



Kepler Cheuvreux  
September 14, 2017

# Paris, Autumn Conference 2017



























- 1 / Levers for Growth**
- 2 / Levers for Competitiveness**
- 3 / Ambition for Profitability**

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# 1 / Levers for Growth

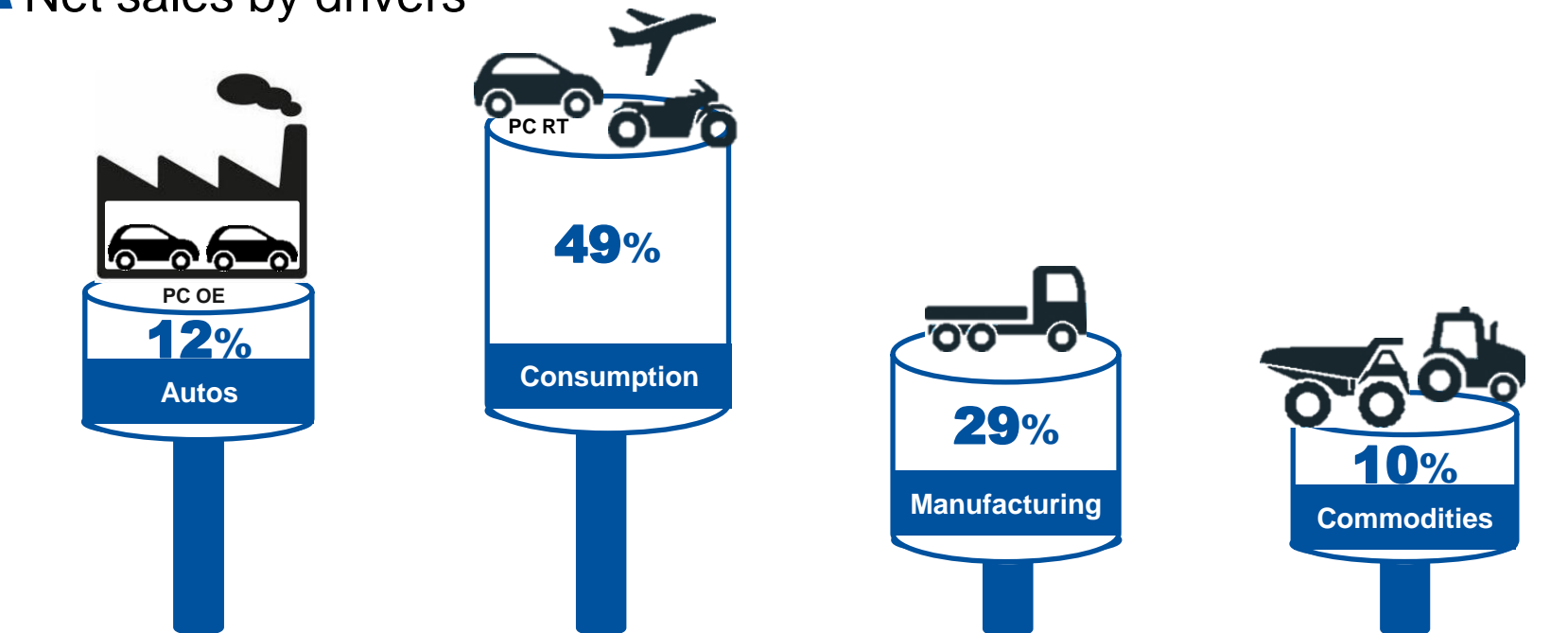
# Four domains of growth

	Tires	Services	Experience	Materials
2015-2020 ambition	Net sales +20%	Net sales x 2	Net sales x 3	Capitalize on our leadership
Action plan and first steps	 <p>MICHELIN Net promoter Score</p>          	    	        	      

**CUSTOMER – INNOVATION – GROWTH – COMPETITIVENESS**

# A business model strongly linked to consumption

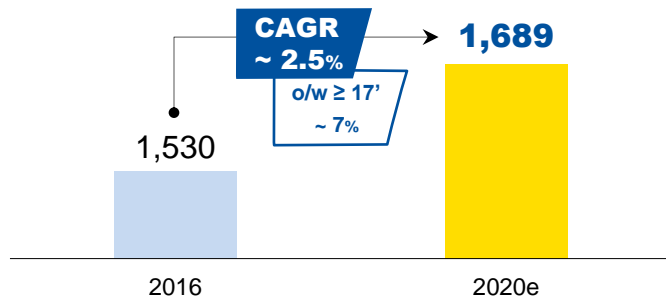
## ▲ Net sales by drivers



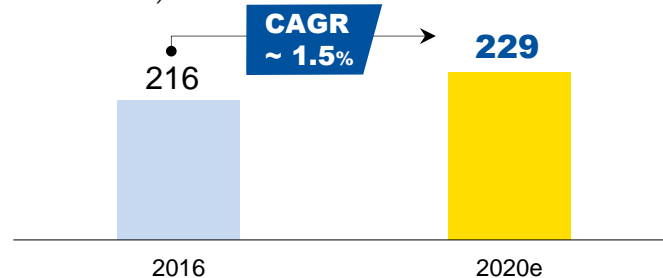
2016 net sales by sector

# 2016-2020 projections: growing worldwide demand

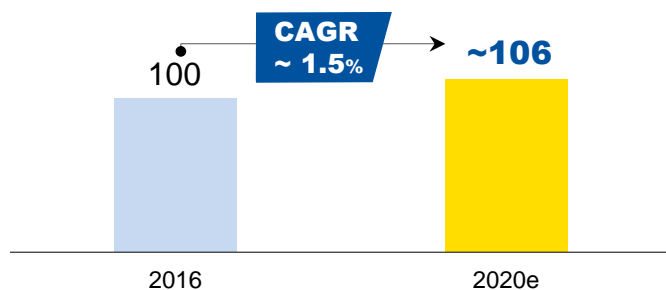
- PC OE&RT market projection (in millions of units)



- TB OE&RT market projection (Radial & Bias in millions of units)

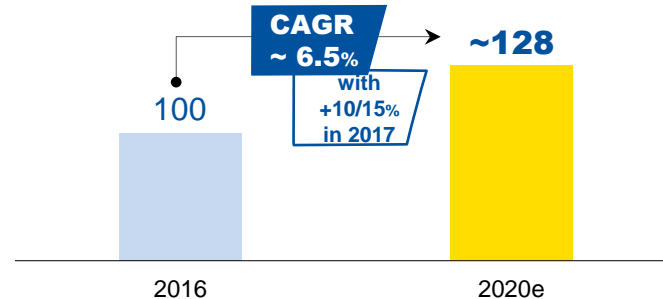


- Agricultural tires\* (base 100 in 2016, in tonnes)



\* OE & RT in Europe and North America

- Mining tires (base 100 in 2016, in tonnes)



