

# INVESTOR DAY

OCTOBER 2, 2013  
Lexington, South Carolina

**MICHELIN NORTH AMERICA**  
OVERVIEW

**PETE SELLECK**

Chairman and President | Michelin North America



# OUTLINE

- 1 HISTORY AND FOOTPRINT
- 2 MAIN DISTINCTION OF THE NORTH AMERICAN MARKET  
Segment Mix | Growing Premium Segments
- 3 TIRE INDUSTRY: A NEW PHASE OF DYNAMIC GROWTH
- 4 MICHELIN NORTH AMERICA INVESTMENT
- 5 DISTRIBUTION IS AN ASSET
- 6 #1 PRODUCTS IN NORTH AMERICA



# HISTORY AND FOOTPRINT



# HISTORY

1971



Michelin expands to Nova Scotia by building two plants, CA1 and CA2, and announces construction for two plants in western part of SC.

1975



One plant, US2 in Anderson, SC, would build semi-finished products to supply the other plant, US1 in Greenville, SC, that would produce tires.

**The very first radial passenger tire came off the line at US1, Greenville, SC, on March 10, 1975.**

1978-98



Michelin expands more plants in Spartanburg, SC, Dothan, Ala, and Lexington SC.

1988



Michelin establishes North American corporate headquarters in Greenville, SC.

1990



Michelin purchases the Uniroyal-Goodrich Tire Company.

1992



Michelin purchases American Synthetic Rubber Corporation in Louisville, Ky and Michelin introduces the first green tire, which led to the market launch of the new MICHELIN Energy™ tire range in 1994.

1999



Michelin acquires Tire Centers, LLC.

2000



MICHELIN X-One wide single introduces a new era in truck tires.

2003



Michelin launches the HydroEdge with 85K mileage warranty.

2010



**Production of the one millionth X One tire**

2012



MICHELIN Tweel commercialized for Skid-Steer front-end loaders.

## All Facilities



# NORTH AMERICAN FOOTPRINT

## EMPLOYEES

22,000

## COUNTRIES

Canada, Mexico & USA

## NET SALES

Sales in North America in 2012 were \$10.76B

## BRAND PORTFOLIO



# WHY SOUTH CAROLINA?

Michelin is proud to be the state's flagship tire maker with more than **8,500 employees.**



## MICHELIN

- First tire produced in 1975

- Business-friendly climate
- Port of Charleston
- Highly-skilled workforce
- High-tech manufacturing economy
- Strong and improving infrastructure



- Recently awarded SC Chamber of Commerce **2013 Large Manufacturer of the Year**



