

DECEMBER  
8, 2022

**GOLDMAN SACHS  
GLOBAL AUTOS  
CONFERENCE**





# **EQUITY STORY: MICHELIN'S VALUE WILL BE DRIVEN BY ITS GROWTH AND VALUE ACCRETIVE STRATEGY**

## **MICHELIN VALUE LEVERS**

in three areas



Features vs. tires:

- ✓ Higher Market growth
- ✓ Stronger EBIT %
- ✓ Lower capital intensity

### **GROWTH**

in sales,  
organic and  
M&A-driven

**&**

### **FINANCIAL VALUE CREATION**

measured by ROCE  
incl. M&A

- EBITDA growth
- Around and Beyond tires:  
crystallization of the value

# A WELL-BALANCED SET OF BUSINESSES ACROSS REGIONS, ENSURING RESILIENCE IN MARKET TURBULENCES

## ▶ Products and solutions serving all mobilities ...

### AUTO RT (2) & 2-WHEEL

42% (1)



- **Cyclicality** : very low
- **Main drivers** : miles driven, GDP, used cars market

#### Volumes and mix drivers :

- ✓ Increase to car access of the worldwide population
- ✓ Increase of vehicles weight requiring higher rim size tires
- ✓ First cycle of EV soon visible on RT

### TRANSPORTATION

26% (1)



- **Cyclicality** : low
- **Main drivers** : GDP & PMI

#### Volumes and mix drivers :

- ✓ Demand for goods and increase of local-to-local supply chains models
- ✓ Boom of e-commerce and last mile delivery
- ✓ Urbanization of population

### AUTO OE (3)

10% (1)



- **Cyclicality** : very high
- **Main drivers** : regulation & GDP

#### Volumes and mix drivers :

- ✓ Increase of vehicles size requiring higher rim size tires
- ✓ Easing of supply constraints of components and semi-conductors
- ✓ EV boom: massive renewal of cars fleets

### SPECIALTIES

17% (1)



- **Cyclicality** : high
- **Main drivers** : GDP, public spending, commodity prices, housing and building construction

#### Volumes and mix drivers :

- ✓ Mining: increasing demand for minerals to fuel transition to renewables energies and digital transformation
- ✓ Agriculture: growing worldwide population, increase of farmers' investment capacities
- ✓ Construction: adaptation of infrastructure and building/housing to meet energy transition requirements

## ▶ ... while leveraging our expertise in high-tech materials ...

### NEW BUSINESSES

- **Cyclicality** : low
- **Main drivers** : GDP, PMI, R&D & public spending

5% (1)

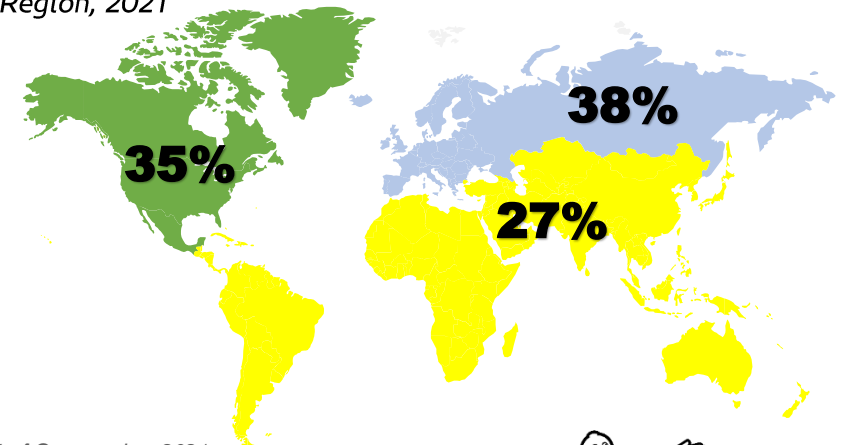


#### Volumes and mix drivers :

- ✓ Customer's needs for increasingly demanding applications in many types of industries (energy, medical, aerospace...)
- ✓ Emerging value chains (Fuel Cell, 3D Printing...) shaping the industry's future
- ✓ Growing appetite for sustainable materials, recycling and circular economy