# Product launches driving volume and market share gains

## Passenger Car

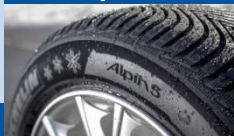
MICHELIN  
CrossClimate +



MICHELIN Pilot  
Sport 4 S



MICHELIN  
Alpin 5



BFGoodrich  
All Terrain T/A K02



MICHELIN  
Premier LTX



## Truck

MICHELIN  
X-One Urban Bus



MICHELIN  
X®Guard



Convoy  
TripleA



MICHELIN  
XWorks



MICHELIN  
X Line Energy Z



## Specialty



MICHELIN  
Power RS



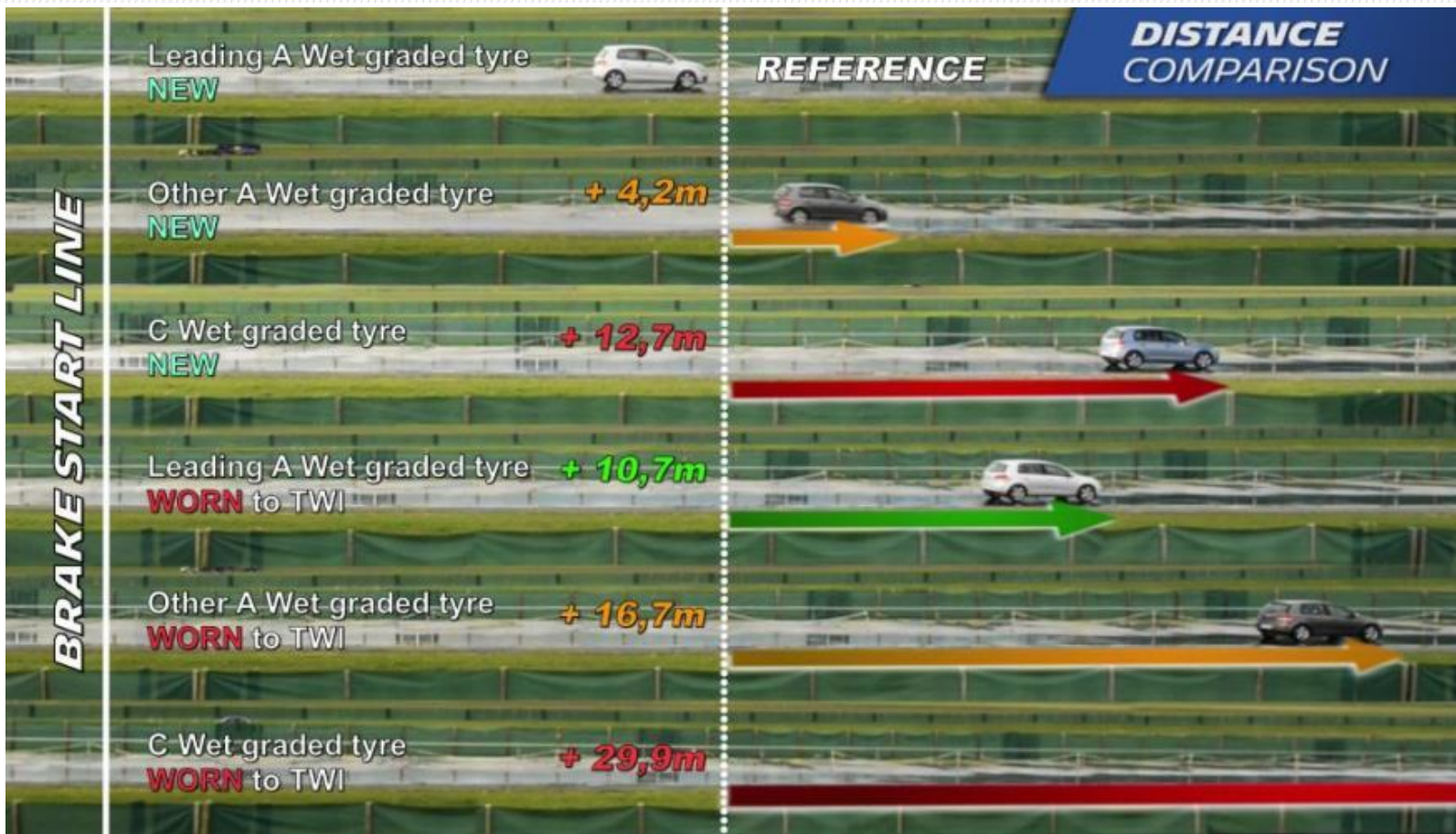
MICHELIN  
XDR3



2 tires in 1  
technology



# MICHELIN tire – Highest performance new and worn out



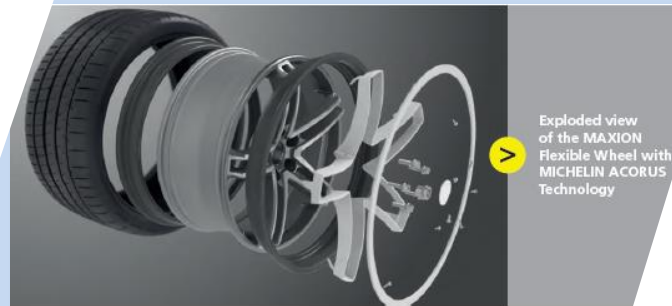


# MICHELIN ACORUS technology makes the tire and wheel assembly flexible: it bends but does not break

- Michelin patented new technology for the PC incorporates two flexible rubber flanges mounted on a special wheel body, developed by Maxion Wheels, world's leading manufacturer of wheels.
- A flexible tire and wheel assembly that improves the ride and comfort and also absorbs impacts from potholes and kerbs.
- Initially sold in 19" and above sizes to the OE premium automakers, this Michelin innovation is compatible with all tires on the market.

In tests\* with a 21" tire driven through a pothole:

- standard assembly version punctured the tire at 28kph
- the MICHELIN ACORUS technology flexible assembly did not puncture at any speed



\* Tire dimension: 285/30R21; pothole: 80mm deep, 700mm long, 70° impact angle

# Acquisition of NexTraq, a US industry leader in the field of commercial-fleet telematics

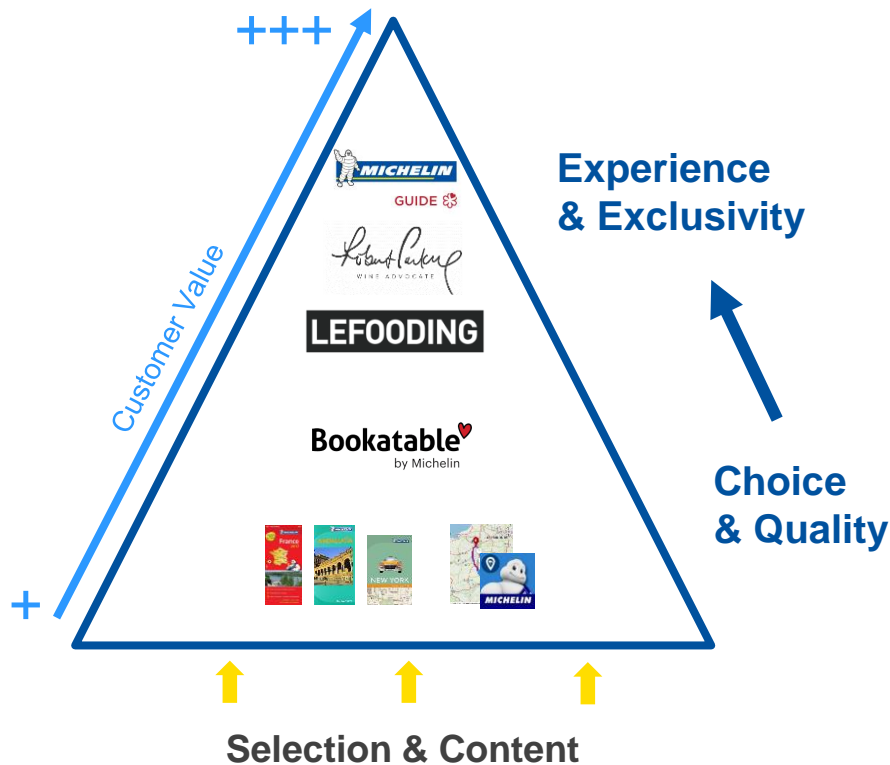


- Leader in SaaS fleet management for small-to medium-size businesses (Class 3-5 fleets ranging from 2 to 50 vehicles)
- NexTraq helps customers with driver behavior, scheduling, route optimization, vehicle trip history, fuel card integration, vehicle maintenance, and data integration enhancing fleet productivity
- Significant synergies expected with the Michelin Group through:
  - Service and solutions platform in North America
  - Technology expertise cross-fertilization between Sascar, Michelin solutions and NexTraq
  - Volume growth thanks to the strategic fit between Michelin and NexTraq customer bases;

## KEY FIGURES

- Turnover: ~\$50m
- EBITDA: ~50%
- **110,000** subscribers in 2016 (67,000 in 2010)
- **100** employees

# Michelin Experiences: Become the global “Selection” benchmark in the world of gourmet dining and travel services



- Capitalize on the **MICHELIN Guide**'s worldwide reputation in the field of fine dining
- Expand the **geographic and segment footprint** with **aligned brands/solutions** for our customers
  - Destinations
  - Professionals (chefs, winemakers, hoteliers, etc.)
  - Advertisers
  - High-income consumers
- Create and engage a broad, qualified, committed audience in the **digital** world to benefit all of our businesses

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# 2 / Levers for Competitiveness

# H1 savings in line with 2017-2020 competitiveness plan

<i>In € millions</i>	<b>H1 2017</b>	<b>2017-2020 plan</b>
SG&A	64	500/550
Manufacturing - Logistics	60	450/500
Materials	22	150/200
<b>Total</b>	<b>146</b>	<b>~1,200</b>

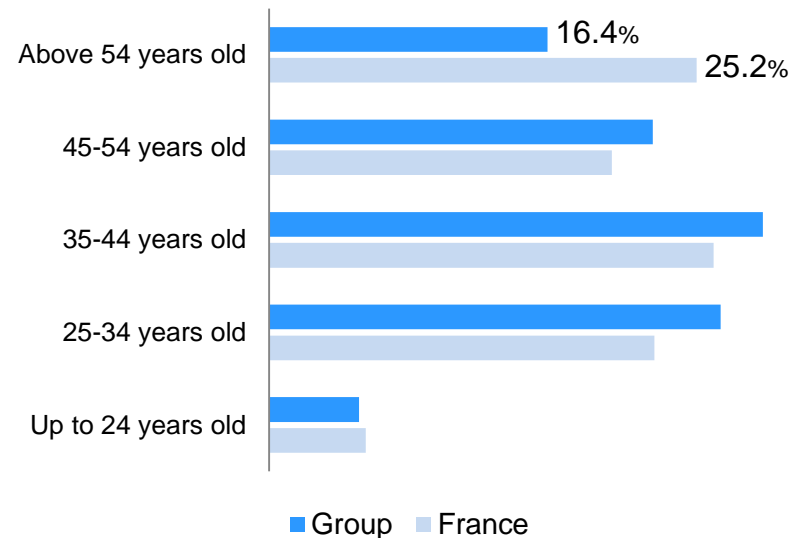
# The reorganization project announced in June will enable corporate positions to be reduced by 1,420 worldwide

▲ A more agile, customer-focused Group capable of unleashing all its power

- Leverage the age pyramid:
  - 3,500 employees retiring in France and the United States between 2018 and 2021
- Optimize hiring:
  - 2,080 new hires in France and the United States between 2018 and 2021



## ● Age pyramid, Group and France\*



\* Manufacture Française des Pneumatiques Michelin

# Investing to create value

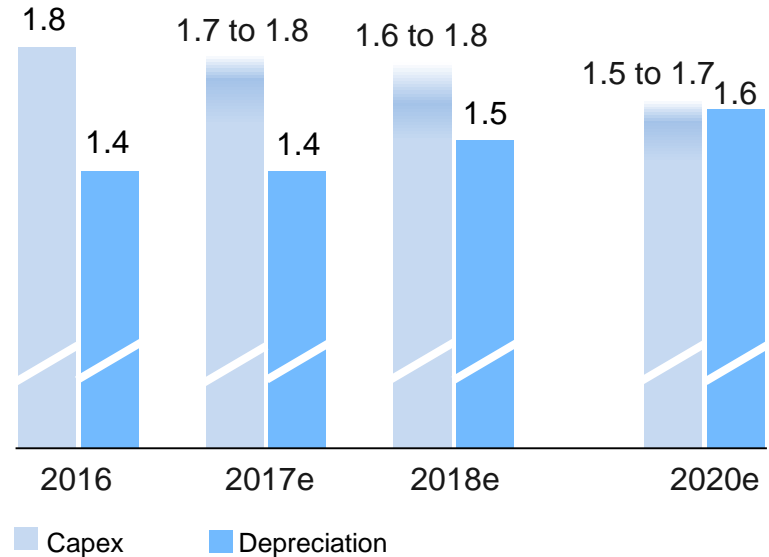
## ▲ Successfully carry out our priority Capex and M&A projects to drive expansion:

- In growing markets: Premium PC, North America and Asia
- In the supply chain to improve customer service (information systems, logistics)
- In digital services
- In raw materials and semi-finished products



