FitchRatings

Corporates
Auto & Related
France

Renault SA

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BB+	Negative	Downgrade 27 Mar 20

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The downgrade of Renault SA's Long-Term Issuer Default Rating (IDR) reflects Fitch Ratings' view that the coronavirus pandemic will weigh on the French car maker's earnings and cash flow in 2020, and materially hinder or delay the recovery in the group's credit metrics assumed in our February 2020 review.

Fitch's base case includes a significant global economic downturn through 2Q20 that will significantly affect new vehicle sales in 1H20. We expect sales to recover gradually in 2H20 and into 2021 but to a lower level than previously assumed.

The Negative Outlook reflects the risk of further deterioration in Renault's credit profile if confinement measures and production stoppages related to the coronavirus are prolonged, further stressing the company's operations and liquidity. It also reflects the risk of a protracted weakened economic environment and its potential effect on new vehicle sales, particularly in Europe. A weaker-than-expected rebound in sales further impairing Renault's financial performance could lead to another downgrade.

Key Rating Drivers

Delayed Recovery: The pandemic is compounding challenges to Renault that first surfaced in 2019. Our previous rating case assumed a gradual improvement of the financial profile by end-2022, including recovery of free cash flow (FCF) to positive territory, operating margin to 5% from a trough of just above 3% in 2020 and funds from operations (FFO)-adjusted net leverage to below 1.5x from 1.7x in 2020. Our current base case incorporates weaker operating and FCF margins and higher leverage in 2020-2022.

Sharp Fall in Revenue: We expect car sales to plummet in Europe in 1H20 as a result of extended confinement measures in the largest automotive markets, further intensifying existing sales pressures due to the sector's cyclical downturn that started before the outbreak. Emergency measures and lockdown decisions in several countries have led to a sharp decline in dealership visits and widespread postponements of new vehicle purchases, bringing new vehicle sales to a halt for several weeks.

European Sales Hardest Hit: Renault derives about half of its unit sales and about two-thirds of its revenue from Europe. We estimate that an 80% yoy sales decline in Europe could represent more than EUR500 million a week in lost revenue. Other regions where Renault is active have been less affected by the outbreak, except for South Korea, but will also record lower sales. Renault does not have operations in the US while its presence in China is not material.

Profitability Hit: The fall in revenue will strongly impair fixed cost absorption and have a material effect on operating margins in 2020. We believe that Renault's industrial operating margin could become negative in 2020, down from 2.7% in 2019 and 4.4% in 2018 but the magnitude of the impact will depend on the duration and extent of the production stoppages and sales decline. Profitability recovery will depend on the success of the cost-saving initiatives and restructuring measures to be announced this year.

Working Capital Absorption: The automotive industry typically displays negative working capital, including shorter-term receivables than payables. A sudden fall in sales causes a rapid decline in

Applicable Criteria and Related Research

Fitch Ratings 2020 Outlook: European Automotive Manufacturers and Suppliers (November 2019)

Coronavirus Adds to Global Automakers' Structural Troubles (February 2020)

Coronavirus Tests EV Growth, Raises EU Carmakers' Penalty Risk (April 2020)

Coronavirus Spread Compounds European Autos' Structural Risks (March 2020)

Global Auto Sector Challenges Will Raise Risks and Upend Trajectories (January 2020)

Corporate Rating Criteria – Effective from 19 February 2019 to 27 March 2020 (February 2019)

Corporates Notching and Recovery Ratings Criteria (October 2019)

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trade receivables while payables are still due for a further two to three months. Factory shutdowns across Europe will curb inventory pile-up and shrink receivables but we expect a significant cash outflow from working capital developments in the next couple of months from sharply lower payables.

Working Capital Release Uncertain: We expect a recovery in sales to trigger a symmetric inflow of working capital, similar to what happened in 2009, but the timeline is hard to predict and could extend into 2021. It will depend on upcoming demand and potential government decisions to spur demand and steer financial relationships between various companies in the supply chain.

Further Pressure on FCF: Our previous assumption of negative FCF in 2020 is compounded by the risk of worse-than-expected FFO in 2020. Working capital developments will be pivotal to FCF but are difficult to project. We also forecast a cut in capex and dividends to preserve cash but expect investments to remain driven by the need to meet stringent emission regulation. Furthermore, we expect a cut in dividends upstreamed from Nissan for longer than previously forecast as Nissan also faces significant pressure on its financial profile.

Upcoming Restructuring Measures: Renault has identified significant savings worth about EUR2 billion, or about 20% of its total fixed costs, in the next three years from non-core asset sales, the alignment of its global production footprint to its revised expectations for the automotive market and its own sales and a review of the make-or-buy strategy. It said that it will detail the cost and timeframe of its programme in late May 2020 but the pandemic could change the agenda and scope of the plan.