## ▶ ... with a global and balanced footprint

% of Group Sales by Region, 2021



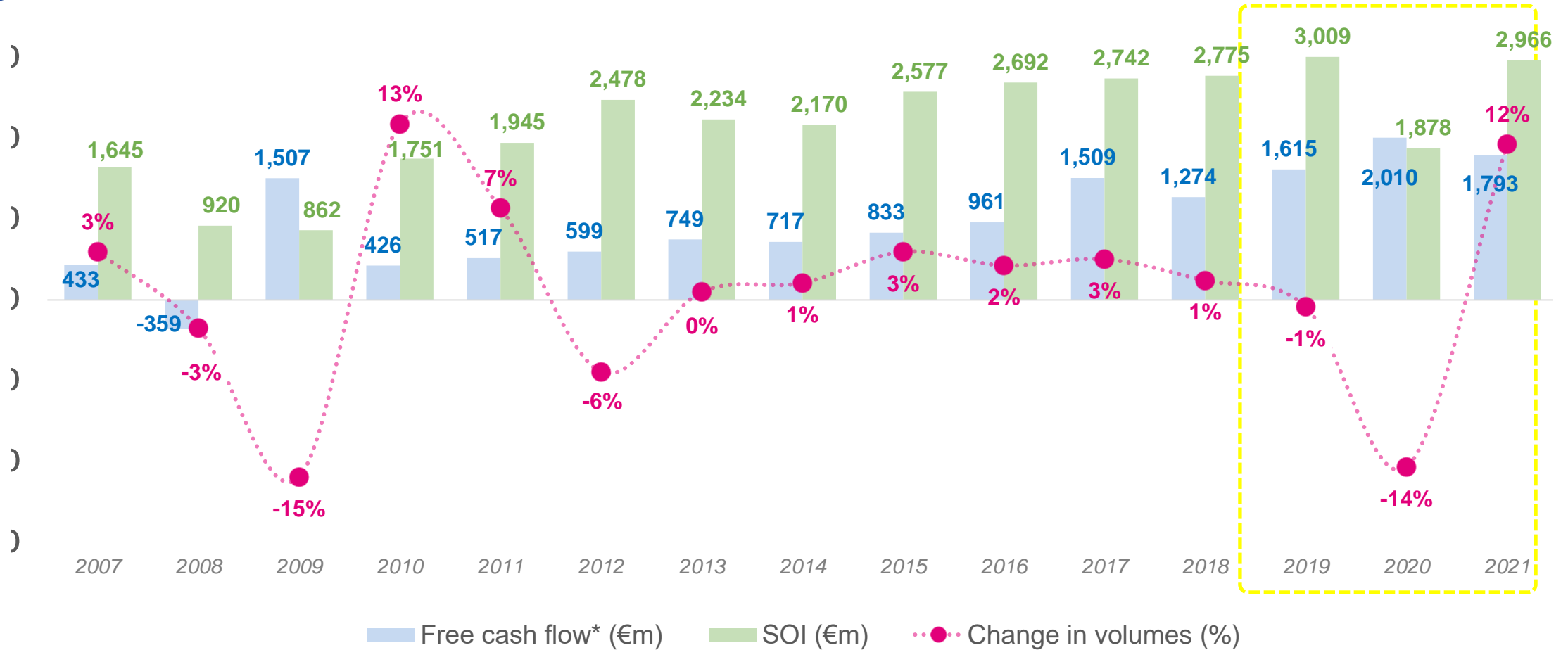
- (1) % of Group sales, 2021  
 (2) Replacement  
 (3) Original equipment





# INCREASED ABILITY TO SUSTAIN MARGIN AND CASH, EVEN IN TIMES OF CRISIS

Free cash flow\* and SOI evolution vs change in volumes sold



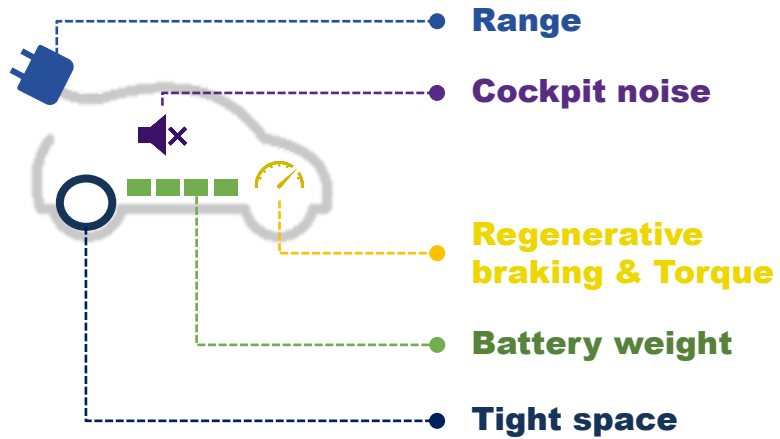
\*Free cash flow as reported from 2007 to 2010, structural free cash flow from 2011 (see slide 9 for the definition of structural free cash flow)



