



May 19, 2017

# **ANNUAL SHAREHOLDERS MEETING**



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- 1 / 2016: a stronger business performance**
- 2 / 1<sup>st</sup> Quarter 2017: net sales of €5.6 billion, up 10%, with a 7.3% increase in volumes**
- 3 / 2017 guidance confirmed**
- 4 / Shareholder commitment**

May 19, 2017

# ANNUAL SHAREHOLDERS MEETING



**1**

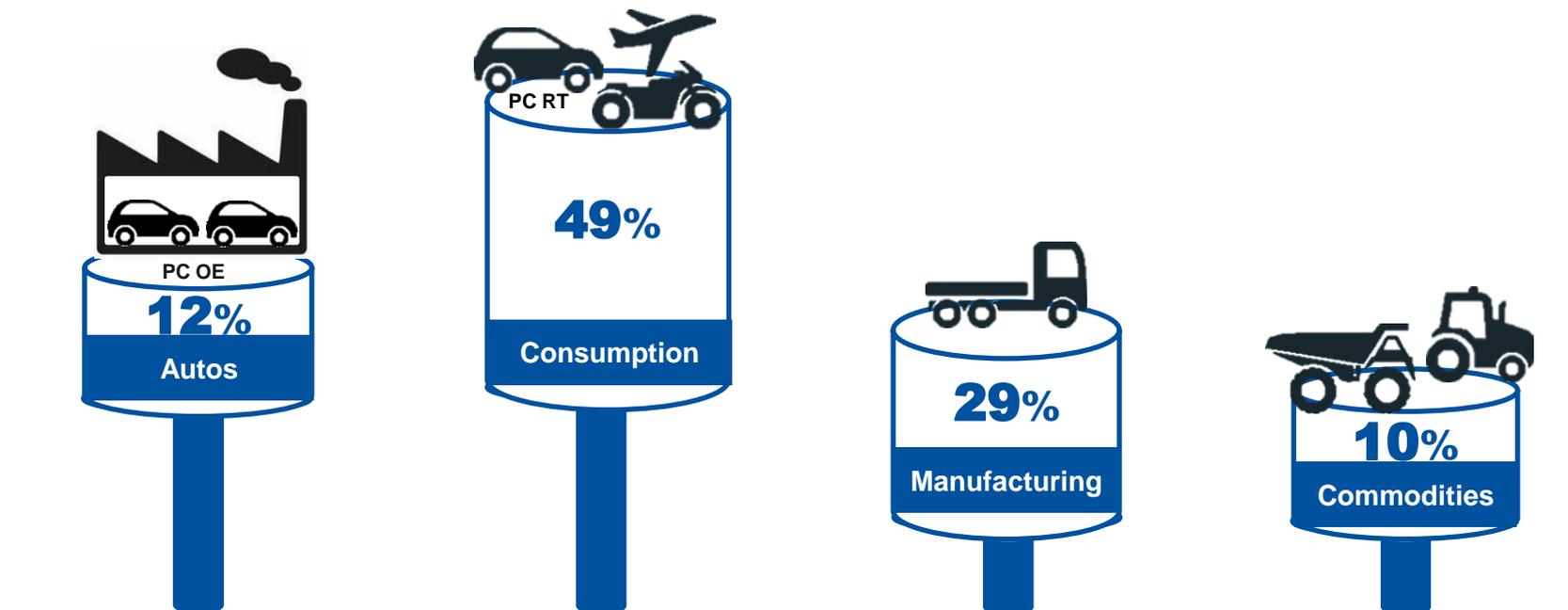
**2016: a stronger business performance**

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

	2016 guidance		2016 actual
Volumes	Above-market growth	✓	+2.1%
Operating income from recurring activities at constant exchange rates	> 2015	✓	€2,692m up €235m
Structural FCF	> €800m	✓	€961m

