contribution because it is what the society is expecting from us.

So we are working on reducing those per unit margin gaps. We are well on our way in Europe, not as advanced in NA, but we will continue to work and bring that to completion in the next couple of years.

If I finish with a product offering. It's quite also obvious that when we made the decision two and a half years ago to systematically protect an important amount of energy storage in our BEVs, which was a big debate inside of our company, healthy debate. And we decided that we would address first the range anxiety by putting significant battery packs in our vehicles to store significant amount of energy.

Well, that appears today to be the right call. Why? Because all the western world is late in terms of setting the right infrastructure. With a very limited number of exceptions, the western world is late in setting up the charging infrastructure across our western markets. Which means that range anxiety is still a very significant expectation, with affordability, of our customers.

And this is the reason why we will continue to address that range anxiety, until the charging network density reaches a level where the customer say, "Yes, I can see enough charging spots, so I'm okay to have a lower energy storage in my car."

The other thing is that as we are transitioning from the old world to the new world, and as the hesitations in some areas, in some regulations are now going to appear, because of the political uncertainty that has been created on the affordability. We see that any region of the world where the affordability was disregarded, we have now political tensions that address social unrest on this matter.

And it is easy, just have to look at what happened during the European Parliament elections. You see clearly that the countries that did not address the question of affordability, the question of convenience through the infrastructure, are now struggling and hesitating. Because the social pressure and the middle class expectations are not met, and therefore they put their political leaders under pressure.

So this transition is going to be somewhere difficult transition in terms of piling up the old world with the new world. Because in our big companies if you simply pile up the two worlds, instead of transforming the old world into a new world, you create a peak that eventually your organization will not be able to digest.

So how did we address this? Very simply. In three years we reduced by 75%, seven five percent, the complexity of our products counted in number of parts. 75% down in three years.

I can tell you it was not a walk in the park, not everybody was smiling on those meetings. But this is the contribution that you must have if you have to digest a transition period where you pile up the old world and the new world. And Stellantis is ready for that. This is what makes us smile, I think we are fit for this transition.

So to conclude this introduction, I just would like to tell you two very basic things, and this is perhaps the most important part that you would like to hear from me. Point number one, cash generation and balance sheet of Stellantis enable uninterrupted strong capital returns.

Our mindset has not changed from everything we have told you over the last couple of years. Once we set the floor based on a COVID stress test, the money we don't use we give it back to you. It's very simple, but we have ideas.

The second thing is that we are absolutely on track to deliver the €7.7 billion of record amounts in dividends and stock buybacks in 2024. So at Stellantis we deliver, and you can count on us.

Thank you.

Introducer:

Please welcome Carlos Zarlenga, Chief Operating Officer, North America.

Carlos Zarlenga:

Hello, good morning, good afternoon.

What I wanted to do today is to share a little bit of the impressions and the thoughts of four months into this new role. And I wanted to reflect really on three things. First, what are the strengths that we have in North America at Stellantis? Second, to talk a bit about the challenges that we're seeing in our region and how we're going to address them. And then third, I want to talk about electrification in North America, and I think the incredible opportunity that it is for us.

So with that, let me get to the beginning, to the strengths, right? Can you put that... Perfect. So effectively what I think is Stellantis North America is a very, very important part of the globe for the company. It's a key engine, as our CEO just said.

Second, we have the right platform for products, and we have the right product offering at this moment and on the years to come. I feel very strongly about our product portfolio.

And then third, I think we have the right footprint, we have the right manufacturing footprint, with the mix between our production in the US and in Canada and in Mexico. So I think we have pretty strong pillars.

And among those, let me just go into the first pillar that we just talked about, which is our brands. The one thing that impressed me as I joined the company regarding our brands is we don't have to explain them, we don't have to grow and develop them. Our brands are there, they're very powerful, they're very strong, but most importantly they're very clear.

This is what many OEMs strive to do, to have very clear defined brands. When you think about Jeep, you think about the original SUV, you think about freedom, you think about the most patriotic brand in America. And it's absolutely unquestionable how clear it is in the mind of the consumer. Ram, we make trucks. The only purely dedicated truck brand.

So when you have this strength, it's very easy to grow from this point. Because we don't have to construct it, we already have it. One of the major assets that we have.

Then the second thing I wanted to highlight is the transition and the strength of the transition to the new technologies. And the first example of the multi propulsion that we have been talking about in Stellantis for so long, I think the first example is how we adopted the plugin hybrid technology in the US. I mean, the results are pretty evident. In a world that to an extent forgot the evolution of the transition and try to jump from traditional technologies all the way to full electrification, we kind of forgot the middle step. And the middle step even now and for the future is a plugin hybrid.

So Stellantis is number one in North America, over 50% share of the plugin hybrid segments. And on a very strong basis, four out of the top five plugin hybrid sold in North America are Stellantis products, and very strong products across the product range.

The other element really as I come into the role that I'm thinking about is what are the big opportunities in terms of growth? And three years ago when we started with a merger, one of the key elements that we focused on was to develop an in-house captive finance company.

The reasons are very simple, right? The loyalty, it's a lot higher. Customer loyalty is a lot higher when you do have this product offering. You have funding stability throughout the cycle, which is incredibly important. And you have the access to a very attractive profit pool that has a ton of opportunity to grow.

So if you look at what has happened ever since the acquisition that we did in 2021, well, we've seen first the launch of products across the whole range. So now we have a full service captive, which is incredibly important for the journey that we're trying to follow.

And second, we've seen 15 x growth there, so we're well in our way to make this a very relevant portion of our business in the US, in supporting our growth on the share of the brands.

The other thing I wanted to talk about is this question of the sustainability of our best in class returns in our North America business. And as I came in, I started thinking about this question. And why do we see this as being sustainable, as we have said before?

And I can think about structural reasons, very hard specific reasons, and I can think about cultural reasons why I think these are sustainable. On the structural element, I think we have an incredibly strong portfolio of brands and products that are going to allow us to price for value.

Regardless of the environment in which we're in, if we're going to be in an environment of price pressure or an environment of price expansion as we saw in the last few years, we are going to carry the premium, because we can extract the value out of the brands and the products.

Cost. We have done a lot in terms of synergies ever since the merger. We are focused on efficiency, we are focused on cost out. As Carlos said, we are unapologetic about this topic. And I think that this is a long-term sustainable advantage.

And last but not least, the platforms and the execution of our engineering platforms into products, into the iconic brands, I think is something that will remain for us for a very, very, very long time. We don't see any reason why that is going to change.

From the cultural element, first of all, we are a benchmark culture. The fact that we have this incredibly global integrated company allows us, with incredible speed, to be able to constantly be benchmarking what we do in every part of the world.

For North America in particular it has been incredibly helpful to understand, out of the presence that we have around the world, the benefit of looking at the contrast and the variances of how we do different in other places. And the benchmark is something that is an internal strength in the way we go about it.

Second, we are a culture of problem solvers, a culture of engineers. You can see that day to day. I was incredibly impressed ever since I joined the company around that.

And last but not least, right, we have an unrelenting focus on efficiency and cost out, which is going to help us throughout any cycle.

So this is a little bit of, if you want, the strengths and my first impressions as I came into the role.

Second, I want to talk a little bit about the challenges that we're currently seeing. I want to be a bit specific here and talk about how we are addressing them.

So let me start with the first one. We are definitely focused on improving our market share. And when you have the strength that we have in terms of brands, in terms of [inaudible 00:52:38] capacity instead of dealer network, in terms of product, what you have to do is you have to get back to basics. And those are the things that I think are going to be very, very important this year.

So if you look at this, it's really a walk back to basics. Pricing, maintaining pricing for value in our pricing ability, given our products, but at the same time recognizing the evolution of the pricing in the market, and aligning to the other right way.

Mix. Production mix, very, very important, aligning production to demand, as well as ensuring that what we're putting in the market is exactly the products that are being pulled from our customers. In aligning mix to demand is going to be critical, especially after the last two or three years where that alignment was just not there from an industry perspective.

Marketing, we just hired a new head of marketing for North America, we're very, very excited about having her on board. We think we're going to be doing a lot of transformational stuff and that's going to drive a big impact.

Definitely engaging in the dealer network, they have been very supportive. And I think that there's a lot of excitement now about what we're going to be doing next and how we're going to be regaining.

And last talent. We reorganized the sales team, we have more resources customer facing than we probably had before. And I'm very, very excited about the new leadership team that is taking over there.

What have we seen? Well, we've seen early good indicators, we've seen a good recovery in May, a point of share. We see that projecting into the rest of the first half and the second half. Obviously more to come, but going back to basics will be a change here.

The second element is addressing inventory. And what I would say on that is really three quick elements. The first one is we are in a product transaction. We are launching new products, we're launching mid-cycle actions. We have to work our way down through, call it, the existing inventory. That's happening, we're seeing a big reduction there as well. And we see a lot of traction on the new products that we're introducing in the mid-cycle actions that we're doing this year.

Second, regulatory. We are free now to distribute our PHEVs the right way across 50 states. That's very important after the CARB deal that we secured, the deal with CARB that we secured at the beginning of this year, that's going to be very impactful.

And last but not least, as I just said, aligning production volumes with demand, aligning the right mix of production with demand. We see traction already, and I think we're going to see a lot more traction towards the second half. And then if you make it a bit broader, if you want, I just wanted to talk about the challenges that we're seeing as an industry in the US and in the rest of North America, predominantly in the US I would say. And what are the actions and the responses that we're taking?

First I think we're going to see, or we are seeing already, a change of cycle in terms of pricing. There's been a lot of pricing tailwind over the last two or three years basically predicated on the scarcity of supply versus demand. And I think that situation is evolving this year and we're going to get back to a more normal environment there. So that's the dynamic that everybody's going to have to face.

Second, cost increase. I think there is an impact, there's a labor cost increase impact. We don't need to go back to that topic, but clearly that's going to be a topic to manage for the industry. The increase on capital needs and investments as we move to electrification. The US is starting the journey on electrification, the big growth is going to happen in this year and the years to come, but it's happening there.

And then obviously the uncertainty on regulation. So from our point of view, how do we respond? Well, first, product. With the introduction of the mid-cycle actions, especially in our truck business, on Ram, there's a lot of opportunity there still to expand results in the second half and into next year.

Second, we continue our sourcing, our best cross-country sourcing. We're looking for opportunities around the world to make more efficient and drive productivity in our cost, in our material cost.

The fact that we have done the significant simplification of the portfolio that our CEO alluded to, the 75% reduction on complexity, allows us to be much more efficient on capital deployment as we transition into electrification.

And last but not least, the productivity continues. We're going to continue looking for ways to take cost out to eliminate waste, especially on the cycle that we're beginning now. And we have the knowledge of how to do that.

So that's a bit of how we're addressing the challenges that we're facing today. And the last element is I wanted to leave you with a couple of reflections around how do you transform to electrification in a market like the US from a realistic standpoint?

And the first element I wanted to highlight there is, regardless how you look at it there is going to be significant growth on electrification. On the top, you can talk about a CAGR of 40%, on the bottom of a range you can talk about a CAGR of 30%, but those numbers are not numbers that we see in our industry normally in terms of growth. So there is going to be growth, if you want, at every end of on the forecasting range. Significant growth on the top and in the bottom.

So how do you make the most out of it? And we talked about the multi propulsion and the choice, right? And on that I wanted to give you a double click of what that means for North America.

Effectively, on the launches that we're doing in 2024 and 2025, we are launching across the entire spectrum. You can see entries on this chart in the ICE world, you see entries on the pure electric world on the right side of the page. And then you see significant entries on mild hybrids, plugin hybrids, range extended vehicles.

So what we're doing is really across. Why? To make sure that we meet the customer in the US where the customer is at, and we manage this transition naturally.

This is an incredible strength, I cannot overemphasize how important this is going to be in the transition. If we only had BEVs we will be forcing a volume that doesn't necessarily correlate with demand just yet. And that is an advantage that we have I think against any of our competitors, that is going to prove to be very strong in the US.

And last but not least, the other element of why I think we have a great opportunity in electrification in the US is the type of products that we're launching.

In many cases you've seen BEV products being launched, and the main feature or the main conversation around the product is that it is an electric product.

Well, we took it a little bit different. For us it's just a better product. And if you look at any of these products behind me, either the new Charger, unapologetically the best muscle car we ever have put out. If you look at the Jeep Recon, if you look at the Ram Rev, those are all products that are going to be incredibly successful not because they are BEV but because they're great products first. The products built within the DNA of the brand, absolutely clear and absolutely focused on what they are.

So we actually made sure that even on the electrification we don't deviate from the DNA of our brands. And I think that's going to be essential on what we're going to see coming forward in the US.

With that, thank you very much. And I want to call my great friend Antonio Filosa to talk to you about Jeep. Thank you very much.

MUSIC:

Yeah. We're just getting warmed up, man.

I'm walking right through the flames.

I hear you calling my name.

I'm here with all of the gang and we going hard in the paint.

So you better move and get out of the way.

Got plenty of gas in the tank.

And you can take that to the bank.

Yeah, you can take that to the bank, huh.

Oh, we 'bout to kick up a storm 'cause this is where legends are born, so watch me.

Hey, hey, hey, hey.

I'm ready to go. Go.

Look at the moves, we're running the show. Show.

We're taking it all, we're taking it up.

We're going wild, we're running amok.

Fire me up, I'm ready to go.

Introducer:

Please welcome Antonio Filosa, Jeep Brand CEO.

Antonio Filosa:

Good morning, good afternoon. Welcome again. Thank you, Carlos, my dear friend from Argentina.

My name is Antonio Filosa, I'm Italian. And six months ago I received a big privilege to lead an immensely talent North American and global team, as together we manage this fantastic and iconic American brand as Jeep.

Well, being Italian, I decided to approach Jeep with all the respect that this American iconic brand deserves. And I went studying Jeep very rich and inspiring history.

This is our day one. 80 years ago, our first massive appearance when many airplanes of the US army dropped into wooden boxed hundreds of Jeep wheelies to support the alliance to free Europe. Since day one, since the day the D-Day in Normandy, France, Jeep decided to embrace freedom as original a first value of its DNA, together with authenticity, together with passion, together with love for adventure.