# MICHELIN UNIQUELY POSITIONED TO LEVERAGE VEHICLES ELECTRIFICATION

## ▶ BEV: HIGHLY DEMANDING VEHICLES PERFECTLY FIT WITH MICHELIN UNIQUE KNOW-HOW

### Key challenges related to BEV

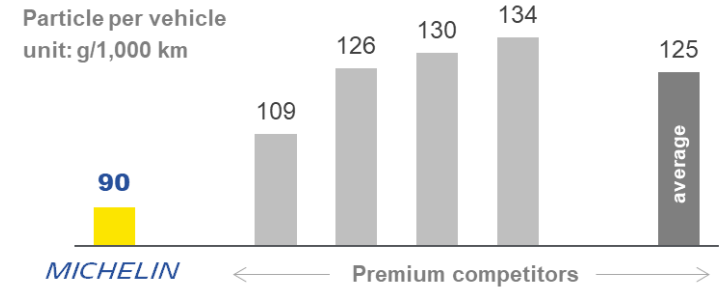


### Key requirements for Tires

- Low rolling resistance
- Silent architecture
- Low abrasion rate & good grip
- High rim size
- High load capacity

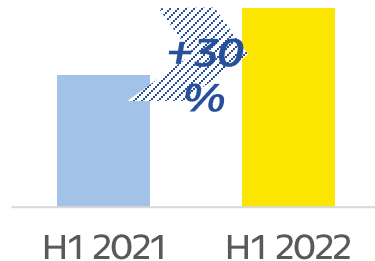
### MICHELIN: best combination of performance

“Low tire abrasion rate and safe driving characteristics: Michelin shows how [tires should be] done” \* \* source: ADAC, Dec 2021 - Download the ADAC st



## ▶ STEEP INCREASE OF GROUP SALES TO BEV

Share of tires sales to BEV, in % of total OE sales



## ▶ MICHELIN PREFERRED TIRE MAKER FOR LEADING EV OEMS

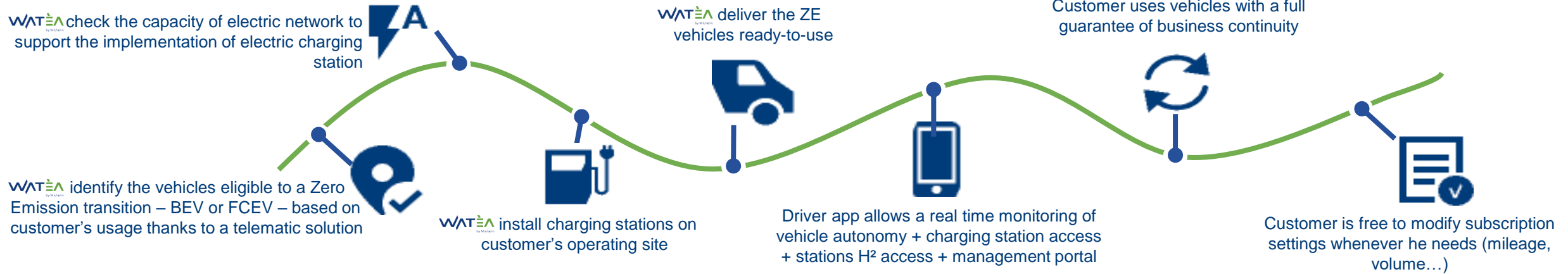






# WATEA BY MICHELIN: PARTNERING WITH A LEASING LEADER TO ACCELERATE GROWTH OF LCV FLEET ELECTRIFICATION

## A FLEXIBLE AND TURNKEY SOLUTION



## AGGREGATING AND LEVERAGING MICHELIN GROUP’S ASSETS



**MICHELIN** Cross Climate

**Masternaut** telematics technology  
**Euromaster** maintenance network

**Symbio** expertise in Hydrogen & fuel cell systems

## A HIGH VALUE CREATIVE ECONOMIC MODEL

Watea opens 30% of its capital to Credit Agricole Leasing & Factoring (dec 22)

- WATEA** by Michelin
- Vehicles deconsolidation from Michelin’s balance sheet
  - Leverage Credit Agricole Mobility’s commercial platform
  - Benefit from CAL&F expertise in small fleets in 18 European countries



- CA**
- Accelerate progression in automotive leasing in Europe
  - Reinforce commitment to a decarbonized mobility

