



# PARIS

## Exane BNP Paribas 16<sup>th</sup> European CEO Seminar

June 20, 2014





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Exane BNP Paribas – 16<sup>th</sup> European CEO Seminar

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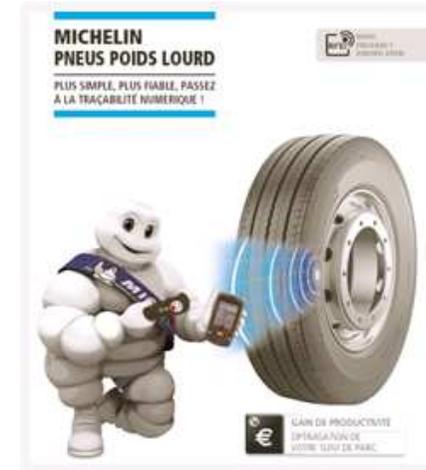
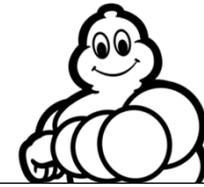
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## MICHELIN: A SOLID PERFORMANCE

# Michelin Smart Tire Solutions: an innovative leader



EFFIFUEL™

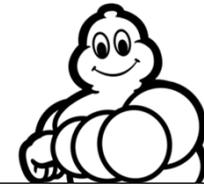


by

MICHELIN solutions



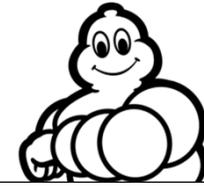
# Tire innovation: MICHELIN Premier A/S, self-regenerating tire



A central graphic featuring a small tire icon surrounded by six circular icons: a red octagonal 'STOP' sign, a fuel pump, a sun, a water drop, a triangular warning sign with a curved arrow, and a blue icon of a person with a wrench. Below this graphic is the Michelin logo and the text 'MICHELIN Total Performance'.



# Safe when New, Safe when Worn, Safe when New vs. Competition



## WET BRAKING DISTANCE

**NEW** MICHELIN® Premier® A/S



**110 ft. - 33.5 m**

**NEW** US Premium Competitor A



**134 ft. – 40.9 m**

**NEW** US Premium Competitor B



**134 ft. – 40.9 m**

**WORN** MICHELIN® Premier® A/S

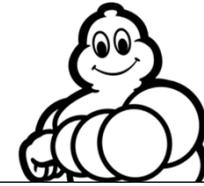


**116 ft. – 35.4 m**

**OVER A CAR LENGTH SHORTER WET BRAKING, WHEN WORN**



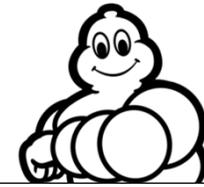
# Tire innovation: MICHELIN AxioBib, the world's largest tractor tire



# Tire innovation: MICHELIN X-Coach line in China



# Mining services: reduce total tire cost through effective, predictive preventive maintenance



Optimize total cost of ownership



P, T.