# A business model strongly linked to consumption

## ▲ Net sales by drivers



2016 net sales by sector

# 2016 demand: robust in PC, down in Truck and rebounding in Q4 in mining tires



## PASSENGER CAR: +3%

### Global OE: +4%

- Growth in the mature markets, China and India

### Global RT: +2%

- Robust demand in Western Europe and in the last quarter, rebound in North America and recovery in Russia and Brazil
- Sustained growth in China
- Further growth in budget lines



## TRUCK: -1%

### Global OE: +0%

- Growth in China and India and contraction in North America off of high prior-year figures

### Global RT: -1%

- Growth in Western Europe and, in the last quarter, Brazil
- Demand in China up in H2
- Further growth in budget lines



## SPECIALTY: -4%

- Mining: rebound in the final quarter
- Agricultural: slight decline in the mature markets
- Aircraft and Two-Wheel tires: continued growth

Source: Michelin

# Volumes up 2.1%, outpacing the markets

% change in volumes YoY	2016
<b>Passenger car and Light truck tires*</b> Markets	+3% +3%
<b>Truck tires*</b> Markets	+1% -1%
<b>Specialty tires</b> Markets	-1% -4 %

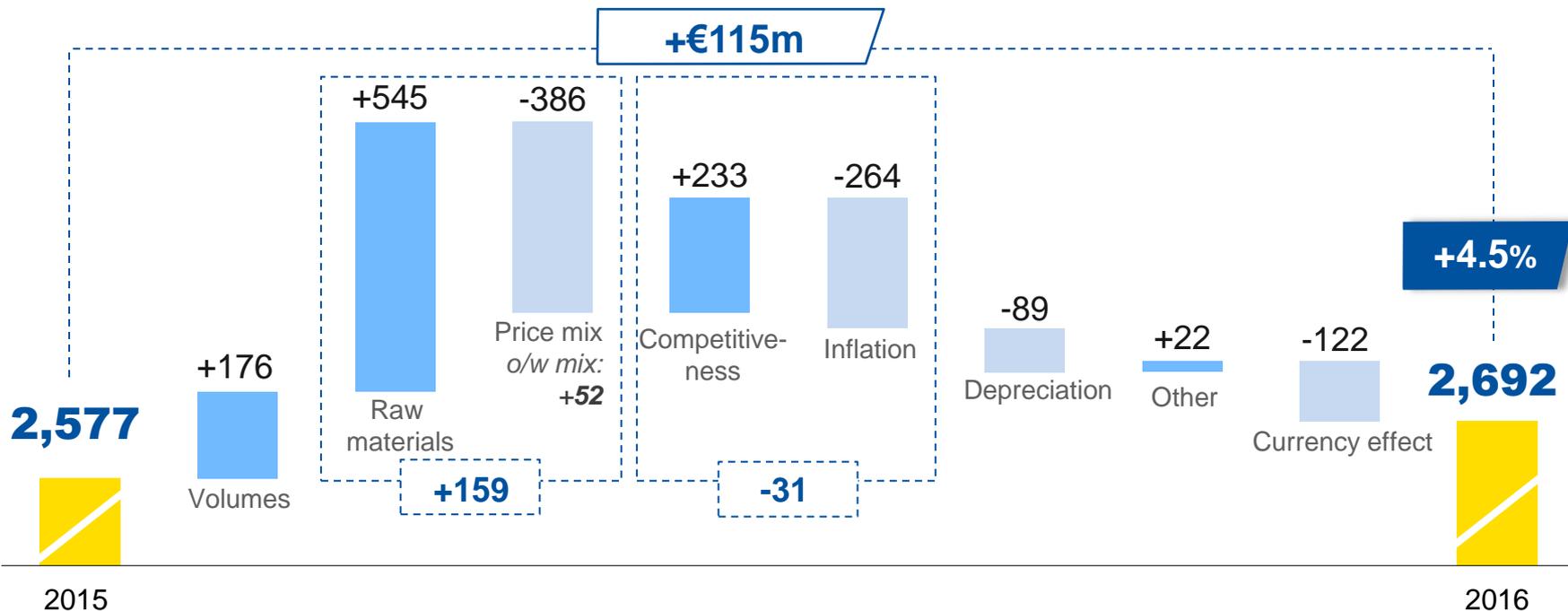
\* And related distribution

Source: Michelin



# Operating income up €235m at constant exchange rates

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



# 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

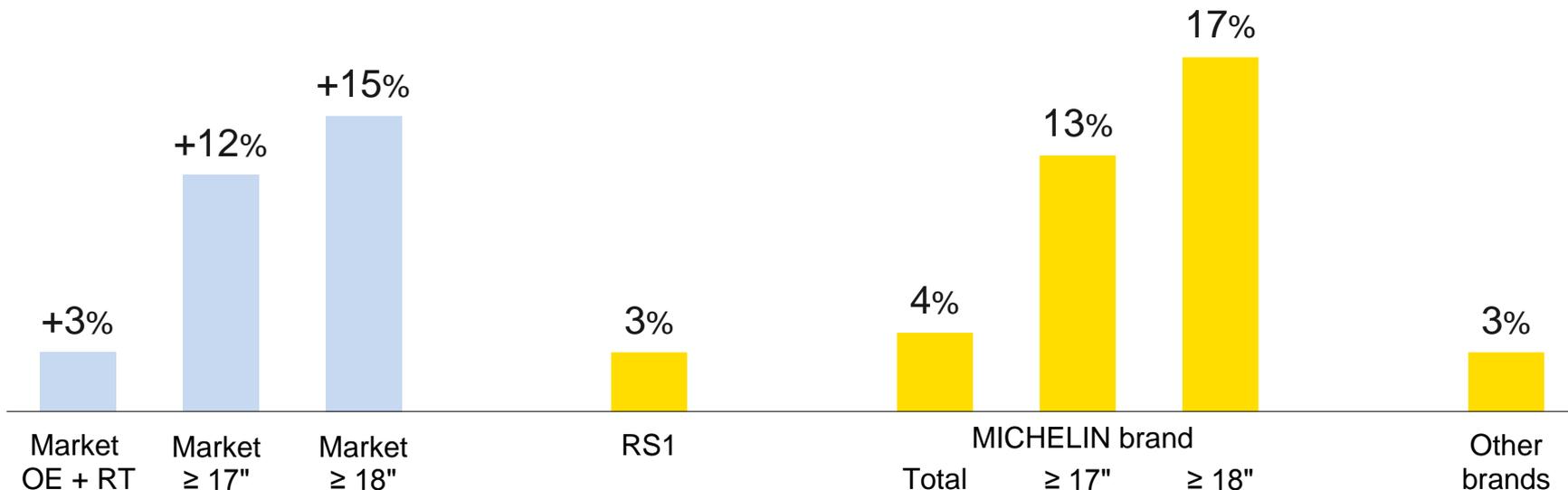


2 tires in 1 technology



# Passenger car/Light truck tires: solid performance across every brand and segment

▲ Passenger car and Light truck growth (YoY)