# MAIN DISTINCTION OF THE NORTH AMERICAN MARKET

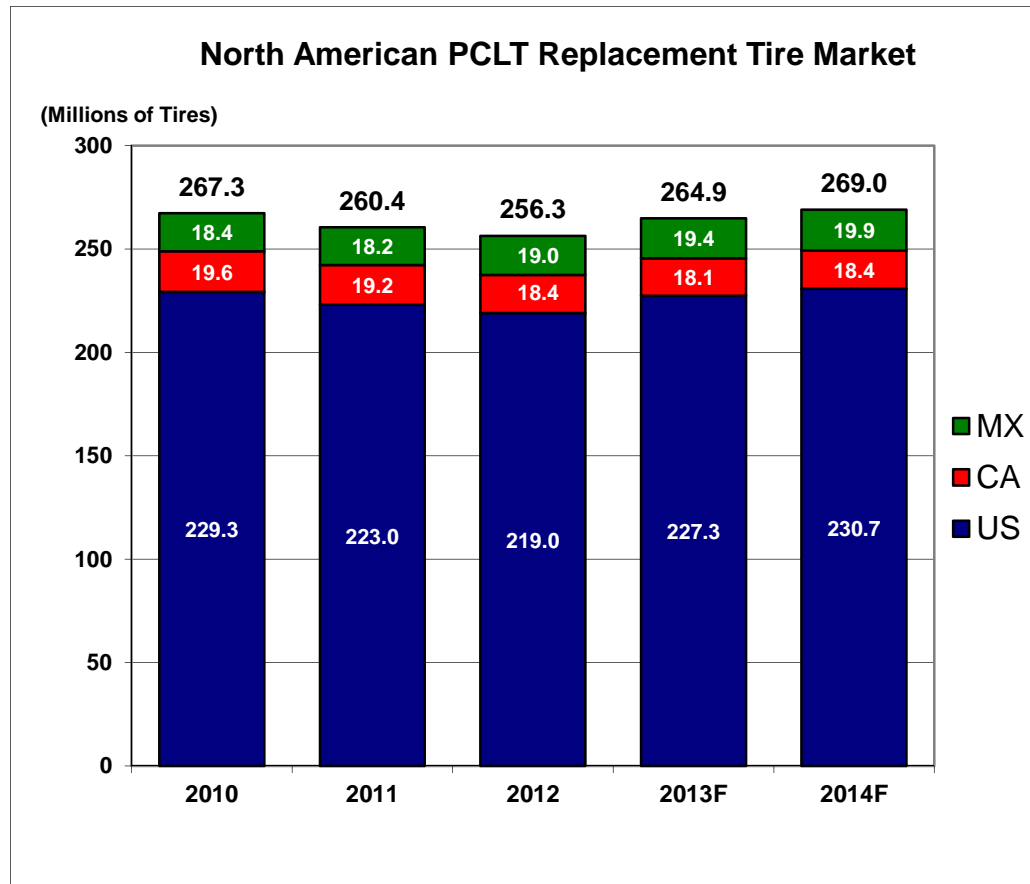
Segment Mix | Growing Premium Segments



## NORTH AMERICAN MARKET

Number of tires –  
passenger car and light  
truck replacement tire  
market

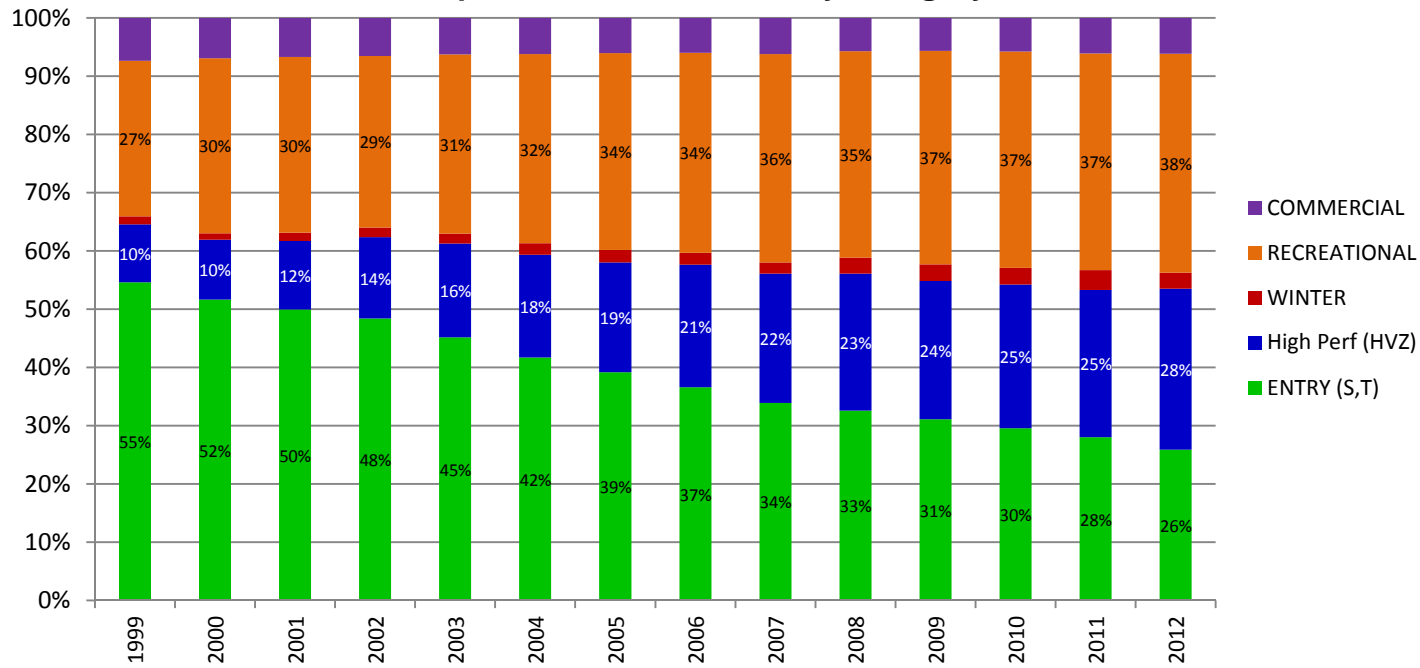
Structurally slow  
growing market based  
on demographics and  
vehicle use