1 sensor per tire



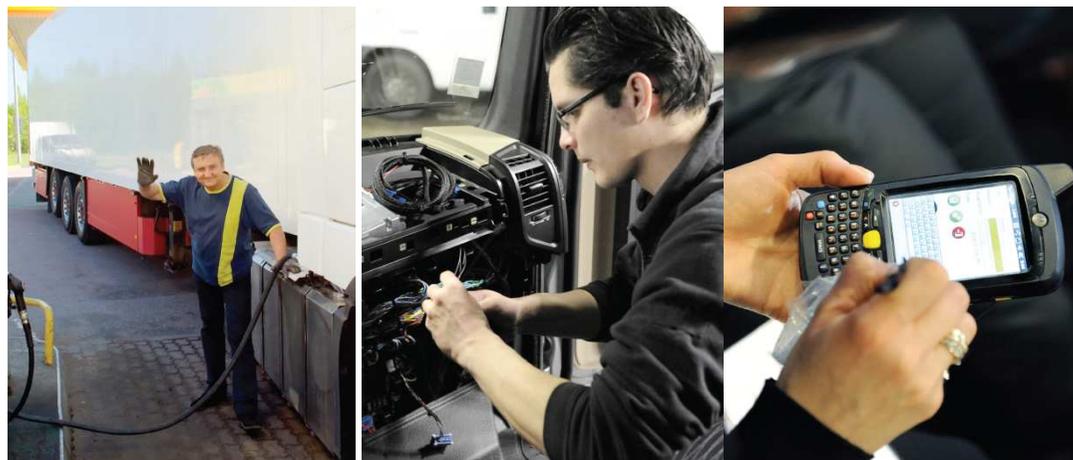
1 device per truck



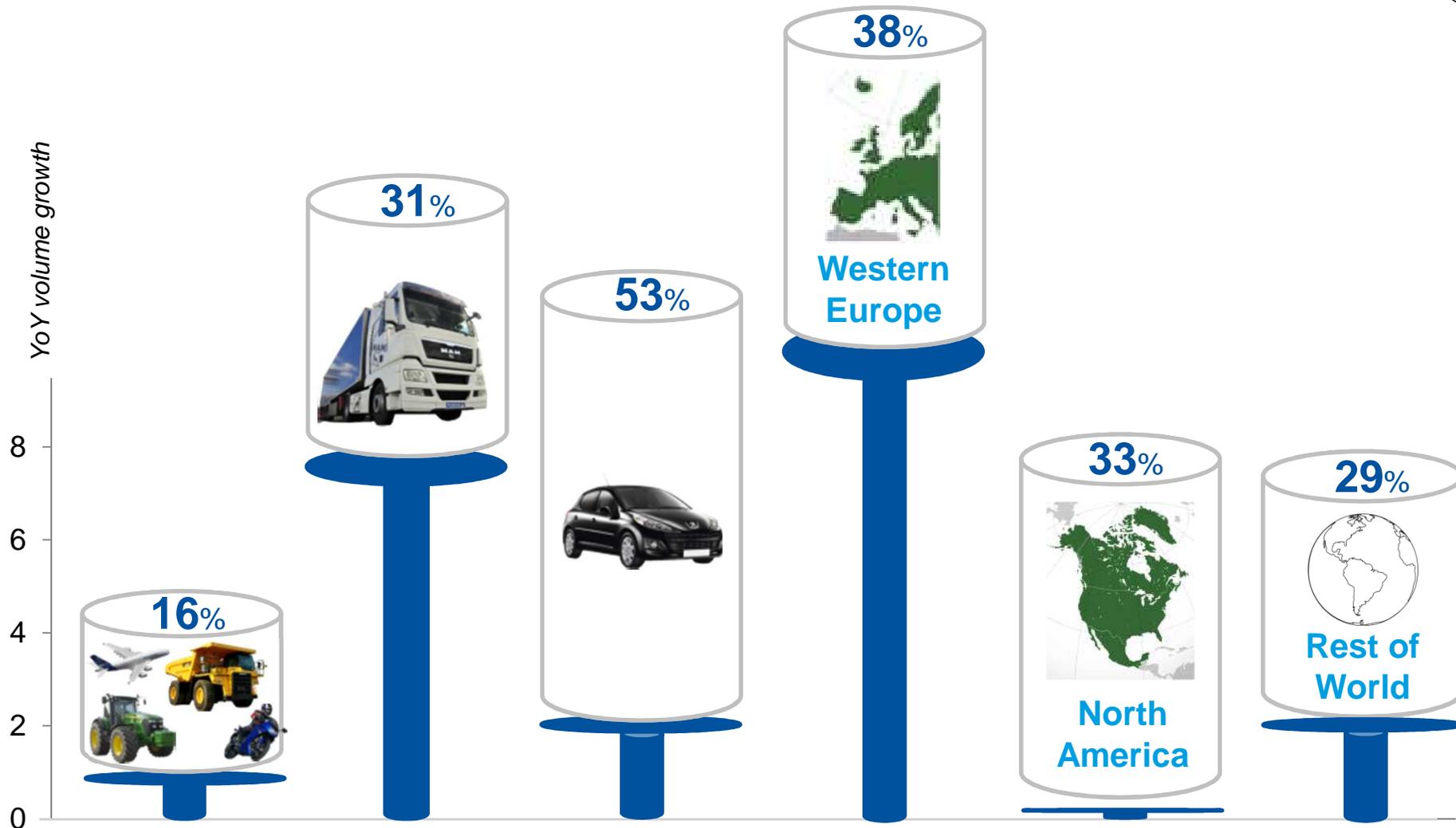
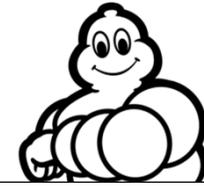
# Michelin already involved in Truck fleet solutions: EFFIFUEL, the offer from MICHELIN solutions



