

Investor Day in Almeria – April 04, 2019

# Michelin Group Financials Beyond 2020

*Yves CHAPOT, General Manager*

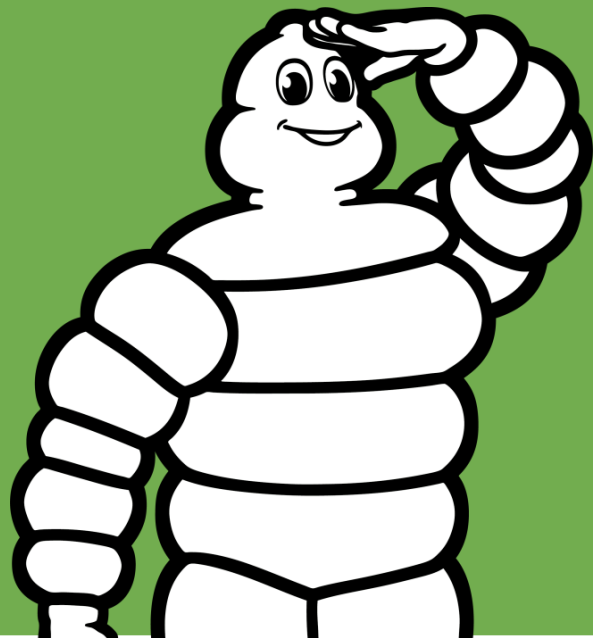


Materials

Services

Tires

Experiences





# Group SWOT in a nutshell

## Strengths

- Michelin brand power
- Comprehensive brands portfolio
- Global sound financials
- Balanced business exposure
- Innovation capacity
- Historical skills in materials
- People engagement

## Opportunities

- Strong demand for sustainability
- Digital transformation
- Strong know how in reinforced polymers
- “Fleetization”

## Weaknesses




- Overall exposure to mild growth markets
- Supply chain and Inventory level
- Velocity
- Still room for improvement in cost competitiveness

## Threats

- Market access disruption
- Industry over-capacity
- Growth of protectionism






# Tire market growth prospects

<i>(in millions units)</i>		Markets beyond 2020	Michelin growth ambitions
	RS1	~ +2% CAGR	<b><i>Growth in line with markets</i></b>
	RS2	0 to +1% CAGR	<b><i>Value-creating growth</i></b>
	RS3	~ +3% CAGR	<b><i>Growth above markets</i></b>







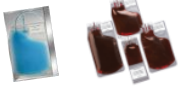


# Fenner growth prospects



	Conveyor belts	Services
Net sales 2018	£414m	
% ECS sales	 78%	22% 
Customers	Mines, Industrials	
Products		
Growth macro lever	GDP	
Growth driver	Commodity demand	Energy consumption and China demand



	Advanced Sealing Technologies	Precision Polymers	Solesis Medical
Net sales 2018	£328m		
% AEP sales	 44%	37% 	19% 
Customers	O&G, construction, energy, industrials	Industrials, agriculture, mining	Medical
Products		 	
Growth macro lever	GDP+		+10%
Growth driver	Industrial activity and product innovation		Regenerative medicine; Bioresorbables and cell therapy



# Reinforce our manufacturing efficiency: competitiveness gains boosted by 35% beyond 2020

## *INDUSTRIAL FOOTPRINT*

- Produce locally and increase flexibility to constantly adapt to local demand
- Optimise low cost plants loading and ramp-up
- Increase the number of large plants and their loading (>100ktons)

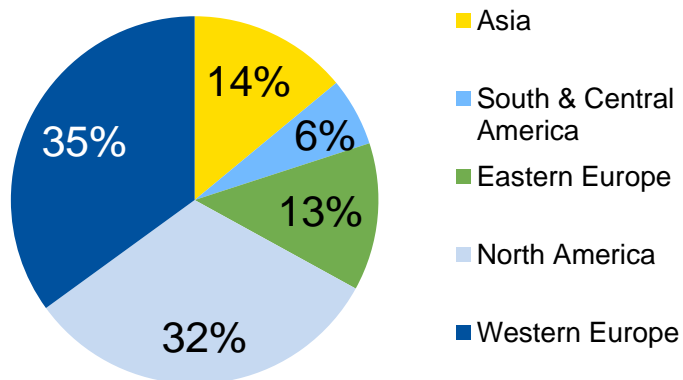
## *PRODUCTIVITY GAINS*

- Process standardization
- Digital Manufacturing
- Empowerment and Michelin Manufacturing Way deployment
- Simplicity

