

JANUARY 22, 2019

**MICHELIN ACQUIRES  
MULTISTRADA,  
*THEREBY GAINING EFFICIENT PRODUCTION  
CAPACITY OF 180 KT IN INDONESIA***

## With leading Indonesian tire manufacturer Multistrada, Michelin gains competitive Tier 2/Tier 3 production capacity and strengthens its presence in the fast-growing Indonesian market

- Acquire a very competitive, immediately available plant (a Tier 2 greenfield project of equivalent capacity would have required capex of USD900 million):
  - Installed production capacity of 180 KT (11 million passenger car tires, 250 thousand truck tires and 9 million two-wheel tires) and good quality facilities
  - Positive cash flow from the first year
- Rapidly convert production to Tier 2 passenger car tires with very limited investment, by leveraging Michelin's technical expertise:
  - Free up production capacity for the MICHELIN brand in Asia
  - Support growth in Tier 2 passenger car tire volumes worldwide, by gradually replacing Tier 3 exports with Tier 2 exports
- Strengthen our presence in the Indonesian market, which has strong growth potential but dominated by local producers:
  - Passenger car, two-wheel and truck tire capacity to support the market's growth and upmarket shift over the coming years
  - Enhanced market access with the acquisition of a 20% stake in dealer PT Penta
- Achieve strong synergies, without impacting the Group's robust financial position:
  - Synergies of around USD70 million expected in purchasing, sales and manufacturing costs from 2021
  - Valued at USD700 million (including plant, 50ha plot and distribution), i.e., 6.3 times EBITDA after synergies
  - Immediate cash outflow of USD439 million to acquire 80% of the share capital in an initial phase

# Multistrada, a competitive plant with strong market access

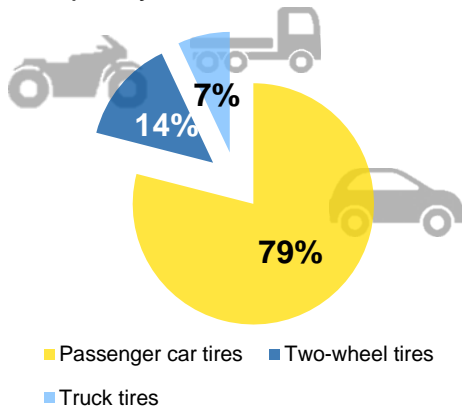
## Tier 3 production

**Productivity gain  
vs. 2016-2018:**

 **21%**



Breakdown of production  
capacity in KT



## Financial indicators

**Net sales of  
USD313 million\***

**EBITDA of  
13%\***



**3,900 employees**

\* Rolling 12 months as at end of Sept. 2018

## Distribution

**24** dealerships  
in Indonesia

more than **400** partners  
in 100 countries

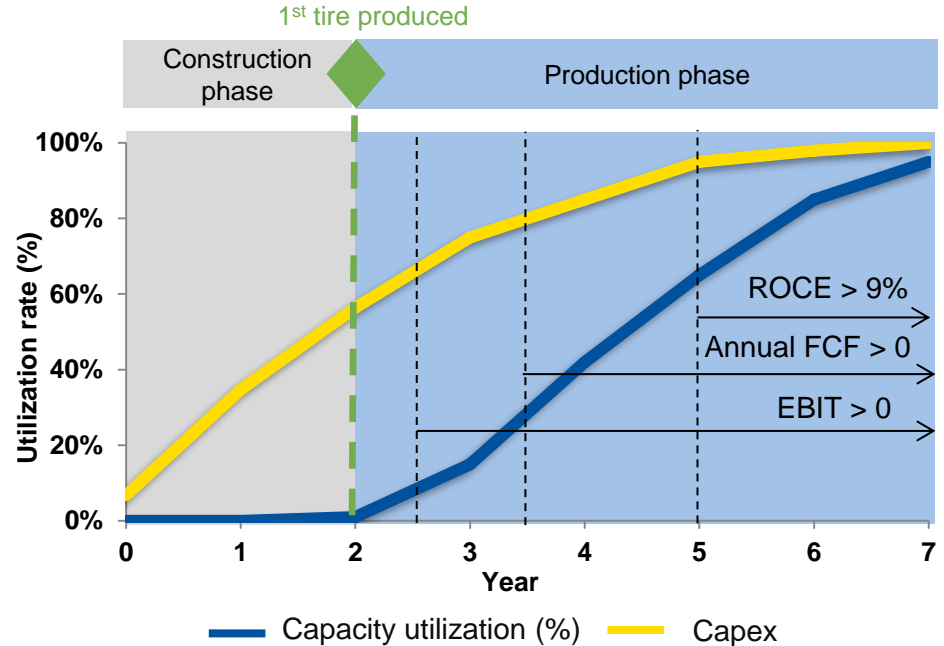
# Immediately available production capacity at minimum cost, with strong potential for expansion