- ▶ Help reduce and manage fleet fuel consumption
  - Contractual commitment to reduce fuel spend
  - Training in eco-driving and real time monitoring of driver behavior
  - Tire management, low rolling resistance tires, cloud based tread/pressure monitoring
  - Telematics integration and deep analytics
- ▶ For a truck traveling 120,000 km/year, savings can be greater than €2,500
- ▶ Effifuel solutions can offset up to 100% of the tire budget



# Natural hedging through a balanced geographic and product mix



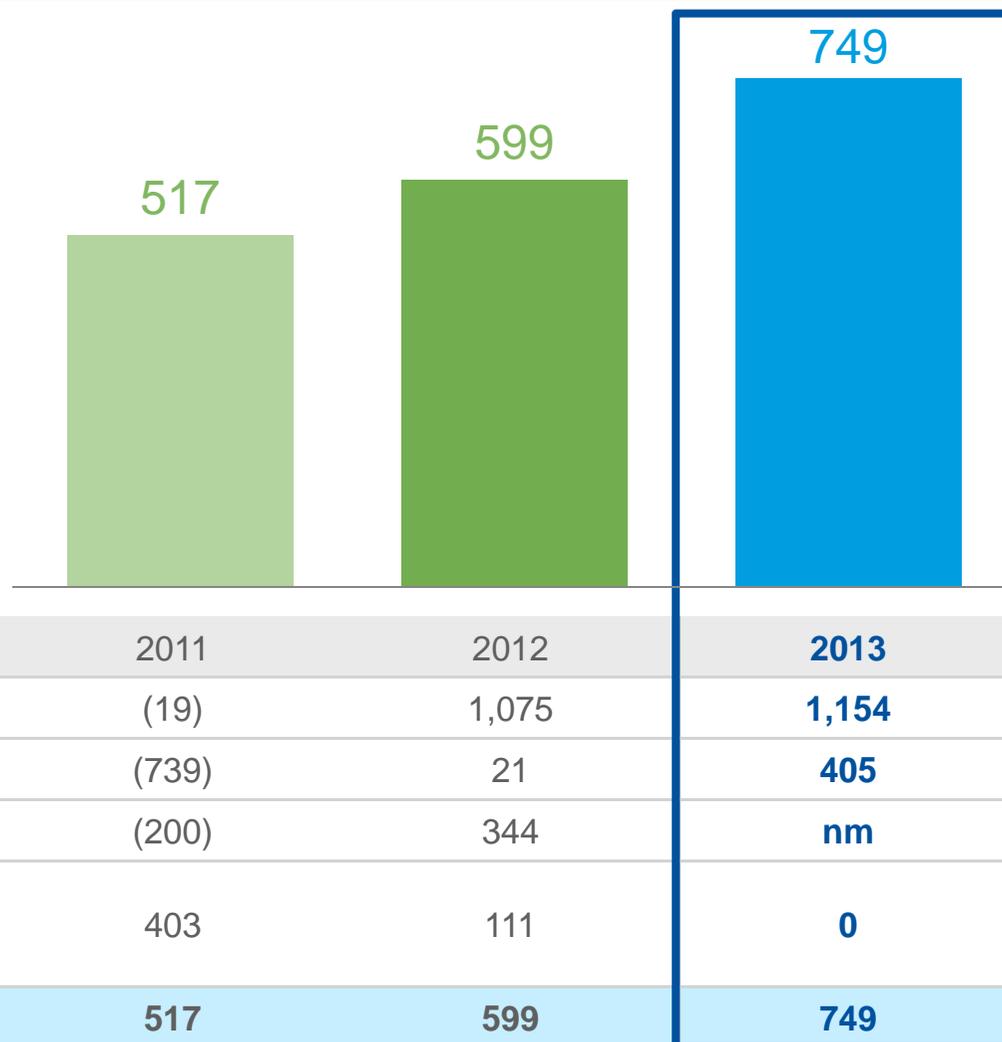
Percentage contribution of each segment/region to total Q1 2014 consolidated net sales