## ▲ Closing the gap between Capex and depreciation:

(in € billions, at current exchange rates)



# Optimizing Working Capital Requirements

- Inventory:

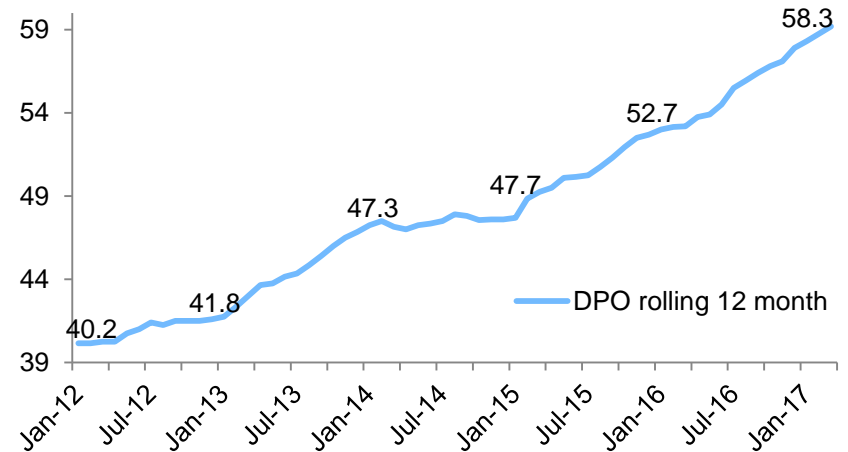
- At least a €250m reduction expected from OPE by 2020 from 2016

- Receivables:

- Benchmark position around 13% of net sales

- Payables:

- Further improvement through TOP and reverse factoring



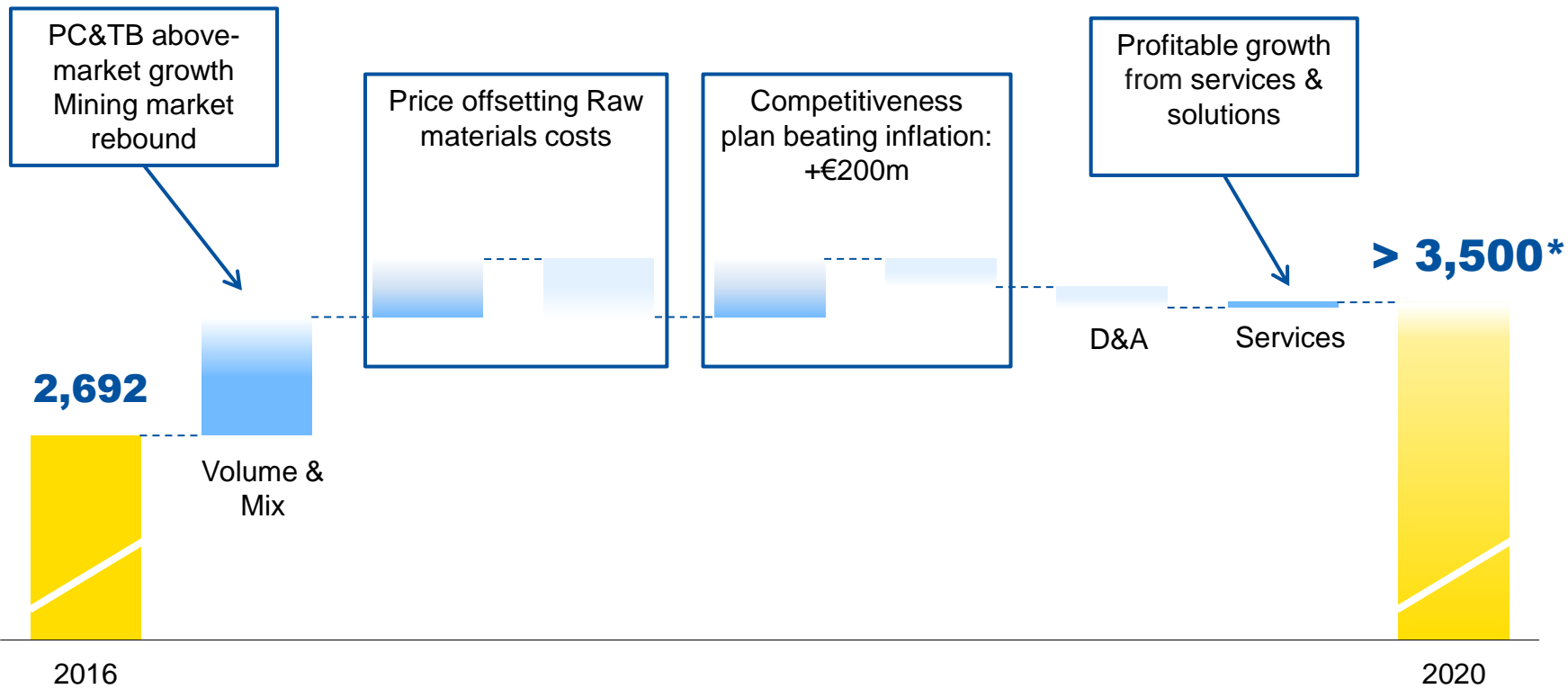


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# 3 / Ambition for Profitability

# 2016-2020 organic scenario: profitability levers



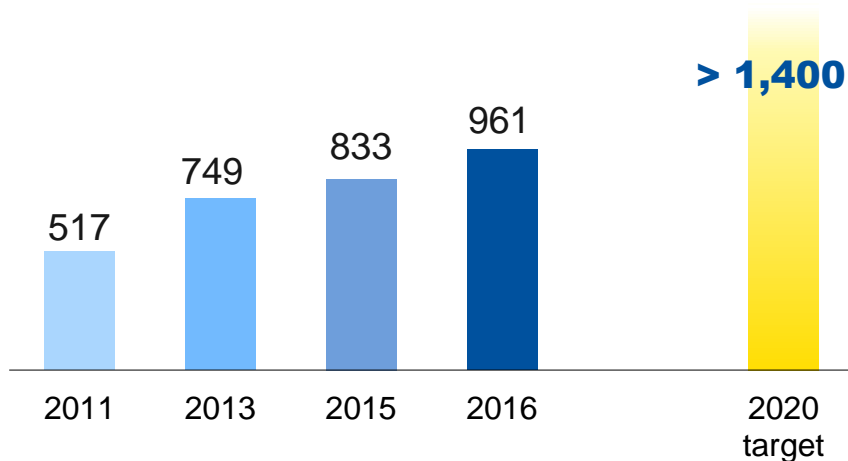
2016

2020

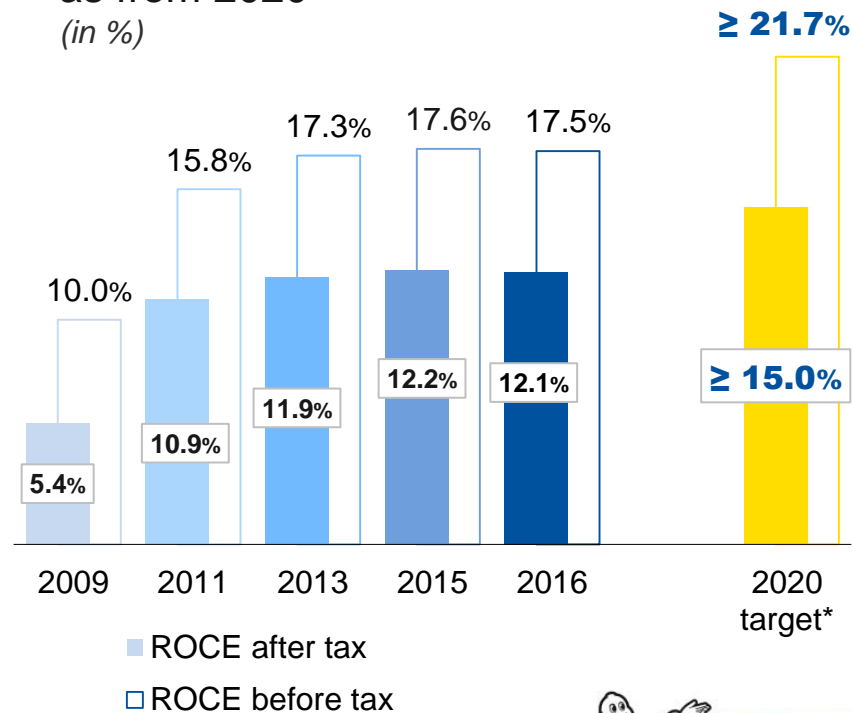
\* At 2016 exchange rates

# 2016 performance in line with 2020 objectives

▲ Deliver structural FCF > €1,400m  
as from 2020  
(in € millions)



