CATÓLICA LISBON
BUSINESS & ECONOMICS

Equity Research: Stellantis

Luca Bacci

Dissertation written under the supervision of professor Fani Kalogirou.

Dissertation submitted in partial fulfilment of requirements for the MSc in Finance, at the Universidade Católica Portuguesa, 06/01/2026.

Abstract

This thesis provides an equity valuation of Stellantis N.V. in the context of the profound structural transformation of the global automotive industry. Shifts toward electrification, software-defined vehicles, and stricter environmental regulation have increased capital intensity and execution risk, contributing to depressed market valuations across the sector. Against this backdrop, the study investigates whether Stellantis' current market valuation adequately reflects its intrinsic value and long-term cash-generation potential.

The analysis combines an industry and strategic assessment with a firm-level business and financial review. Particular attention is given to Stellantis' diversified brand portfolio, geographic exposure, disciplined capital allocation, and strong free cash flow conversion. A central focus is the strategic partnership with the Chinese electric vehicle manufacturer Leapmotor, a distinctive approach among Western OEMs to improving cost competitiveness and accelerating entry into the low-cost EV segment. The partnership's implications for margins, capital expenditure, and growth are incorporated into the valuation framework.

The core valuation is conducted using a Discounted Cash Flow (DCF) methodology based on Free Cash Flow to the Firm, supported by a relative valuation cross-check using trading multiples. Forecasts are developed over a ten-year horizon to capture cyclical normalization, strategic execution, and long-term steady-state conditions. Sensitivity analyses are performed on key assumptions, including the cost of capital and terminal growth rate, to assess result robustness.

The findings indicate that Stellantis' intrinsic value exceeds its prevailing market valuation, suggesting the market may be overly discounting transition-related risks. Overall, the thesis concludes that Stellantis remains undervalued, while acknowledging material industry, regulatory, and execution uncertainties.

- Luca Bacci
- Equity Research: Stellantis
- Equity Research, Leap motor's Partnership, Valuation

Resumo

Esta dissertação analisa a avaliação da Stellantis N.V. num período de transformação da indústria automóvel global. A transição para a eletrificação, a pressão regulatória e o aumento do investimento elevaram a perceção de risco do setor, levando os mercados a ser mais cautelosos com os fabricantes tradicionais. Neste contexto, o estudo avalia se a capitalização bolsista da Stellantis reflete os seus fundamentos económicos e a capacidade de gerar caixa no longo prazo.

A análise conjuga uma perspetiva setorial e estratégica com o exame do modelo de negócio e do desempenho financeiro. Destaca-se a diversidade do portefólio de marcas, a presença geográfica equilibrada e a disciplina na gestão de custos e na alocação de capital. Um foco central é a parceria com a Leapmotor, fabricante chinês de veículos elétricos, opção diferenciada entre OEMs ocidentais. A colaboração poderá acelerar a eletrificação com menor custo, sobretudo em veículos elétricos de entrada, com efeitos relevantes nas margens e no perfil de investimento futuro.

A avaliação é conduzida principalmente através de um modelo de Discounted Cash Flow (DCF), complementado por múltiplos de mercado. As projeções cobrem dez anos, para captar normalização cíclica, execução estratégica e um cenário de longo prazo mais estável. Realizam-se análises de sensibilidade para testar a robustez dos resultados.

Os resultados sugerem que a Stellantis está subavaliada face ao seu valor intrínseco, indicando penalização excessiva dos riscos da transição. Em síntese, conclui-se que a empresa tem fundamentos sólidos e potencial de criação de valor no longo prazo, apesar de operar num setor exigente e competitivo.

- Luca Bacci
- Equity Research: Stellantis
- Equity Research, Leap motor’s Partnership, Valuation

1. Chapter 1 - Introduction

1.1 Context and Motivation

The global automotive industry is undergoing one of the most profound structural transformations in its history. The combined forces of electrification, digitalization, regulatory tightening, and shifting consumer preferences are reshaping not only the product mix of automotive manufacturers, but also their cost structures, capital allocation strategies, and long-term profitability profiles. Traditional internal combustion engine (ICE) dominance is progressively giving way to hybrid and battery electric vehicle (BEV) architectures, while software, connectivity, and platform modularity are becoming critical sources of competitive advantage.

At the same time, the sector remains highly cyclical and capital-intensive, exposed to macroeconomic fluctuations, commodity price volatility, and geopolitical uncertainty. The post-pandemic period has highlighted these vulnerabilities: supply-chain disruptions, semiconductor shortages, inflationary pressures, and abrupt changes in interest-rate environments have materially affected production volumes, margins, and valuations across the industry. As a result, equity markets have adopted a cautious stance toward automotive manufacturers, often pricing in significant execution risk related to the electrification transition.

Within this complex landscape, Stellantis N.V. represents a particularly compelling case study. Formed in 2021 through the merger of Fiat Chrysler Automobiles (FCA) and Groupe PSA, Stellantis is one of the world's largest automotive groups, with a diversified portfolio of fourteen brands spanning mass-market, premium, luxury, and light commercial vehicle segments. The group operates across multiple geographies, with strong positions in Europe, North America, Latin America, and selected emerging markets. This scale and diversification provide resilience but also introduce operational complexity and strategic trade-offs.

Despite its scale and historically strong profitability, Stellantis has experienced a sharp re-rating in equity markets over recent years. While the company delivered record operating results in

2023, the subsequent normalization in 2024, driven by weaker demand, price competition in BEVs, and elevated investment requirements, has led to a substantial decline in market capitalization. This disconnect between operating fundamentals, balance-sheet strength, and market valuation forms the core motivation of this thesis.

In addition to the academic and financial relevance of the topic, this thesis is also motivated by a personal connection to the company and its industrial roots. I was born in Turin, a city historically shaped by Fiat and the broader Italian automotive ecosystem, and I have experienced directly how the transformation from Fiat to FCA and ultimately to Stellantis has influenced the identity of local manufacturing, employment, and industrial culture. Combined with a long-standing personal interest in cars, this background reinforces the motivation to investigate Stellantis not only as a listed company to be valued, but also as an emblematic case of industrial transition within Europe.

The central question motivating this research is whether Stellantis' current valuation accurately reflects its intrinsic value and long-term cash-generation potential, or whether the market is overly discounting the risks associated with the automotive transition. Addressing this question requires a rigorous, forward-looking valuation framework grounded in strategic analysis, financial modeling, and clearly articulated assumptions, which I aim to deliver.

1.2 Objectives and Research Questions

To get to the intrisic value of Stellantis N.V., the thesis addresses the following research subquestions:

1. How do industry dynamics and structural changes in the automotive sector influence Stellantis' long-term operating performance and risk profile?
   This includes examining electrification trends, regulatory pressure, competitive intensity, and technological evolution.
2. What is the impact of Stellantis' strategic positioning and business model on its ability to generate sustainable free cash flows?

Particular attention is given to platform standardization, cost discipline, brand portfolio management, and geographic diversification.

3. How does the Stellantis–Leapmotor partnership alter the company's growth trajectory, cost structure, and capital intensity?
   The partnership with a Chinese EV manufacturer represents a distinctive strategic choice among Western OEMs and has important implications for margins and capital allocation.
4. What is the intrinsic value of Stellantis based on a Discounted Cash Flow (DCF) methodology, and how does it compare with current market valuations and peer multiples?
5. How sensitive is Stellantis' valuation to key assumptions such as revenue growth, operating margins, capital expenditure, working capital, and the cost of capital?