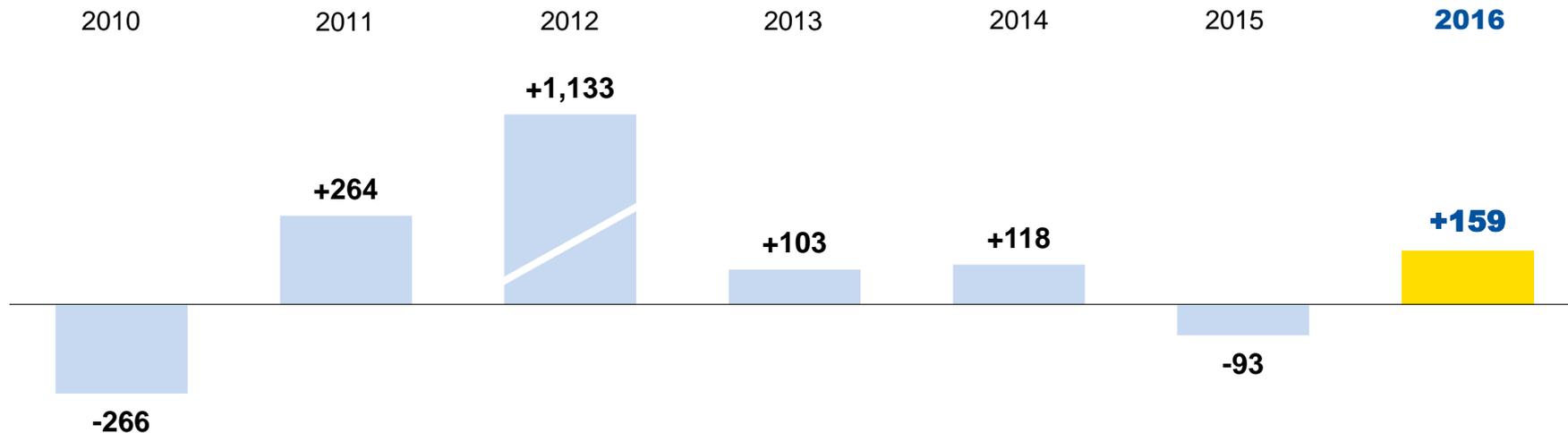


Source: Michelin



# Improvement in unit margin due to effective pricing management over time

▲ Net effect of price mix and raw materials prices on operating income  
(in € millions )



# A sustained cost reduction dynamic, in line with our objectives

**Objectives met** ✓

<i>In € millions</i>	2007-2010 plan Target: €1,000m	2012-2016 plan Target: €1,200m	2017-2020 plan
SG&A	251	522	500/550
Manufacturing -Transport	406	448	450/500
Raw materials	365	227	150/200
<b>Total</b>	<b>1,022</b>	<b>1,197</b>	<b>~1,200</b>

# Sustained margin improvement in RS1, consolidation in RS2 and firm resistance in RS3

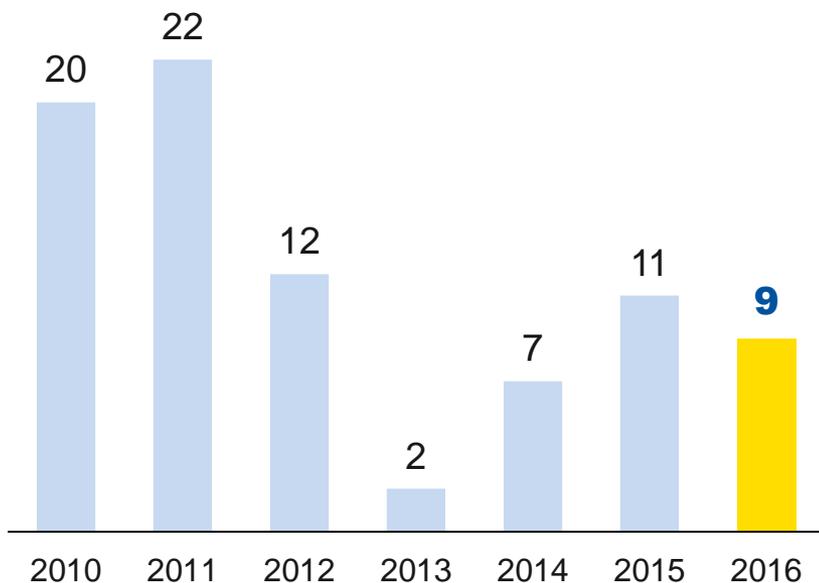
<i>(in € millions)</i>		2016	2015	% change
	<b>RS1 net sales</b>	<b>12,105</b>	12,028	+1%
	<b>Operating income*</b>	<b>1,585</b>	1,384	+15%
	<b>Operating margin*</b>	<b>13.1%</b>	11.5%	+1.6 pts
	<b>RS2 net sales</b>	<b>5,966</b>	6,229	-4%
	<b>Operating income*</b>	<b>580</b>	645	-10%
	<b>Operating margin*</b>	<b>9.7%</b>	10.4%	-0.7 pts
	<b>RS3 net sales</b>	<b>2,836</b>	2,942	-4%
	<b>Operating income*</b>	<b>527</b>	548	-4%
	<b>Operating margin*</b>	<b>18.6%</b>	18.6%	+0 pt