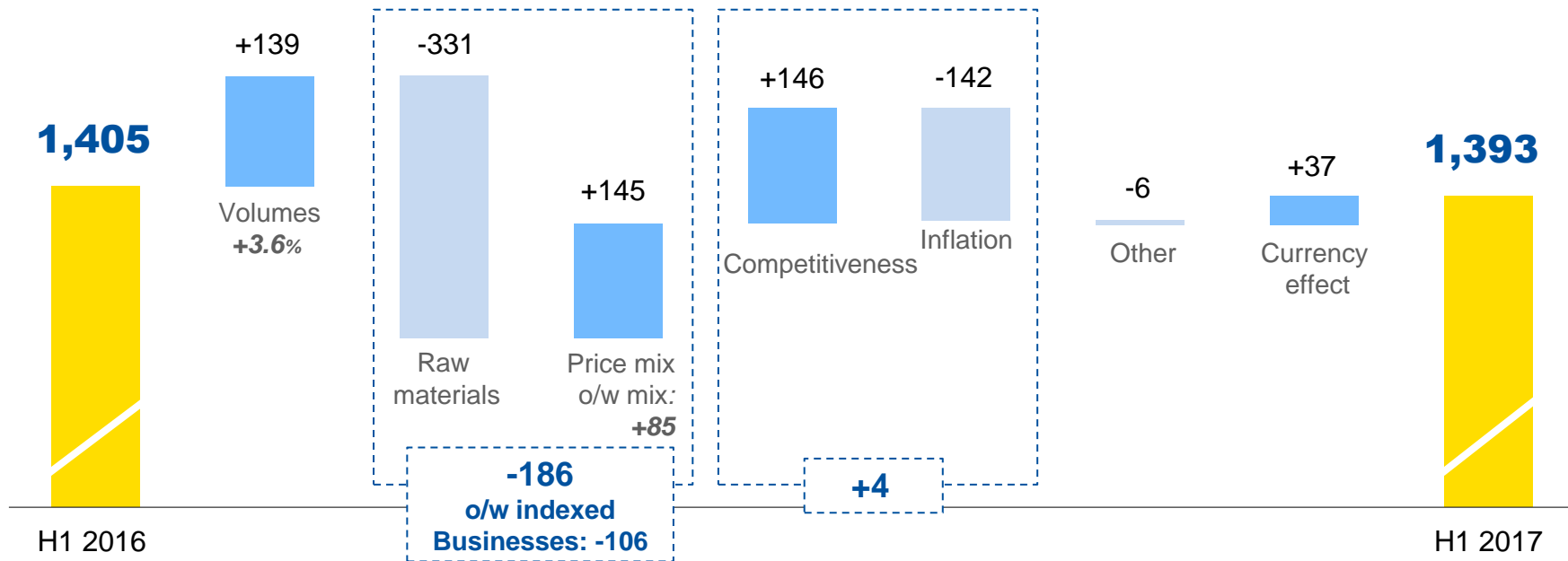
▲ Deliver an after-tax ROCE\* ≥ 15%  
as from 2020  
(in %)



\* At constant scope of consolidation excluding goodwill

# H1 2017 Operating income from recurring activities of €1.4 billion, stable and in line with the Group's roadmap

▲ YoY change in operating income from recurring activities (in € millions)



# 2017 guidance confirmed: on the road to our 2020 objectives

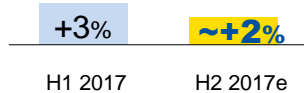
	2017
Volumes	Growth in line with the markets
Operating income from recurring activities at constant exchange rates	> 2016
Net price-mix/raw materials effect	Non-indexed businesses: neutral
Structural FCF*	> €900m

\* Adjusted for the payment in January 2017 of the €193m capitalized interest on OCEANE bonds

# 2017 market scenario: agile management in a highly volatile environment



**PASSENGER CAR: +2%/+3%**

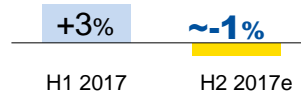


**Growth in line with long-term trends**

- H2 slightly better than Q2, which saw a fall-off in demand after the Q1 buying surge



**TRUCK: +0%/+2%**

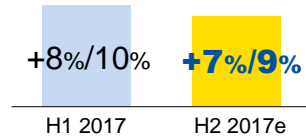


**Growth in line with long-term trends**

- H2 down due to H1 pre-buy



**SPECIALTY: +8%/+10%**



- Of which Mining tires: +10%/+15%
- Of which Agricultural tires: rebound in OE in Q2; slight increase in RT over the year
- Expanding markets in the other businesses

Source: Michelin

# 2017 scenario: agile management in a highly volatile environment

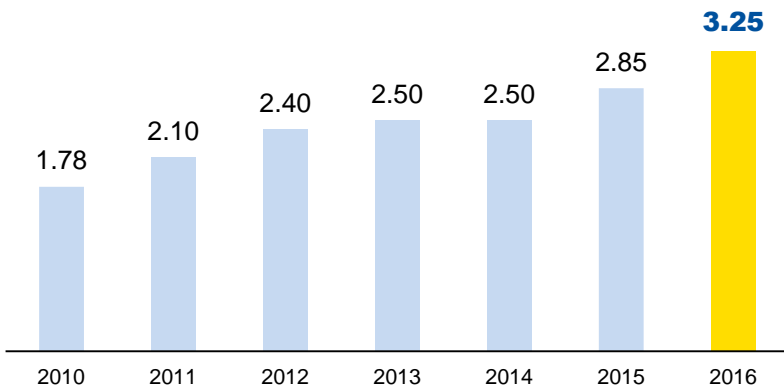
	H1 2017 as reported	H2 2017	2017
Impact of raw materials costs	-€331m	Around €450m headwind	Around €800m headwind
Currency effect	+€37m	€120 to €150m headwind	€85m to €115m headwind*
Net price-mix/ raw materials effect	Indexed -€106m Non-indexed -€80m	Positive	Indexed businesses: negative Non-indexed: neutral
Competitiveness plan gains vs. inflation	+€4m	Neutral	Slightly positive

\* Based on August average exchange rates extended to December 2017, with 2013-2016 droptthrough ranging from 30% to 48%

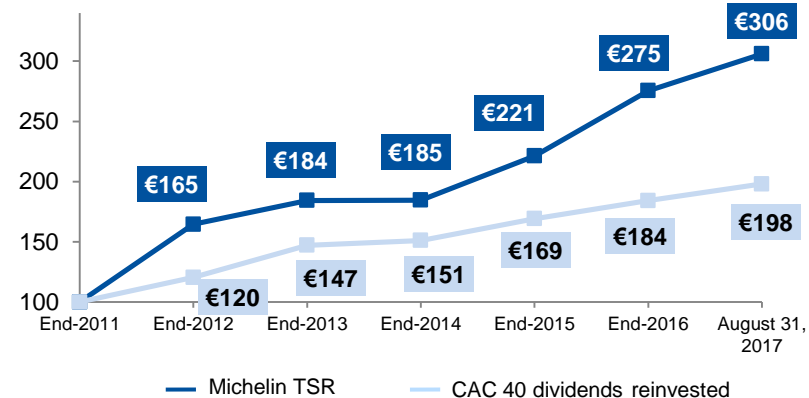
# Sustained shareholder return policy: dividends and share buybacks

- 2016 dividend: €3.25 per share, representing a payout ratio of 36.5%
- Share buyback programs
  - €750m committed in 2015-2016 and cancellation of 4.5% of outstanding shares
  - 2017: €71m delivered out of a €100m program to offset the dilution from share-based compensation

## ● Dividend per share (in €)

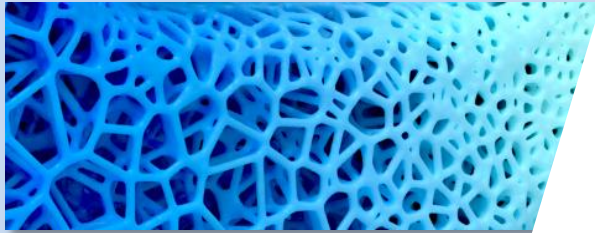


## ● Total Shareholder Return





Michelin unveiled a concept tire that illustrates its vision of the mobility of the future in a combination of groundbreaking technologies and services.



An airless wheel



A tread which you can top up,  
with a 3D printer



Connected tire

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# Appendices

**PC Tire Market:** Good momentum in OE markets except in North America where vehicle sales are declining. Replacement demand shaped by high dealer inventories in Europe, North America and sustained market in China.

▲ July 2017/2016

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +4%	▲ +5%	▼ -2%	▲ +3%	▲ +6%
Replacement	▲ +2%	▼ -1%	▼ -2%	▲ +0%	▲ +6%

▲ YTD July 2017

% YoY change in number of tires	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil	China
Original equipment	▲ +1%	▲ +1%	▼ -0%	▲ +11%	▲ +4%
Replacement	▲ +4%	▲ +2%	▼ -0%	▲ +7%	▲ +7%

\* Turkey included

# TB Tire Market : Flat replacement demand in Europe and strong growth in all other zones/segments helped by the comparison basis and a favorable economic environment.

## ▲ July 2017/2016

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +7%	▲ +7%	▲ +27%	▲ +40%
Replacement	▲ +2%	▲ +0%	▲ +25%	▲ +17%

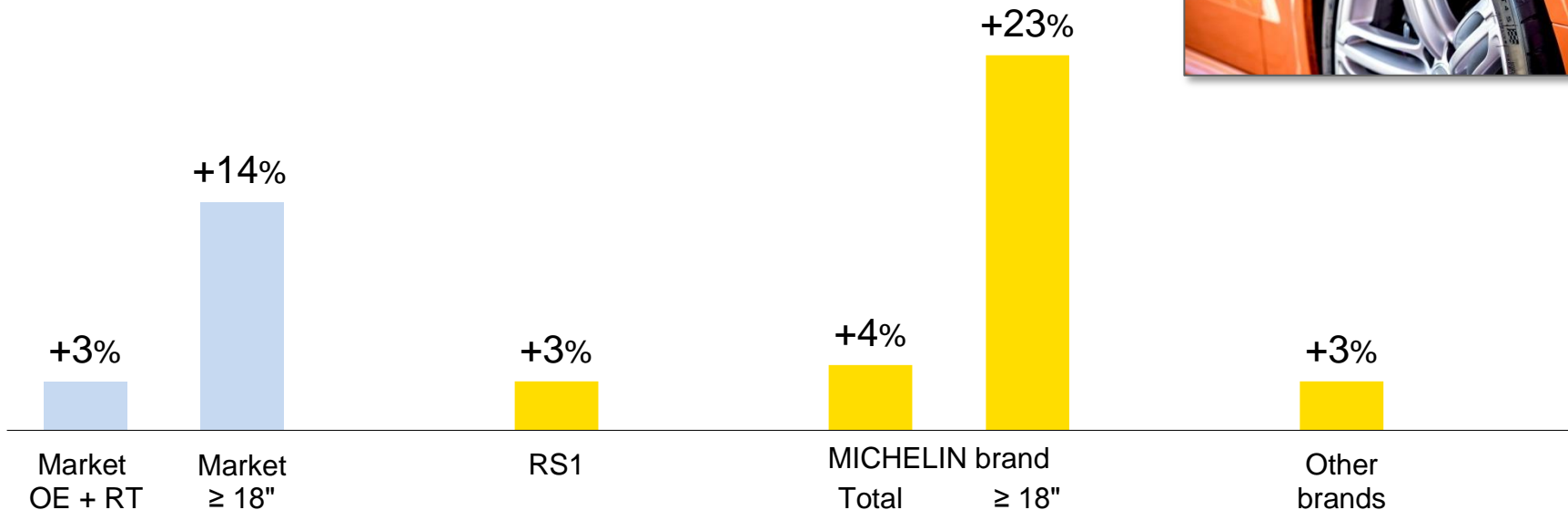
## ▲ YTD July 2017

% YoY change in number of tires (Radial + Bias)	Europe including Russia & CIS*	Europe excluding Russia & CIS*	North America	Brazil
Original equipment	▲ +7%	▲ +6%	▲ +7%	▲ +8%
Replacement	▲ +7%	▲ +5%	▲ +1%	▲ +12%