We are also cautious that renewed synergies with Nissan could take longer than expected to accrue from relationships on the mend and from heavy resistance from some stakeholders to cost-cutting.

Difficult Compliance with Emission Targets: Despite its advantage of being an early entrant on the electric vehicle (EV) market, Renault still has to fill a material gap to its 2020 CO_2 targets to avoid heavy fines. To meet these targets, we expect acceleration of EV sales, but potentially at a loss, as well as substantial additional investments, including in hybrid powertrains, which Renault has so far largely overlooked. We also expect coronavirus-related measures to disrupt EV production and availability in 2020 and hinder some crucial model development.

Regulation Potentially on Hold: The evolution of the product mix is difficult to forecast and the immediate sales recovery could be focused on smaller, more fuel-efficient models supporting Renault's average CO_2 emissions. Regulatory response is hard to predict, but European regulators have taken a hard stance towards lowering fuel emissions but exceptional circumstances may warrant special derogations for carmakers, depending on the duration and magnitude of the crisis.

Disruptive Management Changes: The departure of Chief Executive and Chairman Carlos Ghosn opened up a period of turbulence at senior management level. A new chairman was appointed in early 2019, who focused on stabilising the relationship between Renault and Nissan. A new chief executive was chosen in early 2020 but will only join the group in July 2020, after the restructuring plan has been announced. Various other senior managers have also left the company. We expect the new management team to bring some balance to the group but this could be drawn-out.

Strained Alliance: While Renault's scale remains modest on a standalone basis, compared with large international peers such as Volkswagen AG (BBB+/Stable) and Toyota Motor Corporation (A+/Negative), it can derive material synergies from its alliance with Nissan, which was completed by Mitsubishi Motors recently. This is an important advantage for new powertrains and autonomous driving technologies but which we believe has not been leveraged to its full potential.

Investigations into Mr Ghosn have triggered some turmoil between the two partners and disrupted several joint projects. Nonetheless, we believe that the new management at Nissan and Renault will bring stability, having agreed to coordinate strategies and name leaders for regions and technologies.

Effect from ESG Factors: Renault has an ESG Relevance Score of '4' for GHG Emissions & Air Quality and Governance Structure. The group is facing stringent emission regulation, notably in Europe, which is its main market. Investments in lower emission are a key driver of the group's strategy and cash generation.

The Governance Structure score reflects the complex shareholding structure, including the partial ownership of the French state and cross-shareholdings with Nissan. The complicated relationship was recently illustrated by the developments surrounding merger discussions between Renault and FCA, which ultimately failed.

Financial Summary

(EURm)	Dec 2018	Dec 2019	Dec 2020F	Dec 2021F
Gross revenue	54,211	52,132	47,340	49,810
Operating EBIT margin (%)	4.4	2.7	-0.5	1.2
Free cash flow margin (%)	0.0	-1.8	-5.5	-0.8
FFO fixed-charge coverage (x)	9.1	8.3	5.9	7.4
FFO adjusted net leverage (x)	0.8	1.3	2.6	2.1

Source: Fitch Ratings, Fitch Solutions

Issuer Business Summary: Renault is a mass-market automotive manufacturer with annual sales of about EUR50 billion. The group designs, manufactures and distributes, notably through its Renault Retail Group subsidiary, a large range of vehicles, including passenger cars (e.g. SUVs, sedans and hatchbacks) and light commercial vehicles. The vehicles are marketed under five badges: Renault, Dacia, Lada, Samsung and Alpine. The vast majority of vehicles are sold in Europe, Russia and South America, notably Brazil.

The group also fully owns RCI Banque, a subsidiary dedicated to vehicle sales financing and leasing. In addition, Renault has a significant equity investment in Nissan (43.4% shareholding) worth about EUR5.5 billion.

Rating Derivation Relative to Peers

On a standalone basis, Renault is smaller than General Motors Company (GM; BBB-/Stable), Ford Motor Company (BB+/Negative) and Hyundai Motor Company (BBB+/Negative), but Renault's alliance with Nissan, extended to Mitsubishi, provides it with a capacity for substantial economies of scale and synergies, although we believe that these synergies have not yet delivered their full potential.

Renault's brand positioning is moderately weaker than US peers'. Nonetheless, we believe Renault's relative position should incorporate Dacia, which despite not having a high brand value and leading market shares, enhances product and geographic diversification and is a healthy contribution to profitability. Compared with Hyundai and Kia Motors Corporation (BBB+/Negative), we see a much closer comparison in competitiveness and brand positioning.

