



Stellantis Investor Day – June 13, 2024 Transcript

North America

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 transition. 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.