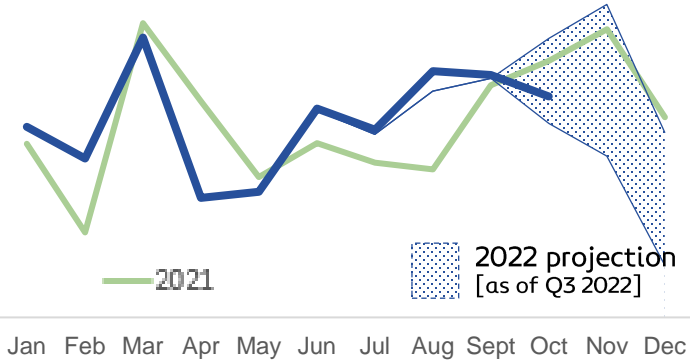




# ENSURING FINANCIAL PERFORMANCE IN 2022 AND BEYOND

## PC/LT markets, FY range est.: -2%/+2%<sup>(1)</sup>

(units)

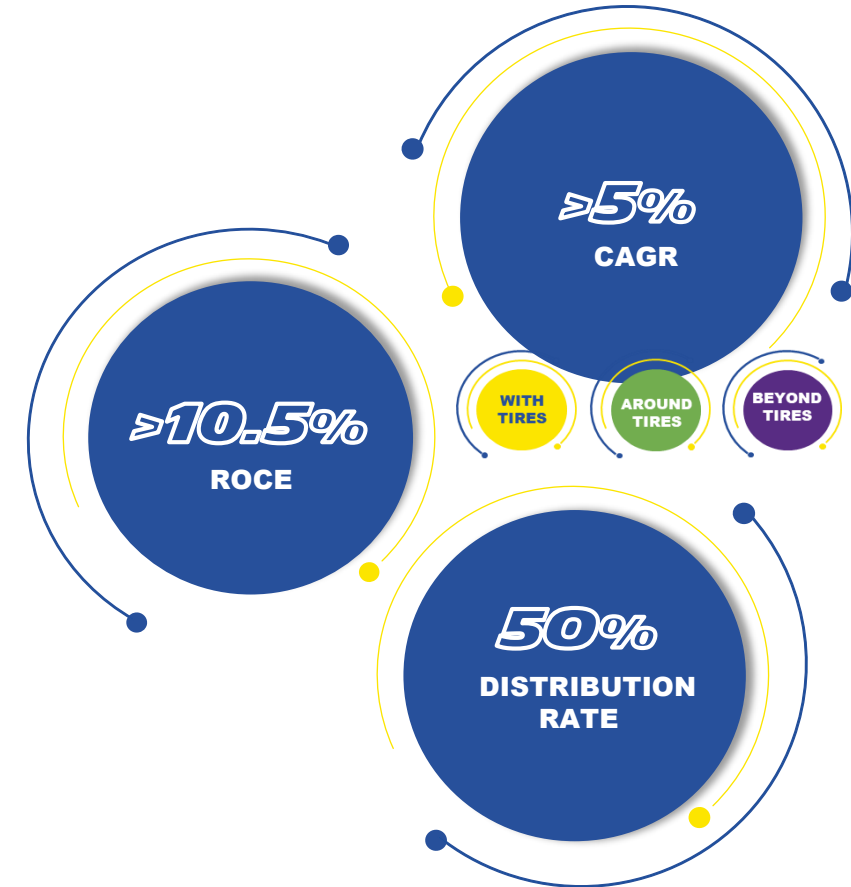


## 2022 FY GUIDANCE

	2022
Segment operating income at constant exchange rates	> €3,200m
Structural free cash flow <sup>(3)</sup>	~ €700m

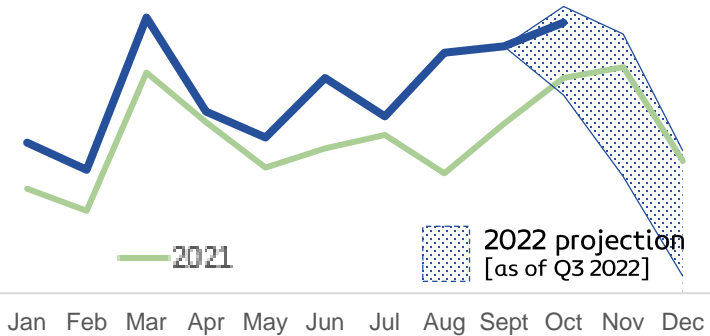
<sup>(3)</sup> Structural free cash flow definition on slide 9