# NORTH AMERICAN MARKET

U.S. Replacement Tire Market by Category



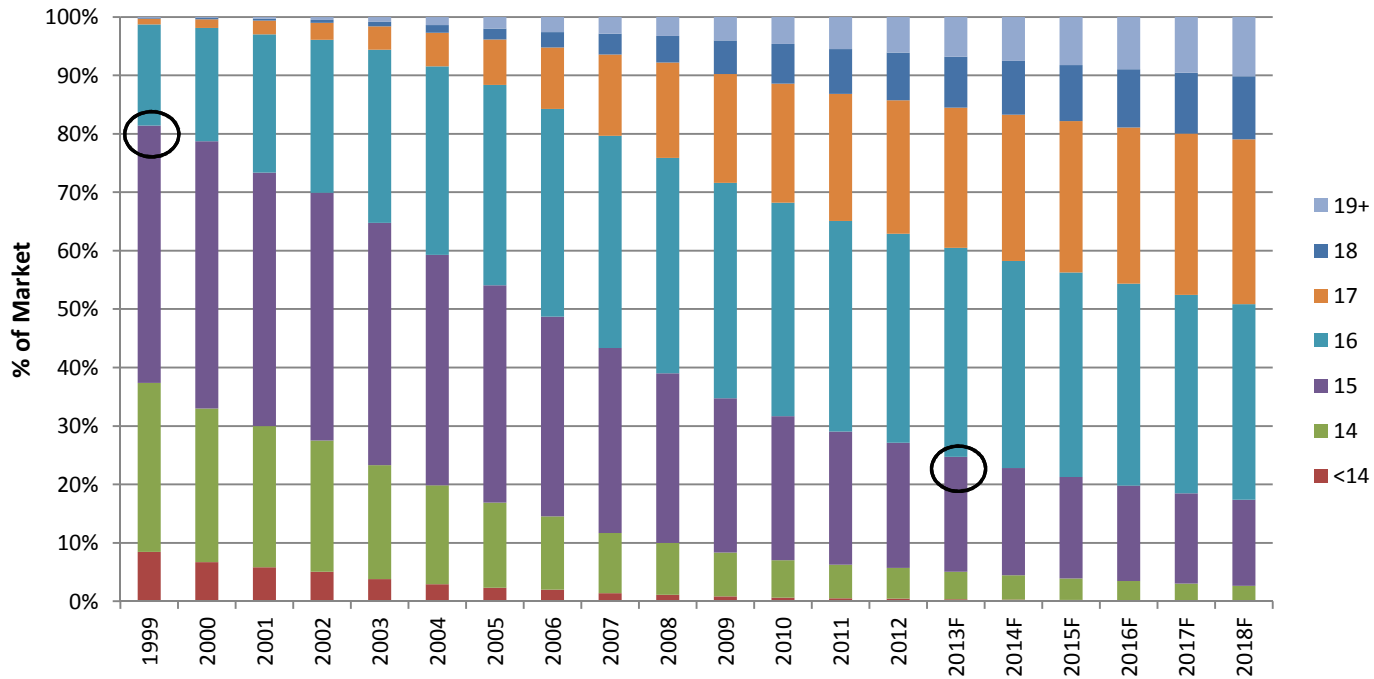
Segmentation of the tire market – by vehicle type

Growth in high performance and SUV segments has been relatively offset by a diminishing entry market.