So no surprise, as Carlos Tavares mentioned before, that we are perceived as the most patriotic brand overall in US. This is what a very recognized survey stated for the last 23 years. And this survey, American men and women voted Jeep first has perception of patriotism. And Jeep comes before Coca-Cola, the beverage brand, comes before Disney, comes before McDonald's, comes before Ford, for instance.

To us patriotism in this country means a lot. Obviously a reason of be proud of it, but also a business asset, since Jeep Grand Cherokee is number one in loyalty in its segment, since Jeep Wrangler as well, and enjoy the highest consideration ever.

This is our strategy, very easy to represent. We want to protect the core while we broaden the reach. And to us electrification, as mentioned by Carlos Tavares and Carlos Zarlenga, is a powerful tool to broaden the reach.

Those are the numbers. Jeep owns the PHEV industry with Jeep Wrangler 4xe the number one nameplate in this growing industry, and Jeep Grand Cherokee the number two nameplate in this growing industry.

It was PHEV industry means not only leadership, as we are proud of it obviously, but also [inaudible 01:05:03] momentum. Since 70% of the proud new owner of a Jeep Wrangler 4xe, and 60% of the proud new owners of Jeep Grand Cherokee 4xe, they come from different brands.

Well, so Jeep is very, very rooted into US history and culture. But 80 years of consistent legacy brought this fantastic brand to be perceived as a global icon. And those are just two among many very immediate proof points of that.

So in the second individual market in the world, which is Brazil, last year we celebrated 1 million Jeep sold and built out of the fantastic Jeep plant in Pernambuco. And in the third most important and relevant market for Jeep in the world, which is Italy, we won with Jeep Avenger the Car of the Year, this is last year. And we are number one selling B-UV, and number one selling BEV B-UV in this strategic country.

This is how the brand is today. And what we want to do? We want to grow. And we have a growth plan which is based on three fundamental pillars. The number one pillar is what we call freedom of choice, which is to offer to the customers multi-energy motor propulsion variance and options across our fantastic lineup.

The second is to increase market coverage, which is very easy and pragmatic. That means to reenter in the US in the largest segment of the planet, which is the mid-SUV segment, as we dropped last year with a drop of Jeep Cherokee. And to reenter the US to consolidate in the world our present in the small SUV segment, with the all new Jeep Renegade that is coming.

Finally, the third pillar is what we call globalization. That means to expand our industrial production into cost competitive countries, so that we can enjoy better total production cost, a very high level of quality because we are picking the best plants in the world quality wise, and also a lot of production accuracy.

So let's see one by one those three pillars and what we want to do with them. So the number one is what we call freedom of choice. Today we offer 10 nameplates, and our offers presents 10 variants of ICE, 10 variants of MHEV, four variants of PHEV, and one purely electric car, BEV. This is global offer.

Our global offer in 2027, we rely on 13 nameplates. We will maintain our 10 variants of ICE. We will maintain our strong commit in growing in pure electric vehicle, we will go from one BEV to six BEV. We will have five light hybridization, and then we'll have five PHEV and one range standard. So really flexibility is one of the powerful offer the Jeep will have in the four years in term of powertrain and also in term of nameplates.

So the second very important pillar is increase our market coverage. This is US and North America only. So today we compete only in 45% in the market. We have a plan to expand our market coverage up to 85% in 2027, because we will reenter in this one the mid-size SUV segment. Which is again the largest segment of vehicles in the world, with 4.6 million units in North America only. That is higher than an entire German industry, for instance. And we will also reenter in US and North America in the small SUV segment. And on the right part of the slide is how.

So in the 4.6 million units mid-size SUV segment, we will reenter with three products. What we presented just two weeks ago, the fantastic Jeep Wagoneer S, by the end of the year we will present Jeep Recon, and by half two or next year we will have a new mainstream UV.

So we will have two products to complete in the premium portion of this segment, which alone is 1 million units per year. And then we will have the new mainstream UV to attack all the rest, a portion that alone accounts for 3.6 million units per year.

For the small and compact SUV segments we have the all new Renegade, that we are analyzing and working strongly in product development. That will be sold with a variant pure BEV just below $25,000. Those are coming. Finally, the third pillar of our growth, which is [inaudible 01:10:04]-

PART 2 OF 7 ENDS [01:10:04]

Antonio Filosa:

Finally, the third pillar of our growth, which is globalization. We want to expand our production into cost competitive countries, not only for cost, which is obviously a very strong demand, as Carlos Tavares said of our consumer, but also for the high quality that our best plants in the world provides and production accuracy.

So that you will see our production from best [inaudible 01:10:26] country rising from the current 33% in terms of units and volumes to the future in 2027, 53%, and this industrial strategy will be a strong pillar to support our sales growth. From 23 in the world, 1 million units up to 1.5 million units in 27, and North America only from 700,000 units sold last year to more than 1 million units sold in 2027.

This is back to North America, our very mid-term production plan. So a lot of renovation in the sense of flexibility. So in the off-road space, we just launched the MCA very well accepted or Jeep Wrangler/Jeep Gladiator. In the B or small SUV segment, we will have soon the all-new Renegade with the variant below $25,000 equipped with a full BV.

We will have a new Compass, very awaited, very important to, us in the D SUV segment, the triple offer, the two so far only BV vehicles, Jeep Wagoneer S and Jeep Recon in the premium part of this segment. And for the rest of the segment, the new mainstream UV coming out to next year.

We are also renovated in the E SUV segment with two strong MCA, the Grand Cherokee, and in the large SUV segment, again, two very strong MCA, the Jeep Wagoneer and Jeep Recon coming soon, again helping the brand to enlarge the scope of competition from current market coverage of 45% to future market coverage of 85%.

Let's take a look at this fantastic new creation of the design center here of CTC, led by the master Ralph Gilles. This is Jeep Recon, the essence of capability, but electric, trail rated, Rubicon rated, 100% electric. Will be on sale in 2,025, open air freedom has only Jeep offer in the SUV space in the market, and the recently presented and equally fantastic Jeep Wagoneer S, the fastest Jeep ever, going from zero to 60 in less than 3.4 seconds. A range which is just top-notch, 300-plus mile, plus leading four-wheel drive capability with Jeep Selec-Terrain and many, many other fantastic feature.

Said that, I would like just to share with you the first step of our marketing campaign around the beautiful Jeep Wagoneer S. It's a video that we posted on YouTube two weeks ago, already accounts around 10 million views and a lot of engagement. We call it Surpass yourself, and I hope you will enjoy it. Thank you.

Introducer:

When you take on America's best-selling EV brand, we knew that after years of preparation and refinement there would come a time to compete. Go.

To show we're fast.

To show we're powerful. To show capability still makes us who we are and deliver more freedom than ever before.

But that's when we realized the real competition is ourselves.

Because the true definition of victory is being better than anything you've ever been before.

Announcer:

Please welcome Chris Feuell, Chrysler and Ram brand CEO.

Chris Feuell:

Good morning. Four weeks ago, I was given the incredible opportunity to lead the Ram brand and while our performance is not exactly where we want it to be at this point in the year, I can tell you that we have a world-class team and the right plan to achieve record sales by the end of 2025. And I'll share elements of that plan that include our strategic pillars and the product plan that will deliver this growth, and also how Ram Professional will drive profitable growth through integrated offerings and also by leveraging the company's global commercial business arm Pro One. Finally, I'll highlight how we intend to expand our retail sales in existing markets with new products. Trucks are Rams sole focus and we capitalize on that. Built to serve is not just our ethos, it's our commitment to customers that we build trucks that ensure their jobs get done. And as a singular brand, Ram is important to Stellantis. In fact, it represents a significant portion of the company's global profitability, and we will defend and grow our volume leaders with what we call our core lineup.

And we're rolling out additional actions that build both top line and bottom line growth. The Ram light duty and heavy duty pickups are considerably improved for 2025, and sport trucks are the fastest growing segment in the pickup space. And Ram will introduce the largest variety of off-road performance sport trucks ever.

Now, in my years of experience in both the trucks and tech spaces, I've seen what good looks like and I can confirm that we have the product to establish a leadership position in the commercial segments with double-digit growth. Our key market segments include light duty and heavy duty pickups, and some of the latest offerings include the midsize and compact segments.

With the launch of our 25 model year refresh, we'll remain in a strong position in our core truck lines, and Laramie and Bighorn will continue to account for nearly 42% of our mix in North America. The entire Ram 1500 lineup benefits from an all new and more power train and more efficient three liter hurricane straight six turbo engine, delivering up to 540 horsepower.

This is the most technologically advanced Ram 1500 ever, offering leading edge features that include advanced Uconnect Five systems and the integration of the segment's best interior. A new iteration of the Ram heavy duty will arrive this year with new technology that's cascaded from the Ram 1500 and includes an improved power train, thanks to our friends at Cummins.

Ram Trucks will have more autonomous technology as well, including hands-free driving assistance and level two plus capability. Now, Ram pioneered premium interior design elements that elevated the pickup segment with luxury and performance, and we've raised that bar again with new premium products that deliver both high volume and margins. This includes the all-new Ram 1500 Tungsten, the Ram 1500 RHO and our steadfast limited and Longhorn models. We're preparing to introduce more new entries to the Ram lineup that drive our global growth and will offer two new low cost pickups for the small and mid-sized segments. Most of this volume will come from markets outside the North America.

Now, let's talk about electrified trucks. Ram's pick your power strategy delivers a portfolio of electrified trucks that deliver no compromises performance built to serve the customer's specific needs. This is a true execution of EV technology in a segment that has dramatically different use cases, ranging from maximum towing to daily commutes with little or no payload.

Enter Ram 1500 Rev. We've designed this battery electric pickup to deliver the best balance of performance and at the right cost to drive profitable growth. Our Halo EV model will be available in multiple configurations with the greatest battery electric range ever in a full sized truck at 500 miles, but we didn't stop there.

In early 2025, Ram will deliver an exclusive in the pickup segment. The Ram 1500 Ram Charger is a series hybrid that combines a large battery and internal combustion generator to deliver an astonishing 690 miles of range. This multi-energy approach to power trains will accelerate our business and draw new customers to our brand.

Now, one of my favorite parts of the business is sport trucks. With seven times the growth rate, sport trucks are the fastest growing pickup segment, and Ram will launch the largest variety of off-road performance sport trucks ever. This expertise has long been a staple of the brand, led by the most off-road capable pickup, the Ram Power Wagon, and recently revealed Ram 1500 RHO with more horsepower per dollar than any performance truck.

The new Ram 1500 RHO with 540 horsepower Hurricane reinforces our leadership in off-road engineering capability and expands our performance truck lineup. The RHO also hits that sweet spot with a volume price point while delivering impressive margins. Further expanding the lineup, our Ram 1500 Rebel, Ram 1500 Warlock, and Ram Heavy Duty Rebel help create a sport pickup for every use combined with incredible value to drive strong sales and market share.

Now, I'm particularly excited about our growth potential in the commercial vehicle business. We have made considerable changes in process, execution, resources and also our commercial offerings that are laser focused on the commercial business that will drive Ram's record sales in 2025. This starts with the recent launch of Ram Professional, which aligns with the global presence of Stellantis Pro One.

Ram currently offers a wide range of products globally from the Ram 700 compact pickup to the Ram 5500 chassis cab in a range of Pro Master vans. Pro one enables Ram Professional to leverage the global selection of vehicle platforms, and through this relationship we'll introduce a small van to North America with an EV option. This new van enhances the commercial lineup for Ram Professional and gives customers a one-stop shop for all their vehicle needs.

Our Pro Master will continue to benefit from years of experience and leadership with the Fiat Ducato and EV offerings, and we're pursuing growth opportunities for the Ram chassis cab in markets outside of North America. Now, Ram has invested heavily in a dedicated B2B focus with expertise, resources and marketing and sales and service support which are critical to growing in this segment.

Our revenue streams for Ram Professional are not limited to vehicle sales. As you may have heard yesterday, our teams are building subscription services through telematics, offering commercial finance products through Stellantis Financial, charging services through our Freedom Move partnership and also business-focused service contracts that build profitability and loyalty through our business league dealer network. Combined with our full-size pickup leadership in North America and number one status in our third engine markets, this global acceleration will account for a significant portion of Ram's overall growth targets.

The Ram 1500 will continue driving for international leadership, and we will unlock volume potential with the new small and mid-sized trucks. We're increasing our quality and production with upgraded facilities and better balanced product allocation. And Ram is improving our market competitiveness and growth while maintaining pricing power through products, services and our electrified offerings.

I am so excited for the year ahead as Ram implements our top five actions for global growth, new products that align with demand, further expansion of our core products globally, the introduction of two new small and mid-sized pickups, greater focus on our commercial business and customers, and a new small van added to the Ram Professional lineup. All of these actions together with a world-class team will contribute to delivering record global sales growth from now through 2025. Thank you.

Announcer:

Please welcome Uwe Hochgeschurtz, Chief Operating Officer, Enlarged Europe.

Uwe Hochgeschurtz:

Good morning, everybody. Welcome here in Auburn Hills. I'm very happy to show you the challenges and the opportunities of the Enlarged Europe region. My name is Uwe Hochgeschurtz, and I am the chief operating officer of Europe.

Let's have a short look on the agenda. What we see today is about first key opportunities in Europe. Second, how we want to address the industry disruptions, and last not least, what are our recipes in order to face all these opportunities and challenges. But let's have a first look on our, let's say, snapshot or identity card in our operations here in Europe.

So besides the figures, let me highlight some of the key characteristics. Stellantis is number two OEM in Europe, just behind Volkswagen, and of course our objective is to be number one one day. That's a strategic objective. We are already quite well positioned in terms of AOI.

I think we can easily say that we are the leading OEM on AOI for the mass market automakers. We are number one in light commercial vehicles, and we are number three in BEV sales in Europe. And last, not least in 2023, we have produced 2.8 million units in 22 competitive assembly plants in nine countries.

Couple of words about Europe. So Europe is one of the biggest markets in the world, 440 million consumers in one single market. GDP is about 25,000 euro per capita, so a lot of money, sufficient money to buy a car for each and every one. Market stability is also very important. We have 340 million consumers using the euro, second most important currency in the world.