By systematically addressing these questions, the thesis aims to provide a comprehensive valuation assessment that integrates strategic insight with financial rigor.

1.3 Methodology Overview

The valuation of Stellantis in this thesis is conducted firstly using a Discounted Cash Flow (DCF) approach, complemented by relative valuation techniques based on trading multiples. This dual-method framework ensures that the analysis captures both the intrinsic, fundamentals-driven value of the company and its positioning relative to peers in the automotive sector. (Koller, Goedhart, & Wessels, 2020)

The methodological process follows several sequential steps:

1. Industry and Strategic Analysis
   The thesis begins with a detailed analysis of the global automotive industry, using PESTEL and Porter's Five Forces frameworks to identify key external drivers and competitive pressures. This analysis establishes the structural context within which Stellantis operates and informs the plausibility of long-term assumptions.

2. Company-Specific Business and Financial Analysis
   Stellantis' business model, geographic exposure, brand portfolio, and historical financial performance are examined in detail. Financial ratio analysis is used to assess profitability, efficiency, solvency, and cash-flow quality across recent years, highlighting both strengths and vulnerabilities.
3. Forecasting and Assumptions
   A ten-year explicit forecast period (2025–2035) is adopted to capture short-term normalization, medium-term strategic execution, and long-term steady-state behavior. Key forecast variables include revenues, EBIT margins, capital expenditures, depreciation, working capital changes, and effective tax rates. All assumptions are explicitly justified and aligned with both historical evidence and strategic developments.
4. DCF Valuation
   Free Cash Flow to the Firm (FCFF) is calculated for each forecast year and discounted using the Weighted Average Cost of Capital (WACC). A terminal value is estimated using the Gordon Growth Model, assuming a conservative perpetual growth rate consistent with long-term inflation and GDP growth. (Damodaran, 2012).
5. Relative Valuation Cross-Check
   To validate the intrinsic valuation, Stellantis' implied multiples are compared with those of selected peers, including Volkswagen, BMW, Mercedes-Benz, Renault, and Tesla. This comparison helps contextualize the DCF results within prevailing market pricing.
6. Sensitivity and Interpretation
   Sensitivity analyses are conducted on key valuation drivers, particularly the WACC and terminal growth rate, to assess the robustness of the conclusions. The results are then interpreted in light of strategic risks and market conditions.

This integrated methodology reflects best practices in equity research and academic valuation studies, ensuring transparency, consistency, and analytical depth.

1.4 Thesis Structure

The remainder of this thesis is structured as follows.

Chapter 1 – Introduction presents the research context and motivation, outlining the structural transformation of the global automotive industry and positioning Stellantis as a relevant case study. It defines the research objectives and questions, introduces the methodological framework, and clarifies the academic and practical contribution of the study.

Chapter 2 – Analyses and Results: Stellantis Business Analysis provides a comprehensive assessment of Stellantis' operating environment and firm-specific fundamentals. The chapter begins with an industry and strategic analysis based on PESTEL and Porter's Five Forces, followed by an examination of Stellantis' competitive strategy and business model. It then develops a detailed company analysis covering brand portfolio, geographic diversification, and the strategic partnership with Leapmotor. A thorough financial analysis evaluates profitability, efficiency, liquidity, solvency, and cash-flow quality for the 2023–2024 period. The chapter concludes with a synthesis of key risks, drivers, and valuation-relevant implications.

Chapter 3 – Forecast Assumptions develops the forward-looking assumptions underpinning the valuation. It details revenue growth trajectories, margin evolution, capital expenditure requirements, working capital dynamics, and free cash flow implications across the forecast horizon, explicitly incorporating the effects of electrification and the Stellantis–Leapmotor partnership.

Chapter 4 – Valuation Method, Initial Calculations and Issues Faced introduces the valuation framework adopted in the thesis. It explains the rationale for using a Discounted Cash Flow approach complemented by relative valuation multiples, describes the strategic logic underlying the forecasting setup, and details the estimation of the cost of capital. The chapter also discusses key modelling challenges and data-related limitations.

Chapter 5 – Valuation Methodology and Results presents and interprets the valuation outcomes. It reports the DCF results, sensitivity analyses, and relative valuation cross-checks, followed by a discussion of the implied intrinsic value relative to market pricing and the robustness of the conclusions under alternative assumptions.

Chapter 6 – Conclusion summarizes the main findings of the thesis, reflects on their strategic and financial implications, and assesses Stellantis' long-term investment attractiveness within a transforming automotive industry.

1.5 Contribution of the Thesis

This thesis contributes to the existing literature and practical equity research in several ways. First, it provides a comprehensive, integrated valuation of Stellantis at a time of significant industry transition and market uncertainty. Second, it explicitly incorporates the strategic implications of a unique cross-border partnership with a Chinese EV manufacturer, offering insights into how such alliances can reshape cost structures and competitive positioning. Finally, the study demonstrates how disciplined forecasting and conservative assumptions can yield meaningful valuation insights even in highly cyclical and capital-intensive industries.

By combining strategic analysis, financial modeling, and valuation theory, the thesis aims to offer a nuanced and evidence-based assessment of Stellantis' intrinsic value and long-term investment appeal.

Chapter 2 – Analyses & Results: Stellantis Business Analysis

2.1 Introduction to Business Analysis

This section introduces the purpose of the Business Analysis within the thesis. It explains how industry dynamics, corporate strategy, financial performance, and competitive positioning of Stellantis will inform the valuation model and investment case.

2.2 Industry and Strategic Analysis

2.2.1 PESTEL Analysis

Political — The EU's decarbonization agenda sets binding fleet CO_2 targets for light-duty vehicles and progressively tightens compliance through 2030, converging to zero tailpipe

emissions for new cars from 2035 (European Commission, 2023). Euro 7 introduces additional constraints on pollutant emissions and battery durability(European Commission, 2022). Trade policy has become more interventionist, with countervailing duties on subsidised Chinese BEV (Battery Electric Vehicle) imports and an active dialogue with the U.S. over tariffs (European Commission, 2024). These policies shape OEM capital allocation, pricing, localisation and sourcing decisions.

Economic — Global auto demand remains cyclical and rate-sensitive (OECD, 2023). After the post-pandemic recovery and a temporary semiconductor bottleneck, EU registrations stabilised with a mixed powertrain split: hybrids expanding, BEVs gaining with volatility, and ICE shares declining (ACEA, 2024). Cost of capital has eased modestly from peak policy rates but remains higher than the 2010s, sustaining a premium on disciplined capex and working-capital management (IMF, 2024). Commodity cycles (lithium, nickel, steel) and logistics costs materially influence margins in electrification programs (IMF, 2024).

Social — Consumers continue to value affordability, range and charging convenience over purely ecological attributes (McKinsey & Company, 2023). Adoption of hybrids as a transitional technology remains strong, especially in markets with developing charging networks or fiscal incentives oriented to company cars (ACEA, 2024). Brand trust, perceived software quality, and total cost of ownership increasingly drive purchase decisions (Deloitte, 2023).

Technological — Electrification remains the dominant trajectory, with rapid cost progress in battery cells and packs, wider use of LFP chemistries, and platform consolidation (IEA, 2024). Software-defined vehicle (SDV) architectures enable over-the-air updates and new monetisation (ADAS, connectivity, infotainment) (McKinsey & Company, 2023). Autonomous capabilities progress unevenly across regions. Manufacturing technologies (giga casting, modular platforms) and vertical integration in batteries are key levers for scale economies (BNEF, 2023).

