



OCTOBER 02, 2020

# ROADSHOW INSURERS

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# Roadshow Insurers

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**01**

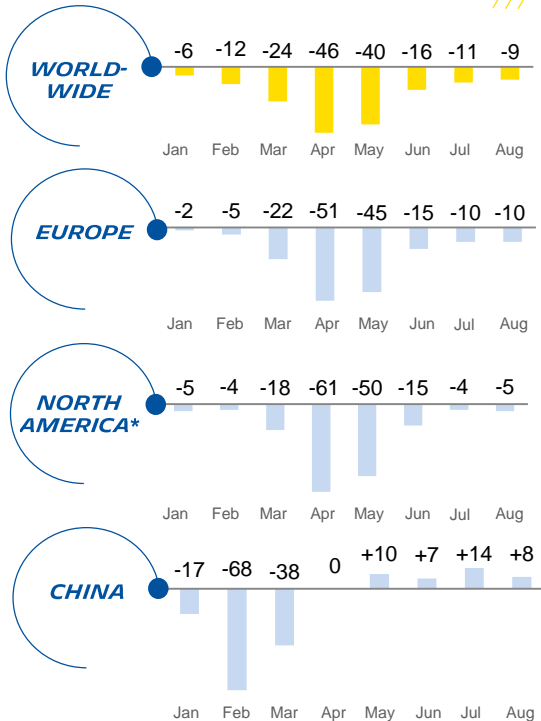
**2020 H1 results and  
August YTD market**

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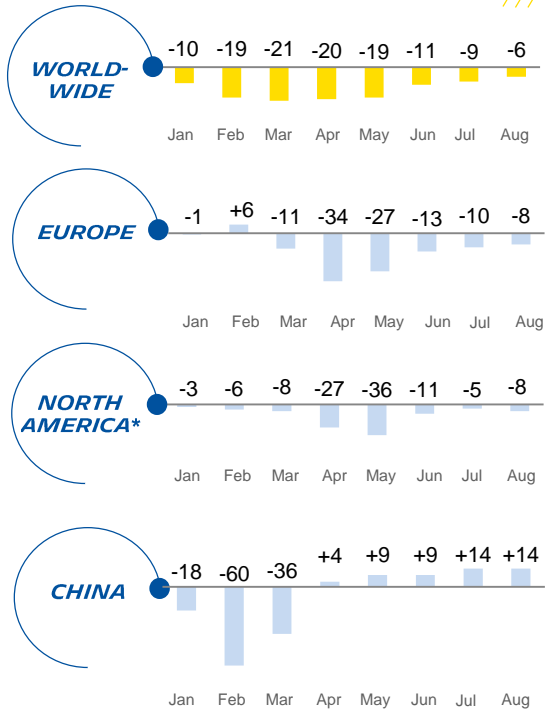
# August 2020 YTD: demand recovery in most of the markets, particularly strong in China.



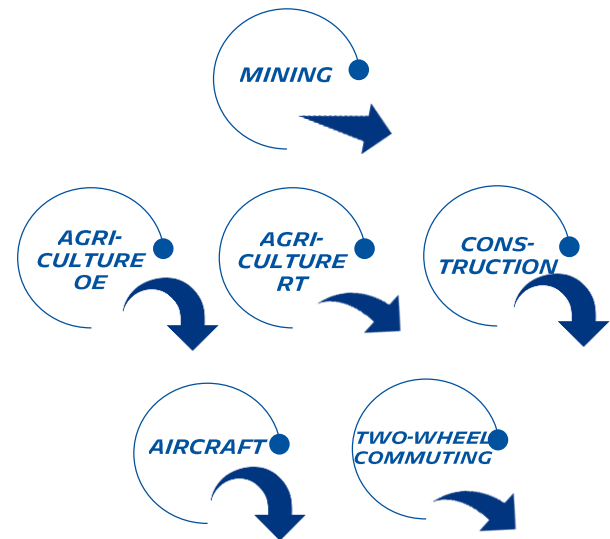
PC/LT: -20%



TRUCK: -14%



SPECIALTIES





## Supported by its diversified offering, engaged employees and robust financial position, Michelin demonstrates its resilience through a crisis of unprecedented intensity