And last not least, we have a very important road network in terms of density and in terms of quality. The Europeans, they love their brands. The Europeans love their brands and they are mainly considering European brands. If we have a look, for example, on the charging network in Europe, we are today have around 6 million BEVs in 2024. And compared to this, we have 750,000 public EV chargers. So this is a ratio of eight to one, so a lot of space for BEV.

If you compare that to the US, there are 3 million BEVs and 150,000 public EV chargers. So the ratio is 20 to one, and as I said, Europeans loves their brands. Over 70% of the sales are belonging to European-based brands. So in summary, Europe offers vast consumer base, stable economic environment, advanced infrastructure, so this is all a great potential for Stellantis.

Let's have a look on the results. First quarter 2024, our market share was 19.2%. If we compare that with the full year 2023, we are winning almost one point, so good growth. We have a solid number two spot just behind Volkswagen. Overall, volumes have increased by 5.6%, and in some of our countries, we have a good double-digit growth in Germany, Portugal and in the UK.

We also signed in 2024 a two very important contracts, which is one with the rental car company Sixt. Around 250,000 units will be sold in the next three years. We started already this year and we have sold already 30,000. The other one is the world leading leasing company, which is Avis, 500,000 to plant deliveries in three years.

But that's not all. We are also number one is the commercial vehicle market. We were number one, we are number one and of course we count to be number one. Market share is 30%, 30% of European market, clear number one position. But we have also in some single markets number one positions, such as France, Spain, Italy, and Germany.

In Italy itself, we are only with one brand, with the Fiat Professional brand alone, number one. In addition to this, in these markets we are leader in ACV BEVs, and on top we have other markets where we are number one in BEVs, which is Poland, Belgium, Portugal and the Netherlands. We just relaunched our full lineup, including on almost all models ICE versions and BEV versions, and on some versions we have also fuel cell technology.

Let's have a look on the, sorry, let's have a look on the BEVs. BEV sales increased by 3.2% year over year. We have a market share of 14. 3 in the European countries in Q1, and we have secured top positions in major European markets. We have strong growth in France, 54% increase in this year. We are number one in the social leasing program. Also, a significant increases in the UK and Poland, and on Pro One, we have a 33% BEV market share. Peugeot is here, the number one brand.

Let's now come to the main disruptions on the next slide. So what we can see, I think this is the right one. Let's see, what are the major disruptions? Number one is about the development of the TIB of the industry. We had a quite stable evolution of the market. We had a quite stable evolution of the market at around 18 or 19 million.

This went down when it came to the crisis, there was COVID, there was war, and there was disruption in the supply chain. So that went down, significantly down. The next phase is that we can clearly see that we are going up again, so it is stabilizing at around 14 or 15 million units. And what we project for the next years from 2025 to 2030 is a stabilization with the balanced growth, and of course, there will be a quite bumpy road for BEVs. Electrification, safety and emission regulations will impact significantly the TIV trend. Stellantis is aiming for a 100% zero emission line-up in Europe by 2030. Affordability, of course, will be key for BEVs.

The second one is it's about technology. As we can see here on this slide, the good old ICE power train, which came from the 19th century, has 1,400 components. However, these 1,400 components are all amortized. They are all amortized, and that's a big difference.

The BEV engine is around 200 components only and nothing of that is amortized, so that is the major issue. What we are doing is we are trying to target larger batteries with a range of up to 1000 kilometers. We want to charge these vehicles up to 10 minutes charging time.

Third disruption is about the Chinese. The Chinese are coming to Europe, Chinese will be there. They have significant advantages in full electric vehicles. In 2022, six new brands entered Europe, five of them were from China. Chinese brands have low production cost, technological expertise, and innovative solutions.

Over 100 new Chinese models are expected in Europe until 2026. However, there are also some challenges for the Chinese brands. It's about brand awareness. They have no brand awareness. There is no real dealership presence and after sales experience is quite bad.

Stellantis will double its BEV offerings from 30 models today to 60 in the next three years. Next is about how to respond to the dynamic market. We have seen the challenging environment around us, but we are prepared for that. Let's see now the ingredients of our recipe one by one.

Let's start with the products. So as we can see, Citroen, Fiat and Opel/Vauxhall explore new mainstream market price points. Citroen E3 offers versatility and comfort, starting at 23,300 euros. That is probably the most affordable, the best positioned vehicle in the market. And that's not all, we are trying to drop this below 20,000 euros, of course, with adapted features.

Citroen Ami, Opel/Vauxhall and Fiat Topolino are different ways of mobilities. We can offer here options below 10,000 euros. That is a clear revolution in European mobility. Fiat adapts a multi-energy platform for electric, hybrid and ICE power trains at competitive prices, and Opel/Vauxhall's B-segment models include the all new Frontera with electric and hybrid options, starting at the very attractive 24,000 euro for a full-size B SUV.

Let's now look on the international joint venture with Leapmotors, so we will start in Q3 2024. In Europe, we will start with the first models in September 2024, and this is the ideal combination because it's about competitive total cost at Leapmotors combined with Stellantis excellence in Europe, so that is the unique offer for European customers.

We have already 200 sales points, which we consider by year-end. We will expand this to 500 by 2026, and of course 2026, including of course our own retail stores of Stellantis and [inaudible 01:38:05]. Let's now see where we have additional opportunities. That is mainly on the dominant C-segment in Europe.

As you probably know, we have already leadership in A and B segment of around 30% segment share. This includes a segment share of 46% in the BEV segment of the AB segment in Q1 2024. However, there is an important significant domination of the C segment. It is about 40% in Europe, and our goal is to aim for 20% market share of this very important segment by 2025.

Key players will be the all new Peugeot 3008 and 5008. But we have also the Opel/Vauxhall Grandland, which is very well positioned, and then there will be a couple of other models based on this stellar medium platform. Couple of words about our LCV leadership. We have unrivaled leadership in Europe, but Pro One aims for more. We are going for global leadership.

What are the benefits of Pro One? We have class leading vans. We have pick-up trucks and we have micromobility, leading electrified propulsions and fully connected vehicle technologies. We have 12 new models in all segments, over six brands covering all needs. Zero emission has a priority. Our second generation of BEV models will increase range up to 420 kilometers, but that's not all.

Let's speak about our circular economy projects. We are a front-runner in circular economy. The circular economy business unit expands its approach based on the four Rs, remain, repair, reuse, and recycle, supporting our decarbonization target.

Stellantis inaugurated its first circular economy hub in Turin last year, supporting a sustainable business model for parts and vehicles. The hub consolidates skills and activities to create a high performing center of excellence in Europe. But that's not all. There are still a lot of opportunities on the cost side. On the margin gap between ICEs and BEVs. We are targeting parity, means the same margin on ICEs and on BEVs. That is the plan for the next three years. We have already reduced this gap from 50% couple of years ago to 30% in 2023, and in the next three years, we will go down to zero.

There are also a lot of opportunities in reducing our delivery logistic costs. We have to restructure our strategy. It's in execution mode. We aim for a gradual savings of -25% in H2 and -35% in H2 25. This all compares to H2 2023, and we are adapting a disciplined inventory management, continued focus on reducing stock ahead of new launches. Today, our breakeven point is below 50% in Europe. This is very, very competitive, but that is not yet the end.

Ladies and gentlemen, today I outlined our readiness for Europe's growing competitiveness, highlighted by our innovation launch plan featuring over 25 new vehicles across all Stellantis brands, ensuring fresh experience for our customers. We are leveraging key opportunities in Europe for a transformative journey in free mobility. We are addressing the industry disruptions with clear understanding of market dynamics, tech evolution, new entrants.

Our key ingredients to succeed pass through exploiting synergies while enhancing respective brands' unique selling proposition. Our strategy revolves around technological innovation, particularly evident in Peugeot's approach, which focuses on real needs and aims and enhance driving pleasure. Thank you very much for your attention.

Video 2:

Everywhere I go, the people really want to know who I is and who I be, they stop and stare when they see me.

If I said it once, no need to repeat, run up on me, watch your fall to your knees.

Tip my hat when it's time for the kill.

Ain't no beast when you really real.

I am the boss. I am the don. I am the one they call lucky charm.

Who I is and who I be, they stop and stare, it make me weak.

Built to last, this girl ain't weak, sturdy and still when I plant my feet.

Announcer:

Please welcome Linda Jackson, Peugeot Brand, CEO.

Linda Jackson:

Well, let's invent another vision of the future. And let's be honest, the future of mobility just doesn't seem as exciting as it should. It's a sea of sameness. Cars look more and more alike. New cars, new brands, who can tell them apart? The robots are taking over, artificial intelligence, autonomous technology, what role for us humans?

And then, well, then there's regulation and complexity, speed cameras, parking restrictions, city center bans, energy regulations. Where's the pleasure in that? But here at Peugeot, we think that another future is possible, an optimistic vision of the future, where technology serves pleasure, a future where pleasure still roars, where for human is at the heart of the driving experience.

And this is what our customers are looking for and expect of us. They say they want to have fun, they want to enjoy life, they want to seize the moment. And pleasure is at the center of what we do and have been doing for more than two centuries. Technological invention and reinvention with pleasure at the core, because our core belief is that pleasure drives progress and that that's-

PART 3 OF 7 ENDS [01:45:04]

Linda Jackson:

The pleasure drives progress and that's what drives our invention. Our mission is to reinvent mobility with pleasure-driven tech with our three brand values, allure, sharp design and feline attraction, emotion, the instinctive driving pleasure when you take the wheel of a Peugeot, and excellence, efficiency, quality technology.

In other words, pleasure at every site, at every drive and pleasure that lasts. This is what defines us. This is what gives us our irresistible allure, and this is what drives our commercial success. We are a global, upper mainstream brand present in 150 countries around the world, selling more than a million cars every year. We are committed to becoming the leading electric brand in Europe, and an electric front-runner internationally.

We want to break down the barriers of electric by responding to our customer's needs with class-leading electric range and charging solutions, or making the choice of electric accessible and reassuring accessible through initiatives like the Peugeot Electric Leasing for All program in France where we led the market to become the number one brand delivering affordable EVs to customers on lower incomes, but for all our electric customers.

We also offer unrivaled peace of mind with eight years Allure Care, the best cover, the best warranty offered by any European brand. That's pleasure without limits. That's pleasure that lasts. We cover everything from small cars to large SUVs, and a complete range of commercial vehicles. In total, a range of 12 electric models. That is the widest electric line-up of any mainstream brand in Europe. It covers more than 90% of the market in Europe.

Today, we are already the leaders in electric small cars and like commercial vehicles. Well this year, we launch five brand new midsize electric cars, the largest segment in the market. These new models include our E3008, and for those lucky to be here today, you've got a chance or you will get a chance to discover it physically. In addition, we offer a complete range of hybrid and plug-in hybrid models in order to cover the different market needs and the different paces of electrification.

With products like these, we can be confident about our performance. Now performance is about our three key priorities, quality, profit, volume. Quality means putting our customers at the heart of everything we do, delivering best in class customer experience with innovations like eight years of a lower care warranty on all our EVs. This focus has already made us the most preferred French brand.

Profit means our focus on sustainable, profitable growth as a powerhouse for Stellantis, including all of our electric models, which are profit contributors today. We represent one third of net revenue in Europe. Pricing power is a key factor in this. We are consistently positioned in a corridor between one and two points above the European volume leader. Volume, well volume is the fruits of our labor. We represent one in three sales of Stellantis in Europe and one in five worldwide.

Now let's take a look at the secret of our success, our products and DNA developed over generations of cars. The feline future design appeal, the sensations of driving a Peugeot and the excellence of the electric technology and performance. I would like to share a little bit more about one key Peugeot innovation. It's at the heart of every Peugeot car we make. The iCockpit.

The iCockpit story started 12 years ago. It was a new relationship between the driver and the drive and it was designed around the eyes, the hands, and the body of our customers. A cluster raised directly in the line of sight for greater safety, a compact steering wheel for agility and fun to drive, and a driving position that enables you to feel at one with your car.

Well today, we have 12 million satisfied iCockpit users and best in class satisfaction for interior design. Our latest model, the new E3008 takes the iCockpit to the next level with its new 21-inch panoramic and floating screen. We have 10 digital and personalizable iToggle buttons as well as ChatGPT on board. The whole iCockpit sits within a fabric-wrapped dashboard giving a real living room- like feel to the whole interior.

The exterior design of the E3008 also breaks the mold. It's a fast back SUV and meets our customer's expectations for a car that reflects their personality. Well, a car that stands out from that sea of sameness. Of course, the new E3008 was born electric, the first car to benefit from the new STLA Medium platform, bringing class-leading electric range up to 680 kilometers or 425 miles with standard range, long range and dual motor all-wheel drive so that every customer can find the right EV for them.

Our iCockpit story and the story of pleasure through progress doesn't end there. Enter the hyper square. This is the next revolution. The tablet-like hyper square will be the driving device at the heart of the next generation of Peugeots as we were revealed with the inception concept at the CES last year, powered by steer by wire technology. The fingertip controls bring a new dimension of precision and agility.

No more lock to lock turns. Let your fingers do the driving and best of all, the hyper square will find its way onto a production Peugeot in just two years from now, bringing new gestures, new pleasures to the way you drive. That's what we mean when we say pleasure drives progress. Thank you.

Speaker 1:

Ladies and gentlemen, we will now take a 10-minute break. Thank you.

Ed Ditmire:

Thank you everyone. We're ready to continue next with a presentation on the third engine, what we call our collective regions outside North America and Europe. The third engine is led in terms of revenues and profits by two regions in particular, South America and Middle East Africa. We're going to start with a brief video on Stellantis's South American region before turning it over to Samir Cherfan to discuss the third engine in Middle East Africa in particular.

Speaker 1:

Please welcome Samir Cherfan, Chief Operating Officer, Middle East and Africa.

Samir Cherfan:

Good morning, good afternoon to all. I feel privileged to present to you today the contribution to the third engine to Stellantis. We believe that the third engine is a significant lever for profitable and sustainable growth and a competitive edge for Stellantis. I will start by taking you through the overall contribution of the third engine to Stellantis business performance, and we'll then move to my region, Middle East and Africa potential and strategy.