## ▲ Acquisition of Multistrada:



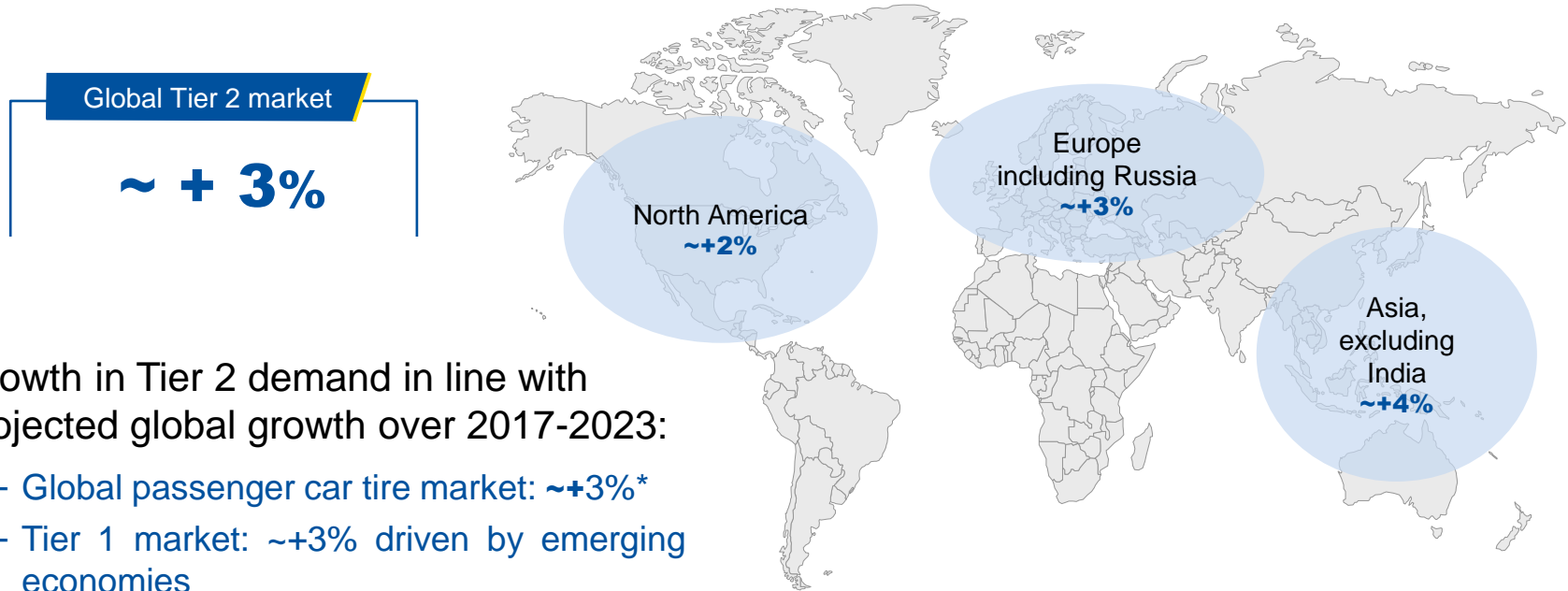
- Cost: USD700 million vs. USD900 million for a Tier 2 greenfield project
- Immediately available capacity
- Good quality facilities
- EBITDA of 13% over 12 months period ending Sept 30<sup>th</sup> 2018 with a Tier 3 production
- 50 hectare plot, offering the potential to double the size of current operations