- Quick deployment of all the measures needed to safeguard employees, ensure business continuity and conserve cash
- Despite collapsing markets and a 20.6% contraction in sales, SOI\* ended the first half at €310m:
  - 22.4% decline in volumes, leading to a deep fixed cost shortfall
  - 0.3% gain from assertive pricing policy at a time of declining raw material prices
  - 1.6% gain from the still buoyant mix, reflecting market share gains in the 18”+ segment and resilience in the Specialty businesses
  - €192m reduction in SG&A costs, excluding €77m in exceptional outlays directly related to Covid-19
- A robust financial position recognized by the rating agencies, to weather the crisis
- Strategic choices validated during the first half:
  - A global presence and diversified business base (resilience in the Specialty businesses, with a 15% operating margin)
  - CO<sub>2</sub> reduction pathways and objectives approved by the Science Based Targets initiative\*\*
- Expanded CSR governance within the Supervisory Board

\* Segment Operating Income

\*\* Initiative launched in 2015, a few months before COP21, SBTi is a collaboration of 4 organizations that offer a voluntary approach to fight against global warming in the private sector

# In response to the health crisis, Michelin is taking action to protect its employees and support its host communities worldwide



## ***SAFEGUARDING EMPLOYEES***

↓ Production shutdowns, home office solutions introduced

↓ Necessary health precautions deployed to support the reopening of production lines

↓ Production gradually being restarted

↓ Business safely resumed

↓ Sustained, diligent tracking to respond promptly to any resurgence of the epidemic



## ***SUPPORTING COMMUNITIES***

↓ Masks (~2.4m), hand sanitizer (~12,000 liters) and other PPE donated

↓ Tires (~4,600) donated and free-of-charge assistance provided for ambulances and other vehicles needed for the crisis

↓ Masks (400k/week) and hand sanitizer being produced in certain Group plants

↓ Financial and in-kind donations made



## ***PRODUCING HEALTHCARE PRODUCTS***

↓ 12,000 polycarbonate face shields being fast-track produced for hospitals

↓ Ventilator components and reusable masks being 3D printed

↓ Positioning cushions being produced to help patients breathe

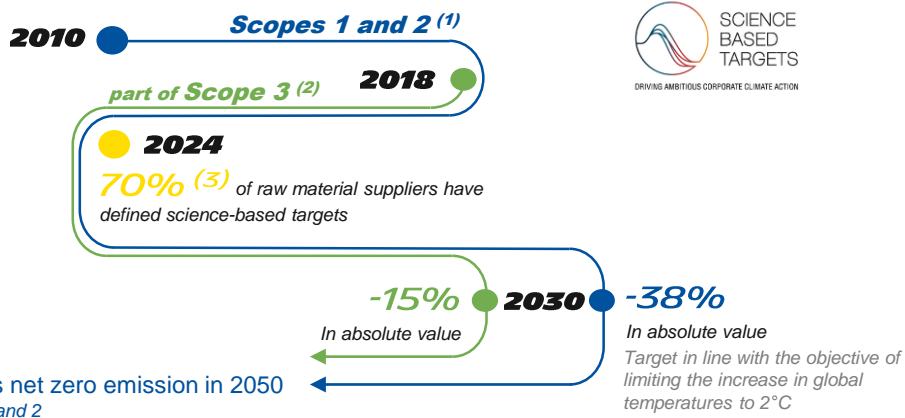
↓ Mask production lines built with our Imeca subsidiary

# Michelin sees its CO<sub>2</sub> emissions reduction targets validated by SBTi, and strengthens CSR Governance within the Supervisory Board



## ENVIRONMENT

Michelin's CO<sub>2</sub> emissions reduction targets have been approved by the **Science Based Targets** initiative (SBTi)



(1) **Scope 1 and 2** emissions are emissions either from sources owned or controlled by the company or from the generation of energy purchased and consumed by the company.

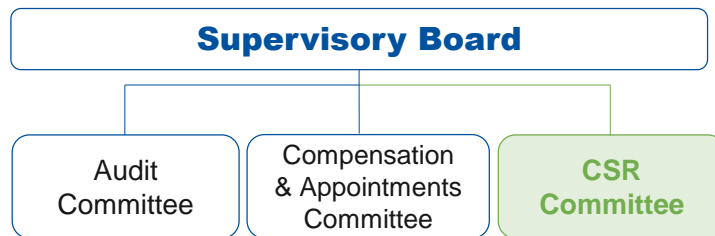
(2) **Scope 3** emissions from fuel- and energy-related activities; upstream and downstream transportation and distribution; and end-of-life treatment of sold products