Let's start by taking you through the overall sold engine contribution to Stellantis business performance. The third engine is the next pillar of growth, fast-growing and becoming a critical profit driver. The third engine is complementing North America and in large Europe. It is composed of three blocks, South America where Stellantis is already number one. We've seen the robust and strong momentum in the opening video. Middle East Africa, where Stellantis is number two aiming to become number one. India Asia Pacific, including China, where Stellantis has valuable foothold.

What does the third engine stand for? Growth more than doubled the net revenue on the period leading to a compound annual growth rate of 28%, profit from five to 22% of group AOI in mass, and a profit ratio that has reached plus 500 BPS above group average. Let's now move to Middle East Africa's specifics and potential with a video painting the scene,

Stellantis Video:

The Middle East and Africa, a region of great opportunity, home to wildly diverse cultures and languages spread across 81 countries. Today, the region is still responsible for major export of natural resources. Looking towards the year 2050, the future tells an equally compelling story while the median age remains low. Middle-class households are on the rise, so is smartphone penetration and the need for personal vehicles.

The GDP per capita ranges dramatically in the region. This drives the need for affordable mobility. Entrepreneurship remains a cornerstone with the number of startups growing year-on-year. Our region is clearly one of great potential ready to be tapped into by all sectors, including mobility.

Samir Cherfan:

In this large and diverse region full of potential, Stellantis has strong assets, a fully-fledged commercial network with over 2000 sales and after sales, a strong manufacturing network with nine plants, 750,000 units of capacity in '23. That is more than double of our main competitor today. Two engineering centers, the orange tires on the map. In Morocco and Turkey, thousands of engineers at competitive costs able to develop a full new car line on existing platform.

The total industry volume is roughly four million units. The main markets with their respective weights are Middle East, Turkey, Maghreb, and South Africa. In 2023, we have delivered 2.5 billion AOI with a profit ratio above 20%, over 10 billion euros of net revenue. If we add the joint venture, it would be 15 billion euros of net revenue. I will now talk about our ambition and strategy.

Our ambition is clear. We aim for regional leadership with 22% market share. Our strategy stands in two words, deep localization. Deep localization of people covering the full array of business, deep localization of product, car lines and parts, and deep localization of the manufacturing and the sourcing. Let's move to the first pillar, people. We have established a highly localized organization, only 11 expats, young and reflecting the regional diversity.

This team, highly motivated, is the driving force behind the outstanding results we have recorded in the first three years as we'll see now. From 2021 to '23, the strong momentum of profit growth delivered by the region was achieved while strengthening the quality of the business model. We have multiplied by 3.5 the profit in mass and set an industry benchmark in terms of profit ratio. In terms of market share, we have reached 14.8% coming from a 9% level, positioning us as a robust number two in the Middle East Africa. We are the market leader on the Mediterranean Crown in light green on the map. We are also the market leader in the light commercial vehicle since Q4 last year. Moving forward, our focus is to develop Middle East and South Africa. From one hand leveraging the American brands, from the other hand producing the one-ton pickup in South Africa.

This is 37% of the industry in South Africa and using as well the India sourcing, which represents as well around 40% of the sourcing sold in South Africa. We aim to deliver one million unit of sales by 2030. This is a sustainable 22% market share. Let's now move to the next deep localization pillar, the product. Our strategy is in the region for the region. We are targeting to move from the 610 and 35% sourcing autonomy on the left side to one million sales with 90% sourcing autonomy.

For that, we have shortlisted 17 car lines across five grounds with the perfect mix of technology. In the light commercial vehicle, we will produce the vans and the one-ton pickup and we'll cover 90% of the profit pool. The passenger cars will produce B and C segment car lines on the smart car platform. We will cover over 50% of the profit pool. We will also produce electric micromobility solutions, three and four wheelers addressing entry prices mobility needs.

The localization also extends to parts and services, a key contributor to the region's profit. In the first three years, we have delivered 60% of organic growth in the flat car park. We aim to multiply by three moving forward, sustaining the previous dynamic in the 65% growth car park and leveraging M&A and strategic partnerships. Let's now move to the third deep localization pillar, manufacturing and sourcing. Sourcing competitiveness is key. 80% of our production will come from two powerhouses, Morocco and Turkey at Chinese costs. This is 800,000 units of production at minus 27% versus the Western world. This is the result of a long process to establish raw material rank one, rank two, rank three, supply availability at benchmark competitiveness level. We will reach one million production capacity by 2027.

We aim for more than 80% localization ratio, generating an annual purchasing value that will grow five fold by 2030. Deep localization of manufacturing and sourcing positions us as a key economical player in the countries where we operate. That is a source of sustainability and a competitive edge. Let's summarize for Middle East and Africa. We have presented our ambition to be a market leader at 22% market share by 2030.

Our strategy is based on deep localization, people, product, sourcing. We are well advanced towards the 2030 therefore with target as we have delivered 2.5 billion AI in 23 for a 2030 target of three billion AI. We still have significant untapped potentials. Product and manufacturing deep localization benefits are yet to be captured. Strengthening our position in Middle East and in South Africa, improving our efficiency by consolidating our activities in Turkey and Morocco and developing the creative businesses. Let me leave you with those few words. The third engine is the next pillar of growth, fast-growing and becoming a critical profit driver for Stellantis. Thank you for your attention.

Speaker 1:

Please welcome Ned Curic, Chief Engineering and Technology Officer.

Ned Curic:

Good morning. Good morning. Some of you had the privilege to drive some of our cars, have been driven in our cars and hopefully you enjoyed that yesterday. Today, I'm excited to tell you a little bit about technology, what we do on the technology side, but I will be also joined by my counterparts on purchasing, supply chain and manufacturing to tell us a little bit about the synergies between engineering, purchasing, supply chain and manufacturing. I'll come back for a little bit of right up on the end.

At Stellantis on the technology side, we believe that our technology should be designed around the people and their needs. We are not building technology for technology's sake. We are committed to creating technologies that seamlessly integrates in people's lives. The automotive industry for a long time has been building the bolt-on features that often generate unnecessary complexity and creates lots of customer frustration, lots of friction in a way that technology sometimes use.

At Stellantis, we keep things simple and efficient to ensure that every interaction with the technology is intuitive, it's fluid and it's customer-friendly. Our goal is to provide an exciting and personalized experience, technology that delights, entertains and positively surprises our customers. Whether it's used through advanced entertainment systems or driver assistance feature, tech is designed to make every journey enjoyable, fun, productive, and safe.

We have embraced flexibility as the core principle to answer to the challenges of next-generation vehicles and platforms. Our multi-energy platform can easily adjust to market demands, eliminating the need to precisely predict the adoption rate of different technologies. These platforms are future-proofed and with the software-over-the-air update, we ensure that our vehicles are always fresh and updated.

Scalability is the key feature to this strategy. Our platforms can support up to two million vehicles per year, enabling us to achieve optimal efficiency in economies of scale. They have a high level of commonality, intelligent modularity, component sharing, which further enhances our operational efficiency. In addition to our four BEV platforms, STLA Small, STLA Medium, large in frame, we have developed smart car platform and a light commercial vehicle platform, which are also multi-energy platforms.

Let's dive deep a little bit in STLA Medium and STLA Large platforms. These two platforms are already paving the way for Stellantis future. STLA Medium platform is engineered for C&D segments and it is designed to accommodate both front-wheel drive and all-wheel drive configuration, ensuring optimal performance in any terrain and condition. It comes with a 400-volt architecture. It's designed so we can build traditional sedans, crossovers, SUVs, but also LCVs.

It's embedded energy of 98 kilowatt-hour, we can deliver the range of more than 700 kilometers. It's industry-setting. STLA Large platform is engineered for D&D segment. It's embracing a wide range of powertrains and drivetrain configurations. It's available in both 400 and 800 volt BEV architecture and it's one of the most flexible BEV native platforms in the industry. It underpins cars, crossovers, as well as SUVs.

STLA Lodge comes with segment-leading capabilities. With embedded energy of 108 kilowatt-hour, it delivers an overall range of 800 kilometers, 500 mile range, and zero to 60 acceleration in a two-second range. Across these two platforms, we have planned 16 launches over the next couple of years. On a STLA Medium for example, we have eight launches through 2026.

3008, some of you have experienced driving yesterday, Peugeot 3008, but also we have launch year Fastback coming in few years. On a STLA Large platform, we also see eight new models across four brands in various different applications. This year alone, we'll be shipping to customers as you saw, Jeep Wagoneer S, Dodge Charger, a performance muscle car. Then early next year, Jeep Recon, which is a highly capable off-road, midsize SUV in BEV configuration.

STLA Frame is our body and frame platform, which we will launch later this year. It's also engineered for a diverse range of vehicles, including pickups like commercial vehicles and SUVs. Again, it's a BEV native compatible with multiple portion systems, including hydrogen fuel cell. STLA Frame delivers world-class capabilities like a payload and towing capacity of 14,000 pounds, which are the key factors for pickups and SUV owners. Long-range BEV version of STLA Frame has a 229 kilowatt-hour battery pack, which delivers impressive 500 mile range. STLA Frame once again represents our commitment to meeting evolving customer needs while addressing environmental concerns and staying competitive.

In addition to these platforms, STLA Car Platform complements our four BEV native multi-energy platform, and it's a good example of Stellantis agility and innovation. With STLA Car, with Smart Car Platform, we compete with aggressive offerings by leveraging technical expertise to create a modern yet competitive B&C segment vehicles. It was born with flexible DNA to support various propulsion systems and ensure cost efficiency and scalability.

Smart Car platform is designed for a high ground clearance, better visibility, seating up to seven passengers, and a spacious trunk capacity, seamless connectivity and affordability. As you heard earlier, Citroen EC-III is our first model on this platform built in Europe for the European market. It's competitively priced at 23,000 Euros, and offers a solid 300 kilometer range on a single charge, making electromobility very affordable.

Smart Car Project launch plan is super exciting. From the first application in 2022 through 2026, Smart Car will serve as the base for 13 models around the world in three regions. We started in India and South America with Citroen, and this year we'll continue with the European launches, including a Fiat and Opel brands. Its high industrial flexibility allows easy installation of the platform in the different planes around the world.

Commercial vehicles are a highly strategic market for Stellantis as well, as Carlos pointed out. In 2023, we have launched 12 new LCVs. As with other Stellantis platforms, we offer a wide range of powertrains giving us flexibility to build multi-energy LCVs from ICE to BEV to fuel cell. When it comes to powertrains, we are exceptionally customer-focused. We offer an extensive line-up of proportional systems to meet diverse customer needs from ICE, various levels or electrification, including a mild hybrid, plug-in hybrid, range-extended technologies, but we also added hydrogen fuel cell technology to our portfolio to support additional zero-emission workloads in our LCV segments.

Technology is evolving really, really fast. No-

PART 4 OF 7 ENDS [02:20:04]

Ned Curic:

-evolving really, really fast in all areas of development. But we believe it's a truly day one for battery technologies and some of the elements of EV technologies. Today we employ dual chemistry in our systems, NMC and LFP options. However, in parallel, we are working and exploring innovative battery technologies and self-packed technologies including solid-state batteries, sodium ion batteries, and lithium sulfide batteries.

We are also working on very innovative EV systems that blends power electronics together with the batteries. For example, we integrate the charger modules with inverter function inside the battery system, battery modules, simplifying the system while reducing the cost and maximizing the packaging and the space efficiency. Stay tuned on this particular technology. We believe that this technology has a breakthrough potential.

In summary, we know that this technology will change and we have opportunity really in many ways to leapfrog what industry has done thus far. What we don't know exactly how it will change, so this is real opportunity for Stellantis. So we are working around the clock and placing multiple bets on various different technologies internally, but we are also investing and working very closely with number of laboratories, universities and the technology startups around the world chasing that leapfrog technology. When it comes to software, Stellantis is making significant progress. In fact, we are redefining how software is built for automotive industry with our virtual engineering workbench.

Software is hard to build, as many companies in automotive world are finding out. It's very complex process to engineer software. So give an example: instead of pooling, compiling and integrating, testing code from hundreds of suppliers in internal development teams, which is a sort of a standard way of building software, and trying to get a complex tool chain to work, we have actually built an innovative developer-friendly systems that allows engineers from all over the world to use this virtual workbench and deploy their features and integrated features 24/7.

Virtual cockpit that we are building on a workbench is industry first. With industry high-performance compute that the workbench provides in realistic simulation, we speed up development time to 100 times. Our three software platforms, Brain, Cockpit and STLA AutoDrive will be technology ready for integration by end of the year. The first vehicles equipped with this technology will come next year. This marks very significant milestone in our transformation. These new software platforms give a significant advantage in our customer experience while enhancing vehicle longevity across our lineup.

Move fast and keep it simple is the absolutely best way to innovate and yet it's absolutely the hardest thing to do. At Stellantis, this is still a work in progress, I have to admit. But we have done so much to increase our engineering velocity and to simplify. I'll give you a few examples. We eliminated 100 plus not-so-used feature inside digital cabin. The customers just don't use it, why have it? So we just focus our effort on the things that matter for the customers and they love that. We have simplified silicon devices in vehicles and decreased from 270 devices to 70, massive simplifications on the silicon. We were very super quick, in fact, I'm very proud of this to adopt generative AI technology, and we have a 50, over 50 in fact, active generative AI projects and over 100 projects on the backlog.

A few notable examples in this space, we are using generative AI in a software development to generate test cases, an application test code which cuts time for test routines development by 90%. We also deploy generative AI in the design and engineering simulations, cutting simulations times from three, four days to few minutes and slashing simulation costs to 85%. Now in this case, this is really, really impressive When designers simulate a vehicle, engineers provide engineering designs, that would typically take a four or five days to do. Now that happens in minutes. And so engineers and designs working together is a massive acceleration.

As you can see, Carlos always reminds us we are racers, we race fast and furious and R&D side. But I'm going to also turn it over to my companion and partner in crime Maxim to tell us what we do on a supply chain and purchasing side.

Speaker 2:

Please welcome Maxim Picat, Chief Purchasing and Supply Chain Officer.