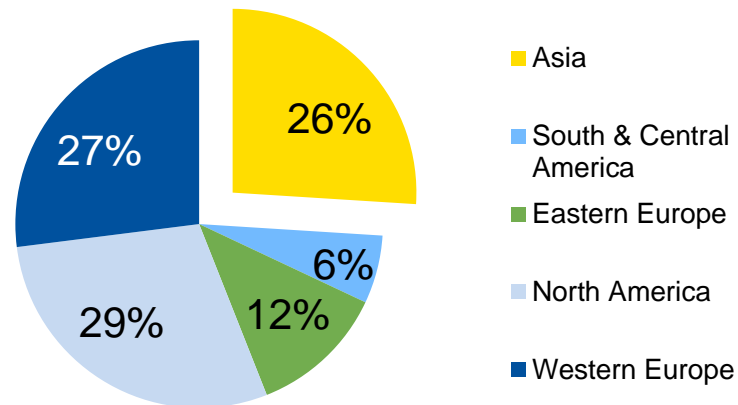


# Footprint evolution to answer tire market geo-mix

▲ Production by region in 2018 (in KT)



▲ Production by region in 2023 (in KT)  
*Including Camso and Multistrada*



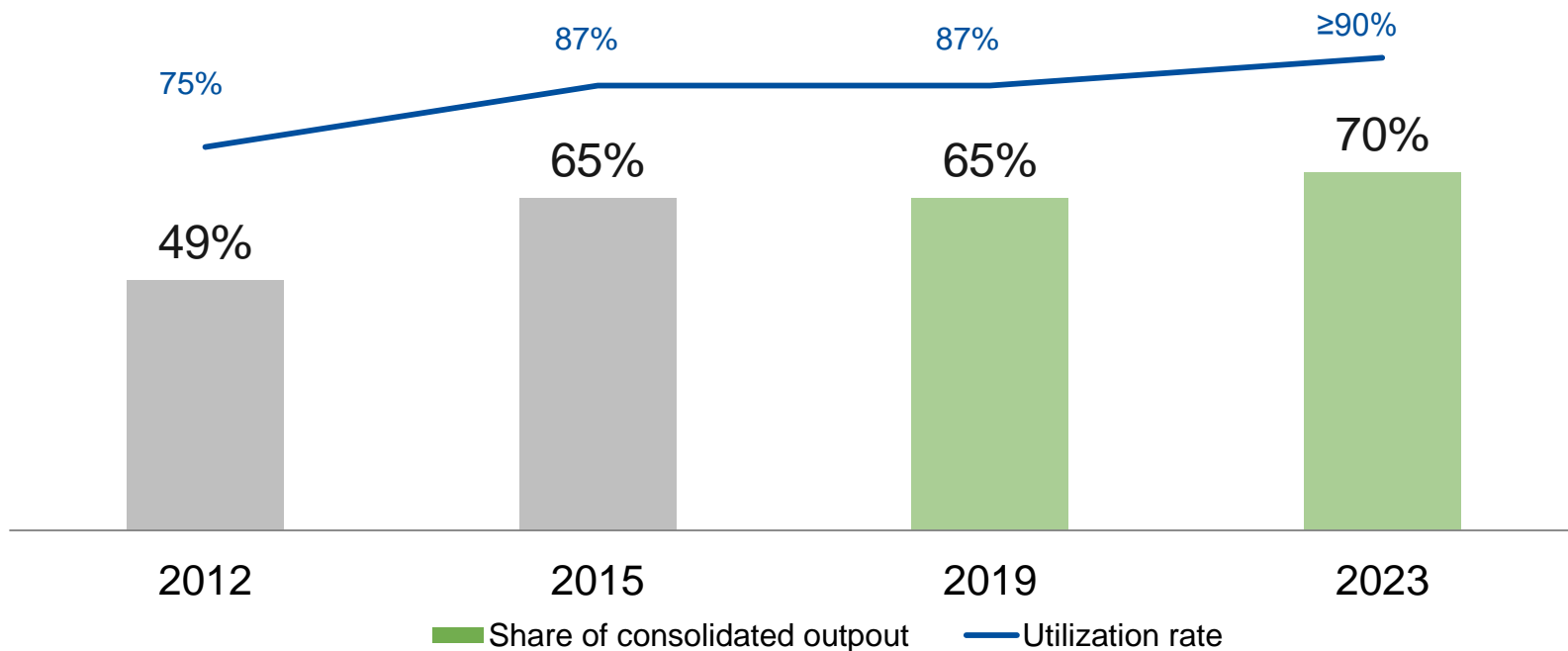
2018

2023



## Focus on large factories (above 100KT annual output)

▲ Share of consolidated output by +100KT per year plants and their utilization rate

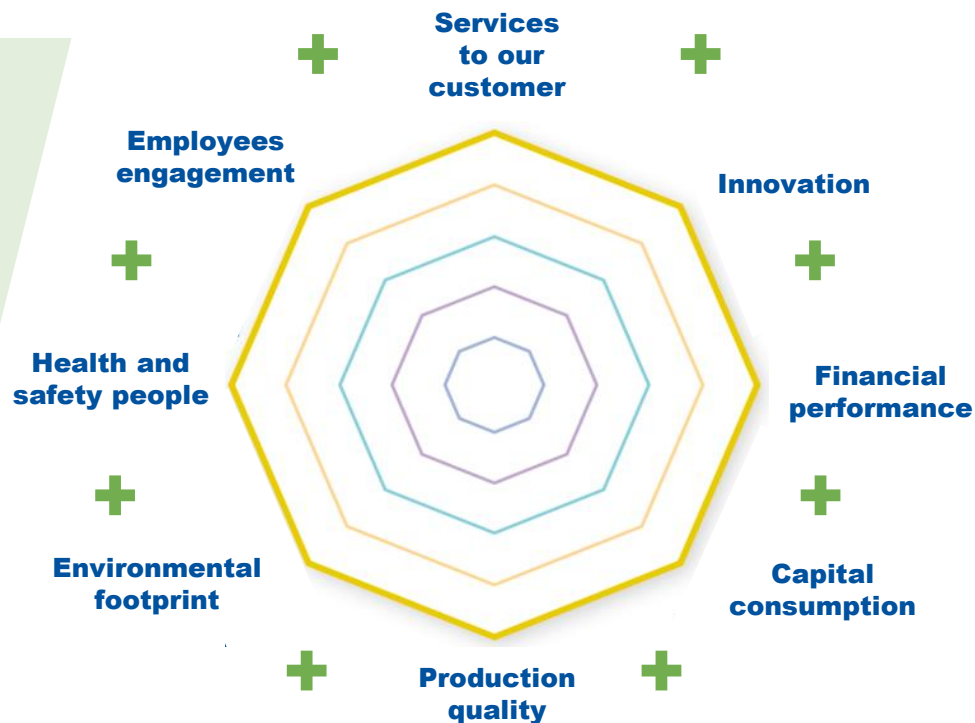




# MMW\* is relying on total performance approach in factory

## ● Objectives

- Accelerate the progress to be an Excellent factory: **master 8 KPI's all together**
- Make the performance **sustainable**

