# Stellantis profit fell 10% in second half of 2023 due to UAW strikes

UAW members to get average profit-sharing payouts of $13,860 for 2023. Stellantis forecasts double-digit profit margins for 2024.

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*Reuters*

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Stellantis warned of a "turbulent" year ahead after its operating profit fell 10 percent in the second half of 2023, when strikes at the Detroit 3 automakers caused long stoppages at its operations in North America, its profit powerhouse.

UAW and Unifor strikes in the U.S. and Canada ended with agreements for record salary increases for workers at the Stellantis, Ford and General Motors.

The strikes added to a complicated outlook for automakers, with still timid global demand for electric vehicles, increasing Chinese competition, sustained costs and fallouts from geopolitical tensions.

Stellantis' adjusted operating profit (EBIT) fell to €10.2 billion ($10.96 billion) in the July-December period. Adjusted operating income margin dropped to 11.2 percent, a decline from 12.3 percent the year before.

Annual profit-sharing payouts to about 38,000 UAW employees in North America will be $13,860, Stellantis said, down 6.1 percent from $14,760 last year.

“This profit sharing payment recognizes the efforts of our UAW-represented workforce who helped deliver the strong financial results Stellantis released today,” Stellantis North America COO Carlos Zarlenga said in a statement. “As one of the highest payments in the company’s history, it clearly demonstrates that we value our employees’ contributions and are committed to rewarding them when their performance supports the company’s success.”

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Stellantis said it would propose a €1.55 ($1.66) per share dividend, up about 16 percent from a year earlier, and that in 2024 it would run a share buyback program worth €3 billion ($3.2 billion)

For this year, Stellantis stood by its forecast for double-digit margins on adjusted operating profit and positive industrial free cash flow, even as the automaker faces higher labor costs in North America. It has given the same outlook for the past two years.

### 'Turbulent year' ahead

CFO Natalie Knight said Stellantis is preparing for a difficult year with higher global vehicle output weighing on prices and an unpredictable broader backdrop.

Stellantis will counter the drag with a number of new models and is banking on flexible options in response, Knight said.

"There is a much more normalized supply environment, a much more normalized pricing environment than what we have seen in the past," Knight said during a media call for the company's full-year earnings on Thursday. "We are resilient for what we think is going to be a pretty turbulent year."

Stellantis said lower raw materials and logistics costs are a positive, as well as the company moving past the strikes in North America that affected output.

Automakers are facing a more difficult environment with slowing growth in EV sales and pent-up demand from years of supply-chain disruptions dissipating. Among the pressures is an influx of competitive EVs from China to Europe.

Last month Stellantis CEO Carlos Tavares said his company is gearing up for more acquisitions to better handle challenges associated with the EV and digital transition.

**North America strikes' impact**

Knight said that impact for Stellantis of the strikes, in terms of higher costs per car produced, would be similar to those booked by competitors, but at an overall level Stellantis could rely on strong pricing power in North America.

"The impact for us is certainly going to be on an overall level lower than what you have seen from our peers," she said.

Stellantis rivals Ford and GM both cut their profit forecasts for last year due to lost production from long strikes at their North American plants.

Ford has said the new labor agreements in North America would cost it $8.8 billion in the long tem, or $900 in extra costs per vehicle by 2028. For GM higher labor costs from deals with the UAW and Unifor unions would amount to $9.3 billion through 2028.



Knight did not provide figures about estimated higher costs for this year and the following ones.

"It certainly will be less of an overall headwind than the impact that we saw in 2023," she said. "But it is something that will be sizable for us when we look at 2024."

*Bloomberg and Automotive News contributed to this report*