\* Turkey included

# PC: still a robust product mix momentum

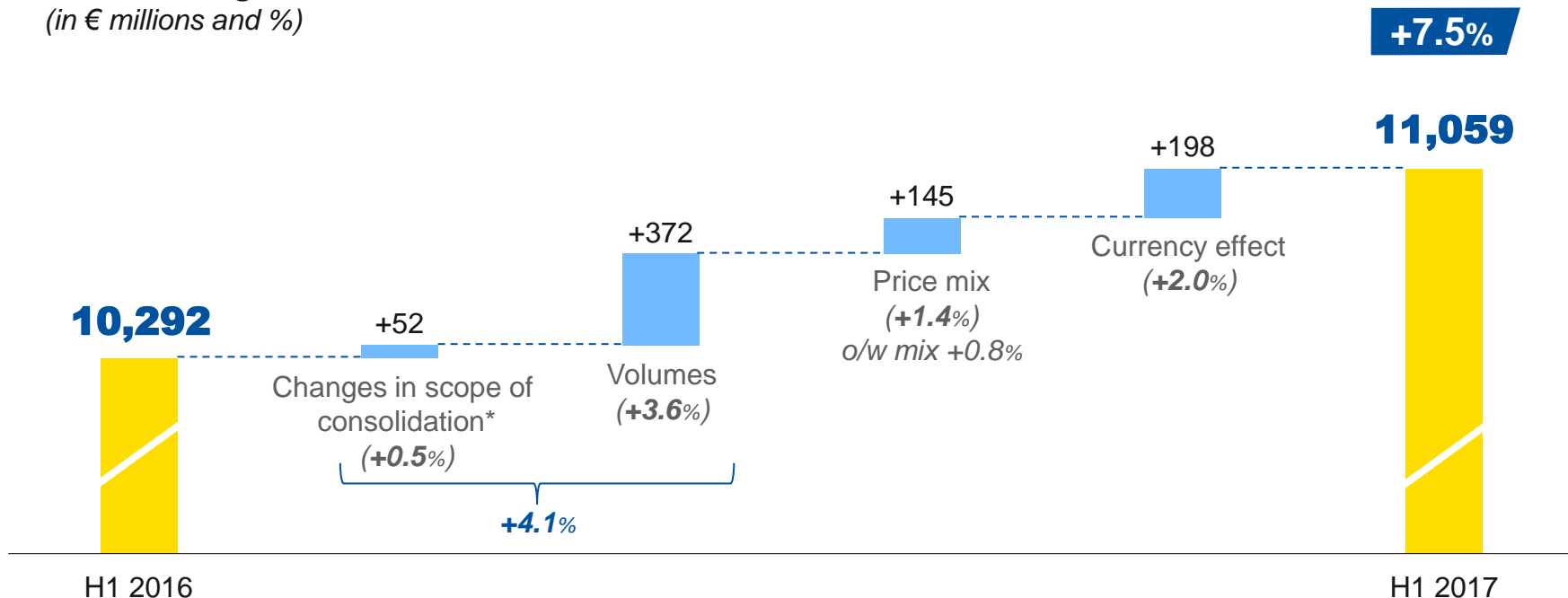
## ▲ Passenger car growth (YoY, markets in units and sales in kt)



Source: Michelin

# H1 2017 Net sales supported by growth in volumes and price increases

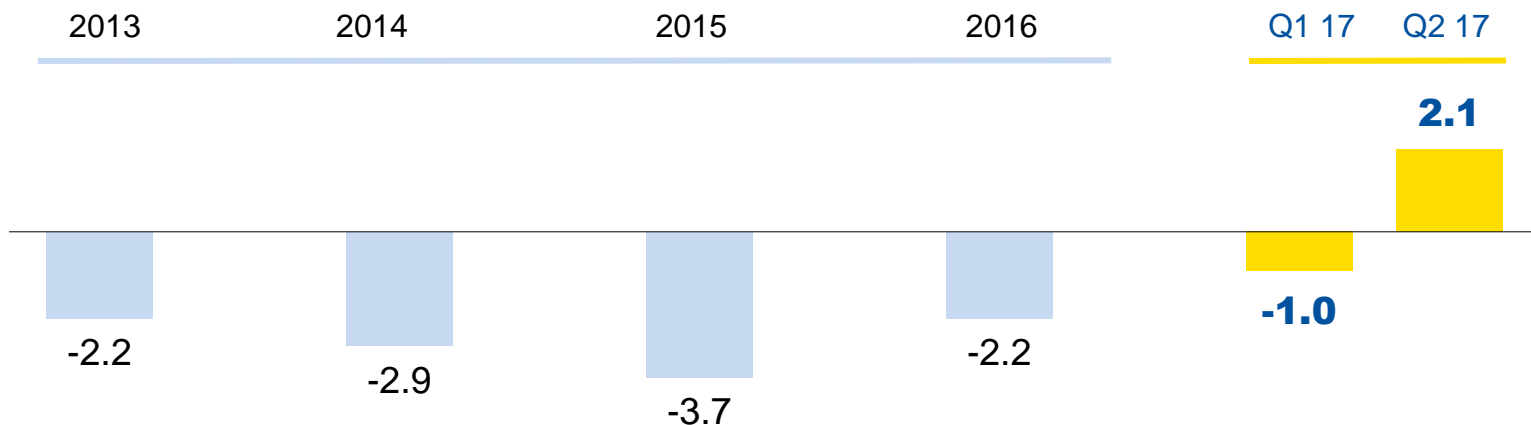
▲ YoY change:  
(in € millions and %)



\* Levorin

# Q2 2017 price effect: first quarter of increase after more than four years of decline linked to raw materials price trend

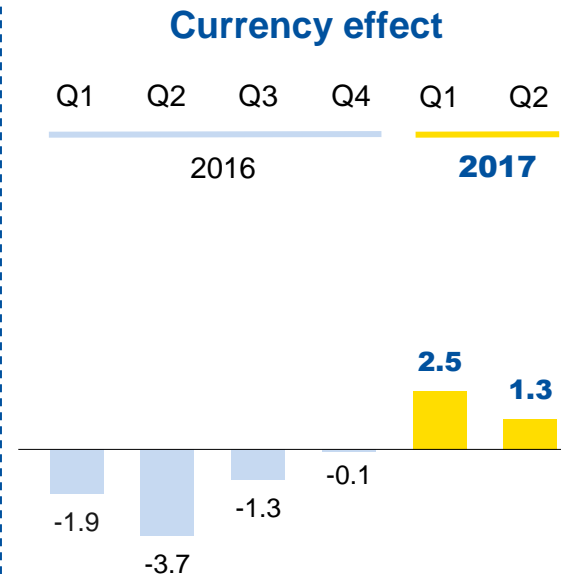
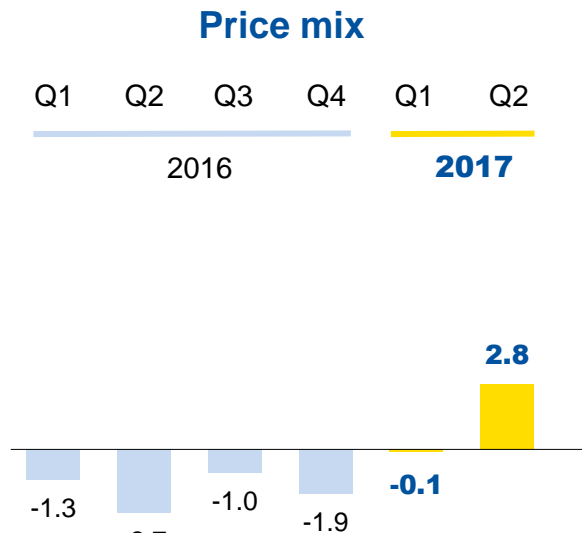
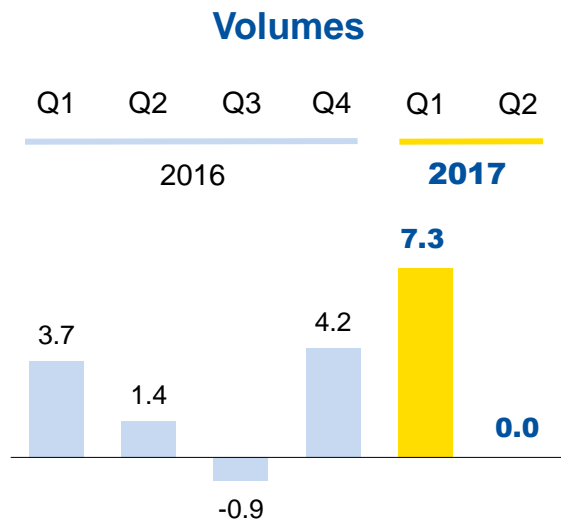
▲ (in %)



- Q2 2017: initial impact of the price increases ahead of their full impact in H2

# Q2 2017: volumes stable given the Q1 surge in early buying; initial impact of higher prices

▲ YoY quarterly change  
(in %)