# NORTH AMERICAN MARKET

U.S. Replacement Tire Market by Rim Size



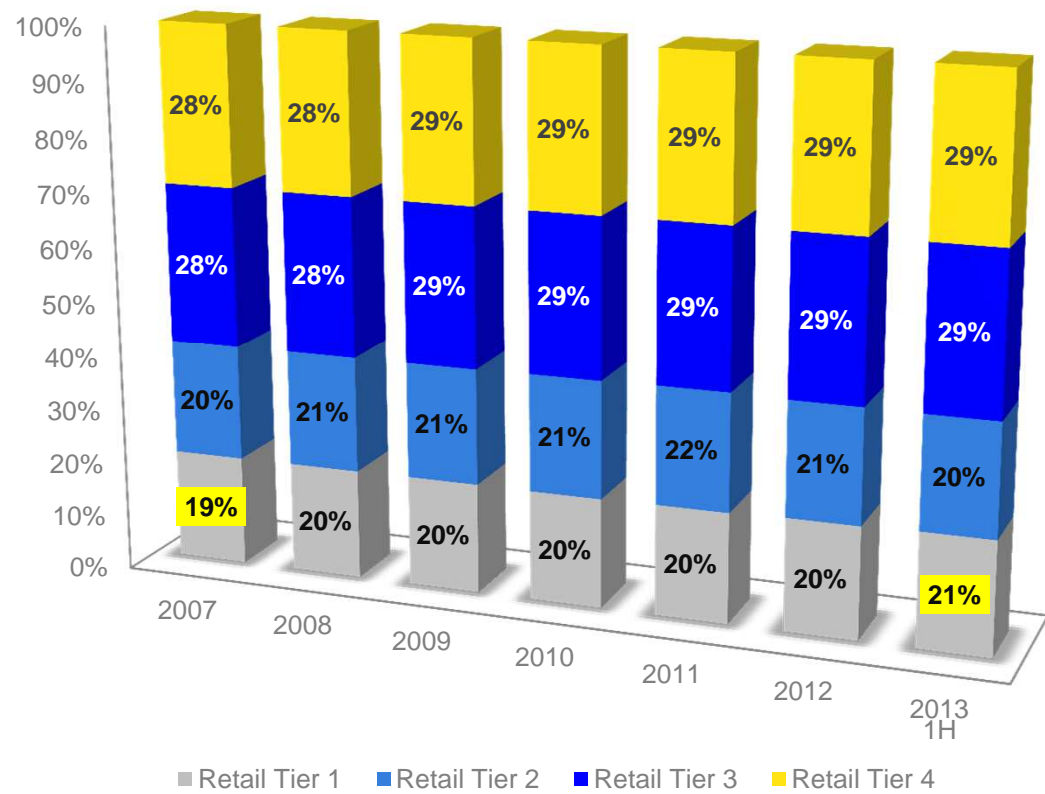
Segmentation of the tire market – by rim size

The average rim size in the U.S. has grown significantly since 1999 as a result of the growth in SUV and high performance vehicles



# NORTH AMERICAN MARKET

## U.S. Retail Price Tier Evolution



Even though low-price imports are growing, the size of different price tiers has remained relatively stable across time.