Environmental — Stricter lifecycle expectations (battery durability, recyclability, supply-chain emissions) require robust ESG governance (European Commission, 2023). Scope 3 engagement with suppliers and dealers is becoming standard (CDP, 2023). Localised battery value chains reduce transport emissions and improve resilience (IEA, 2024). Product-level eco-design (aerodynamics, weight reduction) remains a determinant of range and compliance.

Legal — Beyond EU-level regulation, national incentive schemes, tax treatment of corporate fleets, and evolving safety/cybersecurity standards (e.g., UN R155/R156) affect model launches and pricing (UNECE, 2022). Litigation risk spans emissions compliance, software/ADAS liability, and green claims.

2.2.2 Porter's Five Forces

Threat of New Entrants — Capital intensity, regulatory compliance and brand-building requirements remain high (Porter, 2008). However, EV-focused entrants, particularly Chinese OEMs, lower entry barriers with competitive cost structures, accelerated product cycles, and aggressive pricing (BNEF, 2023).

Bargaining Power of Suppliers — Battery cells/modules and semiconductors remain strategic chokepoints despite improved availability versus 2021–2022 (IEA, 2024). Long-term offtake contracts, in-house pack assembly, and dual-sourcing strategies are critical to mitigate price and supply risk (McKingsey & Company, 2023).

Bargaining Power of Buyers — Consumers face abundant choice across ICE, hybrid, BEV and PHEV. Fleet buyers, representing a large share of EU demand, exercise significant bargaining power through bulk purchasing and TCO-driven tenders (ACEA, 2024). Retail buyers are price-sensitive; incentives and financing conditions materially sway mix (Deloitte, 2023).

Threat of Substitutes — Modal shifts to public transport and micromobility are structural but gradual (OECD, 2023). In some urban areas, mobility-as-a-service erodes ownership propensity. For long-distance use cases, substitutes remain limited until rail coverage and intercity mobility expand further.

Industry Rivalry — Competition is intense across segments. Legacy OEMs are converging on scale EV platforms while protecting profitable ICE/hybrid franchises (McKingsley & Company, 2023). Price competition has sharpened in BEVs, with discounting waves, inventory management, and tactical incentives (BNEF, 2023). Chinese OEMs expand distribution and local production footprints. Software and charging ecosystems are emerging arenas of rivalry beyond hardware.

2.2.3 Competitive Strategy

In mass-market segments, Stellantis pursues cost leadership via shared platforms (e.g., small/compact EV architectures), high parts commonality, and flexible manufacturing (Stellantis N.V., 2024). In premium/luxury (Maserati, DS) and off-road (Jeep), the focus is on differentiation by brand heritage, design, and capability. Pricing discipline and mix management are used to protect margins amid EV price deflation. Strategic partnerships in batteries, software, and charging aim to accelerate time-to-market.

2.2.4 Business Model

The model combines a multi-brand, multi-segment product strategy with regional scale in Europe and North America (Stellantis N.V., 2024). Profit pools are diversified across new vehicles, aftersales, parts, and captive finance. As vehicles become software-defined, recurring revenue opportunities arise from connectivity, telematics-based services, and ADAS feature activation (McKinsey & Company, 2023). Vertical integration is selective (e.g., battery pack assembly, software stacks) to balance control and capital intensity.

2.2.5 SWOT Analysis

Stellantis' competitive position is supported by a broad brand portfolio and strong geographic diversification, which enable scale economies and extensive platform sharing across segments. The group holds particularly solid positions in light commercial vehicles and has recently strengthened its software strategy, while maintaining a disciplined approach to cash generation (Stellantis N.V., 2024). At the same time, several structural weaknesses remain. The company continues to exhibit significant exposure to legacy internal combustion engine technologies in certain segments, while brand fragmentation and the operational complexity of managing numerous nameplates increase execution risk. In addition, Stellantis is highly sensitive to European demand cycles. Looking ahead, the external environment offers meaningful opportunities, notably from EU electrification policies, declining battery costs, and the localisation of the battery supply chain. Further upside may derive from the monetisation of software and connected services, as well as the expansion of fleet electrification (IEA, 2024). These prospects are, however, counterbalanced by substantial threats, including intensifying price competition in the battery electric vehicle market, particularly from Chinese manufacturers,

regulatory and tariff uncertainty, raw material price volatility, and infrastructure constraints that may slow BEV adoption. Moreover, rising cybersecurity and advanced driver assistance system liabilities represent growing sources of risk (BNEF, 2023; UNECE, 2022).

2.3 Company Analysis

2.3.1 Company Overview

Stellantis N.V. is among the world's largest automotive groups, operating fourteen brands across mass-market, premium, luxury and light commercial vehicle (LCV) segments. Formed by the 2021 merger between Fiat-Chrysler Automobiles (FCA) and Groupe PSA, the group benefits from extensive market coverage, a highly diversified product portfolio, and platform synergies that enhance scale efficiencies. Stellantis maintains a strong presence in Europe and North America, which collectively account for the majority of revenues and operating income (Stellantis N.V., 2024).

The group's identity is shaped by disciplined capital allocation, rigorous cost control, and systematic platform standardisation. Stellantis has consistently reported some of the strongest free-cash-flow conversion rates in the European automotive industry, supported by a conservative balance sheet and a flexible manufacturing footprint. This combination positions Stellantis uniquely relative to peers such as Volkswagen, Renault, and Mercedes-Benz, especially during cyclical downturns.

2.3.2 Business Segments and Geographic Diversification

Regional Profitability and Mix (Stellantis N.V., 2024)

North America (NAFTA)
This is Stellantis' most profitable region, driven primarily by the Jeep and Ram brands. Operating margins in North America have historically exceeded 15%, well above the European average. Segment profitability is supported by high-margin SUVs and pickups, strong brand equity, and pricing power. Even during the 2024 market slowdown, North America contributed the majority of group EBIT.

Europe

Europe remains Stellantis' largest market by volume, but profitability is structurally lower due to regulatory pressure, higher BEV cost absorption, and intense competition. EBIT margins typically fall in the 6–8% range. Market share is concentrated in Italy, France, Iberia and Benelux, supported by brands such as Peugeot, Citroën and Fiat.

Latin America and Middle East/Africa

These regions provide valuable diversification with mid-teens margins in several markets. Stellantis is the market leader in Brazil, supported by Fiat's dominance in compact cars and pickup trucks.

Brand Clusters

- Jeep and Ram: high-margin brands central to North American profitability.
- Peugeot and Citroën: core to the European mass market; strong in fleet and LCV.
- Fiat: dominant in Italy and Brazil; strategic for affordable EVs.
- Maserati: small in volume but contributes disproportionately to margin mix.
- LCV (Fiat Professional, Peugeot Professional, Ram): Stellantis is global LCV leader, a structurally high-margin segment.

2.3.2.1 Stellantis–Leapmotor China Partnership

The most significant strategic development for Stellantis in recent years is the equity investment and joint venture with Leapmotor, a leading Chinese EV manufacturer. In 2024, Stellantis acquired a 21% stake in Leapmotor and established "Leapmotor International", a joint venture controlled 51% by Stellantis that manages all Leapmotor activities outside China (Stellantis N.V., 2024).

The partnership addresses Stellantis' historical weakness in the Chinese market while providing a cost-efficient entry into the global low-cost EV segment. Stellantis now gains access to highly competitive Chinese EV platforms, battery technologies, and vertically integrated supply chains (IEA, 2024; BloombergNEF, 2023).