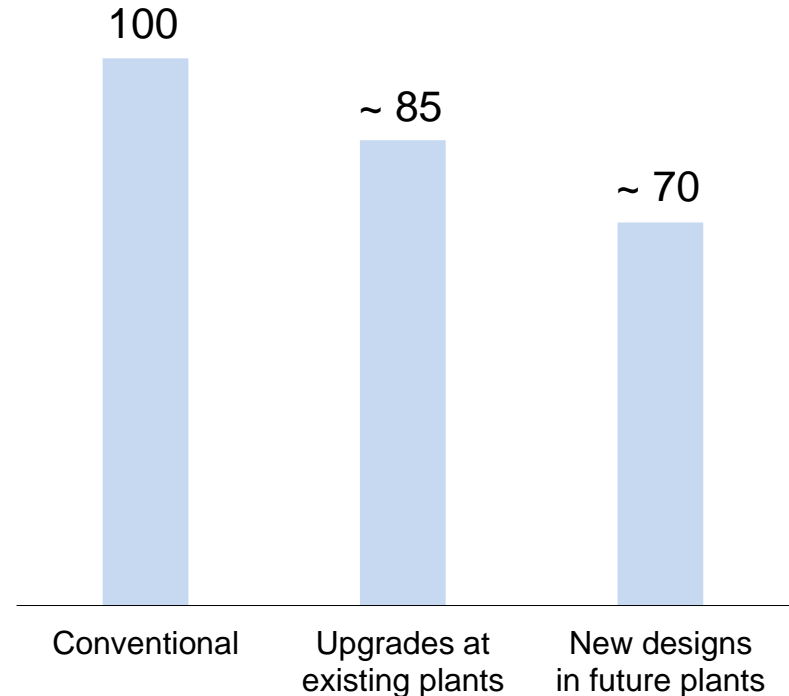




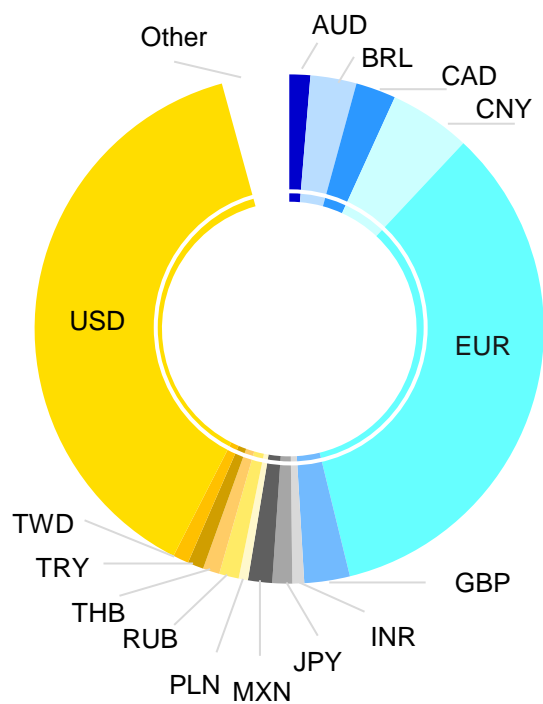
# New drivers: decreasing capital expense costs

- **Future plants** will cost 30% less per tonne of passenger car tire than previous projects, thanks to:
  - The purchase of less customized machinery
  - Streamlined flows
  - More flexible building blocks
  - Co-designing products and processes
  - Optimized engineering processes
- The selected solutions will be aligned with the upgrades at **existing plants**, with the goal of reducing unit capex cost by 15%
- Differentiation of our products will remain unchanged

▲ CAPEX/tonne 100-indexed  
(Passenger Car)



# 2016 net sales by currency



% of net sales	
AUD	1%
BRL	3%
CAD	3%
CNY	5%
EUR	34%
GBP	3%
INR	1%
JPY	1%
MXN	2%
PLN	1%
RUB	1%
THB	1%
TRY	1%
TWD	1%
USD	38%
Other	4%

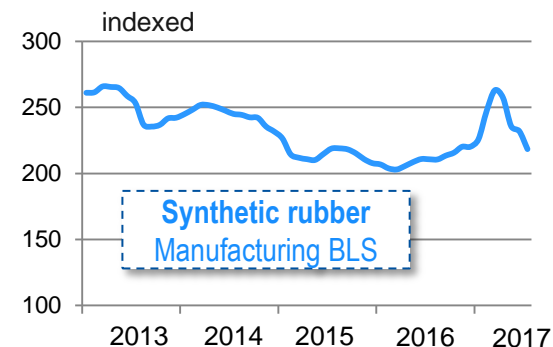
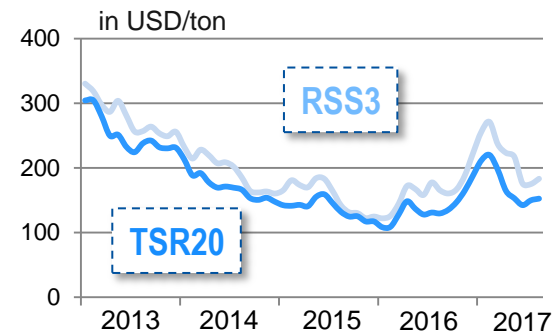
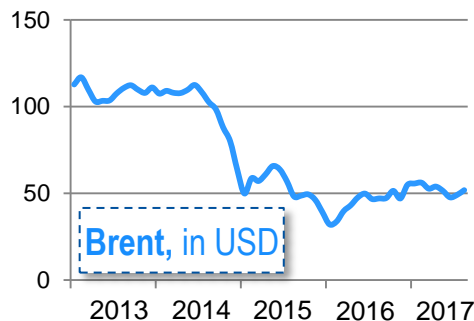
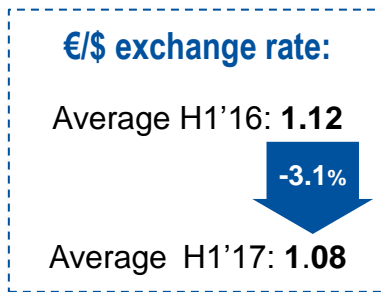
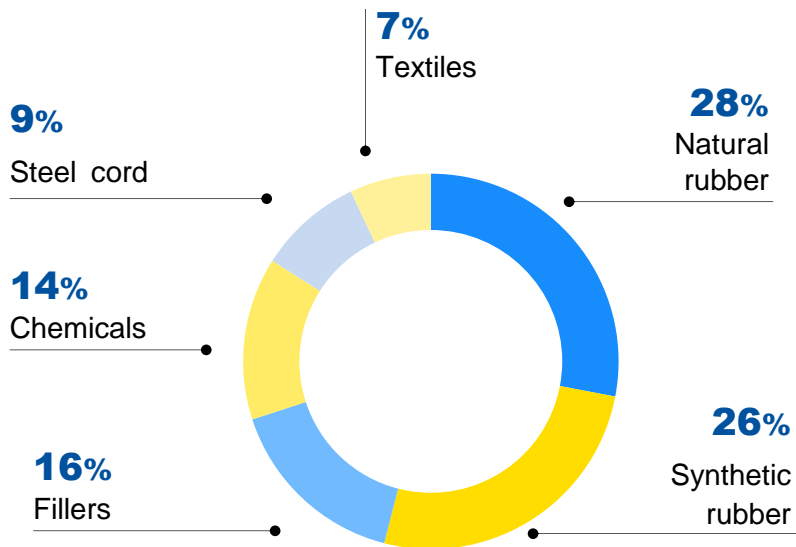
- EBIT sensitivity to €/€ exchange rate:

A one cent change in the average annual €/€ exchange rate would lead to a € 15-20 million change in EBIT for the year.

- Reminder: annual Net sales to EBIT droptthrough ranging from 30% to 48% over 2013-2016