\* On recurring activities

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

## ▲ Gearing

Net debt/equity, in %

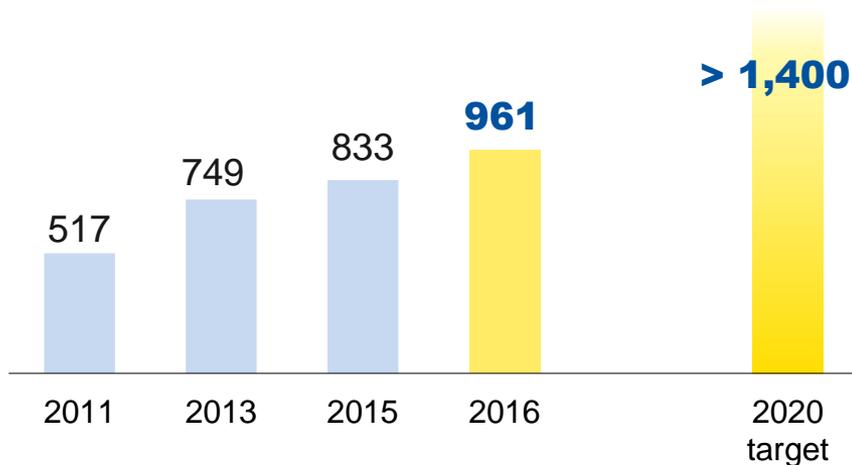


## ▲ Solid long-term ratings

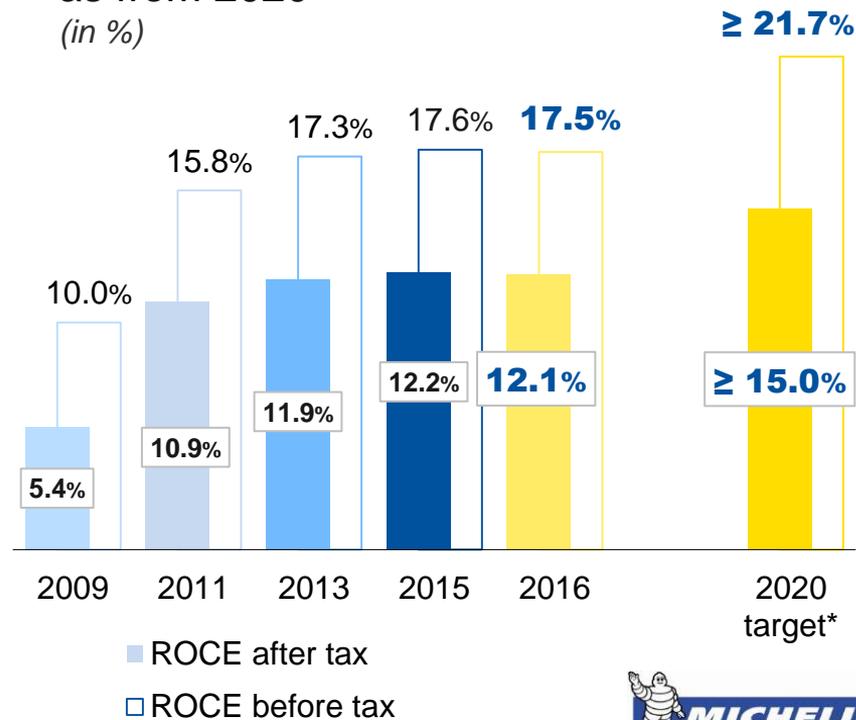
Short term	S&P Moody's	A-2 P-2
Long term	S&P Moody's	A- A3
Outlook	S&P Moody's	Stable Stable

# 2016 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

May 19, 2017

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**2** / **1st Quarter 2017:  
net sales of €5.6 billion, up 10%,  
with a 7.3% increase in volumes**