**Tier 1: 19% to 21% over six-year period**

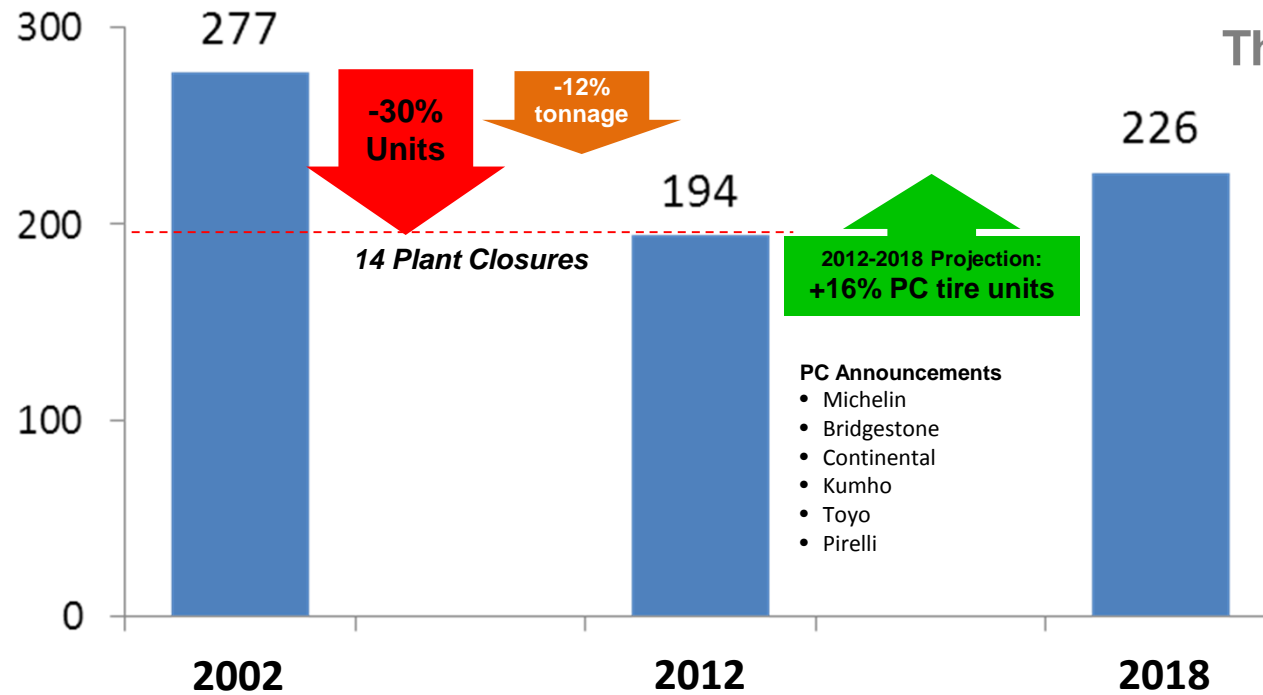


# TIRE INDUSTRY: A NEW PHASE OF DYNAMIC GROWTH



# REBOUNDING NORTH AMERICAN INDUSTRIAL INDUSTRY

**PC Manufacturing Capacity**  
Million units of production



The story of North American industrial capacity

After a rationalization phase, North American manufacturers are actively investing in premium and growing segments

**Other Announcements**

- Michelin (TB & OTR)
- Bridgestone (TB & OTR)
- Continental (TB)
- Yokohama (TB)
- Mitas (AG)