(3) % in greenhouse gas emissions



## GOVERNANCE

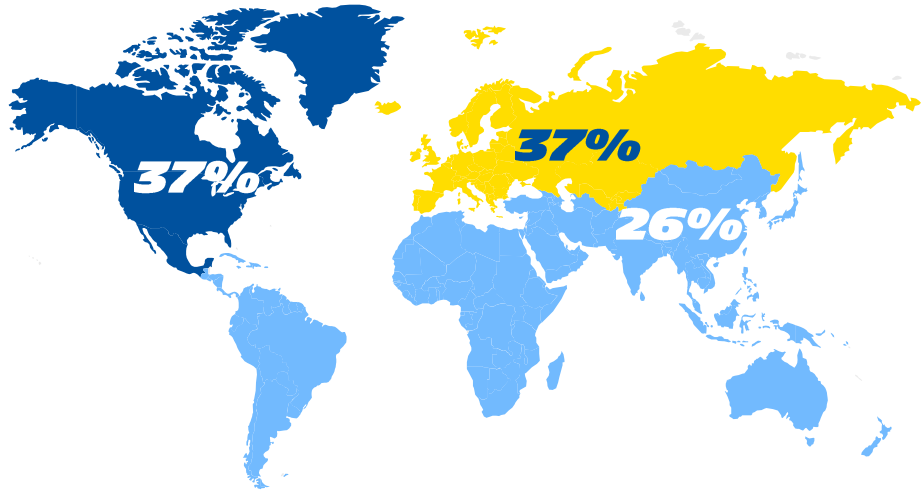
A Corporate Social Responsibility Committee (CSRC) has been created within the Supervisory Board



Election of two Supervisory Board members representing employees, effective December 2020, approved by shareholders at the June 23, 2020 AGM

# A resilient multidimensional Group in an unprecedented systemic crisis

## 2019 sales by region



- North America (incl. Mexico)
- Europe (including CIS)
- Asia and Rest of the World

## 2019 sales by growth driver

### CONSUMPTION



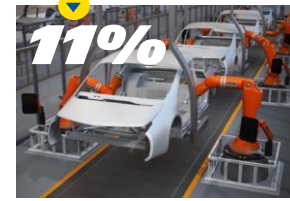
### COMMODITIES



### MANUFACTURING



### AUTO\*



\* Auto (PC/LT OE): Passenger car and Light truck tires sold to vehicle manufacturers as Original Equipment



# 2020 market scenario: gradual recovery in demand for PC/LT and Truck tires, vulnerable to a high risk of a major recession



## PC/LT : - 20% / -15%

- OE: trend-line improvement in H2 vs. H1, led by China's recovery and the effect of government incentives
- RT: post-lockdown upturn in demand occurring at different speeds depending on the region, in a very fragile economic environment



## TRUCK: -17% / -13%

- OE: continued decline in global demand in a very uncertain environment
- RT: demand still significantly depressed in every market except China, which is returning to modest growth



## SPECIALTIES : -17% / -13%

- Mining: lower demand in a global economy hurt by Covid-19
- Off-the-road: demand relatively resilient in Agricultural RT tires, but down sharply in Agricultural OE and Infrastructure tires
- Two-wheel: market lifted by its image as a safe form of transportation amid the health crisis
- Collapse in demand for Aircraft tires