# Q1 2017 markets lifted by early buying ahead of RT price increases



## PASSENGER CAR: +5%

**Global OE: +4%**

**Global RT: +5%**

- Robust demand in every region



## TRUCK: +8%

**Global OE: +9%**

**Global RT: +7%**

- OE: sustained firm growth in China and Europe, declines in North and South America
- RT: demand boosted by price increases and by favorable global freight conditions



## SPECIALTY: +9%/+11%

- Mining tires: rising demand led by the end of destocking
- RT Agricultural and Infrastructure tires: markets supported by price hikes
- OE Agricultural: stable
- Aircraft\* and Two-Wheel\*\* tires: continued growth

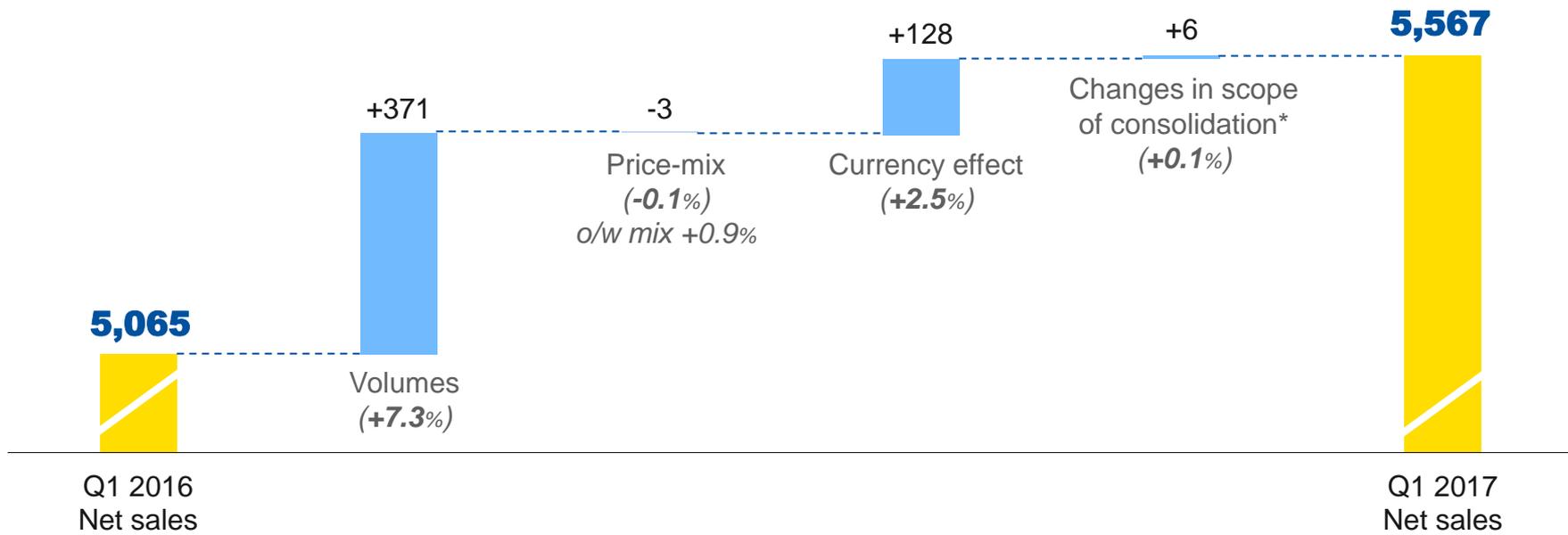
\* Commercial aircraft

\*\* Motorcycle tires in Europe, the United States and Japan

# Net sales lifted by sharply higher volumes

▲ YoY change  
(in € millions and %)