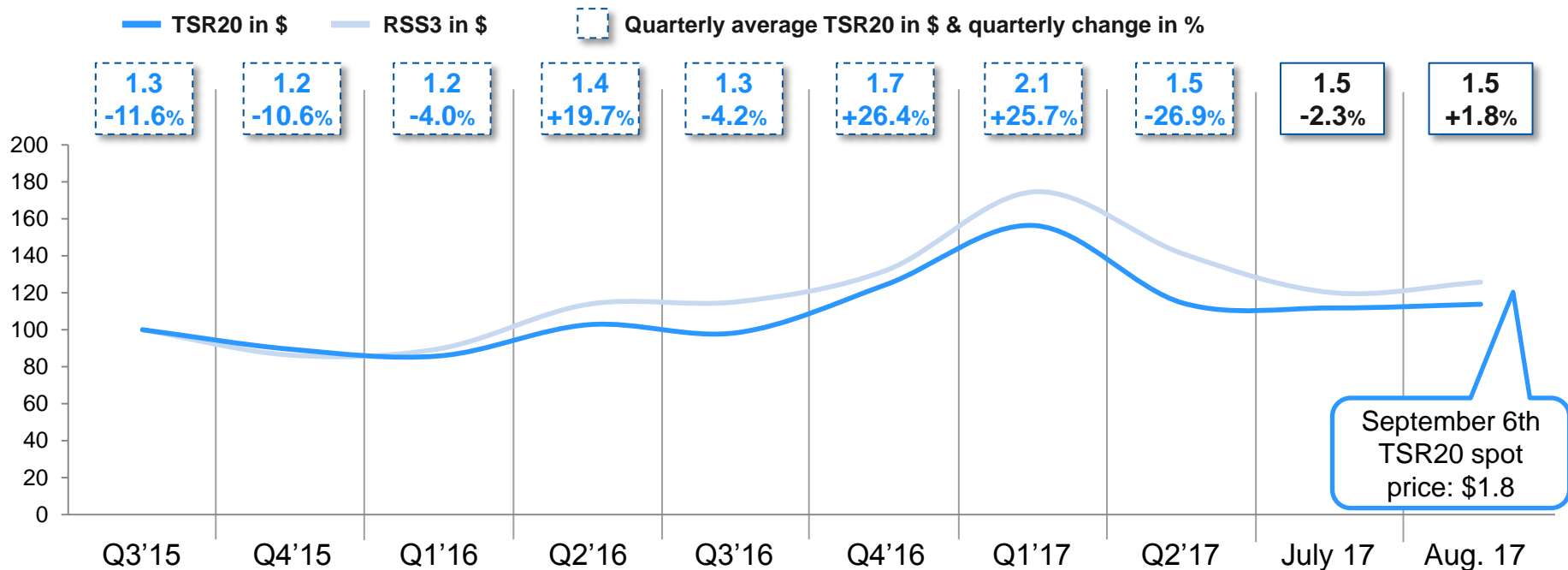
# Raw materials in H1 2017

## ▲ Raw material purchases in H1 2017 (€2.6bn)



# Natural rubber price trend

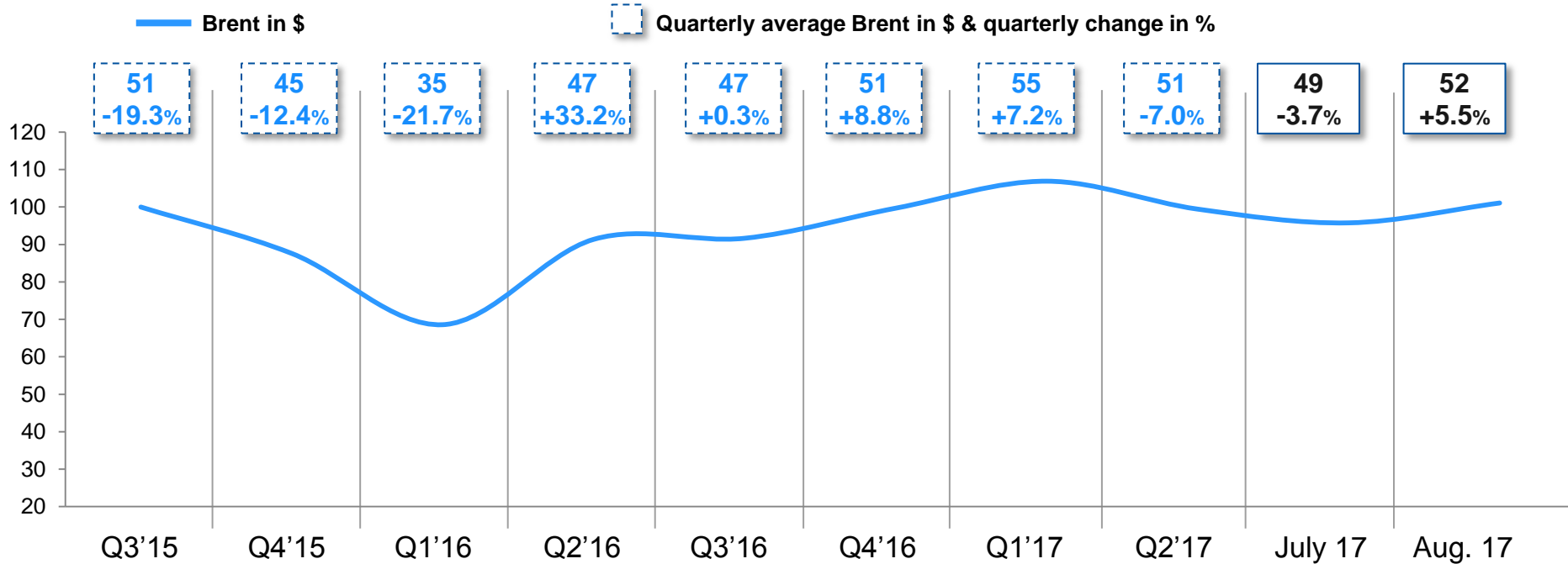
▲ At end-August 2017 (per kg, base 100 in Q3'15)



Source: SICOM

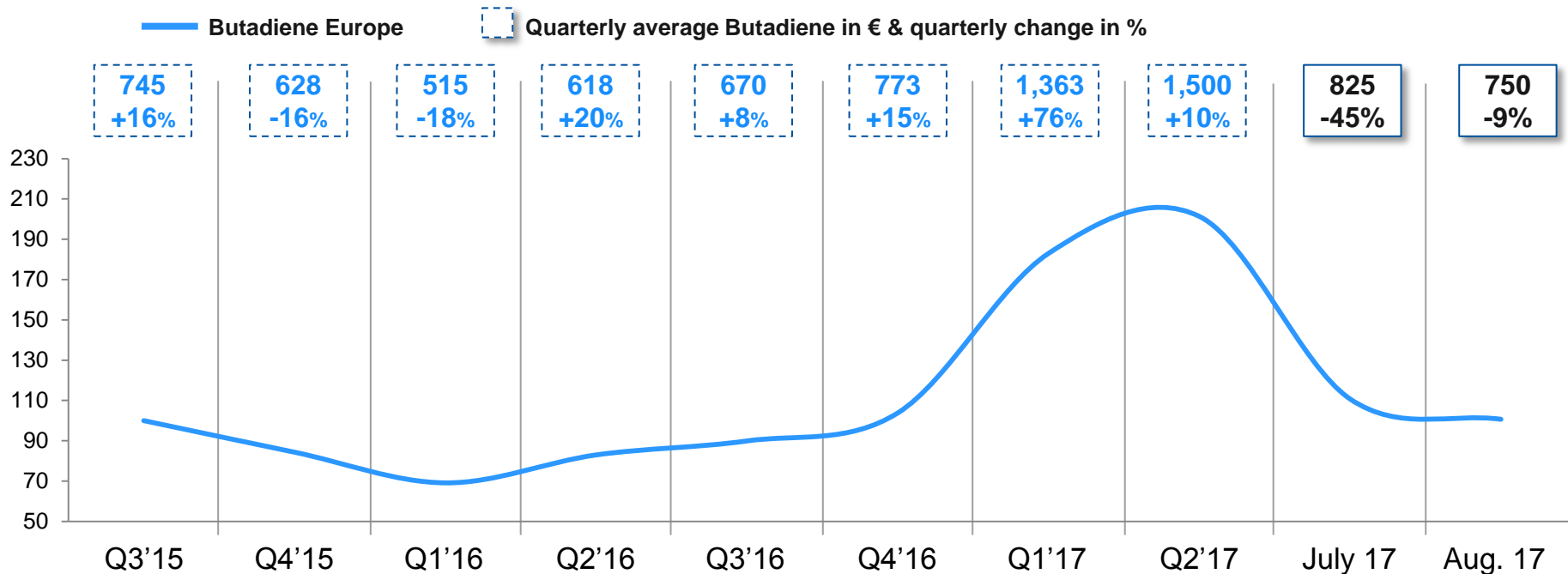
# Brent price trend

▲ At end-August 2017 (per barrel, base 100 in Q3'15)



# Butadiene price trend

▲ At end-August 2017 (per ton, base 100 in Q3'15)

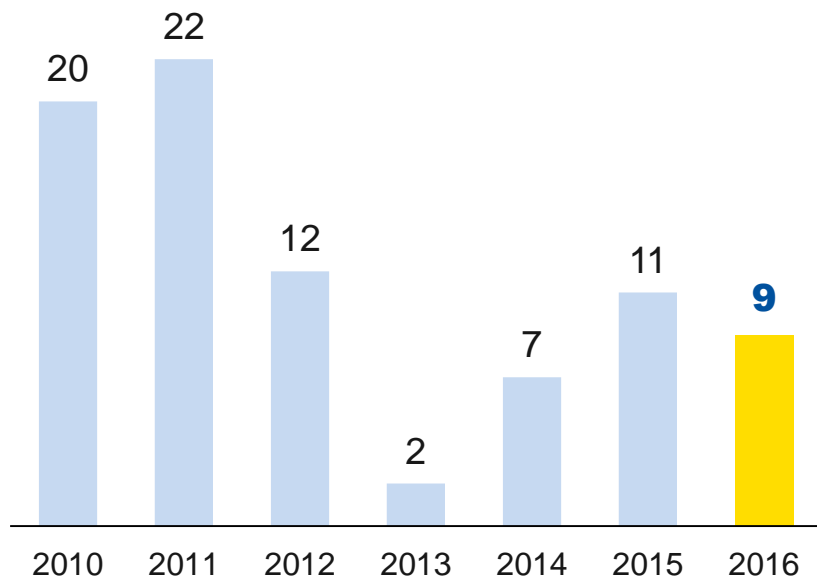


Source: IHS

# A robust balance sheet after the share buybacks, confirmed by the rating agencies

## ▲ Gearing

Net debt/equity, in %

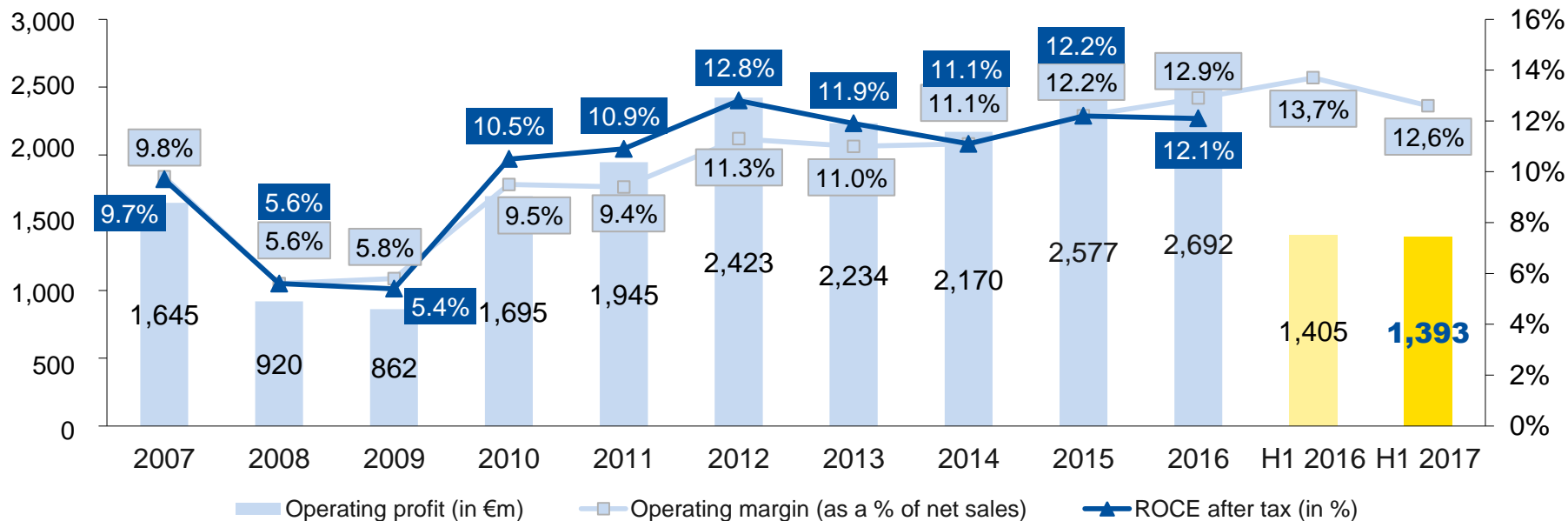


## ▲ Solid long-term ratings

Short term	S&P Moody's	A-2 P-2
Long term	S&P Moody's	A- A3
Outlook	S&P Moody's	Stable Stable

