# Stellantis Investor Day – June 13, 2024
# Transcript

## Middle East and Africa

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.