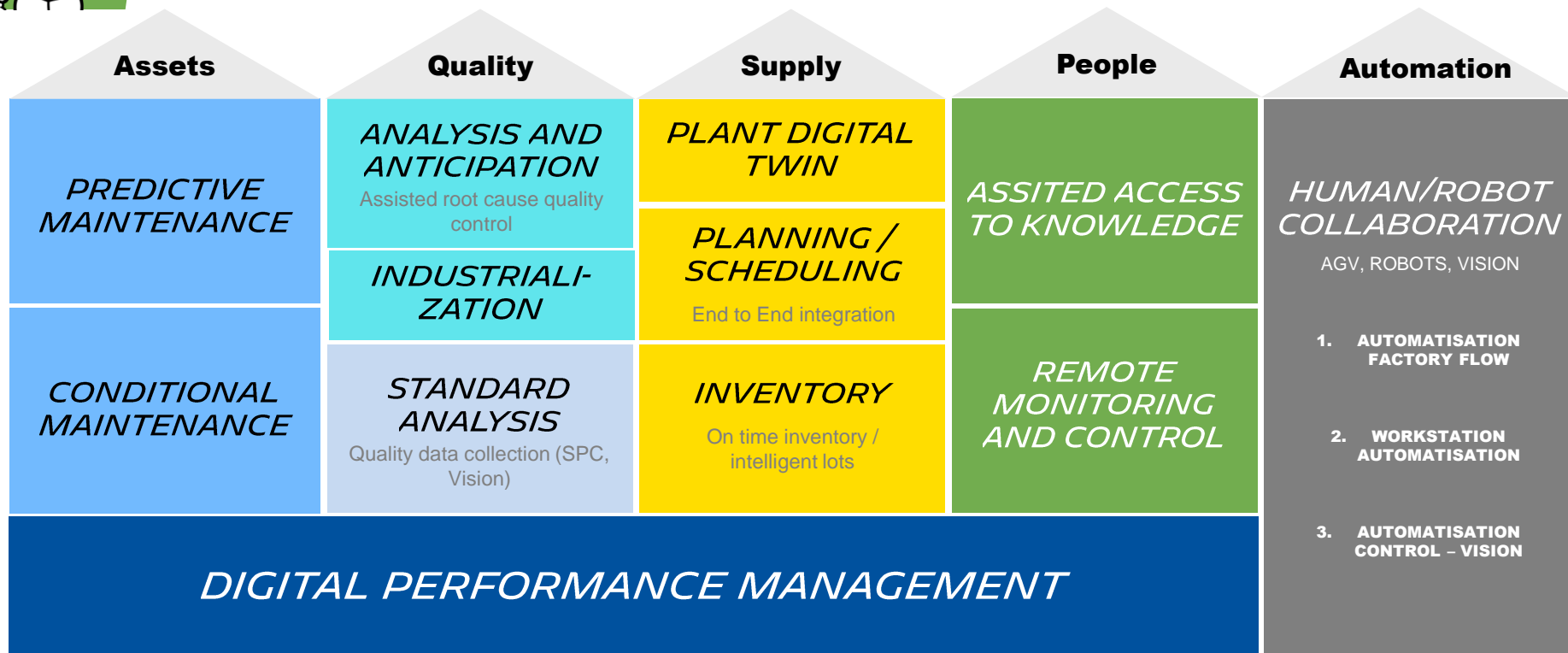


\* Michelin Manufacturing Way





# Digital manufacturing: 50 demonstrators launched





# Digital manufacturing: demonstrators examples

## Alerting with smartwatch

*OBJECTIVE: PRODUCTIVITY GAIN*



## Mold management connected application

*OBJECTIVE: MOLD CAPEX REDUCTION*



- Dimension change requests
- Capture mold location
- Update mold inventory
- Evaluate mold part condition (A/B/C/D)

## Predictive maintenance vibration analysis

*OBJECTIVE: PRODUCTIVITY GAIN*

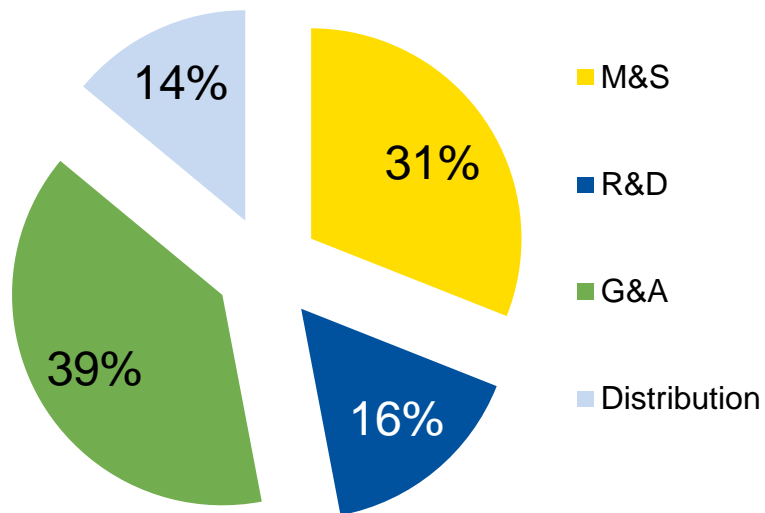


Routine measurements with a vibration analysis tool: comparison of usual peaks and changes (amplitude, new peaks...)