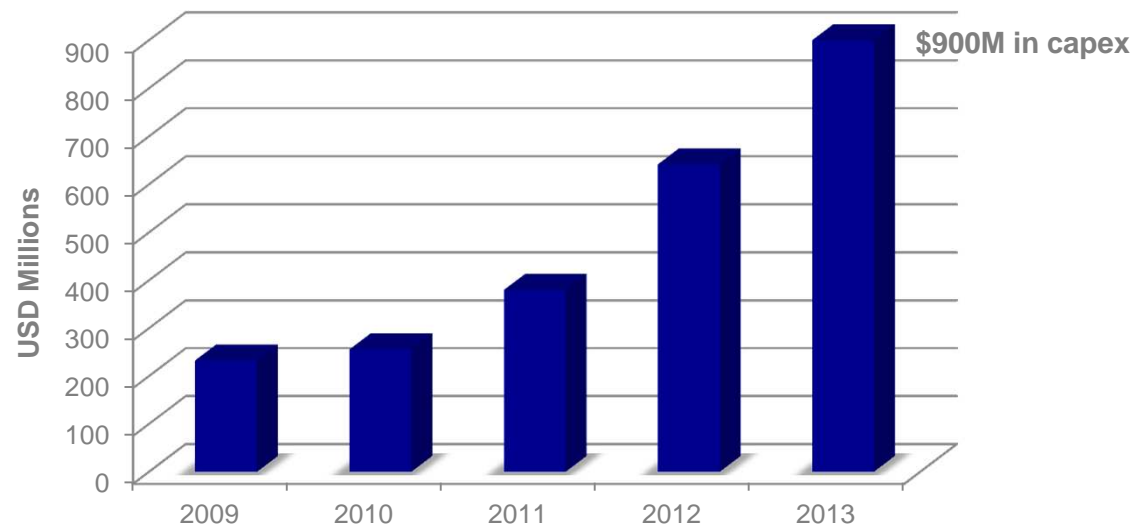


# MICHELIN NORTH AMERICA INVESTMENT



# MICHELIN NORTH AMERICA INVESTMENT

North American Capital Expenditure



## Record Capital Investment in North America

- Lexington UHP PC tire expansion
- Lexington Earthmover tire expansion
- Anderson new Earthmover tire plant
- Anderson additional rubber mixing
- Louisville new generation elastomers
- Ft. Wayne PC capacity and mix enhancement
- Greenville PC capacity and mix enhancement
- Waterville TB expansion of XOne capacity

# INTEGRATED DISTRIBUTION IS AN ASSET







## Distribution Division

- Passenger car & Light truck tire wholesale distribution to Independent Dealers
- Express delivery service to Michelin direct retail customers
- 86 locations; 95% coverage of U.S.
- Multi-brand strategy with majority sales represented by Group Michelin brands



## Commercial Division

- Tire Sales & Service to Truck & Earthmover Fleets
- Michelin Retread Manufacturing
- Largest Michelin North America Truck Dealer (65 locations)
- Largest Michelin retreading franchisee (9 plants)
- Leading member of Michelin Commercial Service Network in developing new offers
- Multi-brand strategy with majority sales represented by Group Michelin brands

# INTEGRATED DISTRIBUTION

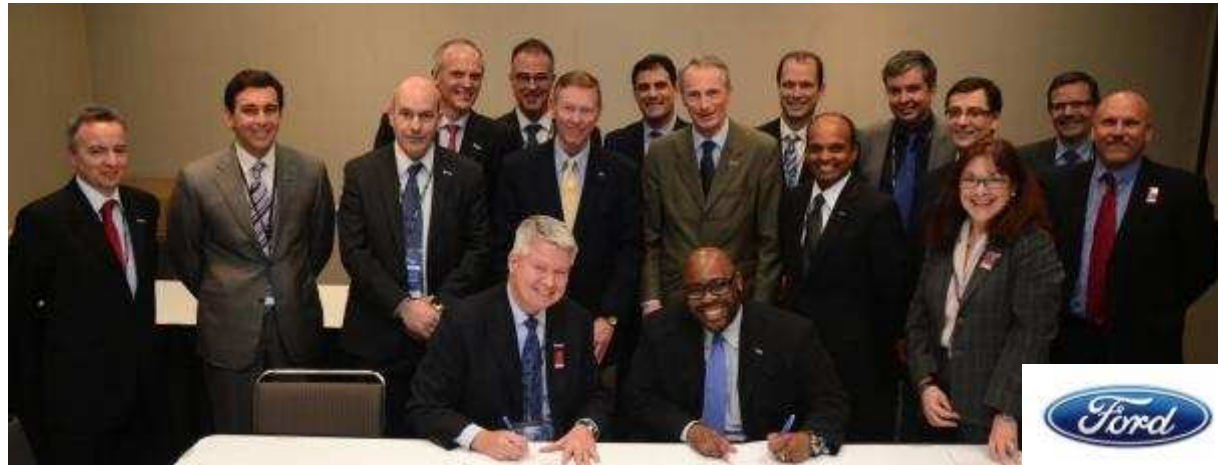
Distribution is an asset

TCi provides U.S. Market Access & Profitable Growth for Michelin and Customers with Value-added Products and Services.