**+9.9%**

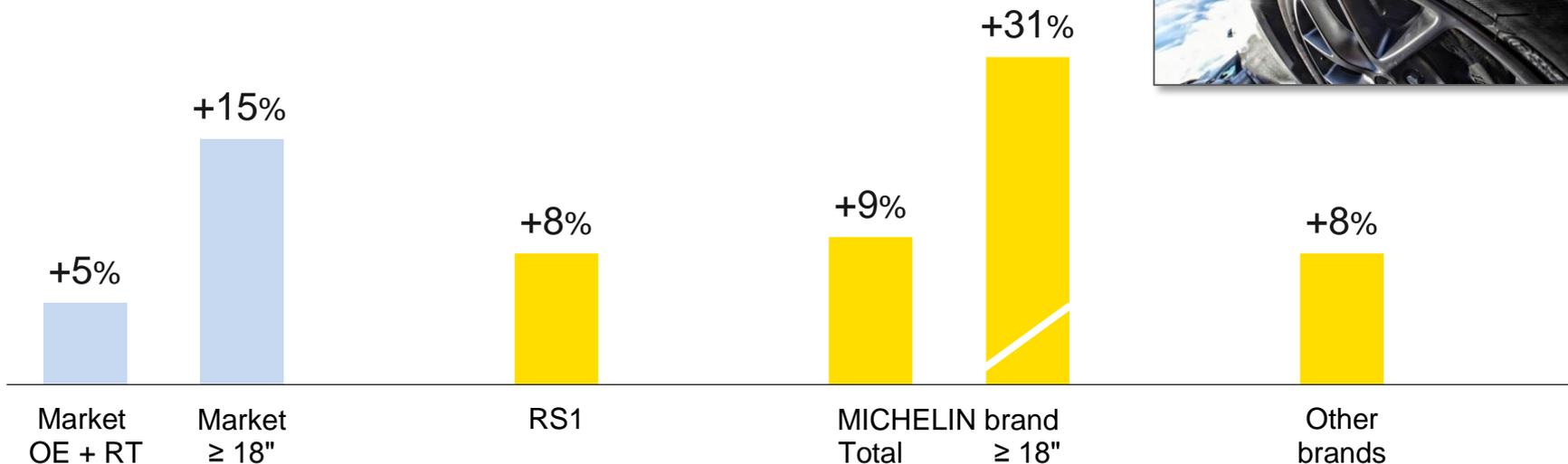


\* BookaTable



# Passenger car and Light truck tires: solid performance across all brands and in every segment

## ▲ Passenger car and Light truck growth (YoY)



Source: Michelin

# Improved Group positions

(in € millions and % in tonnes)

	Q1 2017	Q1 2016
 <p><b>RS1 net sales</b> <i>Volume growth</i></p>	<p><b>3,201</b> <b>+8%</b></p>	<p>2,897 +4%</p>
 <p><b>RS2 net sales</b> <i>Volume growth</i></p>	<p><b>1,518</b> <b>+3%</b></p>	<p>1,430 +3%</p>
 <p><b>RS3 net sales</b> <i>Volume growth</i></p>	<p><b>848</b> <b>+14%</b></p>	<p>738 +0%</p>

May 19, 2017

## ANNUAL SHAREHOLDERS MEETING



# 3

## 2017 guidance confirmed

# 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 in interest on the 2017 Océane zero-coupon convertible bonds.

# 2017 scenario\*: H1 lifted by volumes and H2 by price increases

	H1 2017	2017
Impact of raw materials costs		Around €900m headwind
Currency effect		Around a positive €100m
Net price-mix/raw materials effect	€100-200m headwind	Indexed businesses: negative Non-indexed businesses: neutral
Competitiveness plan gains vs. inflation		Slightly positive

\* Based on the following prices: natural rubber: \$2/kg; butadiene (US and Europe): \$1,600/T; brent: \$55/bbl; EUR/USD: \$1.06

# Worldwide price increases for Michelin

Europe	North America	South America	China	ASEAN
Up to 8% over the first four months	Up to 8% from Feb. to April	Up to 3% in January	Up to 8% in February	Up to 8% in March-April

- Further price increases have been announced in Europe in the Truck (up 5% to 8% from May), Passenger car and Light truck (up 2% to 3% from June), and Agricultural (up 12% from July) segments.