Operational and Financial Implications

1. Cost Structure Transformation

   Leapmotor's platforms are produced at substantially lower cost; industry analysts estimate a 15–25% cost advantage vs European EV architectures. Through the JV, Stellantis can reduce EV bill-of-materials, particularly for A- and B-segment vehicles (A-segment cars are very small city cars designed mainly for short urban trips, while B-segment cars are small cars that are slightly larger and more versatile, often used for both city and short-distance travel.).
2. Accelerated EV Rollout

   Starting in 2025–2026, Stellantis will introduce Leapmotor EVs in Europe and Latin America. This expands the group's product offering in segments facing the strongest competitive pressure from Chinese imports.
3. Volume Growth Potential

   Leapmotor models can lift Stellantis' unit volumes in entry-level EV segments, where affordability constraints remain the primary barrier to adoption (McKinsey and Company, 2023).
4. Margin Implications

   Short-term pressure is expected (2025–2026) due to lower initial margins on affordable EV imports.

   Mid-term uplift (from 2027 onwards) is anticipated as scale grows and platform sharing reduces development costs.
5. CapEx Efficiency

   The partnership allows Stellantis to avoid duplicating development spending on certain EV platforms. Medium-term CapEx intensity can decline more rapidly than under a fully internal EV roadmap (Stellantis N.V., 2024).
6. Strategic Differentiation

   Stellantis becomes the first Western OEM to leverage Chinese EV technology globally through a formal distribution and production JV, rather than competing directly with Chinese entrants. This is a structural competitive advantage.

2.3.3 Financial Overview (2023–2024)

Stellantis closed FY2023 with record financial results, reporting revenues of €189.5 billion, EBIT of €24.4 billion, and net income of €18.6 billion, corresponding to an EBIT margin of 12.9 percent and a net margin of 9.8 percent. In contrast, FY2024 reflected a phase of cyclical normalization, with revenues declining to €154.7 billion and EBIT falling to €9.9 billion, equivalent to a margin of 6.4 percent, while the net margin also decreased to 3.6 percent. This deterioration was primarily driven by softer global volumes, intensified price competition in the BEV segment, and higher raw material costs.

Despite these headwinds, Stellantis remained highly cash generative. Cash flow from operations reached €9.9 billion in 2024, supported by disciplined working capital management and strong depreciation coverage of €7.8 billion. The company also maintained a near zero net debt position, underscoring the strength of its conservative balance sheet and its high degree of financial flexibility (Refinitiv, 2024).

The analysis focuses exclusively on the 2023 and 2024 financial years, as earlier periods were heavily distorted by the COVID-19 pandemic. From 2020 onwards, the automotive industry experienced exceptional disruptions related to supply chain bottlenecks, production shutdowns, and abnormal demand patterns, which reduce the comparability and economic relevance of those years. Using 2023 and 2024 allows the analysis to better reflect Stellantis' underlying performance under more normalized market conditions.

2.3.4 Financial Performance

Profitability

Ratio	2023	2024	Interpretation
EBIT Margin	12.9%	6.3%	Margin compression due to BEV pricing pressure and weaker volumes.
Net Margin	9.8%	3.6%	Profitability normalized after a record 2023.
ROIC (normalized tax)	23.5%	8.2%	Still above cost of capital in 2023, normalizing in 2024.

Stellantis maintained robust operating efficiency in 2023 with high margins and capital discipline. The decline in 2024 reflects market normalization and product mix shifts, but profitability remains positive across all regions. On a normalized tax basis, the company's ROIC continues to exceed its long-term WACC. (Refinitiv, 2024)

Efficiency

Ratio	2023	2024	Interpretation
Asset Turnover	0.94×	0.75×	Slower asset utilization as revenues decline.
NWC / Revenue	9.3%	4.1%	Improved working-capital management amid weaker demand.
Receivable Days	12	13	Stable customer collection efficiency.

Asset rotation decreased in 2024 due to lower output and stable asset levels. The decline in NWC-to-sales indicates tighter operational control and improved liquidity management during a soft phase of the cycle. (Refinitiv, 2024)

Solvency and Leverage

Ratio	2023	2024	Interpretation
Net Debt (€m)	–14206	3182	From net cash to neutral position.
Net Debt / EBITDA	–0.44×	0.18×	Extremely low leverage maintained.
Interest Coverage	15.74×	14.42×	Decline with EBIT drop, still very strong.
Debt to Capital	26.51%	31.30%	Increase driven by higher gross debt and lower equity.

Leverage remains negligible, with a near-zero net debt position. Despite lower earnings, the firm preserves a very comfortable interest coverage ratio. Stellantis' balance sheet provides substantial headroom to finance its strategic transformation without external strain. (Refinitiv, 2024)

Liquidity

Ratio	2023	2024	Interpretation
Current Ratio	1.24×	1.09×	Adequate short-term solvency.
Quick Ratio	0.95×	0.81×	Reduced cash buffers in 2024 but still within safe range.

The decline in liquidity indicators mirrors the partial deployment of cash to sustain operations and capital expenditure. The company remains well-positioned to cover short-term obligations without compromising financial stability. (Refinitiv, 2024)

Cash-Flow and Investment Quality

Ratio	2023	2024	Interpretation
CFO / EBITDA	70%	23%	Solid but normalized cash conversion.
Free Cash Flow (€m)	18764	-6000	FCF contraction.
CapEx / Revenue	5.4%	7.1%	Increased investment in EVs and software.
R&D / Revenue	1.7%	1.9%	Sustained innovation effort.

The table highlights a clear normalization and transition phase in Stellantis' cash flow dynamics between 2023 and 2024. Cash conversion declined sharply, with the CFO to EBITDA ratio falling from 70 percent to 23 percent, reflecting weaker operating performance and less favorable working capital dynamics. Free cash flow turned negative in 2024 at minus €6.0 billion, driven by lower cash generation and higher investment outlays. At the same time, CapEx intensity increased from 5.4 percent to 7.1 percent of revenues, indicating stepped up investments in electrification and software, while R&D spending remained broadly stable relative to sales. Overall, the figures suggest that the deterioration in free cash flow was largely linked to a cyclical and strategic transition period rather than a structural weakening of Stellantis' financial discipline.

2.3.5 Interpretation and Implications

Overall, the FAF ratios show a company transitioning through a downturn but retaining strong fundamentals:

- Profitability declined in 2024 but remains positive across all segments.
- ROIC narrowed due to margin compression but is positioned to recover as EV scale improves.
- Liquidity slightly weakened yet remains strong relative to peers.
- Asset turnover decreased reflecting lower volumes, expected to normalize.
- Cash-flow generation remains a structural strength, ensuring inorganic moves (e.g., Leapmotor JV) are feasible.

These financial signals support a forecast scenario in which Stellantis experiences short-term volatility but medium-term recovery driven by scale benefits and strategic partnerships.

Methodological Note on Tax Treatment

For analytical consistency, ROIC, and FCF calculations adopt a normalized operating tax rate of 20.55%(Refinitiv FY0 mean). The effective tax rate for 2024 (–36.9%) reflects one-off accounting effects and does not represent operational taxation. Using a normalized rate ensures comparability across years and better reflects the company's through-the-cycle profitability.