# A business that structurally generates free cash flow



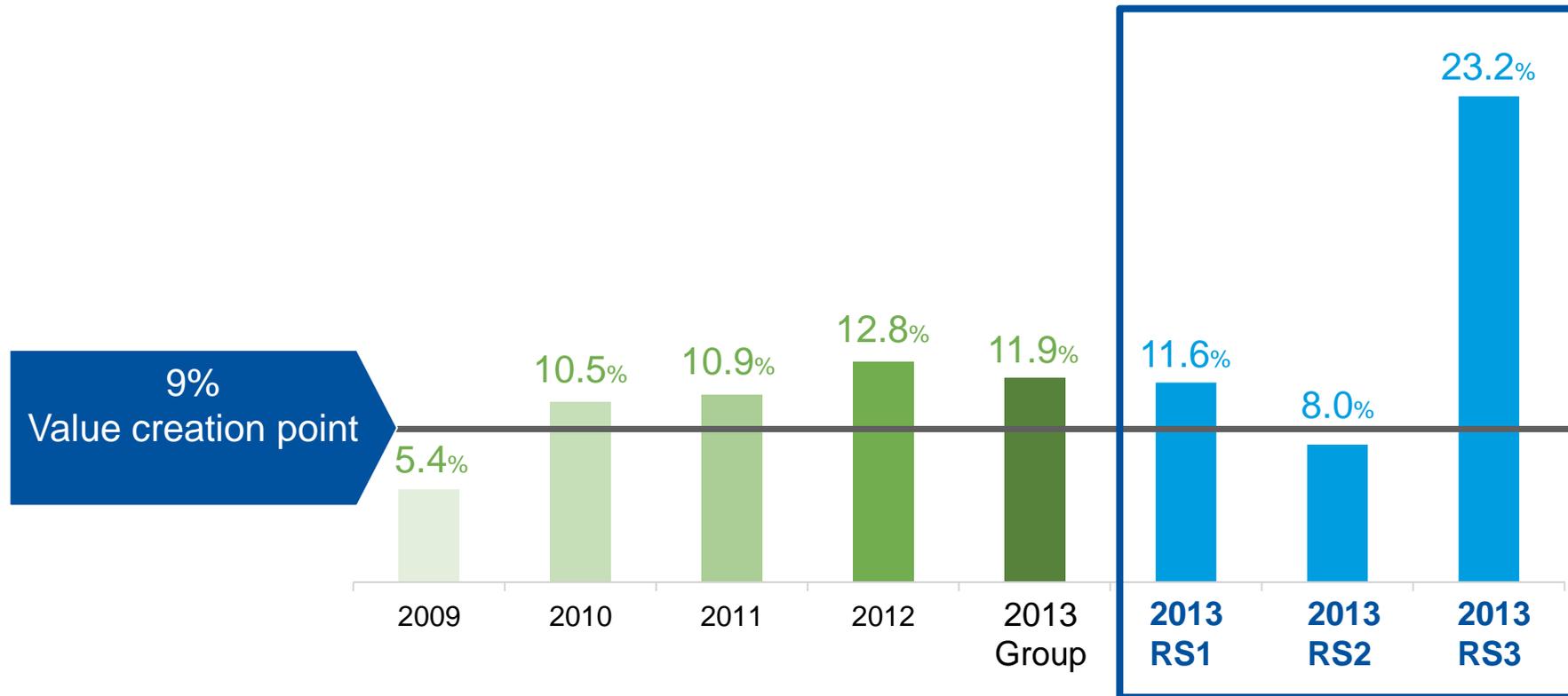
## Structural free cash flow



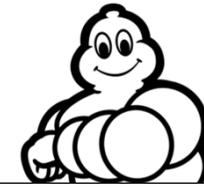
# Fourth straight year of value creation while investing in the growth regions