Maxim Picat:

Good morning to all of you. I hope you are enjoying the presentation so far. So let's talk about purchasing and supply chain. Two years ago, our industry have experienced major crisis, semiconductor crisis. That crisis has proven to us that vehicle we are not any more only about steel plastic casting, and that new industries like electronics, like chemistry have gradually entered our vehicle without really OEM noticing it and without our Tier 1 suppliers taking good care of it. We have learned from it. We have adapted our strategy.

Purchase parts represent 84% of the total production cost of our vehicles for an equivalent of 132 billion euros. We're continuously screening those 132 million euros, screening the whole supply chain in the full depth from tier 1 to Tier N to identify potential risk in term of scarcity, in term of oligopoly, acting, fixing.

I will present to you two examples about it, battery and raw materials and semiconductor. When it comes to quality and costs, the strategy is absolutely simple. Continuous benchmark of all our competitors, all the supplier base and targeting the best costs through working with Ned for best design and best cost country sourcing. I will explain to you how. And even if you've got great sourcing, you still need to have efficient logistic operation. And the reality that the recent years inbound operations, outbound logistic operation have been strongly perturbed, we will not wait for the next crisis to come. We will act to prevent it.

Let's start with batteries. We have secured 100% of our needs of batteries up to 2027 thanks to three joint venture that we have developed, two in North America, one in Europe. This is done. But we go that. We have secured 100% of the raw materials needed for those batteries. And you've got here a list of the deals that we have set. Injecting equity to secure volumes. Flexibility, we have the capacity to reduce by 30% the offtake without any impact, allowing us to adapt to the moving electrification pace of the region of the world. And cost, double-digit cost saving with the upside to be sure of those mining operations and to get potential dividends out of it.

Second good example, semiconductors who have been hit hard. We have learned and we have put in place a five layers action plan. I will not detail it, just focus on two very important steps. The first one we call green list, meaning that any part I source to my suppliers today, I impose to them a very short list of chips they're authorized to use and that has two very strong advantage. First one, strong reduction of the diversity of chips that we have in our vehicles. Best for cost, best for control. Second semiconductor players understand that Stellantis is deciding which semiconductor are on the vehicle. And that has helped us to have better connection, relation, get access to the innovation faster, and definitely leading to the fifth step, which is direct purchasing. And we have already decided and sourced more than 10 billion future silicon carbide offsets MCU system on chips with those players covering 100% of our needs on Brain and that will allow us to have direct securitization of innovation and capacity with semiconductor

As promised, let's talk about cost. Starting first with what we have experienced in the merger. You know the inflationary environment that we have been through. We had made an assessment that our purchase part costs should have increased on the accumulated more than 10% in the merger, not excluding raw material only due to labor cost, energy cost, logistic cost, you name it. We have been able to control it significantly below 1%, which is strongly supporting the group here now.

But that inflation has an impact on the worldwide competition. Not all the countries are fighting in the same category. And we're absolutely determined to source from the best cost country in the world. We have seen the merger source more than 41 billion euros from those best cost country. And this year only, 2024, all the decision of future sourcing that we have taken, 80% of them will be sourced from those best cost country with a cost as an advantage that you can imagine, which is a double-digit as minimum.

That obviously is leading to consequences on our supplier panel. 15% of them all size are out. 180 brand new suppliers are already embodied in our panel coming from those best cost country. And we're improving the partnership with the most competitive and most innovative of our existing supplier panel. That transformation to best cost countries, shifting the outbound logistics, we're not sourcing and shipping the part from the same place in the world and we're taking control of it. We have created 13 consolidation center to massify the sourcing and the logistics of those parts in those best cost country regions and take control of it. That consolidation help us to make 18% saving on logistics compared to when it was run by our suppliers.

On the outbound logistics side, we have in-sourced the three control tower operation that we add, directly controlling it and making a nice 15% reduction cost at the same time. And a very bold move, we are buying more 1000 trucks in Europe to control the distribution of the vehicles between our plants and the final customer. Addition to the increase of 50% of the rail capacity, we will have in the H2 this year our outbound logistics costs in Europe down 25% compare to the H2 2023. All those action are leading to Stellantis supply chain new paradigm: flexibility, resilience, cost, competitiveness. Thank you very much.

Speaker 3:

Please welcome Arnaud Deboeuf, Chief Manufacturing Officer.

Arnaud Deboeuf:

Thank you Maxim and Ned. So let's see together how we transform this multi-energy strategy in our plants in order to deliver a real breakthrough in cost and a high level of agility. Our context in manufacturing is a deep transformation. All our plants are impacted to face electrification and to face carbon neutrality and a very strong cost offensive. At Stellantis, we levelized this transformation to reach a new level of performance. As stated in Dare Forward, we want to reach -40% in transformation cost -40% for our BEV total production cost. And we want to reach Number 1 position in quality.

We know what an efficient plant mean. We need to reach 96% of overall efficiency. We want to reduce our fixed cost below 30% to protect the plant of fluctuation, to protect the plants of cost depreciation impact like we've seen during the ship shortage. And we want measure the quality through the result vis-a-vis our customer, direct result. So we measure the defect after three months of usage or 12 months of usage. We need to have compact plants in order to reduce energy consumption, taxes and logistics. Each plant has built or want to be and we are already on track to deliver the commitment we have taken in Dare Forward. Today, we have already -11% on our transformation cost. The energy consumption has reduced by -24%. And when you take the defect that we are created vis-a-vis our customer, after three months, we have already reduced by 40%.

To reach this, of course, we are using all the common tools that we know in process development and sorry... All the common tools that we know in the manufacturing and process development. Upstream we're working with engineering and purchasing in order to reduce the technical cost, the diversity, the complexity of our product. We are introducing in the plant up-to-date hard process and solve data management, the so-called Industry 4.0. With clear attention to asset utilization and a broad understanding of what manufacturing means. We constantly challenge the perimeter of make or buy, and we are insourcing in our plants some technologies that used to be outside in order to reduce the total landed cost of the parts in the plant. We address all the component of the cost, fixed and variable. Of course, deprecation, tax, but also headcount reduction, energy consumption.

But on top of all these common tools that you can see in all OEM, we add our unique touch, the Stellantis specificities that I suggest introducing to you by a short video.

Speaker 3:

Stellantis is building the future in more than 30 countries around the world. Our highly capable assembly lines can accommodate up to six top hats on a single line to produce a spectrum of models tailored to customer desires with outstanding efficiency and quality. Platforms engineered for flexibility can seamlessly switch between internal combustion, hybrid, battery electric and hydrogen fuel cell powertrains.

Multi-brand, multi-energy plants are agile, able to quickly adapt to customer and market demands worldwide. Another competitive edge: joint ventures with best-in-class partners. We will build EV batteries in enlarged Europe and North America for more than 40% of our production needs and produce electrified transmissions and electric drive modules. Our manufacturing agility is rooted in proven expertise and a drive to always innovate, boosted by strong partnerships. At Stellantis, we are one highly skilled team sharing key technical expertise and best practices around the world to upgrade our network and achieve best-in-class products in quality and cost. Powered by our diversity, we lead the way the world moves.

Arnaud Deboeuf:

We are uniquely flexible. As you have seen, all our plants are totally flexible. They are Stellantis, they are not branded. We are completely agnostic. We can assemble all the brands in each plant. We are completely flexible to the power train assembling on the same assembly line, ice hybrid, mild hybrid and even fuel sales. This protects us against any customer demand or market fluctuations. We take full benefit of the strategy of multi-energy to protect and maximize the plant utilization rate.

Second big differentiator. We are truly worldwide global. We build cars in more than 30 countries and more than 60 vehicle plants in all the regions. We have a unique access to benchmarks including in all the best cost countries of the world. And these scales brought us a large diversity of know-how in all the technologies from plastic injection to hot stamping, seat assembly, wire harness, and even electronics. We can do in-house and we can together with Maxim compete with the supplier to make sure we've got the best cost.

Finally, we also developed a vertical integration of strategic component, especially in the field of electrification. Through the joint venture we have created with the leading partners. We are producing in our plants, battery cells, battery packs, e-motors, electrified transmissions.

Finally differentiation. We have a truly sporting spirit. We are focused on four main KPIs only, but every month we issue a ranking of all our plans in the world. Each plant management knows exactly where they stands, how they've progressed, and who is leading the pack. This makes sense only if you can share the best practice, if you have open book discussion, if we have a strong networking and if each management can have access to the best practice of the others in order to raise the bar. All the plant managers know that the competition is outside and that they have to work together to reach the better level.

And this is key because we are asking our plant manager to lead the total production cost battle. Of course everybody contributes, but the plant managers are leading the battle. They can address the inborn cost, the diversity, the resourcing necessity, the product change, the insourcing, the re-engineering. They address it in the plant, in our TPC war room where the suppliers are more than welcome. At Stellantis, the total production cost focus goes from the top management to the game bar, the shop floor. Thank you.

Speaker 2:

Please welcome back Ned Curic.

Ned Curic:

So just to simply wrap up. On engineering side, we told you that in the technology we are flexible. We are absolutely, absolutely flexible. We are fast. We bring multi-energy technology to every platform, to every vehicle. And as a key takeaway, we are making significant progress. Although I'm personally not happy with all the things we do because I think we can go faster better. I do believe strongly believe we are much faster and much better than our competition because of just the energy and the customer focus and the speed and the different mental models we are deploying at Stellantis on the R&D side.

We heard from Maxim that on a purchasing side that the focus on the cost, focus on the securitization and all the things that Maxim told us about is the key to have that competitive edge. We believe that no one in the industry... Actually we're leading, when Maxim talked about this green list approach and ability to secure our supply chain is the first in the industry. Now we see others are actually copying, trying to copy that, but we are years ahead of it.

And then with Arnaud on the manufacturing side, you just saw the sheer volume in our ability to industrialize at a scale that no other company can bring together from a vertical integration, vertical design on an engineering side to making the best possible deals on a supply chain side and securing the supply chain, to then turning that into this phenomenal engine that we have on the manufacturing side. It's industrialized around the world. With that kind of flexibility that we have, there is nothing like Stellantis. So with that, thank you all for your attention in this session.

Speaker 2:

Please welcome Natalie Knight, Chief Financial Officer.

Natalie Knight:

So, you've heard a lot of different things today from our team, and I'm excited because I get to in many ways bring it all home. My goal today is really to show you three things. First, what I want to do is I want to take all the things you've heard from our various speakers and tie them into how we're thinking about our financial outlook for 2024.

Second, I want to spend some time talking about our capital plan, because I think this is a topic people really appreciate from our company, but maybe don't understand the thinking behind how we're approaching it every day. And lastly, what I want to do is tell you why we believe this translates to a great TSR story for our company today and going forward.

So let's start then with this 2024 and the focus on execution. You've heard Carlos say this is a year of transition and there were three key topics that we discussed where we said these are different than what we're seeing just out in the marketplace.

One of those is North America. When we look at North America, this is a spot where we know that success is going to be about how do we optimize the inventories? How do we calibrate pricing? How do we get the product mix right? How do we make sure that our go-to-market, our marketing discipline is where it should be? And always focus on cost.

Second topic you see on this page is what's going on in terms of the Lev/Bev revolution and how that's impacting us. And this is something by the end of the year, you're going to see that 15% of our products or group revenues are coming from Lev and Bev even higher in Europe. And it's something that, it's a great opportunity, but it also means that we've got to master the profitability on those products. We have to figure out how we work with changing regulations and how we best leverage the multi-energy platforms that we've got going forward.

Now I add that in addition, we've also got this once in a lifetime, once in a generation change in what's happening with our product portfolio. And that is a big deal for us as a company. You heard in the first quarter that it's something where we've got to get the manufacturing and the production schedules all right. We need to make sure that we also are managing our way through what are either discontinued or soon to be discontinued products as we make this big move forward.

So what we also wanted to do today is reiterate our guidance for 2024. And while it's not an earnings call or anything like that, I think we've been very clear in terms of what it means for 2024 in the first half. And here what we've said is that we know our revenues, our AOI, our free cash flow are going to be lower than where they were in last year. But we've also said that Q2 is going to show sequential improvement on the revenue side, that for the first half we're expecting an AOI margin of between 10 and 11%, and that free cash flow is going to be visibly lower than where it was a year ago. And that basically has to do with the AOI development that we've talked about as well as a shift in terms of our R&D. We have front loaded it in 2024 because of all those great product launches that we have coming in the second half. And that's something that will be very visible.

Let me also talk about our capital return and that's something that's very important to us as well. When you look at the capital return, we are very much on track with the 7.7 billion that we have called out as one of our big priorities for this year. And I think it's a great opportunity for us to continue to deliver to the market. So let me take then not only what do we have for this first half, but give you a little more color on the second half because I think this is the spot where it's early days, and I'm sure we'll have more detail as we get closer. But just to give you some ideas in terms of our thinking here.

First area is revenue. And when we look at the revenue side, what you see is there's two things that if we get them right, we're really ready to take advantage of some other opportunities in the second half. And those two things are inventories, we've talked about it, and I think what you saw in the first quarter is that we were really the only big OEM to actually sequentially improve our inventories versus where they had been at the end of the year.

You heard Zarlenga talk today about what we're doing in terms of the U. S. And trying to be focused more in inventories as we think about how do we improve our position. And this is a spot where it may not be linear every quarter across the year, but where we do feel there is important progress that we're making in terms of not only the levels but the quality of inventory that will help our revenues as we go forward.

In addition to that, the other key thing that we've got to get right is this go-to-market effectiveness. In every single market, we know that we've got great products, that we have got a great distribution set up, but there are places when it comes to how do we sell, market and really get those products to customers in a new post-COVID, post-semiconductor crisis world that we can be better and stronger. And those are things we're very focused on. I think you've heard some really cool examples from my colleagues today.

If we get those things right, then we're ready for this unique period which is coming in the second half. And that is new products coming to market. And here we've got a pretty cool statistic that you'll see in the second half, 15 to 20% of our revenues we're expecting to come from products that are coming this year to market. That's from below 10% in the first half. So really a momentum changing. And don't forget that'll grow even more in '25.

Let me also talk about what's going on the cost side because on the cost side, raw materials are turning out to be something that's more positive than what we expected at the beginning of the year. I think we're going to have about 200 million of incremental upside in the second half versus the first half. And that's driven by real improvements that are coming on the EV raw material side as well as steel.