## 2030: COMBINING GROWTH AND VALUE CREATION



## TRUCK markets<sup>(2)</sup>, FY range est. : +2%/+6%<sup>(1)</sup>

<sup>(2)</sup> excluding China (units)



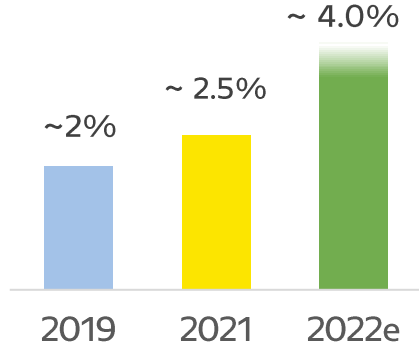
<sup>(1)</sup> vs. 2021



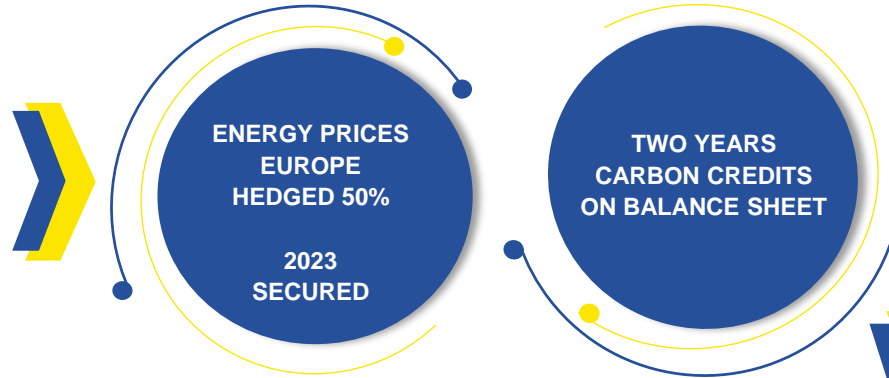
# DEALING WITH ENERGY CHALLENGE IN EUROPE: SHORT TERM SECURED & MEDIUM TERM TRANSFORMED

Energy costs increase mitigated by hedging and pass through in prices

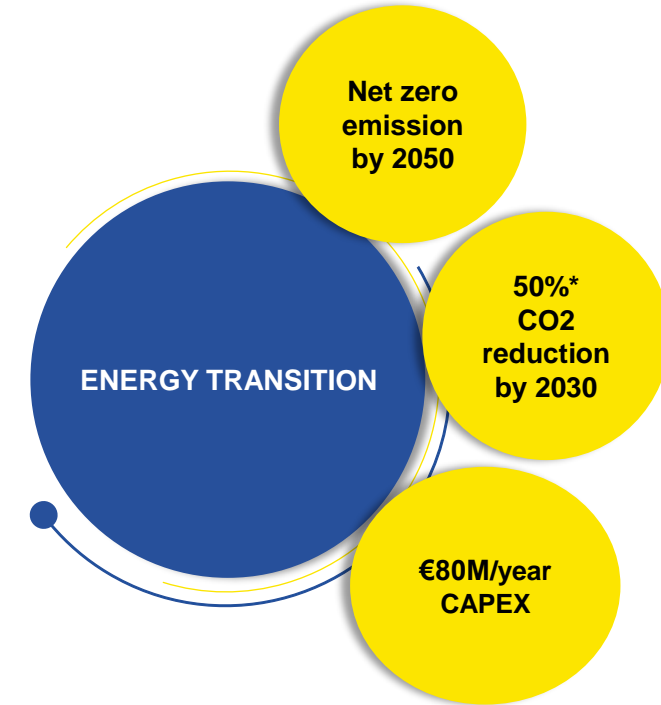
(Energy costs as a % of sales)



