



NEWS RELEASE

Nov 08, 2018

R&I Upgrades to A-, Stable: Renault SA

Rating and Investment Information, Inc. (R&I) has announced the following:

ISSUER: Renault SA
Issuer Rating: A-, Previously BBB+
Rating Outlook: Stable

RATIONALE:

Renault SA (Renault) is an automaker with the French government being the largest shareholder, and operates with multiple brands including Renault and Dacia. It has established a strong capital and business alliance with Nissan Motor Co., Ltd.

While the business environment is worsening in some emerging markets, the core European and Russian markets underpin sales volume. With geographically diverse sales territories, its overall earnings base is robust. Renault is working to reduce costs by sharing parts and modules with alliance partners and cooperates with them in next-generation technology development as well. The earning and cash flow generating capacities are solid, and the financial base is sound. Reflecting these factors, R&I has upgraded the Issuer Rating to A-. The Rating Outlook is Stable.

The model mix is characterized by a high proportion of compact cars, an area of its strength. Renault is especially competitive in entry-range vehicles thanks to its expertise in low-cost production. Furthermore, the carmaker has been expanding its lineup of sport utility vehicles and medium-large vehicles for the past few years. Renault and Nissan Motor have been developing and launching models based on jointly developed Common Module Family (CMF) platforms. They plan to adopt CMF platforms for the mainstay compact car segment (CMF-B) and electric vehicles (CMF-EV).

The European market, which accounts for nearly 50% of its sales volume, is a major profit source. In Europe, Renault boasts the third largest market share and strong competitiveness. In regions outside of Europe, profits come primarily from emerging markets. In Iran, it has suspended operations again, while facing weak demand in Turkey and Argentina due to the depreciation of their currencies. Meanwhile, sales volume in Russia has been recovering through market leader AvtoVAZ, which became a subsidiary of Renault. Sales in Brazil have also picked up. In China, where it has offered passenger vehicles and entered the light commercial vehicle market, business expansion is still underway. Renault does not operate in the U.S.

As environmental regulations are becoming more stringent, demand for diesel vehicles is expected to contract. Nevertheless, Renault's vehicles, which are mainly compact cars, boast an excellent corporate average fuel economy, and the carmaker has taken a lead in sales of electric vehicles in Europe. In the fields of advanced technologies, such as electrification, autonomous driving and connected mobility, it will continue to work with its alliance partners, Nissan Motor and Mitsubishi Motors Corp.

In 2018, part of its profits have been squeezed by forex fluctuations and raw material costs. Even so, the overall earning capacity is solid thanks in part to efforts to revise selling prices and reduce costs. In the automotive business, not including sales financing, Renault has been boosting its net cash position by continuing to generate free cash flow. Equity capital is ample. The sales financing business has high earning capacity and sound asset quality. Sufficient liquidity is ensured as well. The overall financial base is thus robust. Renault has been under judicial investigation in France since 2017 concerning diesel emissions. It is uncertain at present how the results of the investigation will affect its earnings and financial positions.

The major concern for the future is the impact the U.S. protectionist policy and the U.K.'s withdrawal from the European Union will have on the global economy and automotive market. Going forward, it will be important to maintain an earnings base by, for example, launching new products continuously and creating more synergies through the alliance, despite tighter environmental regulations and the

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development race for next-generation technologies. Eyes will be also on whether the framework of the alliance with Nissan Motor is changed sometime in the future.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for Corporate Credit Ratings" and "Passenger Vehicles". The methodologies are available at the web site listed below, together with other rating methodologies that are taken into consideration when assigning the rating.

https://www.r-i.co.jp/en/rating/about/rating_method.html

R&I RATINGS:

ISSUER: Renault SA
Issuer Rating
RATING: A-, Previously BBB+
RATING OUTLOOK: Stable

Japanese Yen Bonds No.17	Issue Date Nov 26, 2015	Maturity Date Nov 26, 2018	Issue Amount (mn) JPY 70,000
RATING:	A-, Previously BBB+		

Japanese Yen Bonds No.18	Issue Date Sep 23, 2016	Maturity Date Sep 20, 2019	Issue Amount (mn) JPY 50,000
RATING:	A-, Previously BBB+		

Japanese Yen Bonds No.19	Issue Date Jul 06, 2017	Maturity Date Jul 06, 2020	Issue Amount (mn) JPY 63,400
RATING:	A-, Previously BBB+		

Japanese Yen Bonds No.20	Issue Date Jul 06, 2017	Maturity Date Jul 06, 2022	Issue Amount (mn) JPY 26,600
RATING:	A-, Previously BBB+		

Japanese Yen Bonds No.21	Issue Date Jul 03, 2018	Maturity Date Jul 02, 2021	Issue Amount (mn) JPY 39,100
RATING:	A-, Previously BBB+		

Japanese Yen Bonds No.22	Issue Date Jul 03, 2018	Maturity Date Jul 03, 2023	Issue Amount (mn) JPY 18,300
RATING:	A-, Previously BBB+		

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