When we look at headcount reductions, this is another spot where I see about 200 million of incremental opportunity. This is something we focus on every year and we always have a second half waiting. So that's a number I feel very convinced about in terms of the track record we've delivered on so far.

And on the logistics restructuring, you heard Maxim talk about how we're internalizing our outbound logistics. That's going to be something that is about 25% logistics savings for Europe in the second half. And for the group it's about a hundred million that you'll already see this year. So this is something that I think does have a nice benefit for us in the year.

And the last one is, let's look at cash flow because I know that's a hot topic. And when we think about cash flow, this is a spot where we are going to be visibly better in the second half and first. Now the first key is how do we strengthen our operational performance? When that happens, that drives a lot of great things for the business. But you'll also see improving working capital dynamics in the second half of the year and lower R&D and CapEx as I had mentioned.

So what I'd like to do now is spend just a moment talking about our capital plan. You've got an idea of how '24 looks, so how are we powering the business that makes sure we're ready for success as we go forward? And here we've got a very strong capital story. It's something where our goal is about getting four things right. And if we do those as a company, then I think we win when it comes to our capital deployment. And this is something where the story is all about how we are on the one hand managing what really matters when it comes to capital, what are our critical things we've got to get right? How do we generate so we've got a consistent flow of things coming into the machine? And then how do we deploy that, either one in the business and then two, distributing it to our shareholders?

So let me start with how we think about the balance sheet because the balance sheet, our financial position, I like to think of it as the chassis of the group. It's the framework, the financials behind what really drives the structure of our organization. And if we do this right, there's two things we have to get. On the one side we start a little defensively, and this is a spot where we say we need to be ready for every adverse condition that comes across the cycle. You know we want to have double-digit AOI across the cycle, but we've seen a couple times in the last 20 years much bigger waves in this industry, and we need to be ready for those.

Similarly, on the working capital side, this is a spot where today we know our working capital is a negative position, and we're working to get it positive, to a neutral position, excuse me. And when we move from this position, it's something that helps us in terms of also-

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Natalie Knight:

... position. It's something that helps us in terms of also being ready for the rainy days, so that as you see that mismatch of receivables and payables, we're in a spot where we can use those to our advantage and not have that penalize us. But it's not just about being ready for a rainy day. It's also about how do we get things right when it comes to all the growth opportunities that we have. And our goal here is that we want to be ready, on the one hand for electrification. We've told you 50 billion euros that we're going to be spending in the next decade in terms of making sure we get all of those future-focused things, right? In addition to that, you heard about the third engine today, and that's something that we want to invest in because we believe there's big growth opportunities. We can think about the spaces we have to catch up, like the FINCO in North America, or how do we grow in strategic M&A like we've been able to do with Leapmotors in the last year.

These are all things that when we get them right, create some exciting opportunities for us as we go forward. But what's very, very important is that we tell you today one of these things that I think has always been implicit to us, but I want to make it very explicit, which is when we do those things, we protect the core, we build for the future, then everything that we have, we want to be looking at returning that excess cash to our shareholders. So, if that's the philosophy, then how do we see that come to life? And what it's all about is having an efficient liquidity setup. And what you see is we know this is an area where today, I think we've gotten to a spot that we believe we've got a good absolute level in terms of the liquidity we have as a business.

We're comfortable that we're in a spot, where on the one hand we can deal with short-term volatility, but on the other hand, we have everything we need to service our medium-term organic needs as well as our top-line growth. So if we look at this in terms of what does it mean from a medium- term point of view, our goal is really to take this liquidity position and move to a 25 to 30% number when we look at this as a percent of our revenues. And this available industrial liquidity is something that is going to be able to show us as a direct correlation with revenue growth as we move forward and the shareholder renumeration. And at the same time, I think it's also much more oriented to what we see as our competitor levels in the industry. So if we've got this idea of how we want to approach it, what that level looks like, what I'd also like to do is say; I want to give you confidence that we do have everything we need to keep fueling this machine in terms of how we think about the capital in the group.

There's two things that are pretty famous for at our company. One is if you look at what's happening on AOI margins and what's happening in terms of our free cash flow. And on the AOI, this is a spot where we already have a podium position where we have got a one-of-a-kind commitment in this industry that says we want to be above 10% across every cycle. And I think this is sustainable because we've got very strong position in the profitable North American market. We're growing our presence in the third engine where it's got very strong profitability. We're leading in almost all the markets when it comes to CVs, and that's also something accretive for our business. And we're getting big learnings from things like Leapmotors as well. And those are all things that provide us with opportunities to grow and strengthen that AOI. On the free cash flow side, this is one where in 2023 we were number one.

When you look at the reported OEMs who are providing the information, and it is a spot where there is more period to period volatility than you see in AOI, but it's something where I'm absolutely convinced that we have plenty of scope for continuing to outperform over the medium and longer term. So we got the fuel. What do we do with it? Now we look at what's important in terms of how we deploy our capital. And this is something where it is a key component of our capital strategy and this is what helps us ensure the sustainability over time. So what we're thinking about here is really how do we flip the paradigm when it comes to spend our CAPEX and R&D? Now what you know is if you look at the last three years, we've spent about two-thirds of our money when it came to R&D and CAPEX on ice vehicles and what I call the other core investments.

So quality, cost reduction, maintenance of existing facilities, and those are things that have been really core to how we do things. But as we move forward, you're going to see us have almost 60% of our spend really focused on those future focused items, whether it's multi-energy platforms, software, ADAS, that are the things that are going to drive that growth everybody's been talking about today. So it's great that we are going to spend the money there. I think that is the right place to be doing it. But I also want to tell you how we're doing it is going to make sense as well. We're looking at these multi-energy platforms. We've talked about it a lot today. But these are important because what it allows us to do is really have something that is unique versus our peers. It's a spot where we are able, of course, to be cheaper.

But on the other hand, it also allows us to be ready for varied customer demand scenarios. We can optimize our capacity, limit the risk when we're under utilizing our portfolio of assets. But the big call-out here is we're going to be having 90% of our product on these platforms. If I look at our peers, I can find one who's aiming for two-thirds of the big guys. Most of them are chasing for 50%. So this is a spot where we have made a big bet, and I think this big bet is going to be something that pays off for us in spades. And it's not just multi-energy. We're also being smart about what do we do on the Reskin and derivative front. This is a spot that I think historically was thought of as a little bit the bad boy of are you recycling things and how do you think about it?

But at a company like ours where we have 14 brands that are across different geographies that have different customer needs in mind, this is a real unique opportunity. And you see here the Jeep Avenger, which is where it all started, and we'll see that again in just a moment, but all the products we've been able to bring this across and the magic here is about how do you take a core product, then you add what are those design and handling elements that make it very unique? And that's why we've shown you kind of the front and the side is these all feel very unique and special to our customers. But it's something that provides a USP for us. And again, when you look here, we're going to have 60% of our products coming from Reskins and derivatives. And when we see that of our competitors, it's only about 40%.

Now why does that matter? When you look at a reskin, you save about a third of the cost, about 20% of the development time when we go to derivatives, and those are things like your convertibles, hatchbacks station wagons, then it goes up to two thirds. So these are real opportunities for us to create commercial advantages for our business at something that changes the mold. And it doesn't stop here either. If you look at how else are we thinking about this, we're really looking at how do we deploy efficiently across all of those big topics. So first, you see here what's happening on the sourcing footprint. You heard Maxime say he's going for 80% by 2028 in best cost countries. Ned could have told you he's already got 90% of the outsourced engineering that we do is coming from best cost country.

This is a spot where we are really trying to utilize one, what's close to some of our growing markets? Where do we have agility in terms of our partners, but also something that drives great opportunity for us? The complexity, you heard Carlos talk about that at the beginning of the day, 50%, 75% of our components really driving and change and bringing those to something where we've been able to reduce them in the last three years. And when I look at verticalization, let's not forget that one either because that's a spot where I think we need to be brave as we go forward. And we're thinking there about everywhere where it matters When we have a strict make or buy policy, we're verticalizing joint ventures when it makes sense. You've seen things like Leapmotors where we see lots of opportunity to continue to collaborate. And what we do here is we put a very strict project scoring in place and it's simple. If we can do it easier, faster, better ourselves, we do.

And if we don't, we look at how do we partner so that we're really able to be good stewards of not only what's the profitability, but what's the capital requirement to make that happen? And I tell all of this story because for us it's about how do we change this narrative. In the industry that used to be if you want to create a new vehicle, you're going to spend a billion euro. We don't believe that's true. And if you look at how we spend it, this is a chart I'm really proud of because it's not just how are we 30% better than our peers, but why? And you see here across all of the narratives, whether it's what we spend on a total level as a percent of sales, whether you look at it in terms of the R&D as a total number, when we look at it here on the spend per car developed or the spend per car sold, these are spots where in all of these areas we're number one, we're top quartile in all of these areas.

And it's something we're committed to because we believe that if we do these things right, it drives not only value for us but also for the customer in terms of really making sure we're smart about how we're spending our money. So not only do we spend it well internally, but I hope what this means is we've got a quasi-flywheel where we're looking at what are the opportunities that we can spin out to you also in terms of as our investors and our shareholders externally. And what I'd say here is if you look at what we're doing in terms of distribution, first, let's be proud of what we've done so far. The quantum is impressive with almost 8 billion this year. If you look at the total return yield, it's 11% based on where we were at the beginning of the market cap. If you look at the direction of travel, this is something where we're three times what the S&P is doing. And honestly, we believe this is a conservative and very sustainable payout ratio. So when we look at what's happening on the dividend in particular, the dividend is one where we're very proud of the 1.55 that we paid out this year or $1.65 for our US investors.

But this is a 7% yield and it's something that is a great number. We know across the industry. It's 25% if we look at the income of the prior period, but it's also at the low end of the 25 to 30% range that we've called out. And our goal really is, as we move forward, to say how do we make that dividend more stable? Look at it as a rising level over time and for 2025, so based on this year's results, we are saying today that we are going to take that number and make it something where it's going up and it's going to be at the higher end of the range. This is something that I think hopefully will give people a little confidence that as we are in perhaps more adverse situation in the short term and some of the earnings topics, it's a place where we're able to offset this in terms of what we do.

Everything from our dividend yield. Buybacks are of course also important for us as an organization. And this is a spot where my message to you today is really pretty simple. Just expect buybacks to be part of the future. It's not just something that we've done one year and two year. We have done this very thoughtfully and it's something that is and will continue to be part of how we think about capital returns going forward. They're really important to us because they're flexible. They give us an ability to look at markets when things are... They're great opportunities like our valuation these days. And it's also a spot where at the same time we improve our EPS through that share count reduction.

So, I take those messages and I look at, well, what does that mean for us? It also means that we've got, I think a really strong track record in terms of how that ties to TSR for the group. And our TSR for the group is something where you see a big track record. We're 50% above what we've seen for the market, if we look at it just since the end of 2021 when we started having dividends. But it's also three times above where the S&P is and it's a place where going forward we've got great... We see even further opportunity. This is a spot where we think there's the ability on what we're doing with the capital side almost by itself to deliver close to double digit returns. And you add that to the two big material things that are what we care about, and that's what are we doing in terms of the business and what can we drive there in terms of improvement, but also what can we do on the valuation side where we think there's some catch up for our business to do?

And when we combine those things together, that's why we are very confident in terms of the big TSR opportunity ahead. It's a spot where we know we're below average versus our peers and we want to make the most of that advantage as we go forward.

That's it for me. I get to wrap things up just by repeating those three key messages for you, which is; first, we are laser focused on the challenges of 2024 and what it's going to take to improve the dynamics and really start to show you that it's not just a transition year, but what's coming out on the other side of it. Second, we have a very holistic capital plan, and this is something that it's supported by our strong business model. It allows us to invest in an efficient way and it drives the tangible and what we believe are growing results for shareholders over time. That's all I've got for you. I'm excited now to hand over to Carlos who will wrap things up for us. Please welcome back Carlos Tavares.

Carlos Tavares:

Thank you, Natalie. By now you know everything. So I'm not going to bore you in reading these takeaways. And now I'm going to make my investor relations officer nervous. I want to share with you more personal stuff and more philosophical stuff about what we are doing at Stellantis. It's important that you understand what is the mindset of this team. So let's start with the people. The team you have seen today is one third of the top leadership team that is creating value for you at Stellantis. One third. And they are all part of this team under the same profile. The profile is people that are competitive and people that have a global view of the world, which means that we used to say that we take the high road. What does it mean to take the high road? It means we don't get stuck in mediocre tensions, in nationalistic tensions.

We understand that our mission is to make Stellantis a great profitable and growing company. So it's important that you realize that all of these excellent executives, they are here to serve you and they represent the core of the engine. They are competitive, they are super well-educated, they are working as a team and they want to demonstrate to you that this company has an enormous potential. And I would like to share with you one very simple story. When we created Stellantis in December 2019, as you remember, we went out saying we have a binding deal. We are creating Stellantis. It was in December 2019. Then March 2020 came. Boom. COVID.

I remember that in August and September of 2020, I was sitting in my Portuguese farm, under an olive tree, with my smartphone discussing with my good friend, John Elkan. And we were renegotiating the terms of the deal because COVID had changed so many things. And those discussions were very productive and they led of course to concluding the deal and closing in January 2021. So this company was born 13 month between December 2019 and January 2021, more than 1,500 filings, more than 800 executives working together through video meetings, some of them with the COVID. And they created this company bottom up, this team of highly diverse people, taking the high road with a stellar education and a competitive mindset, this team have a moral responsibility to make Stellantis a highly successful company. And they get it. They get it.

So it's important that you understand that at the end of the day, Stellantis was born under an olive tree. And for those who don't know what an olive tree represents, I can share this knowledge with you. It represents wisdom and resilience. An olive tree is the tree of wisdom and resilience, and this is in this context that Stellantis was born. So these people that have the privilege to lead, they understand that this is not only about TSR, this is not only about balance sheets, this is not only about liquidities. Yes, it is all about that, but it is also about respecting the bottom-up dynamics that led to the creation of Stellantis back in January 2021. And this is possibly the biggest driver of your decisions because at the end of the day, you are investing in people. At the end of the day. So I'm so privileged and so proud that you could today experience what it takes to be working with such great executives.