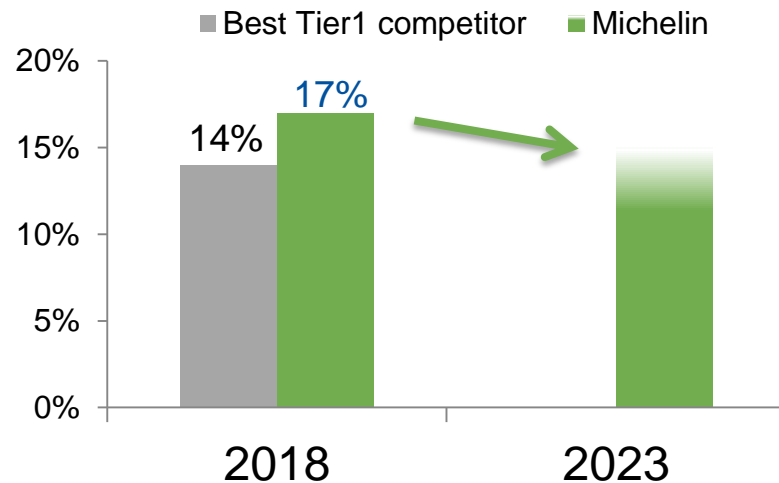


# Targeting SG&A benchmark levels

▲ 2018 SG&A split (in €millions)



▲ Zoom SG&A excluding distribution (in % of sales)



**CLOSING THE GAP  
VS TIER 1 BEST COMPETITOR**



# Levers to improve our competitiveness



*CORPORATE BUSINESS SERVICE IN BUCAREST (EUROPE), QUERETARO (AMERICAS) AND IN ASIA (SHENYANG, BANGKOK)*



*CULTURAL TRANSFORMATION: SIMPLIFICATION AND FRUGALITY*



*COMPLETE THE DEPLOYMENT OF OUR BUSINESS MANAGEMENT PROGRAM (OPE)*



*CREATION OF MICHELIN TECHNOLOGY AND INNOVATION CENTER IN PUNE (INDIA)*



*STRENGTHENING OF OUR PURCHASING ORGANIZATION AND PROCESSES*



*VALUE STREAM MAPPING ON LARGE TRANSVERSAL PROCESSES*



*DIGITIZATION OF HR AND CRM PROCESSES*





# Supply chain performance as a lever for a better ROCE

- Adjust our supply chain design
  - Produce locally/reduce intercontinental flows
  - Adapt supply chain design to fit business models
- Improve our operational performance
  - Improve forecast quality through artificial intelligence
  - Increase manufacturing flexibility
  - Digitize the ecosystem