# 2020 guidance excluding any new systemic effect from Covid-19

	2020
Segment Operating Income at constant exchange rates	> €1,200m
Structural FCF	> €500m

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**02**

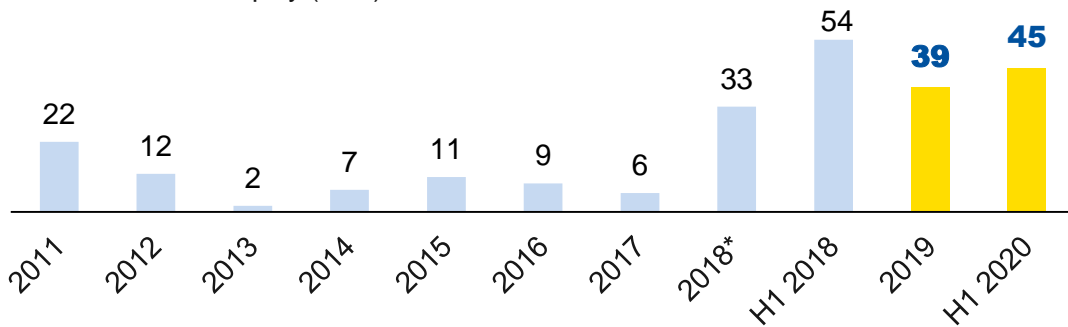
**Financial profile**

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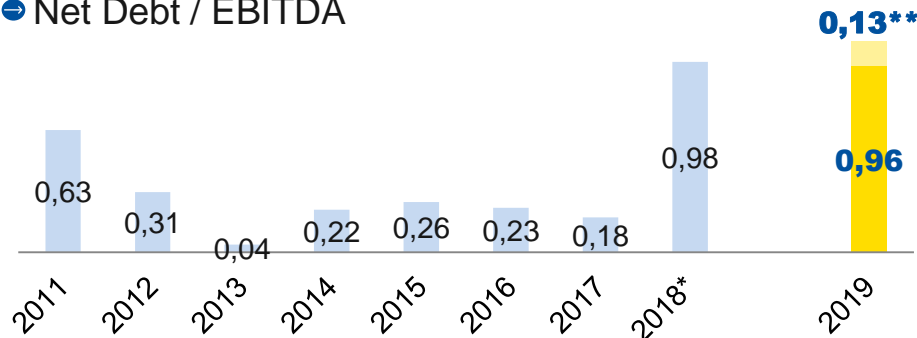
# A robust balance sheet after recent acquisitions, confirmed by the rating agencies

## ➔ Gearing

Net debt / equity (in %)



## ➔ Net Debt / EBITDA



\* 2018 restated for Camso PPA impact on the balance sheet

\*\*IFRS 16 impact

## ➔ Credit ratings reaffirmed in first-half 2020

Short term	S&P Fitch	<b>A-2</b> <b>F-2</b>
Long term	S&P Fitch Moody's	<b>A-</b> <b>A-</b> <b>A3</b>
Outlook	S&P Fitch Moody's	<b>Negative</b> <b>Stable</b> <b>Stable</b>

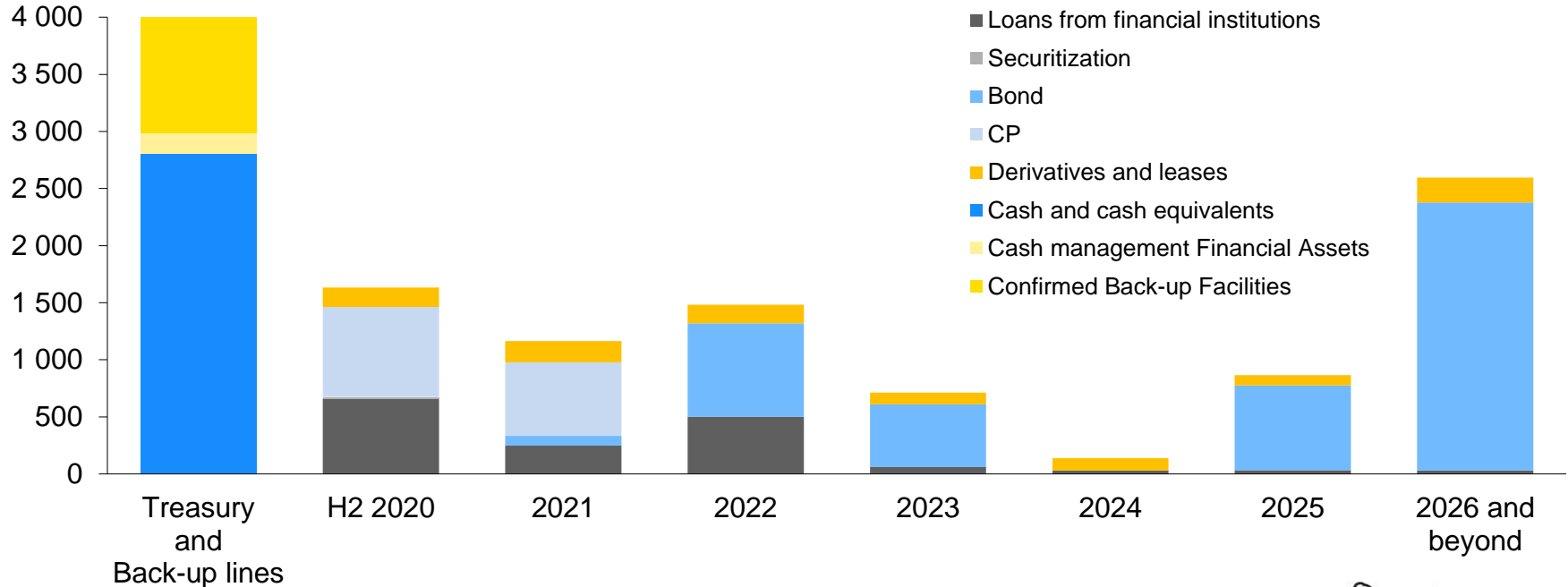
## ● Last rating actions:

- May 18, 2020 : Moody's, whose ratings is no longer solicited as of July 1, 2020
- May 19, 2020 : S&P
- May 29, 2020: Fitch



# A comfortable cash position

## Debt maturities at June 30, 2020 *(carrying amount, in € millions)*



- Total cash @ 2'990 Millions € : 2'810 M€ of cash& cash equivalent + 180 M€ of financial assets – treasury management at June 30, 2020
- 1'500 M€ of an undrawn committed syndicated credit facility refinanced in December/2014 with 17 banks until December/2021 (in course of being refinanced for 3+1+1 years with, most probably, a significantly higher amount up to 2'000 – 2'500 Millions €) :
  - Back-up facility
  - EUR and/or USD
  - No financial covenants
- Main short-term debt programs :
  - French Commercial Papers (NEUCP) : maximum @ 2.500 M€ (since May/2019)
  - US Commercial Papers (USCP) : maximum @ 700 M\$
  - Pan- European receivables securitization program : total capacity @ 300 M€
  - US receivables securitization program : total capacity @ 150 M\$, up to 250 M\$
  - Reverse factoring program

# Systematic and Efficient Management of the Main Financial Risks under the Governance of the Financial Risk Committee

- **Liquidity risk:**
  - Secured financing : RCF, undrawn committed syndicated credit facility of 1'500 M€ (in course of being refinanced and increased up to 2'000-2'500 M€)
  - Diversified financing sources
  - Conservative approach with available short- term instruments much above our needs
  - Non-risky cash investment
  - Risk managed at diverse horizons: very short term (5 d), monthly on a rolling 18 months, 5 years financial plan
- **Interest rate risk:**
  - Managed by currency at central level only
  - Defined fixed/variable thresholds
- **FX rate risk:**
  - Accounting FX exposure systematically hedged on a daily basis
- **Counterparty risk:**
  - Duly authorized counterparts (Group banks, CDS, ratings, market cap, ...) with defined thresholds in €
  - Managed on a weekly basis

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**03**

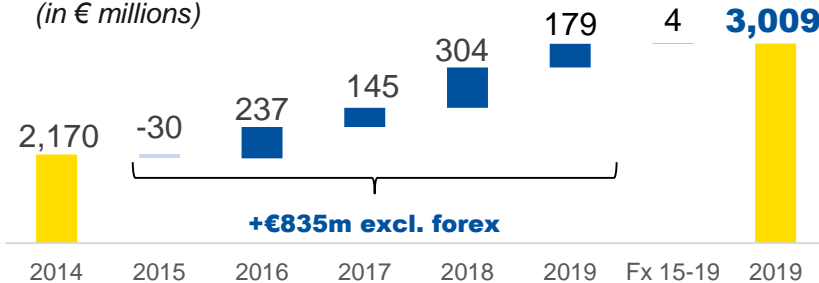
**Conclusion**

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# Resilient margins, underlying strengths and robust drivers support confidence in sustainable FCF growth

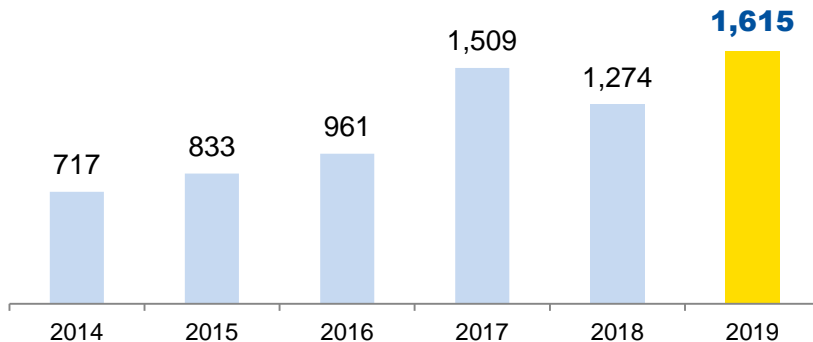
## Change in segment operating income 2014 – 2019

(in € millions)



## Structural free cash flow 2014 – 2019

(in € millions)