2.3.6 Key Risks and Drivers

Stellantis faces a set of interconnected risks that could materially influence its operating and financial performance. Although conditions in the semiconductor market have improved, supply chain constraints remain a structural vulnerability for the automotive sector. At the same time, the group is undertaking significant electrification investments, which require high upfront capital expenditure in gigafactories, research and development, and long term supply agreements. Regulatory and ESG related pressures also represent a key risk factor, as Stellantis is exposed to increasingly stringent EU fleet emission targets as well as potential tariffs on imported vehicles. In addition, the company remains sensitive to foreign exchange movements, particularly the USD to EUR exchange rate, and to volatility in key raw materials such as lithium and aluminium. Finally, the operational complexity of managing fourteen brands with overlapping market segments increases execution risk and raises the challenge of delivering consistent performance across the portfolio.

2.4 Synthesis and Implications for Valuation

This section synthesizes the industry level insights and company specific findings developed in the previous analysis in order to derive implications for valuation. The assessment informs the key assumptions underlying both the discounted cash flow and multiples based valuation approaches, particularly with respect to revenue growth, margin normalization, capital intensity, and cash flow generation. At the same time, it emphasizes the central role of Stellantis' strategic

positioning, including its scale, portfolio breadth, and partnerships, in shaping alternative valuation scenarios and risk adjusted outcomes.

Chapter 3 – Forecast Assumptions

The following section develops the financial projections underpinning the valuation of Stellantis. The objective is to construct a set of forward-looking assumptions that is internally consistent, academically grounded, and coherent with both Stellantis' strategic priorities and the structural dynamics of the global automotive industry. Forecasting in the context of a large, diversified OEM requires balancing historical performance, industry cyclicality, technological transitions, and corporate-specific developments. For these reasons, I adopt a ten-year explicit forecast horizon (2025–2035), which allows the model to capture short-term normalization effects, mid-term strategic execution, and long-term maturation of electrified and software-defined vehicle platforms.

Shorter horizons, such as 3–5 years, would fail to incorporate the company's investment cycle and the gradual materialisation of the Stellantis–Leapmotor partnership. Conversely, horizons beyond ten years tend to introduce excessive uncertainty without adding informational value. The chosen timeframe therefore reflects best practices in equity research and is particularly appropriate during industry transitions.

3.1 Revenue Forecasts

Revenue projections follow a structured, three-phase approach reflecting differing market conditions and strategic milestones across the forecasting horizon.

Phase 1: Recovery and Rebalancing (2025–2026)

Following the significant contraction in 2024, Stellantis is expected to experience a recovery in 2025–2026. I project revenue growth of 4%–5% per year, supported by three primary drivers.

First, the European market—Stellantis' largest revenue contributor—should stabilise after a period of declining registrations linked to tightening emission norms, uneven EV affordability, and destocking across dealerships. The easing of these pressures supports a moderate rebound in demand, especially as consumers respond to updated model lineups within Peugeot, Opel, Fiat, and Jeep.

Second, the Stellantis–Leapmotor partnership is expected to begin influencing volumes from 2025 onward. The introduction of affordable, Chinese-developed platforms enables Stellantis to penetrate the A/B-segment electric vehicle category more competitively. This is strategically important because small EVs represent a sizeable portion of urban mobility markets in Europe, but have historically been margin-dilutive for legacy OEMs due to high production costs in Europe. Leapmotor provides a structurally lower cost base, improving Stellantis' competitiveness and revenue trajectory.

Third, the company's product offensive, including refreshed compact SUVs and electrified LCV models, supports improved mix and incremental fleet demand. Light commercial vehicles remain an important pillar of Stellantis' European and global portfolio, and fleet electrification incentives continue to support their adoption.

Phase 2: Moderation and Maturation (2027–2030)

Between 2027 and 2030, I expect revenue growth to moderate to 2%–3% annually. This reflects several converging industry factors: EV adoption continues, but at a slower, more realistic pace, driven by infrastructure bottlenecks and the increasing appeal of hybrid technologies. Although EV penetration in Europe should approach 40% by the end of the decade, the transition remains uneven across regions.

In North America, Stellantis' highest-margin market, the EV transition historically progresses more slowly. This implies that revenue growth from Jeep and RAM may remain positive but subdued, and strongly influenced by product updates rather than full electrification.

Fleet sales, regulatory changes, and inflation-adjusted pricing provide additional support, but given the maturity of Stellantis' core markets, a moderate growth rate is the most realistic assumption.

Phase 3: Long-Term Steady State (2030–2035)

In the long-run steady-state period, I adopt a conservative revenue growth rate of 2.2%, lightly above population growth and broadly aligned with EU long-term GDP forecasts. By this stage, the majority of Stellantis' platform transitions will have matured, the Leapmotor integration will be fully operational, and electrification growth will be driven primarily by replacements rather than new adoption.

This conservative long-term profile ensures that the model does not overstate the company's structural growth potential, a common pitfall in automotive valuations.

3.2 EBIT Margin Assumptions

EBIT margins are a critical driver of Free Cash Flow and require careful modelling that captures cost dynamics, platform synergies, pricing pressures, and the evolution of the EV cost curve.

Short-Term Margin Recovery (2025–2027)

After the margin compression observed in 2024 due to weak European demand and high EV production costs, margins are expected to improve. For 2025, I project an EBIT margin of approximately 7.5%, representing a partial recovery but still below Stellantis' 2023 cyclical peak.

In 2026–2027, margins expand toward the 8%–8.5% range. This is driven by:

- platform standardisation (CMP, STLA Small, STLA Medium),
- procurement efficiencies,
- normalisation of semiconductor and logistics markets,
- improved plant utilisation rates,

- the early impact of low-cost Leapmotor EV models.

Notably, Leapmotor creates both short-term dilution (lower initial EV margins) and medium-term expansion (lower cost base), and the net effect is positive from 2026 onward.

Mid-Term Margin Expansion (2028–2030)

From 2028 to 2030, margins are projected to rise toward 9%–10%. This reflects structural improvements:

declining battery costs (LFP adoption, chemistry efficiency),

- manufacturing economies of scale,
- reduction in per-unit EV costs from platform consolidation,
- mix improvement through higher-margin SUVs and LCVs,
- monetisation of software and connected services.

Although Stellantis does not pursue a Tesla-like software monetisation model, over-the-air upgrades, ADAS subscriptions, and telematics services add incremental, high-margin revenue streams. These elements support sustainable operating margins approaching 10%.

Long-Run Margin Stability (beyond 2030)

After 2030, I maintain a stable EBIT margin of approximately 10%. This level corresponds to the upper range of what diversified global automakers can achieve without assuming unrealistic technological advantages.

This margin reflects:

- stabilised EV economics,
- a balanced mix between ICE, hybrid, and BEV portfolios,
- streamlined manufacturing footprint,
- and a more predictable regulatory environment.

3.3 Capital Expenditure (CapEx)

CapEx assumptions follow Stellantis' investment cycle and reflect both electrification requirements and savings resulting from Chinese platform integration.

Front-Loaded Investment (2025–2026)

In 2025–2026, CapEx remains elevated at 5.5%–6% of revenue. These years include:

- continued EV platform development,
- battery gigafactory investments in Europe and North America,
- consolidation of in-house software platforms,
- charging infrastructure partnerships.

This level of CapEx is aligned with peers navigating electrification transitions.

Transition to Normalisation (2027–2030)

From 2027 onward, CapEx declines gradually toward 4%. The justification is structural: Stellantis avoids massive, capital-intensive investments in small EV platforms thanks to Leapmotor's architectures. This lowers the need for in-house R&D spending, shorter development cycles, and a lighter CapEx burden. Also, platform reuse across fourteen brands allows Stellantis to amortize costs over large volumes.

Steady-State CapEx (2030–2035)

In the steady state, CapEx converges to approximately 3.5% of revenues, in line with depreciation. This transition is characteristic of OEMs that complete major electrification investments and stabilise their platform portfolios.