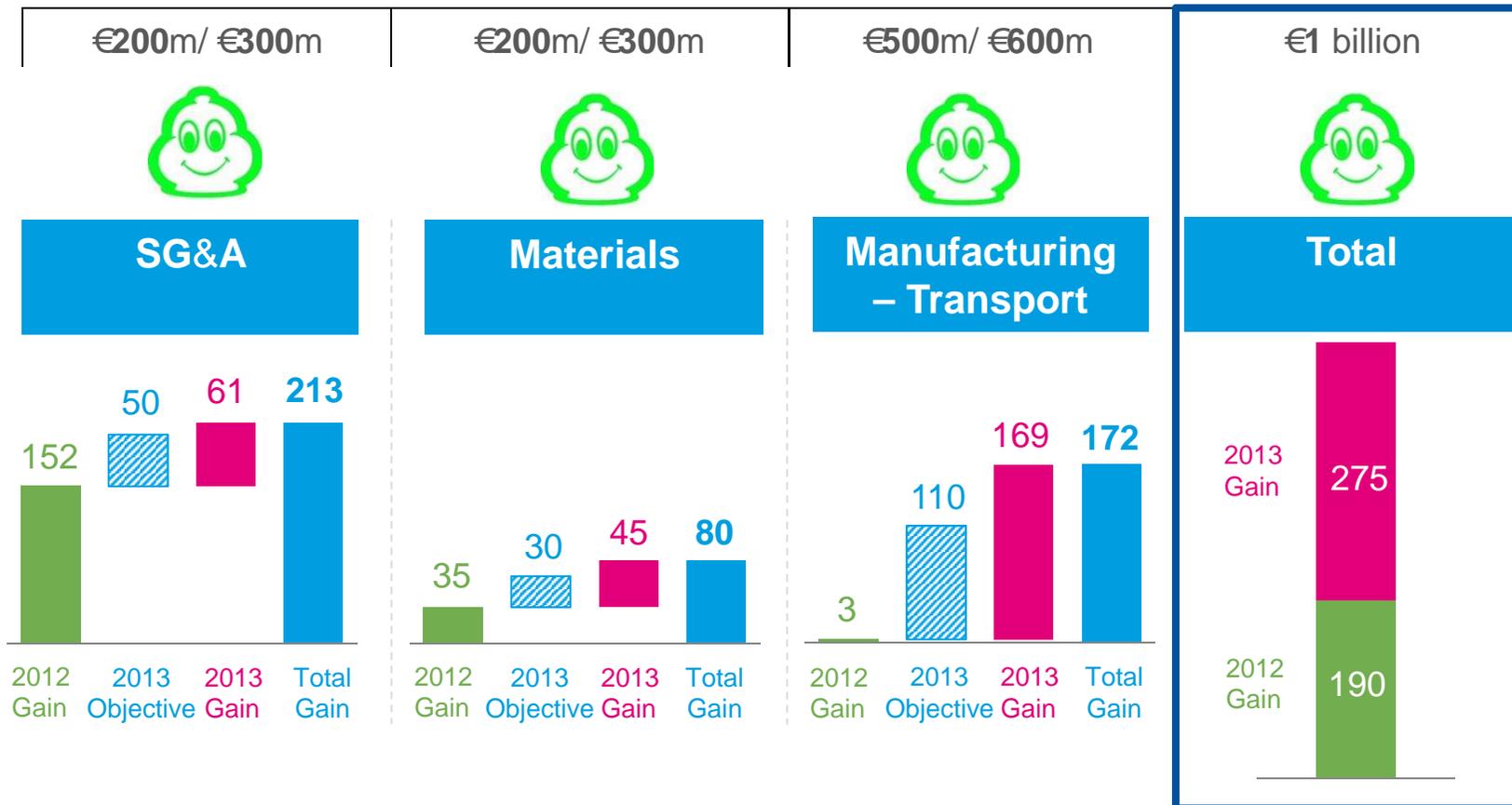
## Return on capital employed (ROCE) *(after tax)*



# 2012-2016 Competitiveness Plan: €465 million in gains in two years despite weak volumes



## GAIN OBJECTIVES 2012 – 2016\*



\*Before inflation and including avoided costs





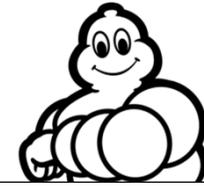
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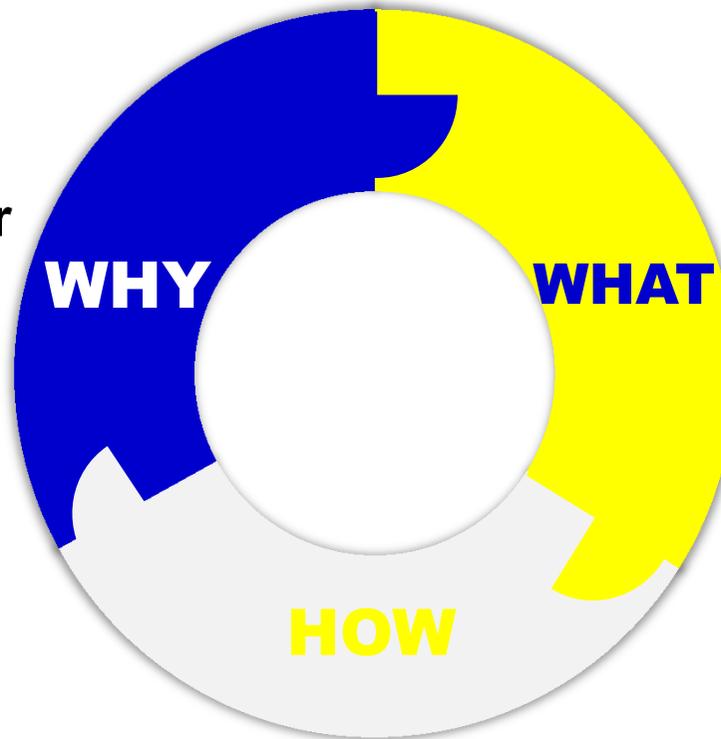