Renault's financial profile has deteriorated compared with 'BBB' global automotive manufacturers. Renault's automotive operating and FCF margins are now expected to be lower than those of GM, PSA and FCA. In addition, FFO-adjusted net leverage is also expected to be higher than these peers'. No country-ceiling, parent/subsidiary or operating environment aspects affect the rating.

Navigator Peer Comparison

Issuer	IDR/Outlook	Business profile: Operating Environment	Management and Corporate Governance	Competitive Position	Diversification	Brand Positioning	Cost Structure	Financial profile: Profitability	Financial Structure	Financial Flexibility
Fiat Chrysler Automobiles N.V.	BBB-/Sta	aa-	bbb+	bbb-	bbb	bbb-	bbb-	bbb-	bbb	bbb+
Ford Motor Company	BB+/Neg	aa	bbb+	bbb	bbb	bbb	bbb	bb	bb+	bb+
General Motors Company	BBB-/Sta	aa-	bbb+	bbb	bbb-	bbb+	bbb	bbb-	bbb	bbb+
Peugeot S.A.	BBB-/Sta	aa-	bbb+	bbb-	bb+	bb+	bbb-	bbb	bbb+	bbb+
Renault SA	BB+/Neg	aa-	bbb-	bbb-	bbb-	bb+	bbb	bb-	bb	bb+

Source: Fitch Ratings. Importance: Higher, Moderate, Lower

Name	IDR/Outlook	Business profile: Operating Environment	Management and Corporate Governance	Competitive Position	Diversification	Brand Positioning	Cost Structure	Financial profile: Profitability	Financial Structure	Financial Flexibility
Fiat Chrysler Automobiles N.V.	BBB-/Sta	6.0	2.0	0.0	1.0	0.0	0.0	0.0	1.0	2.0
Ford Motor Company	BB+/Neg	8.0	3.0	2.0	2.0	2.0	2.0	-1.0	0.0	0.0
General Motors Company	BBB-/Sta	6.0	2.0	1.0	0.0	2.0	1.0	0.0	1.0	2.0
Peugeot S.A.	BBB-/Sta	6.0	2.0	0.0	-1.0	-1.0	0.0	1.0	2.0	2.0
Renault SA	BB+/Neg	7.0	1.0	1.0	1.0	0.0	2.0	-2.0	-1.0	0.0

Source: Fitch Ratings. Worse positioned than IDR; In line with IDR; Better positioned than IDR

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade (an upgrade is unlikely until the global environment has normalised)

- Group operating margin recovering to 3%.
- FCF margin recovering to 1%.
- Cash flow from operations (CFO)/lease-adjusted debt above 30%.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Increasing risk of deteriorating liquidity.
- Group operating margin below 2%.
- FCF margin remaining negative by 2022.
- CFO/lease-adjusted debt below 20%.
- FFO-adjusted net leverage above 2x
- Material negative changes to the benefits derived from the Nissan alliance.

Liquidity and Debt Structure

Working Capital to Affect Liquidity: We expect negative working capital developments in 2Q20 to strain liquidity. Renault had EUR9.9 billion in trade payables at its automotive operations at end-2019, which were partly covered by EUR1.3 billion in trade receivables. Further coverage was provided by EUR13.5 billion of reported cash and cash equivalents and financial assets for industrial operations at end-2019, before Fitch's adjustments for minimum operational cash of about EUR1.3 billion and not readily available financial assets.

In addition, undrawn committed credit lines of EUR3.5 billion are available at the automotive division. Renault has a record of maintaining a prudent financial policy, including a reported net cash position, and reported cash and cash equivalent and availability under RCF of at least 20% of revenue.

Diversified Debt Structure: The debt structure at Renault consists mainly of euro- and yen-denominated unsecured bonds. The notes' maturities are well-spread from July 2020 to October 2027. The group has also raised debt through bank credit lines, including at the level of its subsidiaries.

For its short-term financial needs, the group has direct access to EUR3.5 billion of undrawn revolving credit facilities and recourse to a EUR2.5 billion euro commercial paper programme, of which EUR0.6 billion was used at end-2019. It can also use account receivables factoring (several receivables securitisation programmes in different countries) to fund its working capital needs.

ESG Considerations

Renault has an ESG Relevance Score of '4' for GHG Emissions & Air Quality as Renault is facing stringent emission regulation, notably in Europe which is its main market. Investments in lower emission are a key driver of the group's strategy and cash generation and this is therefore relevant to the rating in conjunction with other factors.