## Beyond 2019: Michelin's strengths and drivers for more value creation



A powerful **brand** operating in structurally growing markets



**Innovation** for better performing, more environmentally friendly products



Tires becoming more **technology** rich



Business **expansion** leveraging our customer base and our unique expertise



**Competitiveness** plan deployment



**Working capital** optimization





# Michelin's non-financial ratings: a leading, and recognized player in sustainable mobility

## Major sustainability rating (As of June 30, 2020)

	CDP 2019	ECOVADIS 2019	ISS-OEKOM 2019	MSCI 2019	VIGEO EIRIS 2018	SUSTAINALYTICS 2018
Status	<b>LEADERSHIP</b>  <b>CDP LEADERSHIP</b>	<b>GOLD</b> 	<b>PRIME</b> 	<b>AA</b> 	<b>A1+</b> 	<b>OUTPERFORMER</b>
Rating	A-	78/100	B-	7.4/10	68/100	77/100
Ranking / Distribution of ratings	<i>Climate change</i>  <i>Water security</i> 	<i>Top 1% (natural rubber)</i> 			<i>1<sup>er</sup> of 31 in the sector</i> 	<i>7<sup>ème</sup> of 54 in the sector</i>

# Leverage on Group's strengths, in four domains of growth, to enhance customers mobility and create value

## ➔ Michelin's strengths



**Michelin brand leadership**  
*Michelin Man named\* "Icon of the Millennium"*



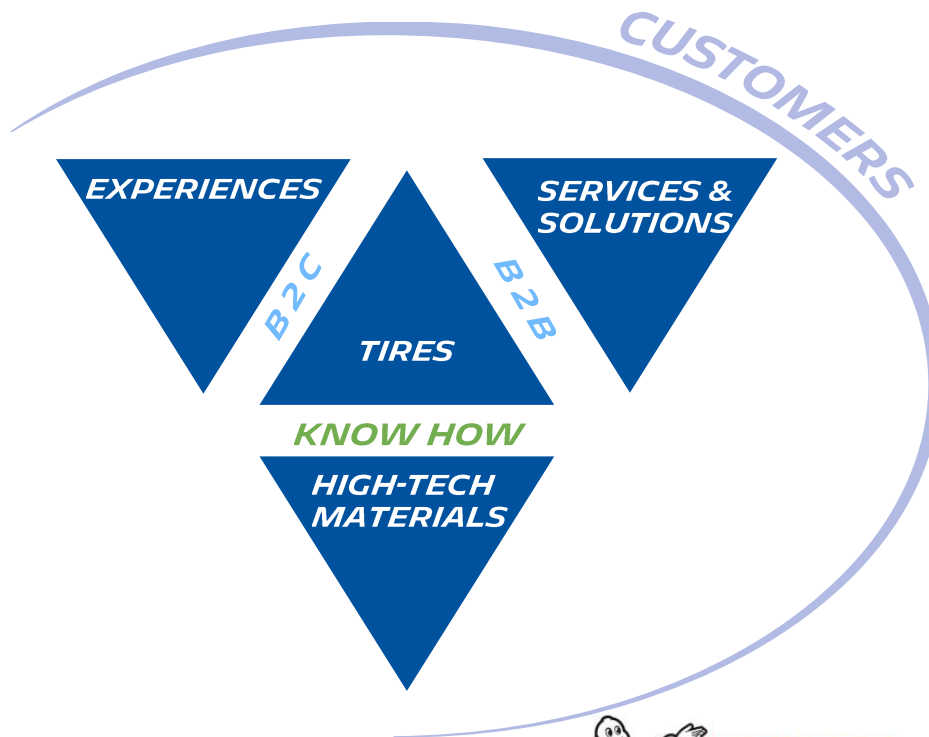
**High-tech materials leadership**  
*125 years of competencies and innovations in flexible composite materials and transformation processes*



**Employee engagement**  
*In 2019, 81% of employees say they are proud and happy to work at Michelin*

*\*By Advertising week*

## ➔ Four areas of growth



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**04**

**• Appendices**

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# Reported 2018 financial highlights: Balance Sheet

ASSETS (in € millions)	December 31, 2019
Goodwill	2,388
Intangible assets	2,280
Property, plant and equipment	13,169
Non-current financial assets and other assets	796
Investments in associates	1,087
Deferred tax assets	814
<b>Non-current assets</b>	<b>20,534</b>
Inventories	4,694
Trade receivables	3,532
Current financial assets	396
Other current assets	1,055
Cash and cash equivalents	1,466
<b>Current assets</b>	<b>11,143</b>
<b>TOTAL ASSETS</b>	<b>31,677</b>