# 2016: a year of progress, in line with our 2020 roadmap

## ▲ Group operating income and margin\* & ROCE



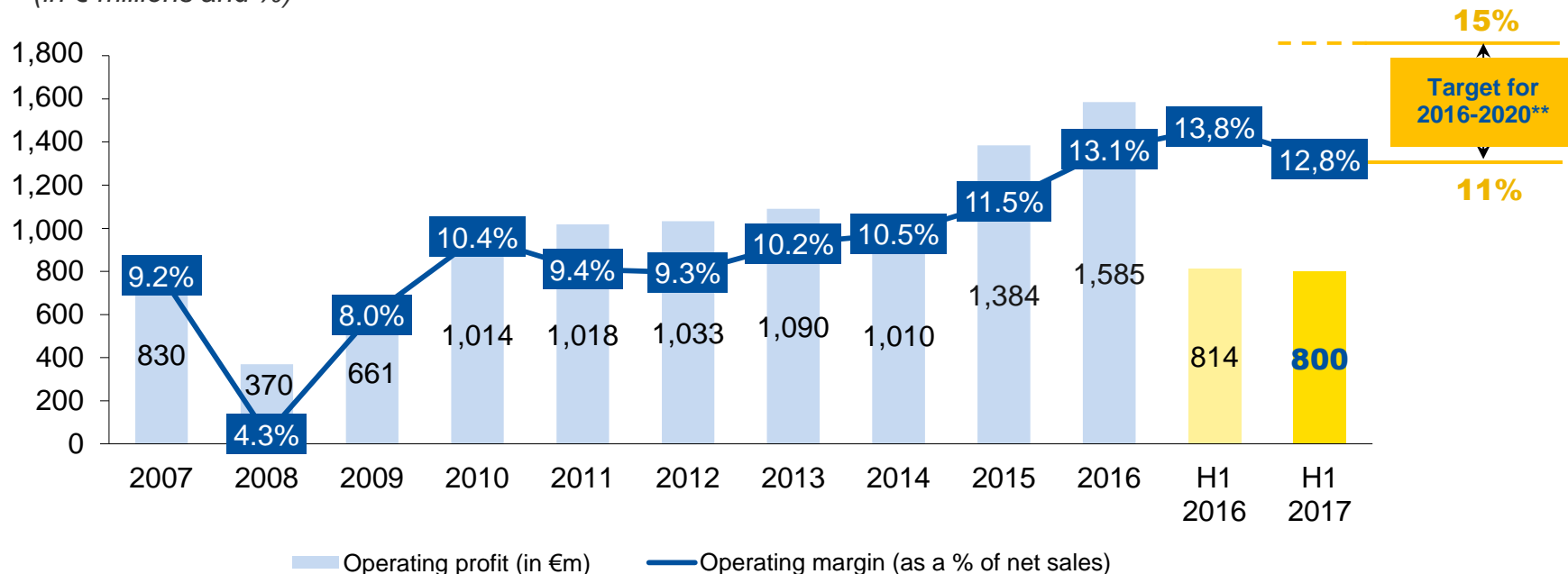
\* On recurring activities.



# Improving PC margins: product innovation, contribution from the 17" and over strategy, better customer service

## ▲ RS1 operating income and margin\*

(in € millions and %)



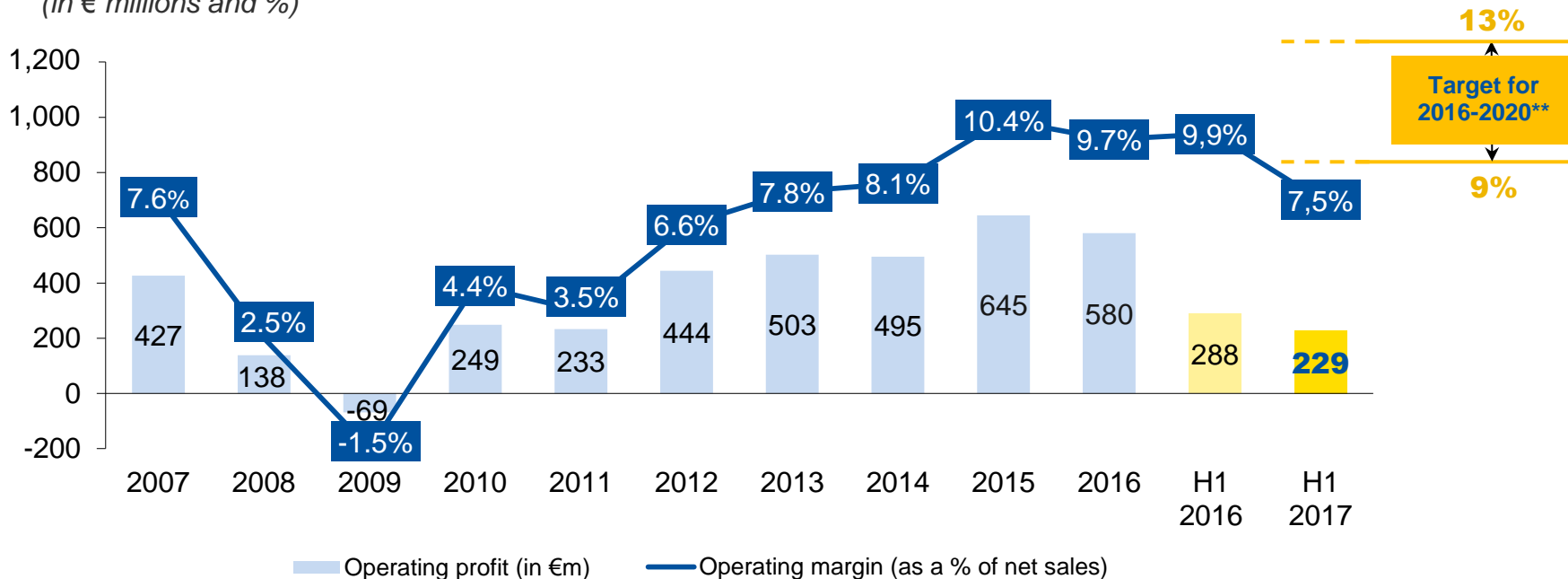
\* On recurring activities.

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding at a 2.5% CAGR

# Consolidation in TB margin led by competitiveness, product innovation and customer satisfaction

## ▲ RS2 operating income and margin\*

(in € millions and %)

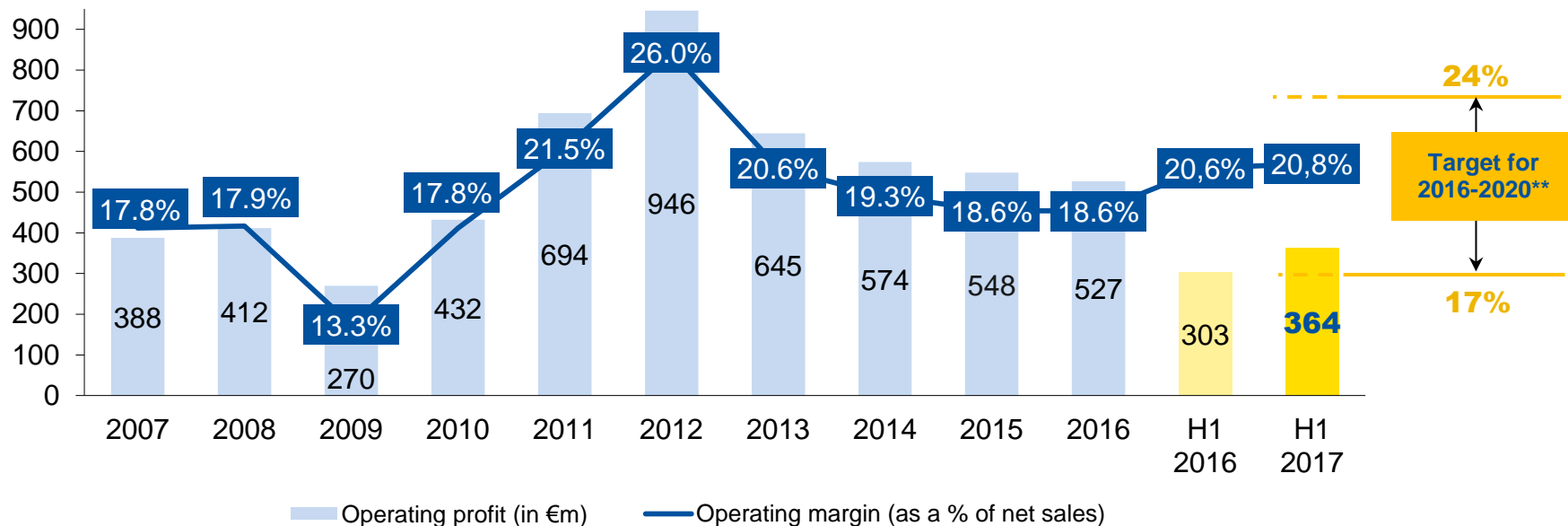


\* On recurring activities.

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding at a 1.5% CAGR

# Specialty businesses: solid margin resistance in challenging markets

## ▲ RS3 operating income and margin\* (in € millions and %)



\* On recurring activities.

\*\* At constant scope of consolidation and raw materials prices, and with markets expanding

# Disclaimer

"This presentation is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documentation published in France by Autorité des Marchés Financiers available from the <http://www.michelin.com/eng/> website.

This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions at the time of the publication of this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or induced by these statements."

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