Renault has an ESG Relevance Score of '4' for Governance Structure, reflecting the complex shareholding structure, including the partial ownership of the French state and cross-shareholdings with Nissan. The complicated relationship has been illustrated recently by the developments surrounding merger discussions between Renault and FCA, which ultimately failed.

Except for the matters discussed above, the highest level of ESG credit relevance, if present, is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity.

Liquidity and Debt Maturity Scenario with No Refinancing

Renault SA – Liquidity Analysis

Available liquidity (EURm)	2020F	2021F	2022F
Beginning cash balance	11,971	4,079	2,669
Rating case FCF after acquisitions and divestitures	-2,573	-370	215
Total available liquidity (A)	**9,398**	**3,709**	**2,884**
Liquidity uses			
Debt maturities	-5,319	-1,040	-270
Total liquidity uses (B)	**-5,319**	**-1,040**	**-270**
Liquidity calculation			
Ending cash balance (A+B)	4,079	2,669	2,614
Revolver availability	3,480	2,970	2,970
Ending liquidity	**7,559**	**5,639**	**5,584**
Liquidity score	**2.4**	**6.4**	**21.7**

Source: Fitch Ratings, Fitch Solutions, Renault

Scheduled debt maturities	Original
Statement date	**31 December 2019**
2020 [a]	5,319
2021	1,040
2022	270
2023	1,332
2024	1,279
Thereafter	3,079
Total [b]	12,319

[a] Include intersegment financial liabilities and factoring
[b] Exclude redeemable shares and Fitch's captive finance adjustment
Source: Fitch Ratings, Fitch Solutions, Renault

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- High-single-digit decline in global light vehicle volumes in 2020, some recovery in 2021 and very low-single-digit growth over the medium term;
- Industrial operations revenue declining 9% to 10% in 2020, and recovering gradually through to 2023;
- Automotive operating margin (including Avtovaz) turning negative in 2020 and 1% to 1.5% in 2021, before improving toward 3% in 2022. Group margin falling below 2% in 2020 and 4% in 2021, before recovering to about 5% in 2022;
- Capex on average at about 7.1% of industrial sales between 2020 and 2023, after peaking at 9.6% in 2019;
- Dividend payment of about EUR0.3 billion in 2020 (cancelled in April 2020) and none in 2021; and
- No material acquisitions or disposals.