# #1 PRODUCTS IN NORTH AMERICA





## #1 PRODUCTS IN NORTH AMERICA

2013 North American International Auto Show was an opportunity to **further strengthen** our OEM relationships



Michelin chosen as **exclusive, standard** Original Equipment fitment for 2014 Chevrolet Corvette Stingray



# #1 PRODUCTS

## Tires Under Pressure

### 2015

U.S. Passenger Car Tire Rolling Resistance Grading implementation as early as mid-2015

### 2016 Model Year

U.S. Auto CAFE Standards begin transition from 35.5 mpg target (2016 Model Year) to 54.5mpg target by 2025 Model Year

### 2016

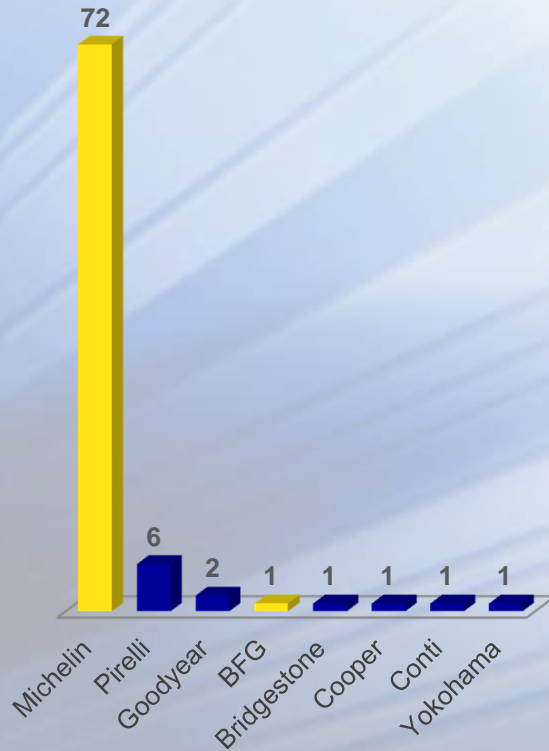
Europe begins tightening passenger car tire rolling resistance limit from 12 kg/t to 10.5 kg/t

### 2017 Model Year

EPA Heavy Duty Truck (Tractors) Greenhouse Gas Requirements to be met: 9 to 23% improvement in CO<sub>2</sub> & Fuel Economy vs. 2010 Levels

# MICHELIN IS #1 IN NORTH AMERICA

## J.D. POWER & ASSOCIATES AWARDS



With **72 awards** from J.D. Power & Associates, MICHELIN brand has received **more than FOUR times** the awards received by all other tire companies combined.



# MICHELIN IS #1 IN NORTH AMERICA

## Consumer Reports

Michelin dominates the latest tire ratings and is the winner in 7 out of 9 categories

13 Consumer Reports Recommendations\* versus the closest competitor's five recommendations

\*Recommended tires are standout choices with high scores, which include Consumer Reports Best Buys and offer exceptional value.



**ConsumerReports.org** Find Ratings

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Home > Cars > Michelin dominates our latest tire Ratings

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### Michelin dominates our latest tire Ratings

Goodyear, Nokian, and Pirelli also have traction in our new ultra-high-performance, all-season, and performance winter tire tests

Published: August 19, 2013 10:30 AM

**Find Ratings**  
Tires 🔒

Consumer Reports has just published the latest results of 49 tested models of [ultra-high-performance \(UHP\) summer and all-season tires](#), and [performance winter tires](#). The big winner? Michelin. But Goodyear, Nokian, Pirelli, and others have traction, too.



# **NORTH AMERICAN INDUSTRY LEADER**

**Michelin is the #1  
most profitable tire manufacturer  
in North America**



## KEY TAKEAWAYS

Growth in high performance and SUV segments and strong Tier 1 and Tier 2 segments drive value creation improvement in North America

Michelin is investing at a record level in North America to take advantage of faster growing segments

Michelin is #1 in North America in technology, innovation, brand awareness, profitability and products