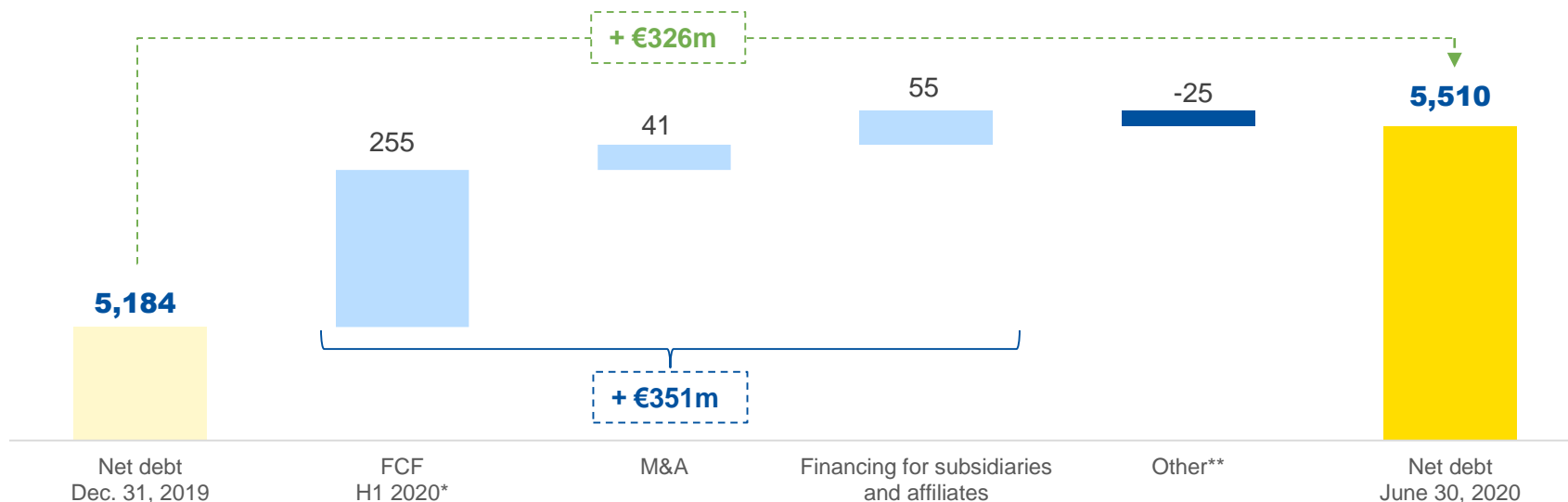
EQUITY AND LIABILITIES (in € millions)	December 31, 2019
Share capital	357
Share premiums	2,789
Reserves	10,080
Non-controlling interests	3
<b>Equity</b>	<b>13,229</b>
Non-current financial liabilities	5,923
Employee benefit obligations	3,873
Provisions and other non-current liabilities	1,104
Deferred tax liabilities	455
<b>Non-current liabilities</b>	<b>11,355</b>
Current financial liabilities	1,158
Trade payables	2,627
Reverse factoring contracts	470
Other current liabilities	2,838
<b>Current liabilities</b>	<b>7,093</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>31,677</b>

# Reported 2019 financial highlights: P&L

<i>(in € millions)</i>	<b>2019</b>	<i>(as a % of net sales)</i>
<b>Net sales</b>	24,135	
Cost of sales	(17,053)	70.7%
<b>Gross income</b>	<b>7,082</b>	<b>29.3%</b>
Sales and marketing expenses	(1,380)	5.7%
Research and development expenses	(687)	2.8%
General and administrative expenses	(1,987)	8.2%
Other operating income and expenses	(19)	0.1%
<b>Operating income from recurring activities</b>	<b>3,009</b>	<b>12.5%</b>
Operating income/(loss) from non-recurring activities	(318)	1.3%
<b>Operating income</b>	<b>2,691</b>	<b>11.1%</b>
Cost of net debt	(330)	1.4%
Other financial income and expenses	(5)	0.0%
Net interest on employee benefit obligations	(98)	0.4%
Share of profits and losses from associates	(22)	0.1%
<b>Income before taxes</b>	<b>2,236</b>	<b>9.3%</b>
Income tax	(506)	2.1%
<b>Net income</b>	<b>1,730</b>	<b>7.2%</b>