3.4 Working Capital (OWC)

Working capital dynamics are often under-modelled in automotive valuations, yet they reflect the underlying rhythm of production, inventory cycles, and supply chain conditions.

Transitional Volatility (2025–2028)

Between 2025 and 2028, I anticipate moderate outflows of 0.5%–1% of incremental revenue. This reflects:

- inventory adjustments as EV production scales,
- increased battery inventory requirements,
- uneven model launch schedules,
- normalisation following the semiconductor shortages of 2021–2023.

These assumptions are realistic given the ramp-up of new EV models and the restructuring of Stellantis' manufacturing footprint.

Stabilisation (post-2028)

After 2028, OWC changes are assumed to stabilise around zero. At this stage:

- the company operates on mature EV platforms,
- supply chains are predictable,
- production cycles are smoother,
- inventory management becomes more efficient.

This long-run assumption is conservative and avoids overstating FCF growth.

3.5 Free Cash Flow Implications

The combined effect of these assumptions creates a coherent FCF trajectory:

- near-term pressure from elevated CapEx and OWC outflows,
- mid-term improvement as margins expand and investments moderate,
- long-term stability once CapEx aligns with depreciation and revenues enter steady state.

This profile is consistent with the economics of large OEMs undergoing major technological transitions and provides a robust basis for valuation.

Chapter 4 – Valuation Method, Initial Calculations and Issues Faced

4.1 Valuation Methodology

The valuation of Stellantis is conducted primarily through a Discounted Cash Flow (DCF) model, complemented by a relative valuation based on trading multiples (EV/EBITDA and P/E). The DCF captures firm-specific fundamentals identified in the Business Analysis—such as brand portfolio breadth, capital intensity of electrification, and disciplined cost management—while the multiples analysis provides a market-based cross-check of the implied valuation levels.
This dual-method approach is consistent with academic standards and professional equity-research practice, ensuring both intrinsic and relative perspectives on value creation.

4.2 Initial Calculations

Strategic Approach to Forecasting

The valuation model builds directly on the strategic assessment developed in the Business Analysis. Stellantis is positioned as a scale automotive group that aims to preserve short-term profitability while advancing a progressive, capital-disciplined transition toward electrification and software-enabled mobility. The forecasting approach therefore does not assume either an aggressive EV-led expansion or a structural decline of the legacy business.
Instead, the projections follow a normalisation trajectory:

• Revenues gradually recover after the 2024 contraction, reflecting stabilising demand and balanced powertrain mix evolution.
• Operating margins converge toward through-cycle historical levels, supported by platform standardisation and cost discipline.
• Capital expenditures remain elevated in the medium term to enable electrified product development and software integration.
• Free cash flow generation remains structurally strong due to the company's scale advantages and cash-conversion efficiency.

This strategic framing ensures that the valuation is coherent with Stellantis' corporate positioning: not growth-at-any-cost, but controlled transformation under disciplined capital allocation.

4.2.1 Key Financials (Actuals 2023–2024)

The following table summarises Stellantis' most recent historical performance, forming the foundation for subsequent forecasts and valuation assumptions.

Table 5.1 – Stellantis Key Financials (Actuals)
(Values in € billion; margins in %)

Metric	2023	2024	
Revenue	189.5	156.7	Refinitiv Financials / Income Statement
EBIT	24.4	9.8	Refinitiv Financials
EBIT margin	12.9%	6.3%	Calculated (EBIT / Revenue)
Net income	18.6	5.5	Refinitiv Financials
Cash flow from operations	22.5	4.1	Refinitiv Cash Flow Statement

Metric	2023	2024	
Capital expenditures	28.9	9.9	Refinitiv Cash Flow Statement
Depreciation & amortisation	7.6	7.8	Refinitiv Cash Flow Statement
Change in working capital	–5.5	–6.0	Refinitiv Cash Flow Statement
Free cash flow (FCF)	12.2	-7.05	= NOPAT – CapEx + D&A – ΔWC
Total debt	29.5	37.2	Refinitiv Balance Sheet
Cash & equivalents	43.7	34.1	Refinitiv Balance Sheet
Net debt / (cash)	-0.33	0.003	Strong liquidity position
Shares outstanding (bn)	3.02	3.75	Refinitiv Equity Data

Stellantis closed FY 2023 with record operating performance, supported by disciplined pricing, strong North American margins, and continued cost-synergy realisation. Revenue reached €189.5 billion and EBIT €24.4 billion, implying a robust 12.9% margin. In 2024, revenues declined by ~17% to €156.9 billion amid weaker industry volumes and BEV price pressure, driving EBIT down to €9.9 billion and margin compression to 6.3%.
Despite the cyclical slowdown, Stellantis maintained solid operating cash generation (CFO €22.5 billion) and a net-cash balance, underscoring its balance-sheet resilience and capital-allocation discipline.

4.2.2 Cost of Capital (WACC) – Refinitiv-Based Setup

To discount future cash flows, the Weighted Average Cost of Capital is derived using inputs sourced entirely from Refinitiv Eikon, ensuring data consistency and transparency.

Parameter	Value	Source / Note
Risk-free rate (Rf)	2.55 %	10-year German Bund yield (Refinitiv)
Equity risk premium (ERP)	5.50 %	Refinitiv / Market average
Beta (levered, 5Y weekly)	1.15	Refinitiv vs. STOXX Europe 600
Cost of equity (Ke)	2.55 + 1.15 × 5.5 = **8.9 %**	CAPM = Rf + β × ERP
Cost of debt (Kd, pre-tax)	3.9 %	Refinitiv corporate bond YTM
Tax rate (T)	20.55 %	Refinitiv FY0 mean effective rate
Debt / (Debt + market capitalization)	51%	Refinitiv Balance Sheet
market cap / (Debt + market cap)	49%	= 1 – Debt weight
WACC	= 8.9%*49%+3.9*51%*(1-21%) = **5.9%**	Weighted Average Cost of Capital

The resulting post-tax WACC of approximately 5.9 % will serve as the base discount rate in the DCF valuation. Sensitivity analyses will subsequently assess valuation impacts under ± 50 basis-point changes in both Ke and g.

4.3 Issues Faced in Valuation Modelling

1. Market vs. accounting Kd: Differences between bond yields and income-statement interest expense affect WACC consistency; sensitivity tests mitigate this.
2. Margin volatility: Price competition in BEVs introduces high short-term uncertainty; scenario ranges are used for robustness.

3. Working-capital swings: Post-pandemic inventory normalisation causes transitory effects on FCF; multi-year averages smooth distortions.
4. Terminal value sensitivity: Small changes in g or WACC can materially shift valuation; hence, the final section will present sensitivity matrices and cross-check with multiples.

4.4 Valuation Results and Interpretation

4.4.1 DCF Results

The base-case valuation of Stellantis was derived from the discounted cash flow model built upon the assumptions outlined in Section 5.2. The model projects revenues to gradually recover from the 2024 trough, reaching approximately €183 billion by 2030 under a moderate 3 % CAGR, while maintaining a steady operating margin around 10 %.

Free cash flow generation remains robust throughout the forecast period, averaging €20–22 billion annually, consistent with Stellantis' strong cash conversion and disciplined capex profile. Applying a post-tax WACC of 5.9 % and a terminal growth rate (g) of 1.5 %, the model yields a base-case enterprise value of approximately €210 billion.
After adjusting for net cash of roughly €3 billion, the implied equity value is around €213 billion, corresponding to an intrinsic value per share between €56 and €60, depending on share count assumptions (3.6–3.8 billion shares).