Financial Data

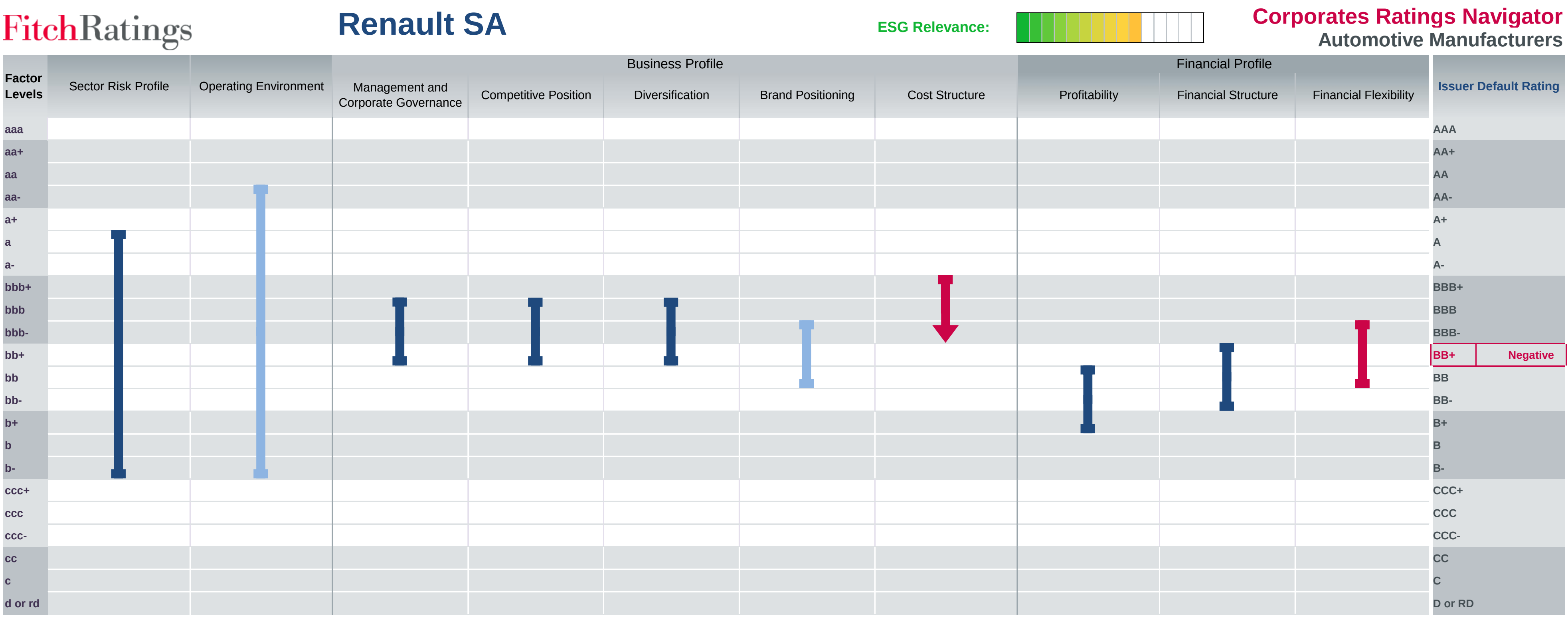
(EURm)	Historical Dec 2017	Dec 2018	Dec 2019	Forecast Dec 2020F	Dec 2021F	Dec 2022F
Summary income statement						
Gross revenue	56,257	54,211	52,132	47,340	49,810	51,697
Revenue growth (%)	14.8	-3.6	-3.8	-9.2	5.2	3.8
Operating EBITDA (before income from associates)	5,646	5,581	5,033	3,834	4,582	5,325
Operating EBITDA margin (%)	10.0	10.3	9.7	8.1	9.2	10.3
Operating EBITDAR	5,898	5,809	5,171	3,960	4,714	5,461
Operating EBITDAR margin (%)	10.5	10.7	9.9	8.4	9.5	10.6
Operating EBIT	2,685	2,406	1,420	-237	598	1,448
Operating EBIT margin (%)	4.8	4.4	2.7	-0.5	1.2	2.8
Gross interest expense	-441	-373	-362	-385	-395	-405
Pretax income (including associate income/loss)	4,918	3,124	748	-2,097	178	1,618
Summary balance sheet						
Readily available cash and equivalents	11,352	11,415	11,971	9,274	9,393	9,378
Total debt with equity credit	14,294	13,821	16,061	15,992	16,702	16,682
Total adjusted debt with equity credit	16,310	15,645	17,165	16,995	17,757	17,777
Net debt	2,942	2,406	4,090	6,718	7,309	7,304
Summary cash flow statement						
Operating EBITDA	5,646	5,581	5,033	3,834	4,582	5,325
Cash interest paid	-476	-356	-363	-385	-395	-405
Cash tax	-493	-402	-378	-95	-95	-119
Dividends received less dividends paid to minorities (inflow/(out)flow)	684	899	1,044	390	495	579
Other items before FFO	-925	-990	-1,699	-1,250	-1,200	-1,150
Funds flow from operations	4,517	4,806	3,715	2,569	3,462	4,305
FFO margin (%)	8.0	8.9	7.1	5.4	7.0	8.3
Change in working capital	350	628	1,409	-731	175	16
Cash flow from operations (Fitch defined)	4,867	5,434	5,124	1,838	3,637	4,320
Total non-operating/non-recurring cash flow	0	0	0			
Capital expenditure	-3,594	-4,388	-5,009			
Capital intensity (capex/revenue) (%)	6.4	8.1	9.6			
Common dividends	-916	-1,027	-1,035			
Free cash flow	357	19	-920			
Net acquisitions and divestitures	-16	-17	-64			
Other investing and financing cash flow items	-316	-291	-139	-20	-185	-175
Net debt proceeds	-51	262	1,680	-69	710	-20
Net equity proceeds	-226	-41	-36	-35	-35	-35
Total change in cash	-252	-68	521	-2,697	120	-15
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-4,526	-5,432	-6,108	-4,412	-4,007	-4,106
Free cash flow after acquisitions and divestitures	341	2	-984	-2,574	-370	215
Free cash flow margin (after net acquisitions) (%)	0.6	0.0	-1.9	-5.4	-0.7	0.4
Coverage ratios						
FFO interest coverage (x)	10.3	14.3	11.0	7.5	9.6	11.4
FFO fixed-charge coverage (x)	7.1	9.1	8.3	5.9	7.4	8.8
Operating EBITDAR/interest paid + rents (x)	9.0	11.5	12.4	8.5	9.9	11.1
Operating EBITDA/interest paid (x)	13.3	18.2	16.7	11.0	12.9	14.6
Leverage ratios						
Total adjusted debt/operating EBITDAR (x)	2.5	2.3	2.8	3.9	3.4	2.9
Total adjusted net debt/operating EBITDAR (x)	0.8	0.6	0.8	1.8	1.6	1.4
Total debt with equity credit/operating EBITDA (x)	2.3	2.1	2.6	3.8	3.3	2.8
FFO adjusted leverage (x)	3.2	2.9	4.1	5.7	4.5	3.7
FFO adjusted net leverage (x)	1.0	0.8	1.3	2.6	2.1	1.8

Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



FitchRatings

Renault SA

Corporates Ratings Navigator
Automotive Manufacturers

Operating Environment

aa	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
aa-	Financial Access	aa	Very strong combination of issuer specific funding characteristics and of the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'aa'
b-			
ccc+			

Management and Corporate Governance

bbb+	Management Strategy	bb	Strategy generally coherent but some evidence of weak implementation.
bbb	Governance Structure	bb	Board effectiveness questionable with few independent directors. "Key man" risk from dominant CEO or shareholder.
bbb-	Group Structure	a	Group structure shows some complexity but mitigated by transparent reporting.
bb+	Financial Transparency	bbb	Good quality reporting without significant failing. Consistent with the average of listed companies in major exchanges.
bb			

Competitive Position

bbb+	Product Positioning	bb	Large volume or small premium manufacturer.
bbb	Overall Scale	bbb	Large manufacturer (sales > 4 million units).
bbb-			
bb+			
bb			

Diversification

bbb+	Product Range	bbb	Modest reliance on three to four key products or product families (top four products >50% of total unit sales).
bbb	Geography	bbb	Modest reliance on one or two end-markets (>40% of total unit sales).
bbb-	Production	bbb	Moderate mismatch between sales and production.
bb+			
bb			

Brand Positioning

bbb	Brand Value	bb	Medium brand value.
bbb-	Market Share	bb	Top five to top 10 positions in key markets.
bb+			
bb			
bb-			

Cost Structure

a-	Capacity Utilization	bbb	Moderate cost structure and lower and more volatile capacity utilization rates.
bbb+	Potential for Synergies	bbb	High potential for synergies, very limited need for external alliances.
bbb			
bbb-			
bb+			

Profitability

bb+	FFO Margin	bbb	7%
bb	EBIT Margin - Group	bb	2%
bb-	FCF Margin	b	Negative
b+	Volatility of Margins	bb	Some more volatility can lead to moderate and temporary losses at cycle trough.
b			

Financial Structure

bbb-	Lease Adjusted FFO Gross Leverage	b	4.0x
bb+	Lease Adjusted FFO Net Leverage	bb	2.0x
bb	Net Debt/(CFO - Capex)		n.a.
bb-	CFO/Lease Adjusted Debt	bb	25%
b+			

Financial Flexibility

bbb	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
bbb-	Liquidity	bbb	One year liquidity ratio above 1.25x. Well-spread maturity schedule of debt but funding may be less diversified.
bb+	FFO Fixed Charge Cover	bb	6x
bb	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.
bb-			

Credit-Relevant ESG Derivation

Renault SA has 2 ESG rating drivers and 7 ESG potential rating drivers

- Emissions and pollutants from vehicles sold
- Board independence and effectiveness; ownership concentration
- Waste and recycling in manufacturing operations; use of environmentally friendly materials
- Data security; vehicle safety
- Impact of labor negotiations and employee (dis)satisfaction
- Cities' focus on promoting less vehicle ownership; shift in consumer preferences toward cleaner energy

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	2	issues	4
potential driver	7	issues	3
not a rating driver	2	issues	2
	3	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

FitchRatings

Renault SA

Corporates Ratings Navigator
Automotive Manufacturers

Credit-Relevant ESG Derivation

Renault SA has 2 ESG rating drivers and 7 ESG potential rating drivers

- Renault SA has exposure to emissions regulatory risk which, in combination with other factors, impacts the rating.
- Renault SA has exposure to board independence risk which, in combination with other factors, impacts the rating.
- Renault SA has exposure to waste & impact management risk but this has very low impact on the rating.
- Renault SA has exposure to customer accountability risk and product quality & safety risk but this has very low impact on the rating.
- Renault SA has exposure to labor relations & practices risk but this has very low impact on the rating.
- Renault SA has exposure to shifting consumer preferences but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	2	issues	4
potential driver	7	issues	3
not a rating driver	2	issues	2
	3	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	4	Emissions and pollutants from vehicles sold	Brand Positioning; Profitability; Financial Structure
Energy Management	2	Fuel economy requirements of the product	Brand Positioning; Profitability; Financial Structure
Water & Wastewater Management	2	Water usage in manufacturing	Competitive Position; Cost Structure; Profitability; Financial Structure
Waste & Hazardous Materials Management; Ecological Impacts	3	Waste and recycling in manufacturing operations; use of environmentally friendly materials	Brand Positioning; Profitability; Financial Structure
Exposure to Environmental Impacts	1	n.a.	n.a.