I think this is possibly the most important takeaway that is not on this slide, is that you understand the power of Stellantis Bench, the power of the people that are creating value for you. From there, I would like also to tell you that when we say we are competitive people, in December 2019, we committed to you that the value creation of Stellantis was driven by no less than 4 billion euros of synergies. That's what we told you back in December 2019. When we made the update of the deal under COVID conditions, we moved from four to five. Even if we don't report anymore, right now we are north of eight.

So we started at four. We are north of 8 billion euros. The precise number is 8.4, which means what? Which means that this team is moving from efficiency to effectiveness. And there is a big difference between these two words. Efficiency is linear, effectiveness is circular. Efficiency is a number, effectiveness is a ratio. So we are understanding that the world is moving from linear to circular, from efficiency to effectiveness. And what we are using the education of our people, the brains of our people, our own brains, to be as effective as we can do, as effective as we can be. Because we are managing your money. And this is why everything that was presented to you today is so focused on performance. And what we used to say, including to my union partners, is that only performance protects. Right now the world, if you consider that you are in a flatish GDP, you have a world that is broken down in two parts. One part is the people to whom you say, "Don't worry, I'm going to protect you." Another part is the people to whom you say, "Take care of yourself. Go racing."

At Stellantis, we decided to go racing. Why? Because if you tell an organization that you are protected in a way or another, the only thing you are telling them is that, "You will get poorer". Because being open to the harshest competition is the best way to progress. And that's why it is so important that the people that are taking care of your money are highly competitive people. Because it's the only way to move, is to go racing. So be convinced that this is a racing team, but we don't always win. Because when we win, we are happy, because sometimes we don't.

And this is exactly the mindset of Stellantis. It's a bottom-up driven merger that is focused on performance that protects. We go racing. We don't expect anybody to protect us. We just need to be the best. And we are not the best, which means we have a world of opportunities in front of us. And that is super, super exciting. I would like also to tell you that from everything you have heard today, I hope it is obvious for you that Stellantis with therefore 2030, has the right strategy, which is not a marginal statement given the chaos in which we are all operating. It's not a minor statement to say therefore 2030 is the right strategic plan as we have a clear vision destination. And next year we'll tell you what are the results of the first leg of this plan. So we have the right plan.

So what do we have ahead of us? We have the permanent seek of operational excellence. As we have the right plan, now we have to execute. We have to execute in an excellent manner. But we are not looking for our way. We know where we are going. We just know that we have a certain number of bumps that we need to overcome, a certain number of problems that we need to solve. And they are absolutely clearly identified. And this racing team of well-educated, high-road-driven people that have a global view of the world, they are here to solve those problems and they will. So I want you to understand that. And from here as I don't want to be boring, I just would like to thank you for your attention and move to the Q&A session. Thank you.

Patrick:

Ladies and gentlemen, we'll now take a five-minute break before the Q&A session begins.

Ed Ditmire:

Thank you. We're going to start the Q&A session. Just a couple details here. I know we have a lot of material, a lot of questions. I'm going to ask you to please limit yourself to one question and then we can always, if we have more time, go back to a second question. Let's see, Stephanie, why don't we start out with Michael here behind you? Thank you.

Michael:

Thank you, Ed. Good afternoon Carlos, Natalie and team, and thank you for the really great event and presentation. I'd like to ask a question on the US inventory position. Stellantis is clearly taking a more conservative approach with incentives in the US and I appreciate the frugality and stewardship behind that. But is there perhaps an argument to be made for being more aggressive on predecessor models and making room at dealers for the new ones to maximize the market opportunity from the fresh product lineup that you've got coming particularly on the RAM-1500? Thank you.

Carlos Tavares:

It's not exclusive. You don't have to do one or the other one who can do both. And of course, you need to create the room for the new products to be launched. That's quite clear. Reversely, if you make that readjustment brutally, it's very costly. So what we are trying to do is to do it in a progressive manner so that we create the room for the new products while making sure that the new products will reach the right level of quality when they go to the market. And as we have that target clearly in our radar, we just need to manage our inventory down in a progressive way so that it's not very costly way of doing things. That's what we are trying to do.

Speaker 4:

Thank you very much. It's Jose from J.B Morgan. I wanted to thank you for the presentation as well. Very interesting. I wanted to go back to this sustainability of maintaining the margins in North America going forward. I think there's an opportunity obviously on the manufacturing side, and I want to hear from you, Carlos, if you're happy with the current manufacturing setup, the utilization of the plants, the retooling of these two plants that you have right now in the US will be there. And Brampton. And also, what kind of synergies can you obtain from the mergers still in North America so we can get that confidence that margins in the US can continue to be sustained at the current level. Thank you.

Carlos Tavares:

Thank you, Jose. It's a great point you are making. Let's be very transparent and very honest as always. No, we are not happy. Certainly not. Certainly not. But it's not the only problem to be solved. But that one is very concrete. It's quite clear that on the three dimensions of what a plant should be doing, supply, improve quality, reduce cost. We have at least two plants in the US that need a significant turnaround. At least two. So the good thing is that that represents an opportunity. Then second question is do we have the knowledge? Yes we do. Yes we do. Of course. We do because everywhere in the world we are doing that exactly the right way. There is no problem about any internal benchmark where we could bring that expertise. And by the way, at shop floor level, when I talk about shop floor, I'm talking about welding, painting, general assembly.

At that level, you can find executives that come from other parts of the world to bring the expertise that needs to be brought to fix those issues at shop floor level. So from one side, no, we are not happy, and Arnaud de Boef is leading the way to make sure that we fix it from the other side. The problems we are addressing are not problems that we did not fix in the past, but we also need to fix them in the context of the US environment because it's a matter of respecting what are the local ways of doing things, which is what we are doing so that we don't break anything on the way. So that's exactly what we're doing. But we have two plants in the US at least, that need this turnaround and we know exactly what we have to do. It is not rocket science. It's something that we have done tons of times everywhere in the world. We just need to do it the right way in the right context. And that is what Arnaud de Boef is now leading.

Natalie Knight:

And I think maybe I'd add from my side, if you look at that part of that Arnaud talked about how we're benchmarking across the whole portfolio of our manufacturing and we're saying, hey, what can we learn from the best and apply wherever we can. And we definitely have things there that are opportunities for the US. And the other one that we're doing I think a lot more now than even six or nine months ago is we're looking a lot at what are the things that we learned from Leapmotors in terms of how are there things from, I'll call it a BEV-first approach that we can or should be implementing into how do we do things? So we've got, I'll call it that really tried and true way of looking at things in the group that has yielded big results and where we know there's still a lot of benchmark opportunity and we're also starting to look at things that we hadn't thought about in the past that may give us incremental opportunity.

Patrick:

Hi, it's Patrick from UBS here right in the middle. If I can just follow up on the North American situation, on the one hand you're still working through the inventory situation, which is a significant drag. You talked about it. I would like to better understand for how long you think this is actually going to be a drag to margins. Are we talking two quarters in your mind, or just to get a better feeling?

And then when it comes to the phase in of the BEVs, I think the industry or investors tend to be a bit scared about margin dilution from EVs at looking at the numbers at those OEMs that are disclosing the profitability. You have a different strategic approach, you have a different platform approach. How can you reassure us that that phase-in of the EVs will not be as dilutive as we've seen it at your competitors? And then as a very last one, if you put these inventory issues behind us and the phase-in of these stellar platform models, does it make sense still to believe that North America can go back to 15% margin or more? Or was that just the result of an extraordinary strong pricing situation in the industry? Thank you.

Carlos Tavares:

Well, that's a very important question you are asking. So let me try to explain at least our vision in a proper way. Let's not forget let's not that on the total production costs of an automobile, you have 85% bought-out parts. That's a good idea. Thank you, Ed. Thank you. Perhaps somebody did not like the answer. So I'll come back again. I'll repeat it. So 85% bought-out parts, 10% transformation costs in the OEM plant, 5% logistics. That's the total production cost of an automobile before you put the product on the trailer to ship the product to the dealership.

So on this part, when you talk about competitiveness on cost to generate the margins and reassure you that the margins of electrified vehicles will be as good as the ICE, one cannot forget the 85%. I can do as much as I can do with my teams on the 10%. And I have possibly the best worldwide benchmark of what you can do in any kind of plant on quality and cost shop by shop. So this is available, but that's 10%. So what do you do about the 85%?

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Carlos Tavares:

So what do you do about the 85%? And the answer was, in the presentation that was done, about 80% low-cost country sourcing. So that is something that is going to happen in a way or another. In a way or another, there is so much potential, double-digit potential, in the sourcing of bots which represent 85% of a total production cost of an automobile. There is so much potential there that the guy that reaches that point first is going to be a winner, and we believe that we are leading the pack. If you measure it through the index of unpopularity, that that brings us to us. We are number one by far. So that's point number one. Point number one is if we want to get back to the margins of ICEs, you need to get a significant cost reduction from the 85% of [inaudible 03:31:06] parts. And that means, in the current context, best-cost country sourcing.

It's a huge machinery for a company like ours that is sourcing 132 billion euros per year. You can imagine. But each new project that we are approving has that component 85%, 85%, 85%. So this is now in the pipe. It's going to come out. It's going to come out very soon. It's going to be one of the big drivers of our cost-competitive edge. By the way, when we compare to Leap Motor, those 30% cost-competitive edge I'm always talking about, they're coming mostly from two things and only two things, which is good news. One is all of their parts are sourced in China, which is a 15 to 20% cost advantage on the parts. And then you have the electric powertrain, which is mostly about cost of batteries and drive trains. With those two things, they generate north of 80% of the 30% cost-competitive edge.

So, it shows the way. It shows the way of what? It shows the way of vertical integration on the EV powertrain components, which is exactly what we are doing with electric motors and drive trains and batteries with ACC vertical integration, and then everything else sourced from best-cost countries. This is exactly what we are doing and I believe that we are ahead of the pack on that specific component. That's on the cost side. Now you have on the revenue side, and it is fair to say that given the number of tests drives I'm making right now, we are ready to start selling the fact that a BEV is a better car.

But that's not enough. If you drive a BV, if you drive a Wagoneer S, if you drive the new Charger, you will obviously agree with me, obviously, that it is a better car in dynamics, in NVH, in whatever you want to think about. Once we start communicating that, an example, any courtesy car needs to be a BEV so that you have the experience of a BEV and then you come back and say, "Whoa, it's super silent. Wow, it has a super acceleration." Once you start selling the fact that it's a better car, then the only thing which is left is the convenience of charging. And the convenience of charging right now is not yet there because of the lack of density. But that is the reason why we are bringing the best ranges of the industry. And we have enormous discussions about that, and we are happy that we bring the best ranges of the industry until the moment where you start seeing a higher density of the charging network.

So that's what we are now doing, and any seminar of our top leadership team always start by test drives of EVs and breakdown of EVs. Test drive of EVs will confirm what I've just told you and the breakdown of EVs, and we had yesterday here another meeting where we cut and disassemble and break down the cars of all the competitors. It's the world of enlightened engineers. It is just starting. When you look at the engineering of BEVs, it's basic. It's not optimized, it's just basic. Look at the battery packs. It's basic. This technology has not been optimized. There is huge potential to do much better than what you can see in whatever brand you want to pick today, including by the way the Chinese, which means I'm very confident that challenging the brains of our people will lead to making a much better cost at a higher performance level very soon. Which means what?

Back to my story about, you have two kinds of people. The ones to whom you say, "Don't worry, I'm going to protect you." And the ones to whom you say, "We go racing." This is all about recreating an optimization in the new technology that is not there. And the good thing is not even in the Chinese brands. They are not there either. Their technology is not super optimized, but of course they have a competitive edge on cost. Somewhere in the EE architecture, they are a few years ahead of us. Not much, because when we are going to come with STLA Brain, we'll be on their back. We'll on their back.

And you see, I told you a few years ago that we were trying to make the best performance at that point in time was beat Tesla with the cost of the Chinese. We are getting very close. In terms of performance, the Wagoneer S is going to demonstrate to you that we are better than Tesla and we are going to keep on doing that. The best performance in terms of BEVs for the cost of the Chinese. We are going to continue to push on that front. That's what I can share with you. Thank you.

Natalie Knight:

Can I add one other thing? Because you said how do you look at those higher margins, and I'm sure you would've jumped on this, is scale is also part of that. I think we covered it a lot today in the presentations on how do we improve how we think about the pricing dynamics overall, our commercial practices, and there's lots of opportunity for us there. But when we look at the size of where we are in the market, we're definitely at the low end of what the potential is, and when we grow there, we also have an ability to spread our fixed costs over a bigger base.

George Galliers:

Thank you. George Galliers from Goldman Sachs. I wanted to ask you a question about local heroes, because I think some investors still have concerns around the complexity of managing so many brands. Obviously, you have the data because you're selling similar products on similar platforms across Europe. What's the kind of price premium that a local hero gets if you compare a Peugeot in France to an Opal or maybe a Fiat in Italy versus an Opal? Can you give us any kind of insight or data there?

And then when we think about the third engine, what role will local heroes have or potentially could they have in the third engine? Is the fact that the third engine doesn't have strong domestic brands creating the market share opportunities that you seek out? Or is there also a risk that it opens the door to Chinese manufacturers and maybe some of your competitors that don't have such high AOI aspirations?

Carlos Tavares:

Great point. Let me first tell you that if you go to Latin America, you will easily capture that Fiat is a local hero in Latin America, even though it is as you know perfectly well an Italian brand. So you can have local heroes that are the consequence of being adopted in the region because your roots have been created in the region. Latin America, where we are the leaders in automotive group, leaders in brand with Fiat, is a place where we have so many plants, such a dense network, such strong marketing communications that we are considered Latin American with Fiat in Latin America, so we have our local hero. If you go to Africa, most possibly you will be able to say that Peugeot is a local hero. But more than that, there is one thing that is obvious to me when I go everywhere in the world, is that the Jeep brand has the potential to be a winner everywhere, local hero or not local hero.