## ▲ Greenfield ramp-up to 180 KT



# Tier 2 passenger car tire market: rising demand worldwide, particularly in Asia

- Growth in the Tier 2 market – CAGR, 2017-2023



- Growth in Tier 2 demand in line with projected global growth over 2017-2023:
  - Global passenger car tire market: ~+3%\*
  - Tier 1 market: ~+3% driven by emerging economies

\* Source: LMC

# With Multistrada, Michelin is consolidating its strengths to capture the value of the global Tier 2 market

## Key success factors in the Tier 2 market

Criteria	Multistrada	With Michelin
Technology		X
Brand		X
Distribution		X
Production costs	X	X



**BFGoodrich g-Force Winter 2**



*Make winter your playground*

**BFGoodrich Mud Terrain T/A KM3**



*Built through experience, earned on the trail.*

**BFGoodrich g-Grip ALL SEASON 2**



*Sensations all season, style included*

**KLEBER Dynaxer UHP & HP4**



*Peace of mind on wet*

**KLEBER Quadraxer 2**

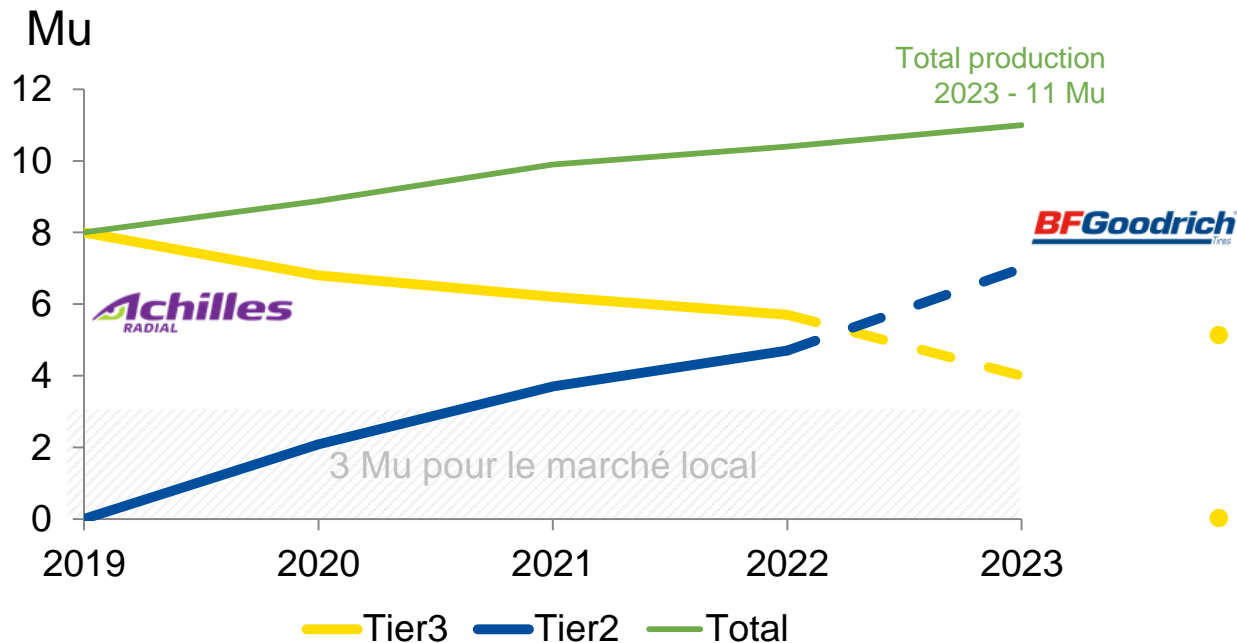


*Your best ally throughout the seasons*



# Rapidly convert PC Tier 3 capacity into PC Tier 2 capacity with very limited investment

## ▲ Change in production capacity, 2019-2023



- Capex required for the conversion: USD 13 million in 2019
- ROCE post synergies >9% from 2020

# Key success factor of the Tier 2 offering: a distribution partner that showcases Group products

- Michelin boasts industry-leading global coverage



- Wholesale partners: NTW, Ihle, Meyer Lissendorf
- A vast network of integrated, franchised dealers and companies in which Michelin held minority stakes at end-2018: approximately 7,300 points of sale excluding Multistrada

