MICHELIN PRE-CLOSE CALL - H1 2025 | Script

PCC date & time: June 25, 2025, 18h00 CET

[This pre-close call script is a summary of public information previously provided by Michelin, or otherwise available in the market, which may support in assessing Michelin's financial performance ahead of its H1 2025 sales information on June 25, 2025. This script does not provide any new information or commentary on current trading]

Good afternoon to all of you and thank you for joining this pre-close call.

Before diving into the different topics, some important information:

1- First, some technicalities & compliance items
   a. this call is for sell-side analysts only, so if you are not a sell-side analyst, please disconnect from the call.
   b. As it becomes the norm, this call will be recorded, and the transcript will be published in our website tonight.
   c. There will not be any Q&A after the call, but Benjamin and Flavien can be reached until the start of the quiet period if necessary, which means until next Wednesday included.

2- Second about FY outlook, and surely it won't come as a surprise at this stage: do not expect from this call any comment as to 2025 guide, this will logically be at the core of our *rendez-vous* of July 24th.

1- Let me now start with the H1 picture.

As a caveat, June results are not out yet and June is a big month in terms of business, so today's insights are very much preliminary.
In an increasingly turbulent and low-visibility business environment, we expect H1 sales globally aligned with current consensus (ref: company-collected consensus, released May 26th on our website), with one exception: Forex, which will be, as you all know, more penalizing than the consensus since the USD has weakened vs €.

In terms of Volumes, we are comfortable with the consensus at Group level, with the following developments by SR:

- ⇨ SR1 is still the most resilient of the 3 SRs.
  - OE is still dragging down the global volumes, with still weak markets in Europe and North America and market share losses due to our exposure to certain OEMs and models. On the other side, we see OE sales in China bouncing back positive in Q2.
  - Replacement sales in Michelin brand have been holding well with no sign of mileage slowdown. Sales of 18 inches and above tires are still growing.
- ⇨ SR2 volumes are similar to Q1 pattern: they remain strongly penalized by OE with AMN markets down double-digit and Europe showing some uptick in Q2, also in line with our

expectations. Our pricing actions aiming at better valorizing our offers logically led to some losses in market share.
In RT, on globally flattish plus markets, new tires sales at Michelin brand are holding and retread remains challenged in North America due to fierce competition of budget tires. Connected offers should post some growth over the semester.

⇨ SR3 is still heavily penalized by Beyond Road OE markets in the continuation of Q1 trend, especially Agricultural and Construction. On the positive side, Mining sales are sequentially improving, confirming that 2024 one-offs are behind, while Aviation keeps growing.

Now touching on Inventories in distribution: they look close to normal. Regarding intercontinental flows, so far, we did not spot any massive inflow of imports following US tariffs announcements (in particular no “transfer” from US to Europe of budget tires imports), but it is too early to say after only two months.

Price / mix will remain supportive on the semester.

Mix should remain strong in Q2, albeit softer than in Q1, pulled by:

⇨ the favorable OE/RT channel mix on the 3 RS
⇨ the growth in 18+ sales
⇨ the favorable business mix, especially due to Mining

The price effect would also remain positive, thanks to the favorable impact of raw material indexation (on ~30% of the business), and some local price adjustments including offsetting tariffs impacts.

Currency will definitely be a headwind, with an estimated effect that could be close to -4% on Q2 on the top line, based on USD/EUR average of 1.14.

On the other components of the revenue, scope and non-tire sales are expected to be slightly positive in the semester.

As it comes to H1 profitability, we confirm the following that should give you the main ingredients to go down to the SOI. As mentioned in February, we expect, before forex, to deliver 45% of the FY SOI on H1, with:

- a volume drop-through around 50%, and a strong mix drop-through of ~70-75%
- a raw mat inflation of ~200m (which is basically most of the FY inflation)
- industrial performance still hampered by low factory loading and FCA
- flat SG&A vs 2024, with productivity offsetting inflation
- a forex drop-through around 25-30%

Regarding FCF on the semester, we observe that the current consensus is way too high.

Let me pause on this for a second, to remind you that our business is cash-consuming by design in H1 and cash generative in H2: if you look at our average H1 FCF generation over the last 10 years, you will see that it was globally close to 0. The last two years have been atypical, but we confirm that 2025 will get back to this traditional pattern.
On top of this, in H1 we expect a temporary negative one-off impact on the working capital as we are re-designing our market access in North America towards wholesalers – you might have heard that we announced we would stop selling to ATD as of July 1st.

2- Moving now to the full-year picture

No surprise on the **general context** that you all know very well, both cloudy and uncertain.

On the top line, we expect H2 volumes to turn slightly positive, leading to FY volumes down by 2/3%, with mixed momentum depending on businesses:

- OE Passenger car markets will remain tough until year end except China which should stay positive, potentially aggravated in the US by the tariffs situation.
- RT businesses in PC and Truck are pretty resilient as usual. The most recent geopolitical turbulences are accentuating the unpredictability of the conjuncture.
- OE in Truck and in Beyond Road will still be a headwind as expected, with OE North America and Beyond Road rebounding only in 2026.
- Mining will be a tailwind, both on a favorable comparison basis and driven by the good orientation of the demand, on a globally sound inventory situation.

Mix will remain supported by the above developments, and price should flatten on H2 with the mitigation of indexation impact: as a reminder, the overall positive impact of indexation is between 150 and 200m on FY, with ~70% on H1 and ~30% on H2.

Non-tire is expected to be positive on H2, on a more favorable comparison basis.

Forex will continue to be a strong headwind; assuming a 1.14 EUR/USD exchange rate on the April-Dec period, the impact on Full Year sales would be close to -550m€ vs Prior Year. As you are aware, at Group level a variation of 1cts in the USD/EUR FX impacts EBIT by around ~30m€.

In terms of costs, we confirm the messages that we have been conveying so far:

- An overall raw mat inflation close to 200m€ on the year, most of it hitting H1. It is too early to assess the impact of the current geopolitical situation on intrants costs, but it will more likely affect 2026.
- An overall 200m€ inflation on industrial & logistics performance, mostly driven by Labor costs.
- SG&A should be flat vs 2024, with productivity gains and tight steering offsetting inflation.

- The expected positive impact of Restructuring (around 150m€ in 2025), with most of the projects delivering as expected or even faster. An illustration is the Cholet factory which produced its last tire last week, several months earlier than initially planned.

Down to FY SOI, **drop-through assumptions** to apply should be close to H1, and we wish to point out again that FX impact looks underestimated in the consensus view.

As to Free Cash Flow, we do not have any specific comments as it is expected to develop normally, with H2 generating the yearly cash, and the temporary negative impact on NA receivables being offset within H2.

As a general conclusion, we keep navigating stormy weather, with confidence and discipline.

We are reaching the end of our call.

Thank you for your attention and talk to you on Thursday 24th July.

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