# Despite the crisis, net debt remains under control, thanks to management discipline recognized by the rating agencies

## Net debt (in € millions)

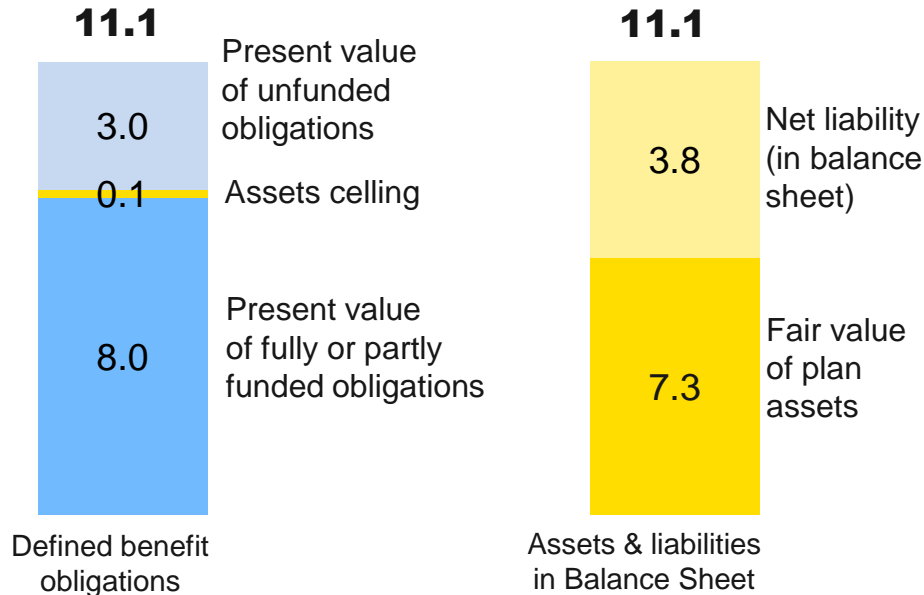


\* Free cash flow excluding M&A and financing for subsidiaries and affiliates

\*\* Mainly translation adjustments, share buyback and the impact of new leases

# Defined benefit plans as at December 31, 2019

→ (in € billions)



Estimates of contributions to be paid and benefits to be paid directly	
2020e:	€244m
2021e:	€207m
2022e:	€170m
2023e:	€174m
2024e:	€205m
2025-2029e:	€1,077m

# Outstanding bond issues (as of June 30, 2020)

Issuer	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	Compagnie Générale des Etablissements MICHELIN	MICHELIN Luxembourg	MICHELIN Luxembourg	MICHELIN Luxembourg
<b>Issue</b>	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note	Senior Note
<b>Type</b>	Bond	Bond	Bond	Convertible	Convertible	Bond	Bond	Bond
<b>Principal Amount</b>	€ 750 mn	€ 1'000 mn	€ 750 mn	\$ 600 mn	\$ 500 mn + TAP \$100 mn	€ 209 mn + TAP € 93 mn	€ 300 mn	€ 300 mn
<b>Offering price</b>	99,099%	99,262%	99,363%	95,50%	100% & 103,85%	98.926% & 118.66 %	99,967%	99,081%
<b>Rating corporation at Issuance date</b>	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	A- (S&P) A3 (Moody's)	at issuance : BBB+ (S&P) A3 (Moody's)	BBB+ (S&P) A3 (Moody's)	BBB+ (S&P) A3 (Moody's)
<b>Current corporation rating</b>	A- (S&P) ; A3 (Moody's) ; A- (Fitch) --- as of 01/July/2020, S& P and Fitch are sollicitated agencies							
<b>Coupon</b>	0,875% p.a	1,75% p.a	2,50% p.a	ZERO Conv premium 130%	ZERO Conv premium 128%	3,25% p.a	1,125% p.a	1,75% p.a
<b>Issue Date</b>	3-Sept.-18	3-Sept.-18	3-Sept.-18	05/Jan/2018	05/Jan/2017 & 25/Apr/2017	21/Sep/2015 & 27/Sep/2016	19-May-15	19-May-15
<b>Maturity</b>	3-Sept.-25	3-Sept.-30	3-Sept.-38	10-Nov.-23	10-Jan.-22	30-Sept.-45	28-May-22	28-May-27
<b>Interest payment</b>	Annual Sept 03	Annual Sept 03	Annual Sept 03	N/A	N/A	Annual Sept 30	Annual May 28	Annual May 28
<b>ISIN</b>	FR0013357845	FR0013357852	FR0013357860	FR0013309184	FR0013230745	XS1298728707	XS1233732194	XS1233734562
<b>Denomination</b>	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	€ 100'000 with min. tradable amount € 100'000	\$ 200'000 with min. tradable amount \$ 200'000	\$ 200'000 with min. tradable amount \$ 200'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000	€ 1'000 with min. tradable amount € 1'000