## STEPPING UP THE DEVELOPMENT OF SMART TIRE SOLUTIONS

# Group purpose: caring about giving people a Better Way Forward



**Because we believe mobility is essential for human development.**

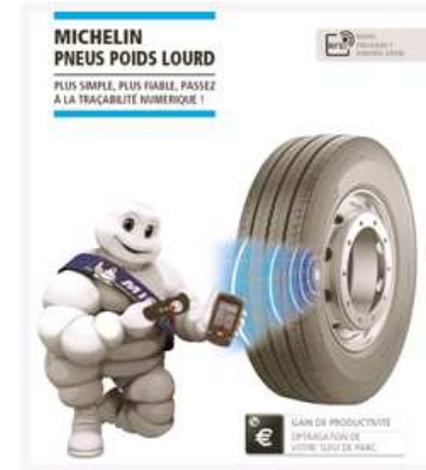
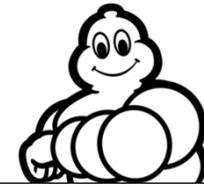


**We innovate passionately to make road mobility safer, more convenient and environmentally friendly.**

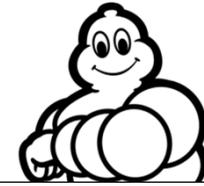
**We meet our economic, social and environmental responsibilities through the Michelin Performance and Responsibility Approach.**



# Michelin Smart Tire Solutions: an innovative leader in the field of tires and services



# Fleet management: a strategic opportunity



- ▶ Tire related services needs
  - Position of vehicle
  - Mileage
  - Consumption
  
- ▶ Fleet management needs
  - Managing driver working hours (which requires a connection to the customer ERP, making it more complicated to change suppliers).
  - Compliance (vehicle regulations, working hours) or productivity gains.
  - In Brazil, combination of driver supervision and security (theft prevention).
  
- ▶ Tire related services and Fleet management require
  - Telematics Service Provider (TSP) = Onboard Unit device + data captured on a server + analyzed data returned to the customer as SaaS\* or interfaced with their ERP
  
- ▶ Services generate strong income

\* *Software as a Service*



# Solution features

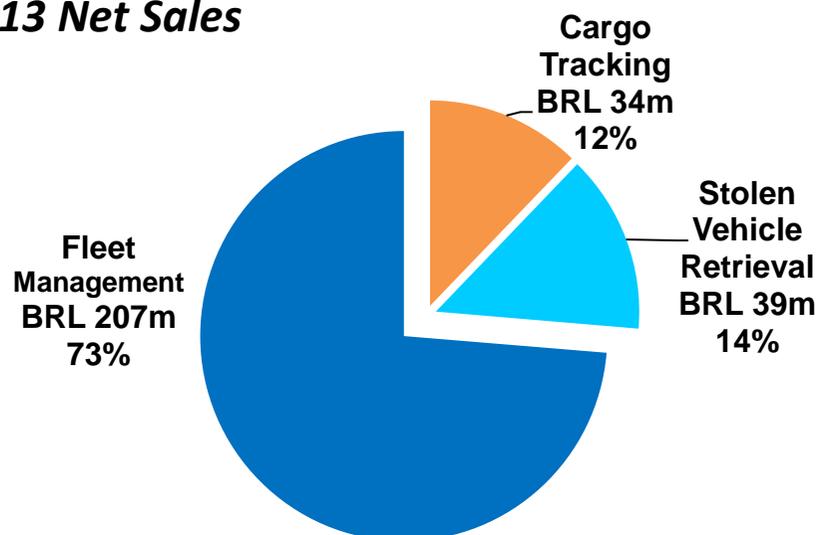


- ▶ Once installed, the OBU enables many functions at a limited marginal cost:
  - Vehicle geolocation
  - Anomaly alerts (speeding, geo-fence violations, working hours, etc.)
  