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Data security; vehicle safety	Brand Positioning; Profitability
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Cost Structure; Profitability
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	3	Cities' focus on promoting less vehicle ownership; shift in consumer preferences toward cleaner energy	Profitability

S Scale: 5, 4, 3, 2, 1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance
Governance Structure	4	Board independence and effectiveness; ownership concentration	Management and Corporate Governance
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

G Scale: 5, 4, 3, 2, 1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

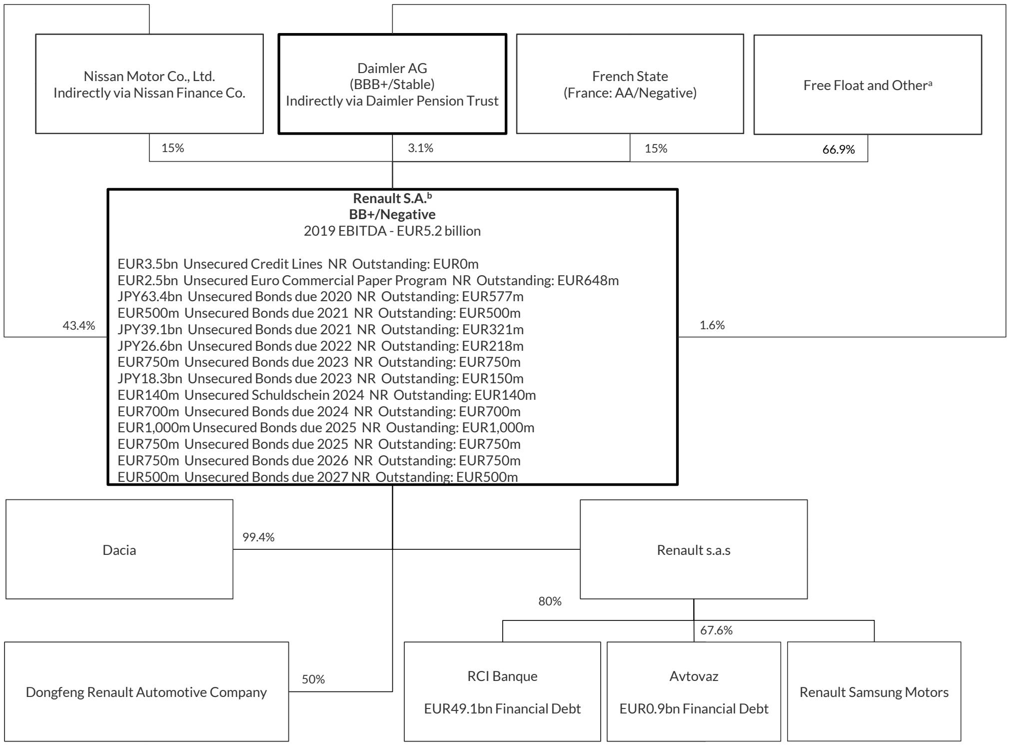
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



[a] Treasury share: 1.7%;
[b] Renault S.A. and its subisidaries also raised debt through various bank facilities.
Source: Fitch Ratings, Fitch Solutions. Renault S.A., As at December 2019

Peer Financial Summary

Company	IDR	Financial Statement Date	Gross Revenue (EURm)	Operating EBIT Margin (%)	Free Cash Flow Margin (%)	FFO Fixed-Charge Coverage (x)	FFO Adjusted Net Leverage (x)
Renault SA	BB+						
	BBB	2019	52,132	2.7	-1.8	8.3	1.3
	BBB	2018	54,211	4.4	0.0	9.1	0.8
	BBB	2017	56,257	4.8	0.6	7.1	1.0
Fiat Chrysler Automobiles N.V.	BBB-						
	BBB-	2019	107,976	5.5	1.3	7.1	0.1
	BBB-	2018	110,171	5.2	5.1	7.6	0.6
	BB	2017	110,745	5.7	1.0	8.0	0.8
Peugeot S.A.	BBB-						
	BBB-	2019	74,683	8.3	3.6	13.0	-0.2
	BBB-	2018	73,972	7.7	2.9	15.5	-0.2
	BB+	2017	65,094	6.1	-0.2	11.9	0.0
Ford Motor Company	BB+						
	BBB	2019	128,274	1.0	-0.6	4.1	-0.1
	BBB	2018	125,718	1.5	-0.4	4.0	-0.3
	BBB	2017	128,869	2.3	-0.2	4.6	-0.4
General Motors Company	BBB-						
	BBB	2019	109,571	3.2	-2.6	5.8	0.2
	BBB	2018	112,771	4.2	0.2	10.9	-0.4
	BBB	2017	118,203	7.2	2.4	16.3	0.0