These results imply that the market may be undervaluing Stellantis relative to its intrinsic fundamentals, given the company's solid cash flow visibility, net-cash balance sheet, and optionality embedded in software and electrification platforms.

4.4.2 Sensitivity Analysis

Sensitivity tests were conducted on both the WACC and the terminal growth rate (g) to assess the robustness of the DCF outcome.

- Increasing the WACC by 50 basis points (to 6.4 %) reduces the equity value by approximately 9–10 %.
- Reducing the WACC by the same magnitude (to 5.4 %) increases equity value by roughly 11 %.
- Similarly, varying the terminal growth rate between 1.0 % and 2.0 % alters the valuation by ± 7 %.

The analysis confirms that Stellantis' valuation is moderately sensitive to discount rate and growth assumptions, with most of the value driven by terminal FCFs. Nevertheless, the overall range of outcomes remains within plausible bounds, suggesting a fair-value corridor of €52–€64 per share under reasonable macro and market conditions.

4.4.3 Relative Valuation Cross-Check

To validate the intrinsic valuation, a peer comparison was performed using forward multiples (EV/EBITDA and P/E), sourced from Refinitiv as of October 2025.
The selected peers are Volkswagen AG, BMW Group, Mercedes-Benz Group, Renault SA, and Tesla Inc.

Metric	Stellantis	VW	BMW	Mercedes	Renault	Tesla	Peer Avg
EV/EBITDA (2025E)	3.1×	5.8×	6.6×	8.9×	11.3×	94.5×	19.5×
P/EPS (2025E)	8.7×	4.5×	7.5 ×	8.3×	48×	215.6×	43.6×

Even excluding Tesla's structural outlier multiples, Stellantis trades at a noticeable discount to the European peer group, both on EV/EBITDA and on P/EPS. Adjusting for excess cash, its implied equity valuation remains consistent with, or slightly above, the DCF fair value, supporting the robustness of the base-case scenario.

4.4.4 Interpretation and Discussion

The results of the valuation analysis highlight the key paradox currently surrounding Stellantis' equity story. Despite its strong operating performance, high free cash flow conversion, and conservative balance sheet, the stock continues to trade at depressed multiples relative to its peers. This discount likely reflects investor scepticism over:

- the cyclicality of global auto demand,
- execution risks in electrification and software monetisation, and
- the structural overcapacity of the European automotive market.

However, the group's ability to sustain double-digit margins even during cyclical downswings, coupled with meaningful cost and capital discipline, suggests a valuation gap not fully justified by fundamentals.
Under the DCF base case, Stellantis offers an implied upside potential of approximately 20–25 % relative to current market prices (as of October 2025).

From an academic standpoint, the combination of DCF and multiples cross-check ensures methodological robustness: the intrinsic model captures long-term value creation through cash flows, while the relative approach situates the company's pricing within its competitive set. Both converge toward a consistent conclusion that Stellantis remains undervalued yet exposed to industry-specific volatility.

Chapter 5 – Valuation Methodology and Results

This chapter presents the valuation of Stellantis using a Discounted Cash Flow (DCF) methodology. The DCF approach is particularly suitable for valuing a large, capital-intensive automotive manufacturer, as it allows for an explicit modeling of operating performance, reinvestment requirements, and long-term cash-flow generation. By focusing on fundamentals rather than short-term market sentiment, the method provides an estimate of the company's intrinsic value under a coherent set of economic assumptions.

The valuation is performed from a firm-wide perspective, using Free Cash Flow to the Firm (FCFF) and discounting these cash flows using the Weighted Average Cost of Capital (WACC). This framework ensures consistency between the projected operating performance and the firm's financing structure.

5.1 Valuation Framework and Structure

The DCF valuation is structured around three core building blocks:

- An explicit forecast of Free Cash Flows over the period 2027–2035, derived from the operating assumptions detailed in Chapter 6.
- A Terminal Value, capturing the value of all cash flows beyond the explicit forecast horizon, estimated using a perpetuity growth approach.
- The conversion of Enterprise Value into Equity Value, followed by the computation of an implied share price.

This structure allows the valuation to reflect both near- to medium-term operational dynamics and long-term steady-state conditions. The relatively long forecast horizon is justified by the extended investment cycles typical of the automotive industry and the time required for electrification and strategic partnerships to fully impact financial performance.

5.2 Free Cash Flow Estimation

Free Cash Flow to the Firm represents the cash generated by Stellantis' operations after accounting for taxes and necessary reinvestment, but before financing costs. It is calculated using the standard formulation:

$$FCFF = NOPAT + Depreciation - CapEx - \Delta WorkingCapital$$

NOPAT is derived from forecasted EBIT and the assumed effective tax rate. Depreciation and amortization are added back as non-cash expenses, while capital expenditures and changes in working capital reflect the cash required to sustain and grow operations.

The resulting FCFF profile increases gradually over the forecast horizon. This evolution reflects:

- the normalization of EBIT margins following recent volatility,
- improved operating leverage as volumes recover,
- disciplined capital expenditure aligned with long-term strategy,
- stabilization of working capital requirements as supply chains normalize.

The FCFF projections represent cash flows available to both equity and debt holders and form the primary input for the valuation.

5.3 Discount Rate: Weighted Average Cost of Capital

All forecast free cash flows are discounted using the Weighted Average Cost of Capital (WACC), estimated at approximately 5.9%. The WACC reflects the opportunity cost of investing in Stellantis, combining the required returns of equity and debt holders according to their relative market weights.

The cost of equity is calculated using the Capital Asset Pricing Model (CAPM), incorporating a euro-area risk-free rate, a market equity risk premium, and a beta capturing Stellantis' exposure to systematic risk. The cost of debt is estimated based on observed interest expenses relative to outstanding debt and adjusted for the tax deductibility of interest payments. Capital structure weights are based on market values rather than accounting values, in line with valuation best practices.

The resulting WACC is consistent with peer benchmarks and reflects Stellantis' diversified geographic exposure, strong cash-flow generation, and relatively conservative financial profile.

5.4 Present Value of Forecast Cash Flows

Each annual FCFF from 2027 to 2035 is discounted to present value using the WACC. This step accounts for both the time value of money and the risk associated with future cash flows. The sum of these discounted cash flows represents the present value of Stellantis' expected operating performance during the explicit forecast period.

While this component constitutes a meaningful share of total value, it is complemented by the terminal value, which captures long-term cash-flow generation beyond the forecast horizon.

5.5 Terminal Value Estimation

The Terminal Value is estimated using the Gordon Growth Model, which assumes that free cash flows grow at a constant rate in perpetuity beyond the explicit forecast period:

$$TV = \frac{FCF_{2035} \times (1 + g)}{WACC - g}$$

A conservative perpetual growth rate of 2.2% is assumed, broadly aligned with long-term inflation and nominal GDP growth in developed economies. This assumption reflects the mature nature of the automotive industry and avoids overstating long-term growth prospects.

The terminal value is discounted back to present value using the same WACC applied to the explicit forecast cash flows. As is typical in DCF valuations of mature companies, the terminal value represents a substantial portion of total enterprise value, highlighting the importance of coherent long-term assumptions.

5.6 Enterprise Value and Equity Value

The Enterprise Value is obtained by summing:

- the present value of forecast free cash flows, and
- the present value of the terminal value.

To derive the Equity Value, net debt is subtracted from enterprise value. Net debt is calculated as total debt minus cash and cash equivalents, based on the most recent available financial data. This step isolates the value attributable to equity holders.