- ▶ If certain data analytics and/or additional sensors are deployed, other functions become accessible:
  - Fuel fraud (fuel level sensor)
  - Driver scoring (eco-score or safety score)
  - Tracking driver working hours (digital tachograph)
  - Tire pressure monitoring via digital TPMS
  
- ▶ Lastly, acquired data are essential for companies that use them to create new value:
  - Predictive maintenance
  - Smart routing (to choose the fastest or most fuel efficient route)
  - Validate technological choices

# Sascar at a glance: an emerging market champion with leading technology



## 2013 Net Sales

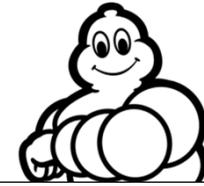


- 2013 Net Sales: BRL 280m
- 2013 Net Sales Growth: 24%
- 2013 EBITDA Margin: 37%
- Vehicle Base: 230K (TB & PC)
- Employees: 870 as of June 1, 2014

Outlook	2014	5-year horizon
Revenue growth	up 14%	up 15%-20% per annum
<i>In % of Net Sales</i>		
EBIT	23%	20%-25%



# Sascar acquisition accretive to consolidated earnings



- ▶ Enterprise Value of BRL1,600m (~€520m)
  - Cash out BRL1,353m\* (~€440 m)
  - Net debt BRL247m\* (~€80 m)
  - Representing around 11x 2014(e) Sascar EBITDA
  
- ▶ Prior-transaction multiples
  - c.10x to 14x LTM EBITDA
  
- ▶ Comparable companies
  - Trading 2014(e) EBITDA multiple ranges: c.14x to 19x

\* Amounts to be adjusted when the acquisition closes

# Michelin, #1 in Brazil, and Sascar, emerging market TSP champion: growing faster together



- ▶ 2013: Sascar net sales BRL 280m with only 5% of Brazilian fleets equipped
- ▶ Business value driven by demonstrated past and future growth
  - Fleet management 20+% CAGR expected
  - Enhanced service demand thanks to efficient new digital technologies and growing number of equipped vehicles
- ▶ Extending the customer base:
  - Short-term:
    - Sascar drives faster growth in Brazil by leveraging Michelin's dealer network, particularly in big fleets
    - Michelin gains access to Sascar's small fleet customer base
  - Medium-term:
    - Adding more value to the solutions through cross-fertilization (data analytics, smart reporting)
    - Globalizing Michelin's telematics offer



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## 2014 GUIDANCE CONFIRMED

# Passenger car & Light truck tire market: continuing growth in Western Europe but held back by Eastern Europe



## May 2014 / 2013

Market	Europe*	North America	Brazil	China
Original Equipment	▲ +2%	▲ +2%	▼ -22%	▲ +11%
Replacement	▲ +5%	▲ +3%	▲ +9%	▲ +3%

## YTD (May 2014)

Market	Europe*	North America	Brazil	China
Original Equipment	▲ +6%	▲ +3%	▼ -15%	▲ +10%
Replacement	▲ +4%	▲ +6%	▲ +5%	▲ +9%

\* Russia and Turkey included



# Truck tire market: high May-2013 basis for comparison in Western Europe and Brazil



## May 2014 / 2013

Market (Radial+Bias)	Europe*	North America	Brazil
Original Equipment	▼ -7%	▲ +16%	▼ -25%
Replacement	▲ +2%	▲ +0%	▼ -10%

## YTD (May 2014)

Market (Radial+Bias)	Europe*	North America	Brazil
Original Equipment	▼ -6%	▲ +8%	▼ -8%
Replacement	▲ +7%	▲ +7%	▲ +1%