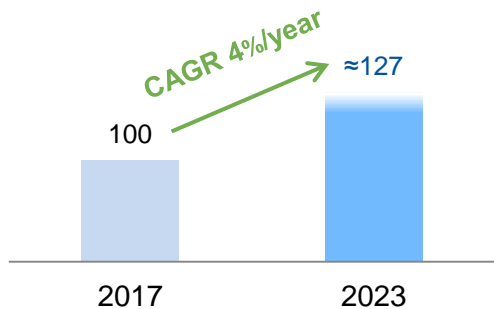


# With Multistrada, Michelin will become a major player in the fast-growing Indonesian tire market

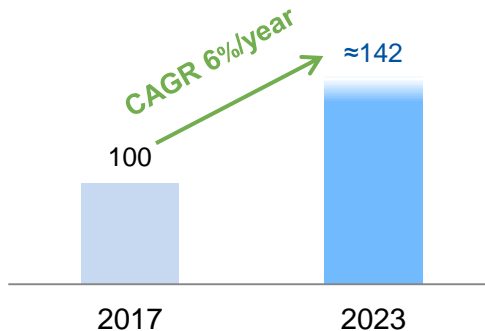
Indonesia



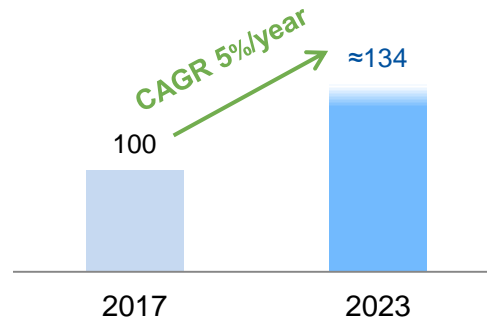
Market trends



\* Base 100 in 2017, in units



\* Base 100 in 2017, in units



\* Base 100 in 2017, in units

Michelin position with Multistrada

**Top 4**

**Top 3**  
with **CORSA**  
RAY MOTOR TANGERANG

**Major player**

Distribution network

**Leader**

Strong market access: dealerships and e-commerce  
Penta – partnership with Indomobil  
contractual guarantee locking in more than 50% of sales with Michelin



# Michelin will boast a comprehensive manufacturing base in a fast-growing region



## Eco-friendly natural rubber

*Joint venture with the Barito Pacific group*

*Reforestation of 88,000 hectares (o/w ≈45,000 ha. of rubber trees)*



## Synthetic rubber

*Joint venture with the PT Chandra ASRI group*

*New plant with annual production capacity of 120 KT*



## Tier 2 and Tier 3 tires

*Acquisition of Multistrada*

*o/w a plant with annual installed production capacity of 180 KT*



# Strong synergies of around USD70 million from 2021

- Cost synergies:
  - Better raw materials purchasing conditions
  - Reduction in Multistrada financing costs
  - Other synergies, particularly in overheads and marketing
- Sales synergies thanks to Michelin Group brands gaining access to the Multistrada distribution network
- An optimized manufacturing footprint generating some USD55 million in synergies:
  - Transfer of Tier 2 production from Asia to Multistrada to free up Tier 1 capacity
  - Manufacture of Tier 2 tires in Indonesia for export, replacing actual Tier 3 export



# PT Multistrada Arah Sarana Tbk: transaction overview



## Main terms of the transaction

- Acquisition of PT Multistrada Arah Sarana Tbk by Michelin for an enterprise value of USD700m
- In an initial phase, acquisition of 80% of the share capital from a group of shareholders, representing a cash outflow of USD439m
- Subsequently, a mandatory tender offer for the remaining 20% of the share capital

## Value creation

- Identified synergies up to USD70m from 2021
- 6.3 times EBITDA after synergies\*

## Financing

- Financed by Michelin in cash
- No impact expected on the Group's credit rating

## Provisional timetable

- Acquisition subject to customary closing conditions and regulatory approvals
- Closing expected end of first quarter 2019

\* Rolling 12 months EBITDA as at end of September 2018

## Disclaimer

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