May 19, 2017

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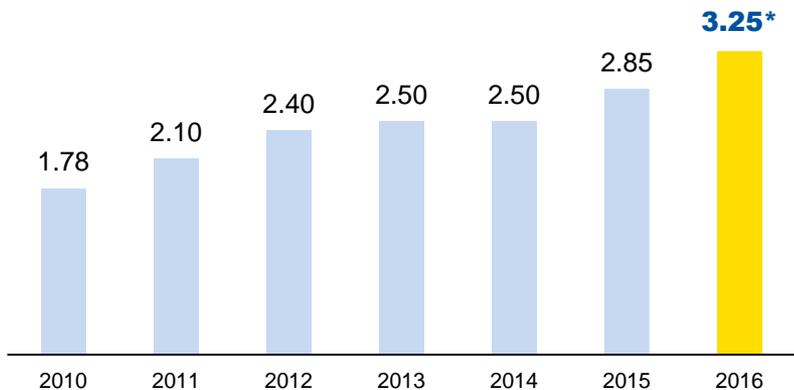
# 4

## Shareholder commitment

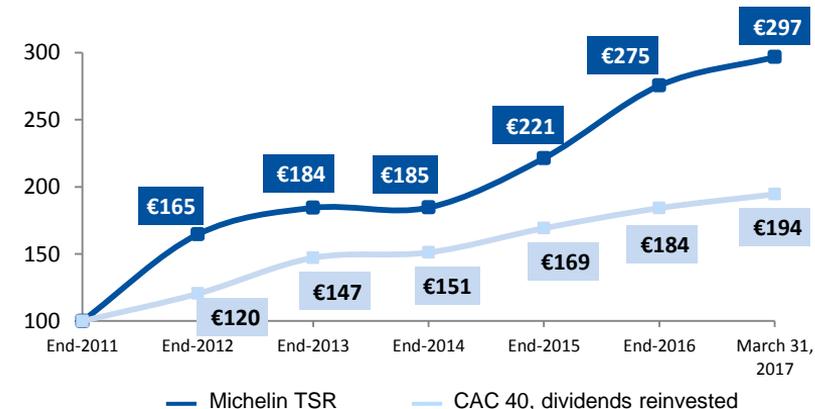
# Sustained shareholder return policy: dividends and share buybacks

- 2016 Dividend: €3.25\* per share, representing a payout ratio of 36.5%
- €750m share buyback plan
  - €750m committed in 2015-2016 and cancellation of 4.5% of outstanding shares
  - 2017: €100m in buybacks planned to offset the dilutive impact of share-based compensation

## ● Dividend per share (in €)



## ● Total Shareholder Return



\* Subject to shareholder approval at the Annual Meeting on May 19, 2017



**MICHELIN**

**PILOT SPORT 4 S** 

### **1<sup>st</sup> in (the largest number of) essential performances:**

- 1<sup>st</sup> in DRY braking <sup>(1)</sup>
- 1<sup>st</sup> in WET braking <sup>(1)</sup>
- 1<sup>st</sup> in DRY laptime <sup>(1)</sup>
- 1<sup>st</sup> in longevity <sup>(2)</sup>

#### **LEGAL MENTIONS**

(1): Thanks to external tests realized by TÜV SÜD in June and July 2016 in 255/35-19 96 Y XL with BRIDGESTONE Potenza S001, CONTINENTAL SportContact 6, DUNLOP Sport Maxx RT 2, GOODYEAR Eagle F1 Asymmetric 3, and PIRELLI Pzero Nero GT bought on European replacement market in 2016 by TÜV SÜD.

(2): Thanks to external tests realized on Michelin request by DEKRA Test Center in June and July 2016 in 255/35-19 96 Y XL with BRIDGESTONE Potenza S001, CONTINENTAL SportContact 6, DUNLOP Sport Maxx RT 2, GOODYEAR Eagle F1 Asymmetric 3, and PIRELLI Pzero Nero GT bought on European replacement market in 2016 by TÜV SÜD.