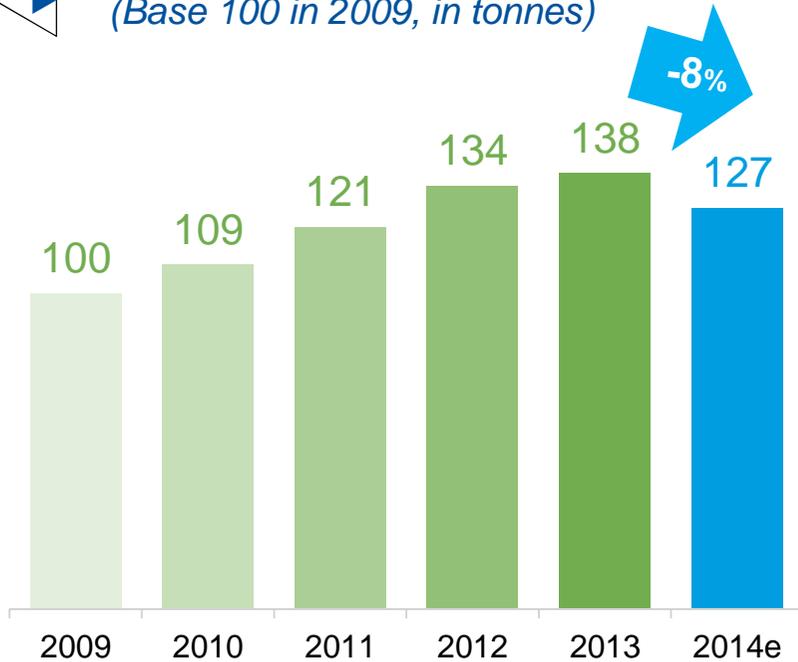
\* Russia and Turkey included



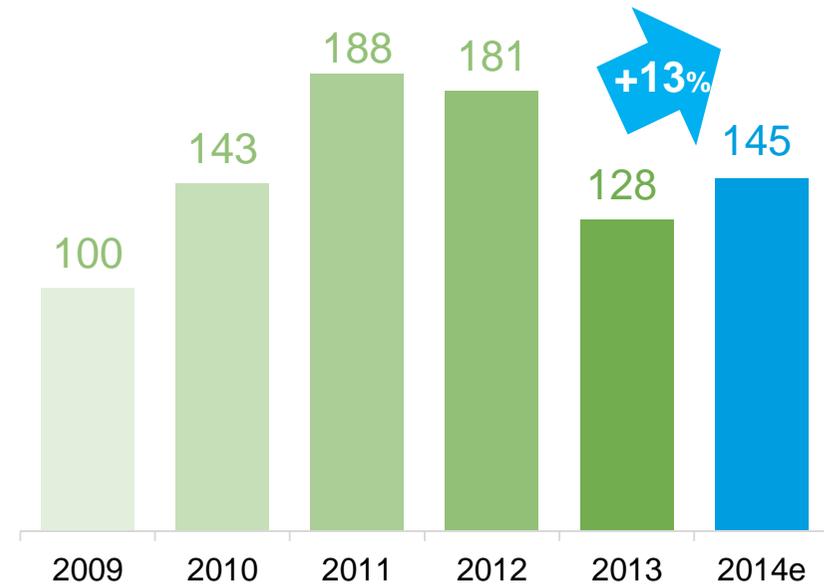
# Uneven Earthmover markets



**Earthmover markets**  
(Base 100 in 2009, in tonnes)



**Mining**



**Infrastructure and original equipment**  
(Europe and North America)



# 2014 GUIDANCE CONFIRMED



	2013	Guidance 2014	
Volumes	+ 0%	Increase in volumes of around 3%	confirmed
Impact of raw material price	+ €619m	Tailwind (due to the measurement of raw materials inventory at weighted average cost)	confirmed
Price / raw materials	+ €69m	Positive	confirmed
Competitiveness / production costs	+ €30m	Neutral	confirmed
Increase in SG&A expense	- €1m	Slightly higher	confirmed
Operating income before non-recurring items	€2,234m	Lifted by growth, excluding any currency effects	confirmed
Operating margin before non-recurring items – Passenger car tires (RS1)	10.2%	Middle of the 10-12% range	confirmed
Operating margin before non-recurring items – Truck tires (RS2)	7.8%	Top of the 7-9% range	confirmed
Operating margin before non-recurring items – Specialty businesses (RS3)	20.6%	Bottom of the 20-24% range	confirmed
ROCE	11.9%	More than 11%	confirmed
CAPEX	€1,980m	Around €2,000m	confirmed
Structural free cash flow	€749m	More than €500m	confirmed

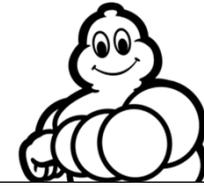


# Key Takeaways



- ▶ Michelin's purpose and mission these past 125 years has been to further mobility and to provide a Better Way Forward.
- ▶ Leveraging its strategic strength, Michelin has confirmed its objectives for 2014
- ▶ The accretive Sascar acquisition is completely consistent with the Group purpose
- ▶ Smart tire solutions, combining tire innovations and more services, will drive Michelin's continued mobility leadership in the 21<sup>st</sup> century

# Next events



Once a month

**Tire market trends**

July 29, 2014

**First-half 2014 results**

October 22, 2014

**Net sales at September 30, 2014**

November 10, 2014

**Investor Day in Shenyang (China)**

February 10, 2015

**Full-year 2014 results**

# Contacts



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