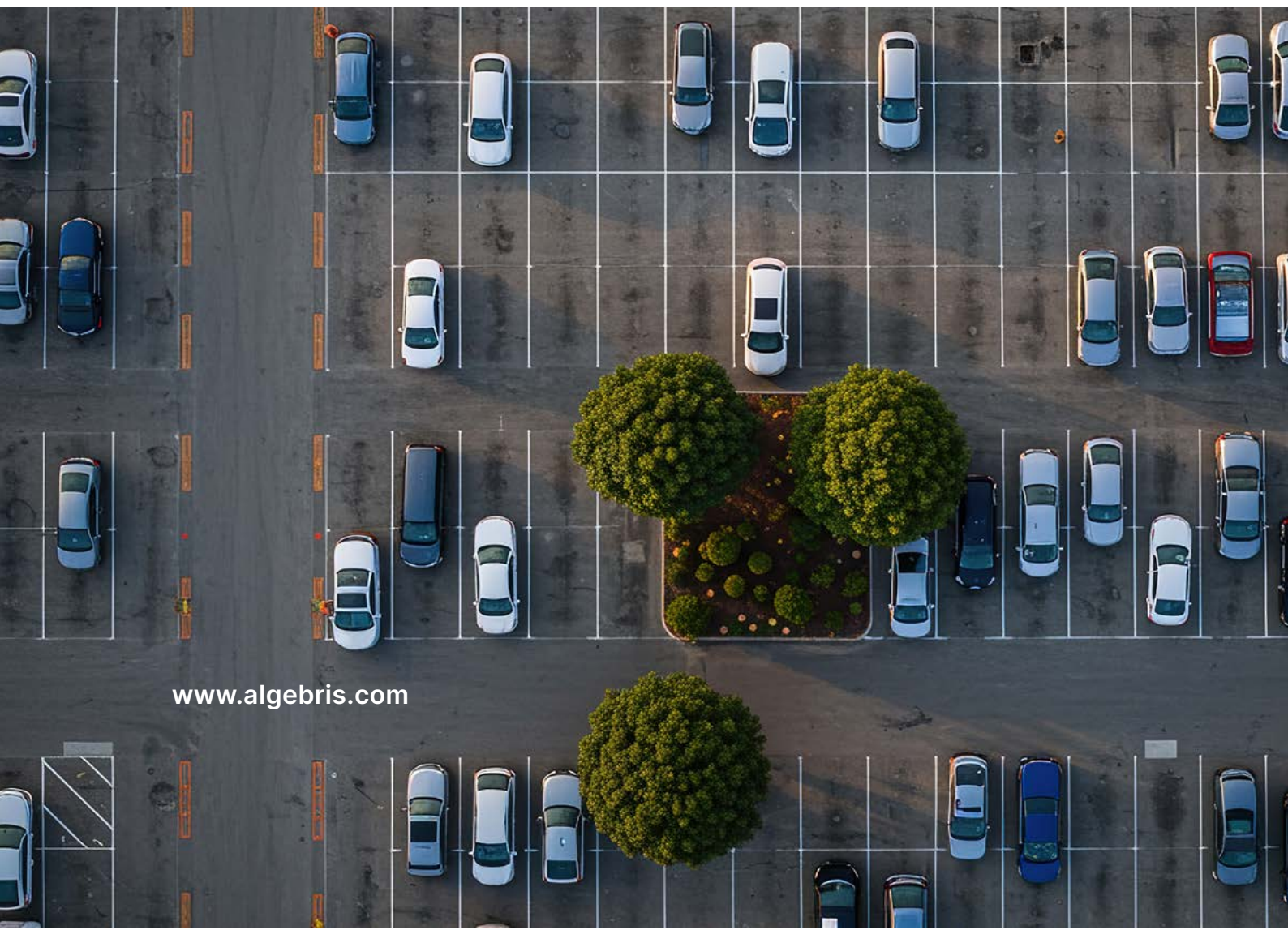


GLOBAL EQUITY

€22bn to admit the obvious: Customers are not ready for EVs

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In this report

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On Friday, February 6, 2026, Stellantis announced a deep strategic “reset” of the group. Management acknowledged that the transition toward electric vehicles had been planned too aggressively compared with what customers are actually buying. Today the market is asking for greater flexibility: electric vehicles, yes, but also hybrids and advanced internal combustion engines. This change in direction unsettled investors, and the share price fell by around 25–27% in a single day, dragging down Exor, the main shareholder, whose shares declined by about 5%.

Extraordinary charges of approximately €22 billion recorded in the second half of 2025 were the core of the announcement. These charges will result in a **preliminary net loss of between €19 and €21 billion**. Around **€14.7 billion** relates to write-downs linked to electric vehicle industrial plans that proved overly optimistic (EV models, platforms and investments no longer aligned with actual demand). A further **€6.5 billion** consists of restructuring costs, largely cash-based, to be incurred over the next four years, mainly to compensate suppliers and cancel orders.

To strengthen its financial structure, Stellantis has suspended the 2026 dividend and authorized the issuance of up to **€5 billion of perpetual subordinated hybrid bonds**. These instruments sit midway between debt and equity: they pay a high coupon but are perpetual and subordinated, and therefore riskier than traditional bonds. However, they help preserve liquidity (which remains solid at around €46 billion) without immediately diluting shareholders. At this stage, many investors may prefer bonds over equity: equity is highly volatile and closely tied to the automotive cycle, while bonds offer a more visible fixed return. Exor, as the reference shareholder, is under pressure and may need to support the operation to signal confidence and avoid future issues.

This episode is not an isolated case, but part of a broader crisis affecting the global automotive sector. Over the past six months, many manufacturers have revised plans and expectations: Volvo has slowed its EV push and cut jobs; Ford and GM have reduced EV production and reported multi-billion-dollar losses; Volkswagen has announced job cuts and plant closures due to excess capacity; and major suppliers (such as Bosch and Lear) are also downsizing. The problem is structural: stagnant sales, very high EV transition costs, the withdrawal of public incentives, and consumers constrained by high prices and inflation.

In 2025, the European EV market grew in volumes and reached 17.4% of total vehicle registrations. However, this level remains below the expectations formed at the outset of the transition, while hybrids vehicles are increasingly emerging as the true compromise solution (accounting for over 43% of registrations in 2025). This has created a genuine “EV shock” for traditional manufacturers, which had invested as if electric vehicles were already dominant.

Meanwhile, Chinese automakers are taking advantage of the situation. Brands such as BYD, MG and Chery offer electric and hybrid vehicles at lower prices, with competitive technology and strong state



support. In just three years, their market share in Europe has risen from around 1–2% in 2023 to nearly 10% in 2025, exceeding 15% in the electrified segment. Even European tariffs are not stopping this trend, as many Chinese groups are localizing production in Europe.

In conclusion, Stellantis has brought to the surface once again, abruptly, a problem affecting the entire sector. The transition to electric vehicles has been slower and more costly than expected, customers are demanding mixed solutions, and Chinese competition is reshaping the rules of the game. Stellantis' "reset" is painful in the short term, but it represents an attempt to adapt to a new automotive reality that will be longer, more complex and far more competitive than was assumed just a few years ago.

10%

Market share of Chinese electric and hybrid vehicles in Europe in 2025, exceeding 15% in the electrified segment.

(Algebris does not hold Stellantis shares in its equity funds.)

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