Target 100% product availability by digitizing the ecosystem

**SERVICE**  
**100%**

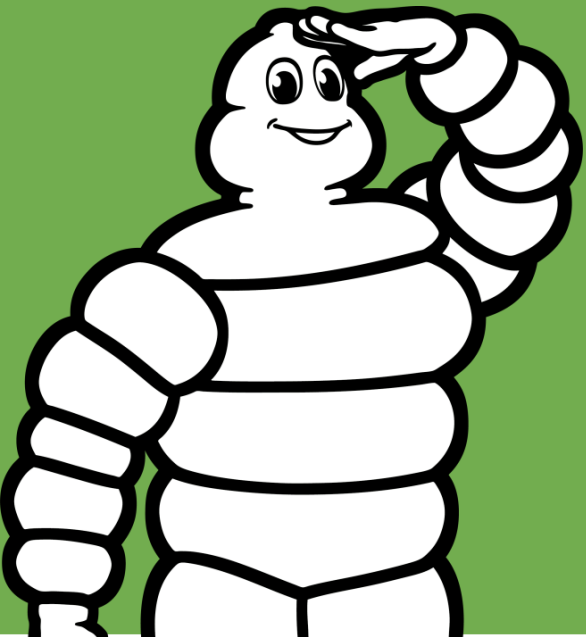
**LOGISTICS**  
**COSTS**

Offset the inflation through productivity gains

**Supply chain performance**

**INVENTORY**

Free up €500m of cash from inventories by 2025



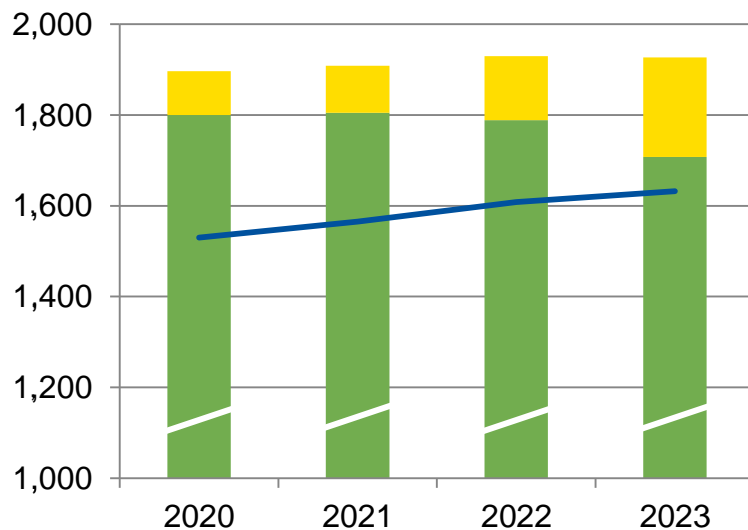
# CAPEX STRATEGY



# CAPEX strategy: securing core to boost new territories

- Reducing CAPEX on historical core-business towards depreciation level
  - Marginal low cost investments first
  - Michelin brand focused
  - Optimized maintenance CAPEX & molds
- Reinforcing Michelin footprint where the growth is
  - with a CAPEX/unit now back to best market practices
- Allowing CAPEX growth in Specialties businesses (RS3)
- Developing new territories: fleet management solutions & High Tech Materials excluding JVs
- Speeding up a comprehensive digitization plan

▲ CAPEX vs depreciation (in € millions)



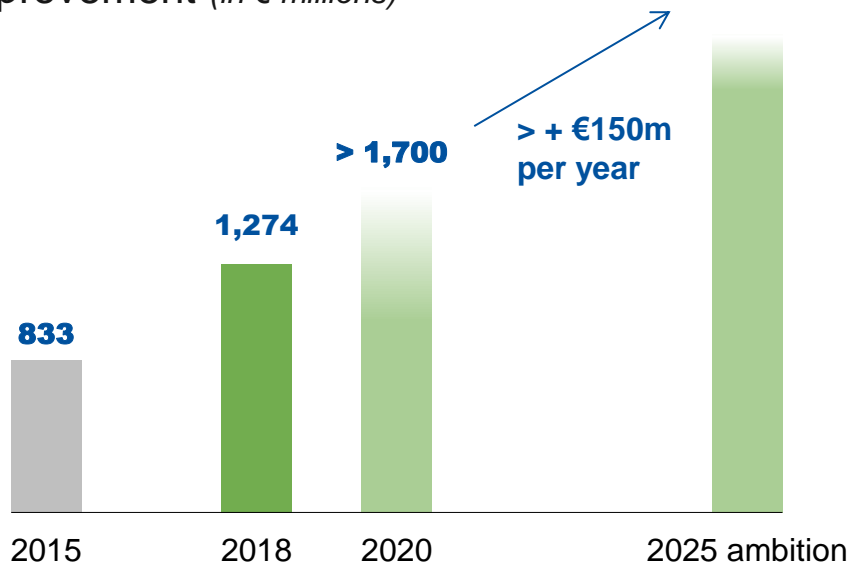
Core business    New territories    D&A

*Including Michelin tires,  
Fenner conveyor belts,  
Camso, Multistrada*



# 2020-2025 cash allocation roadmap

- ▲ Continue to deliver structural FCF progress with EBIT growth and working capital improvement (in € millions)



## Financing Hydrogen and 3D metal printing development

- Around €100m/y for 2 JVs and other ventures over the period

## Reinforcing our shareholder return policy

- Pay out ratio above 35%\*
- Share buyback program: €500m over the next five years 2019-2023

## Consolidating our credit rating





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