The Jeep brand has this capability to convey freedom, outdoor adventure, so strong. It's meeting so many expectations right now that the Jeep brand can be a local hero anywhere, and we are going to reinforce the manufacturing footprint of Jeep because we believe it has a big potential. I don't know if you noticed on the slide presented on Africa and Middle East the ridiculous market share we have in GCC with Jeep, less than 1%. South Africa, less than 1%. Now, if you go to the Maghreb, you look at Morocco, Algeria, and even in Turkey you see that we are between 20 and 70% of market share in those countries. We have huge potential to go east and to go south.

And in that case, with or without a local hero brand, Jeep is the perfect tool to conquest. And I would say if you go to GCC, of course, in addition to Ram. So, we have that capability. To your question on the pricing power, if you compare different European countries where you see the price premium of a Peugeot in France, the price premium of Opal in Germany, the price premium of a Fiat in Italy and then you go with the same brands on the other countries and you look at the gap, I would say it's between three and five points on TPVA. Three to five points price premium in your home country compared to the other countries where it's not your home country.

Henning:

Hi, thank you. Henning from Barclays. Hi, maybe we-

Carlos Tavares:

Can you please raise your hand? I don't see you. Oh, you are here. Thank you.

Henning:

Maybe we can pivot to the total shareholder return a little bit. Natalie, I think you used the words conservative and very sustainable and I just wanted to clarify on the dividend level or in terms of absolute dividend level, absolute level of share buyback, do we mean when we say conservative and very sustainable, that's a floor level? And of course we also talked about paying out the excess free cashflow, and one of the key variables of course is the M&A, I suppose. So is there a floor for the total cash return to shareholders? Is there a ceiling for potential M&A? And I guess that part of the question is for Carlos as well because you said with a smile you have ideas, and maybe you would be prepared to share a little bit more about the ideas that could eat into the cash return potential to shareholders. Thank you.

Natalie Knight:

Well, maybe just generally on TSR, one of the great things about TSR, there are different components to it in terms of how do we get to that number. So I didn't give a floor or a ceiling today on purpose. What I wanted to do was show you the track record of what we've achieved, talk about the pieces that we believe we can continue to sustain in terms of we like the dividend where it is, we see potential for going forward, and that's why we've taken the range up. When we look at '25. We've talked about share buybacks being something that's core and that we're going to continue to use, but we didn't give you a firm commitment in terms of what does that mean forevermore. We look at TSR. I think those pieces are core to how we get there, but it's also what do we do from an AOI perspective and what do we do from a valuation perspective that are going to be able to help us deliver that number over time.

When you look at what are the pieces in there in terms of that story I talked about at the beginning, which is we've got, I'll say, being ready for a rainy day, that spot we've got very much in our mind. What does that look and feel like? And then you've got what are the opportunities that are out there? And there is that piece of it. As we grow toward our Dare Forward 2030 ambitions, that's a lot of revenue we've got to generate. And that is going to require on the one hand organic being able to fund that growth, but also potentially things that could be inorganic in terms of M&A. And if you would like to give any breaking news on that front today, feel free, but I'd say that's the structure front in terms of how we thought about it.

Carlos Tavares:

Your question is making my CFO nervous, so please don't do that. The rationale is very simple and I'm trying to keep it as automotive as possible, but of course there is a political dimension of what I am sharing with you, which is a risk for me by the way. But what is the rationale? The rationale is that when you start playing around with significant tariffs, you are trying to correct what? You are trying to correct a very significant competitive gap. That's what the tariffs are trying to correct is a gap of competitiveness. As we are a global company and we go racing, we are going to do whatever it takes to face any competition in terms of performance, in terms of price competitiveness, cost competitiveness. We are going to race with Tesla on the product starting there. We are going to race with the Chinese with our e-C3 Citroen and the Smart Car platform program.

We are going to race because we are a global company, and anyway, outside of the US and outside of Europe, we are going to face that harsh competition. As we are going to face that harsh competition and we are going to overcome those challenges, when something will happen to those who are protected, we will be there, so that's the rationale. Expose yourself to the harshest possible competition you can find on the planet so that when the people that are supposedly protected will face the gap of competitiveness that the current terrorists are trying to correct, the opportunities will be obvious. And I don't know what those opportunities will be, but I want to prepare my company to be ready and fit to grasp those opportunities when they will come, and they will come because this is mechanical.

When you imagine you make IRE plus 100% tariffs from one side, you make 48% tariff from the other side, imagine the magnitude of the gap that this kind of tariff is trying to correct. Is this going to be sustainable? Don't know. But what we are doing at Stellantis is to be able to stand in front of you saying we are making money outside of the protected regions by facing those very harsh competitors. And by the way, the solutions we have to face those harsh competitors are also available for the protected regions, which is going to give us a competitive edge that will put us in a position when there will be an opportunity where we are fit to grasp the opportunity. Thank you.

Natalie Knight:

Can I also add on the M&A side, there is, I'll call it a meat and potatoes part of M&A that we also are very active in. And that's you see especially what we've done recently on securing raw materials. When we look at the BEV side, when you look at Leap Motors, there are lots of things there that in terms of how do you think about the ecosystem that I think are going to continue to be important as we go forward.

Michael:

Hi. Michael [inaudible 03:47:07]. Maybe as a follow-up, you just talk about tariffs in Europe and in the US, but what about [inaudible 03:47:14]? We see Chinese OEMs coming more and more. It'll be probably less protected, so how do you deal with that in the very near term like in South America, which is a big market for you, but also probably in MEA and in Asia? Thanks.

Carlos Tavares:

Great question. That's where the fight starts. We have different kinds of answers to that thoughtful question. Let me start with Latin America. Latin America is a place where the level of deep localization is outstanding, and specifically in Brazil, our supplier base and our cost-competitive supplier base is very strong and we have everything we need to achieve a very high level of localization. So if I combined the cost competitiveness of Latin America with the products we have over there, not only for Fiat but also for instance for Ram, and we are building a full lineup of pickup trucks in Latin America under the Ram brand. And not with the bill of materials of the US ones, which makes those products even more competitive. So Latin America, we have the localization, we have the networks, we have the products. I think it's going to be a harsh fight, but they will have some difficulty.

And as you know well, Latin American, Brazil are not going to open the road for them in BEVs. Why? Because strategically, Brazil has no interest in challenging ethanol-based mobility with battery-based mobility because the current flex fuel, ethanol-based mobility is cost-competitive, affordable for the middle classes, and as good emissions as an electric vehicle. So the position of the Brazilian government is to make the importation of BEVs from China more difficult because they already have the solution, so they don't need to transform and take the risk of transformation of their industry. So that's for Latin

America, and of course it's driven by the competitiveness of Brazil because that's where the cost competitiveness is.

If you go to Africa Middle East, it's a different story which is totally based on the Smart Car platform competitiveness. And I think that [inaudible 03:49:42] made the comment to you. What we are doing right now in Morocco and in Turkey right now, I'm not talking about planning, I'm talking about doing it today, it's already at the Chinese cost. It's already at the Chinese cost, so it's going to be difficult for them. But of course if you look at Algeria, where we are leading the market, I think the latest numbers I have seen is 60 to 70% market share. If you look in the mirror, we have nine Chinese brands behind us, so this is going to be an enormous race and you still have people that think that they can be protected? Wow, that's naive. That's naive.

So Africa and Middle East, Smart Car program, because that's where today we are already 30% less costly than the Western world, i.e. Europe of course in this case. So we are already at minus 30, so they can come, we'll fight, and we don't start by fighting with a handicap. We are already on the same level as they are. And of course, you'll see all the e-C3 Citroens, the next to come, the C3 Across. All of this will exist. The [inaudible 03:51:04]. All of this will come step by step in a good execution mode at that level of competitiveness, so I can give you those two examples.

And the third one is an obvious one that of course you understand is if I cannot compete with the Chinese, I will put a Chinese brand in front of them. It's going to be Leap Motor. And I will put Leap Motor on the price ban of all the other Chinese brands that are competing with me, and I'm sourcing at the same cost-competitive level as they are, and I'm trading through a company that I own 51%. So I have those three answers. First one is deep localization rate in Latin America. The second one is Smart Car platform-based products, which are already at the Chinese level. And the third one is Leap Motors.

Harold:

Hi, Carlos. Harold at Citigroup. Thank you very much for a very detailed presentation. I think we all expected it, and thank you. You've delivered in spades. Within that, you're very well-known for your execution, the control that you have over the company. Can you maybe talk a little bit more to us today? If you look at the North American business and the issues that we've had there over the last six, 12 months, how did that happen? The market share has dropped probably a little bit more than I think you would've hoped that it would drop. I know there's new products coming and stuff, but I know you control these things really, really closely. Your pricing has been more aggressive than some of the others and maybe that positioning-wise, you've positioned yourself a little bit outside the market. But I'm just a little bit surprised that this happened to you, to be honest with you, a little bit. And so philosophically, how has that happened?

And then secondly, looking at today, the message is just a little bit different from what we've heard from you before. We've seen quite a lot of plans for growth, obviously multi-energy platforms and things. We're going to be running a lot of different drive trains next to each other. You've always been the guy for simplification and it just feels a little bit that we're adding complexity to the business now. So within that context, again, how are we going to manage the complexity and what you've always said yourself, the cost of that complexity as well?

Carlos Tavares:

Those are two great questions and I would like to answer to them very honestly. On the first question, we were arrogant. That's all. Arrogant. There was a conversion of three things. The market conditions deteriorated by the end of '23 at the moment where we were trying to deal with a certain number of inefficiencies and we were not good at dealing with those inefficiencies, and they were specific to a certain number of plants. And we saw it, but we were arrogant because we gave us too much time to fix it, perhaps somewhere polluted by what happened with UAW in fall 2023. So perhaps we were too smooth, but the things were visible in fall 2023. But as you know well, we were busy doing something else, which was to figure out how to keep the plants running. So at that point in time, things were already visible that we had a few plants that were not delivering on what we expected them to deliver, which is supply, cost, and quality.

That was obvious, and we were somewhere hesitating on that one. Then what happened next is that the market conditions deteriorated by the end of '23, and we ended up '23 with too much inventory. And you were the first ones to spot that, and you were right. Which means that when we started correcting that by the beginning of '24, we already had to fix the manufacturing issues. We already had to readjust the inventory. And the third thing is something I discovered, which is that our marketing way to go to market is just not rigorous and professional enough. So we combine the three things. We combine some kind of slow pace in fixing the manufacturing issues on the context of what happened in fall, we had to correct the inventory because the market conditions deteriorated in a Q4 2023, and our way to go to market, which I summarize by saying our management of the purchase funnel, was suboptimal to say the least.

So the combination of those three things created the problem, but you are absolutely right. No excuse. I am responsible. And we were arrogant. No excuse. Your second question was about...

Harold:

Complexity.

Carlos Tavares:

Complexity. That one I'm quite comfortable with, which is not the case of the first one. But for the second one, 75% of references down. Now, what happened once you do this is that we were all thinking that the transition to EV would be on a ramp-down, ramp-up that would be in a shorter time window. And what is visible now through all the tensions that the lack of affordability and the lack of convenience has created in the society. By the way, this was not created by Stellantis, but these open questions that you can see, they are creating some kind of bumps on the road. I believe that the end of this story will still be zero-emission mobility, because if not, something else will happen. Possibly our kids will bring us to court or even my grandkids will bring me to court.

So in this context, we see that you have to expand, you have to expand the time window during which you will have this transition, and you have to adjust the investments and the cash-outs in function of what you see in terms of EV ramp up. This is the reason why ACC has announced that we are going to pause on the second gigafactory and the third gigafactory in Europe because we have to wait for the BEV sales mix to continue to grow. And that is simple, basic, thoughtful cash-out management of the company. But what we see is that we are going to be able to manage this transition indeed with additional complexity, not on the parts because we have reduced them by 75%, but mostly by leveraging the multi-energy platforms and the flexible manufacturing. I would say we are blessed with that decision. You could say it's a matter of luck perhaps, but we made that right call a few years ago. Q1 2021, we made that call, and it happens that it's perfect decision to adapt to this transition time window that appears to be longer than what we expected. Thank you.

Ed Ditmire:

And we have time for one last question. Tom?

Tom Ryan:

Thanks. Yeah, Tom Ryan, RBC. Thanks for taking the question. So question on pro. A number of us here were at a similar investor day last year for another OEM who has 40% market share in the pro segment in the US, and they made a big pitch showing how it's very difficult for them to seed market share because it's very sticky and there's a lot of very small businesses, huge profit center for them. Just curious what gives you guys confidence you'll be able to take market share for them, and how important of a priority is pro for you in the US? You're very strong in Europe. How do you achieve that in the US?

Carlos Tavares:

Great point. I see exactly who you are talking about. The guy I'm racing with. That's perfect. By the way, you don't know, but I'm racing against Jim in the Le Mans classic races every single year, so we know each other well. Not with the same car by the way, but on that point it's absolutely a correct question. What I can tell you is that right now, what see is our fleet sales, namely on vans, in the US are like this. And Jim is absolutely right. Small fleet, small and medium enterprises are the core of that business. We are bringing now the ProMaster at a higher capacity, including with the EV versions. There will be a surprise next year. And we are seeing right now that our B2B reboot is working very, very well, so it's going to be a big fight. But one thing that is also interesting to see is that even if you talk about fleet, and if I talk about fleet on Ram, you're going to think, oh yeah, but fleet is less profitable than retail.

So I can share with you a very sensitive information, which is the profitability of fleet on Ram is much higher than the profitability of Jeep in the US. Which means what? Which means we can fight. We can fight. And when we are increasing on the van business our market share in the segments with fleet, not only on ICE but also on Bev, and when we'll bring additional surprises very soon, we'll see. It's a race. It's a race. And Jim is right to say it's difficult. Yes, sir. It's difficult. Nobody will say that it's easy, but we are going to bring strong arguments. And in the way to go to market, our B2B management was a mess, and Carlos has been working like hell on this dimension and he talked to you that he completely reset the organization of the front line of the US sales starting with B2B and small and medium enterprises, because that's a big profit contributor to the result. Thank you.

Ed Ditmire:

Thank you, everyone. Thank you all for coming today and I look forward to inviting you to participate with a lunch with management after this. Thank you very much.

Speaker 5:

Ladies and gentlemen, this concludes our event. Thank you for attending.

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