SHORT TERM secured

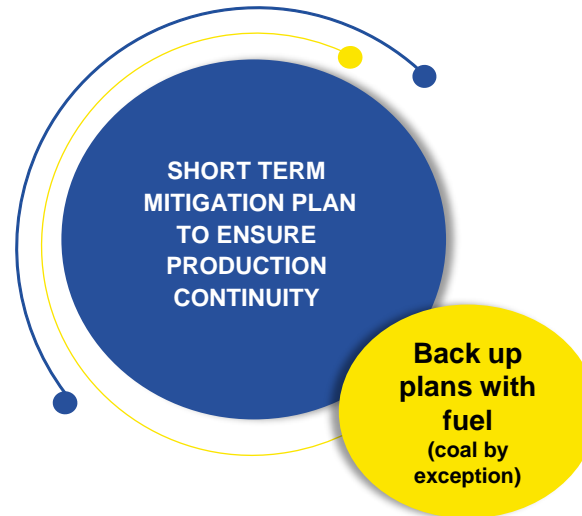
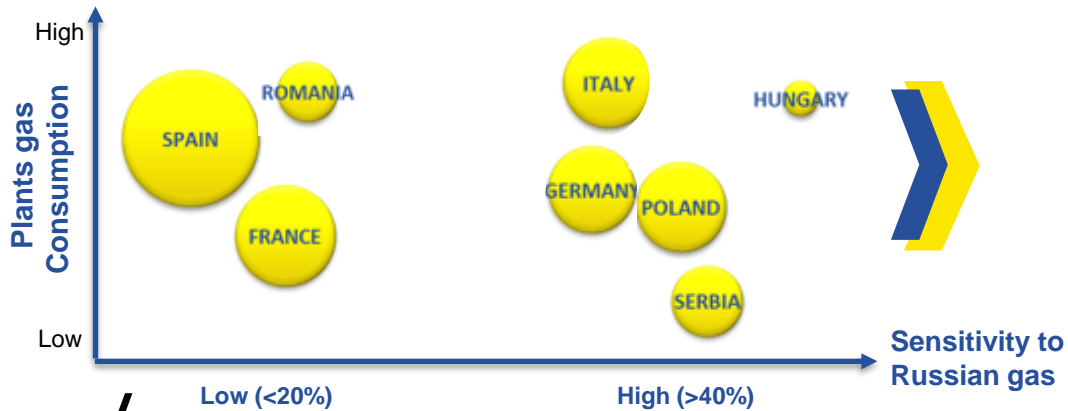


MEDIUM TERM transformed



Half of the European production is located in lower Russian gas sensitive countries

Size of bubble represents the weight of each country in the European production



\* vs 2010, scope 1 & 2





## **GLOSSARY**

### **Free cash flow (FCF)**

Free cash flow, which is stated before dividend payments and financing transactions, corresponds to net cash from operating activities less net cash used in investing activities, adjusted for net cash flows relating to cash management financial assets and borrowing collaterals.

### **Structural free cash flow**

Corresponds to free cash flow before acquisitions, adjusted for the impact of changes in raw materials costs on trade payables, trade receivables and inventories. The structural free cash flow is calculated on full year basis only.

### **ROCE**

Return on capital employed is measured as follows:

- net operating profit after tax (NOPAT)<sup>(1)</sup>, calculated at a standard tax rate of 25%, corresponding to the Group's average effective tax rate;
- divided by average economic assets employed during the year <sup>(2)</sup>, i.e., all of the Group's intangible assets, property, plant and equipment, loans and deposits, investments in equity-accounted companies, and net working capital requirement.

### **Tires sales**

Correspond to sales from Michelin's core business, including the Tire as a Service (TaaS) business and Distribution operations.

### **Non-tire sales**

Correspond to sales from the Services and Solutions (excluding TaaS and Distribution), Conveyor Belts and High-Tech Materials businesses, excluding joint ventures.

(1) NOPAT = Segment operating income + amortization of acquired intangible assets + the Group's share of profit from equity-accounted companies.

(2) Average between the opening and closing balance sheets for the year.

**Free Cash Flow (FCF)**

+ M&A

= **Free Cash Flow before M&A**

+/- *Adjusted for the impact of changes in raw materials costs*

= **Structural Free Cash Flow**





## **DISCLAIMER**

"This presentation is not an offer to purchase or a solicitation to recommend the purchase of Michelin shares. To obtain more detailed information on Michelin, please consult the documents filed in France with Autorité des marchés financiers, which are also available from the [www.michelin.com/en](http://www.michelin.com/en) website.

This presentation may contain a number of forward-looking statements. Although the Company believes that these statements are based on reasonable assumptions as at the time of publishing this document, they are by nature subject to risks and contingencies liable to translate into a difference between actual data and the forecasts made or inferred by these statements."



**CONTACTS**

**Guillaume JULLIENNE**  
**Pierre HASSAÏRI**  
**Flavien HUET**

27, cours de l'île Seguin  
92100 Boulogne-Billancourt – France

\*\*\*

23, place des Carmes Dechaux  
63040 Clermont-Ferrand Cedex 9

**[investor-relations@michelin.com](mailto:investor-relations@michelin.com)**