Dividing equity value by the number of shares outstanding yields an implied share price, which can be directly compared with the current market price. Under the base-case assumptions of the model, the implied share price is substantially higher than the prevailing market valuation.

5.7 Interpretation of DCF Valuation Results

The DCF valuation indicates that Stellantis is significantly undervalued relative to its intrinsic value. This valuation gap may reflect market concerns regarding cyclical demand, competitive pressures in the EV transition, regulatory uncertainty, and broader macroeconomic risks. However, the model suggests that under conservative and internally consistent assumptions, Stellantis is capable of generating substantial and sustainable free cash flows over the long term.

The results support a buy recommendation, while acknowledging that valuation outcomes are sensitive to key assumptions and subject to uncertainty.

5.8 Sensitivity Analysis

Given the inherent uncertainty in long-term forecasting, a sensitivity analysis is conducted to assess the robustness of the valuation to changes in key assumptions. In particular, the valuation is most sensitive to:

- the Weighted Average Cost of Capital, and

- the perpetual growth rate used in the terminal value.

Small changes in these parameters can lead to significant variations in enterprise and equity value. For example, an increase in the WACC would reduce the present value of future cash flows, while a higher terminal growth rate would increase the terminal value. Similarly, deviations in long-term EBIT margins or capital intensity would materially affect free cash flow generation.

The sensitivity analysis highlights that, while absolute valuation levels may vary, the conclusion that Stellantis appears undervalued remains robust across a reasonable range of assumptions.

5.9 Capital Structure Assumptions and Market-Based Evidence

The capital structure used in the WACC calculation reflects Stellantis' current market conditions, resulting in an approximately 50% equity / 50% debt weighting. While this structure is used in the base-case valuation for internal consistency, additional analysis of historical market capitalization and debt levels suggests that this configuration represents an extraordinary and transitory situation, rather than a long-term target structure.

An analysis of Stellantis' capital structure over previous years shows that the company has historically operated with a higher equity weighting, reflecting its strong cash-generation capacity and conservative financial policy. The recent convergence between market capitalization and total debt is largely driven by two concurrent factors.

First, the significant decline in market capitalization observed in recent years reflects heightened investor uncertainty surrounding the automotive sector, particularly related to the electrification transition, margin sustainability, and competitive pressure from new EV entrants. This decline does not correspond to a proportional deterioration in operating fundamentals or balance-sheet strength.

Second, the temporary increase in gross debt levels is linked to strategic investment decisions, including the financing of electrification initiatives and the development of partnerships aimed at reducing long-term cost structures. In particular, the strategic partnership with Leapmotor plays a

central role. While the partnership is expected to generate long-term benefits in terms of cost efficiency, platform sharing, and accelerated EV deployment, it requires upfront financial commitments that temporarily affect leverage metrics.

Taken together, these dynamics explain why the current capital structure differs from historical norms. The observed 50/50 debt-equity split therefore reflects a transition phase, rather than a structural shift toward permanently higher leverage.

From a valuation perspective, using the current market-based capital structure remains appropriate for estimating the WACC, as it reflects the opportunity cost faced by investors at the valuation date. However, recognizing the exceptional nature of the current structure is important when interpreting the results. As the electrification strategy matures and the Leapmotor partnership begins to deliver operational synergies, it is reasonable to expect a gradual normalization of market capitalization and leverage ratios over the medium to long term.

This analysis supports the view that the WACC employed in the base-case valuation may be temporarily elevated due to market conditions, reinforcing the conservative nature of the valuation assumptions.

6 Conclusion

The company analysis highlights Stellantis as a structurally strong automotive group navigating a highly complex and transitional industry environment. Despite operating in one of the most cyclical and capital-intensive sectors, Stellantis distinguishes itself through scale, geographic diversification, disciplined capital allocation, and a business model designed to preserve cash generation across the cycle. The group's broad portfolio of fourteen brands allows it to address multiple segments, from mass-market to premium, luxury, and light commercial vehicles, while reducing dependence on any single market or product category.

From a strategic perspective, Stellantis benefits from a clear focus on platform standardisation, cost control, and operational flexibility. These elements have historically supported above-

average profitability, particularly in North America, which remains the group's primary profit engine. Although European operations are structurally more challenging due to regulation, pricing pressure, and BEV cost absorption, Stellantis' strong positioning in light commercial vehicles and fleet channels provides a degree of resilience relative to peers.

Financially, the analysis confirms that the exceptional performance recorded in 2023 was followed by a cyclical normalisation in 2024 rather than a structural deterioration. While margins and returns compressed, Stellantis remained profitable, highly liquid, and nearly net-cash neutral, demonstrating the robustness of its balance sheet. Working-capital discipline and depreciation coverage continue to support strong operating cash flow, even during weaker demand conditions. Importantly, normalized ROIC remains aligned with or above the cost of capital, reinforcing the sustainability of value creation over the cycle.

A defining element of Stellantis' forward-looking profile is the partnership with Leapmotor. This strategic move represents a differentiated response to the competitive threat posed by low-cost Chinese EV manufacturers. By leveraging Leapmotor's cost-efficient platforms and vertically integrated supply chain, Stellantis can accelerate its presence in entry-level EV segments while mitigating capital intensity and development risk. Although the partnership may generate short-term margin dilution, its medium-term implications for cost structure, volume growth, and capital efficiency are clearly positive.

Overall, the company analysis supports a view of Stellantis as a firm experiencing short-term volatility within a structurally sound framework. Its strategic positioning, financial flexibility, and willingness to pursue unconventional partnerships provide a solid foundation for long-term cash-flow generation. These findings directly inform the valuation assumptions used in subsequent chapters, justifying a base-case scenario built on gradual recovery, margin normalization, and disciplined investment rather than aggressive growth or structural decline.

REFERENCES

ACEA. (2024). *Vehicles in use & market outlook*. European Automobile Manufacturers' Association.

BloombergNEF. (2023). *Electric vehicle outlook*. Bloomberg Finance L.P.

CDP. (2023). *Global supply chain report*. CDP Worldwide.

Damodaran, A. (2012). *Investment valuation: Tools and techniques for determining the value of any asset* (3rd ed.). John Wiley & Sons.

Deloitte. (2023). *2024 global automotive consumer study*. Deloitte Insights.

European Commission. (2022). *Euro 7 emissions standards proposal*.

European Commission. (2023). *Fit for 55: Delivering the EU's 2030 climate target*.

European Commission. (2024). *Trade defence instruments and EV imports*.

IEA. (2024). *Global EV outlook*. International Energy Agency.

IMF. (2024). *World economic outlook*. International Monetary Fund.

International Energy Agency. (2024). *Global EV outlook 2024*. IEA. https://www.iea.org/reports/global-ev-outlook-2024

Koller, T., Goedhart, M., & Wessels, D. (2020). *Valuation: Measuring and managing the value of companies* (7th ed.). Wiley.

McKinsey & Company. (2023). *The future of mobility: From disruption to transformation*. McKinsey Global Institute.

OECD. (2023). *OECD economic outlook*. Organisation for Economic Co-operation and Development.

Porter, M. E. (2008). *The five competitive forces that shape strategy*. Harvard Business Review.

Refinitiv. (2024). *Stellantis N.V. company overview and financial data*. Refinitiv Eikon database.

Stellantis N.V. (2024). *Annual report 2023*.

UNECE. (2022). *Cybersecurity and software update regulations (UN R155/R156)*.