Source: Fitch Ratings, Fitch Solutions

Reconciliation of Key Financial Metrics

(EUR Millions, As reported)	31 Dec 19
Income Statement Summary	
Operating EBITDA	5,033
+ Recurring Dividends Paid to Non-controlling Interest	-85
+ Recurring Dividends Received from Associates	1,129
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	**6,077**
+ Operating Lease Expense Treated as Capitalised (h)	**138**
= Operating EBITDAR after Associates and Minorities (j)	**6,215**
Debt & Cash Summary	
Total Debt with Equity Credit (l)	**16,061**
+ Lease-Equivalent Debt	1,104
+ Other Off-Balance-Sheet Debt	0
= Total Adjusted Debt with Equity Credit (a)	**17,165**
Readily Available Cash [Fitch-Defined]	11,013
+ Readily Available Marketable Securities [Fitch-Defined]	958
= Readily Available Cash & Equivalents (o)	**11,971**
Total Adjusted Net Debt (b)	**5,194**
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	**0**
Interest Received	78
+ Interest (Paid) (d)	**-363**
= Net Finance Charge (e)	**-285**
Funds From Operations [FFO] (c)	**3,715**
+ Change in Working Capital [Fitch-Defined]	1,409
= Cash Flow from Operations [CFO] (n)	**5,124**
Capital Expenditures (m)	**-5,009**
Multiple applied to Capitalised Leases	**8.0**
Gross Leverage	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	**2.8**
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	**4.1**
Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	**2.6**
Net Leverage	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	**0.8**
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	**1.3**
Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	**35.6**
Coverage	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	**12.4**
Op. EBITDA / Interest Paid* [x] (k/(-d))	**16.7**
FFO Fixed Charge Cover [x] ((c+e+h-f)/(-d+h-f))	**8.3**
(FFO + Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)	
FFO Gross Interest Coverage [x] ((c+e-f)/(-d-f))	**11.0**
(FFO + Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)	
* EBITDA/R after Dividends to Associates and Minorities	

Source: Fitch Ratings, Fitch Solutions, Renault

Fitch Adjustment Reconciliation

(EUR Millions, As reported)	Reported Values 31 Dec 19	Sum of Fitch Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Cash Adjustment	- CORP - other	- CORP - Captive Finance	- CORP - Factoring	CORP - Lease Treatment	Other Adjustment	Adjusted Values
Income Statement Summary										
Revenue	52,132	0								52,132
Operating EBITDAR	5,171	0								5,171
Operating EBITDAR after Associates and Minorities	5,171	1,044	1,044							6,215
Operating Lease Expense	0	138						138		138
Operating EBITDA	5,171	-138						-138		5,033
Operating EBITDA after Associates and Minorities	5,171	906	1,044					-138		6,077
Operating EBIT	1,444	-24						-24		1,420
Debt & Cash Summary										
Total Debt With Equity Credit	11,802	4,259			-5	3,461	1,810	-739	-268	16,061
Total Adjusted Debt With Equity Credit	11,802	5,363			-5	3,461	1,810	365	-268	17,165
Lease-Equivalent Debt	0	1,104						1,104		1,104
Other Off-Balance Sheet Debt	0	0								0
Readily Available Cash & Equivalents	13,536	-1,565		-1,349	-216					11,971
Not Readily Available Cash & Equivalents	-64	1,349		1,349						1,285
Cash-Flow Summary										
Preferred Dividends (Paid)	0	0								0
Interest Received	78	0								78
Interest (Paid)	-387	24						24		-363
Funds From Operations [FFO]	2,785	930	1,044					-114		3,715
Change in Working Capital [Fitch-Defined]	1,844	-435					-435			1,409
Cash Flow from Operations [CFO]	4,629	495	1,044				-435	-114		5,124
Non-Operating/Non-Recurring Cash Flow	0	0								0
Capital (Expenditures)	-5,009	0								-5,009
Common Dividends (Paid)	-1,035	0								-1,035
Free Cash Flow [FCF]	-1,415	495	1,044				-435	-114		-920
Gross Leverage										
Total Adjusted Debt / Op. EBITDAR* [x]	2.3									2.8
FFO Adjusted Leverage [x]	3.8									4.1
FFO Leverage [x]	3.8									4.0
Total Debt With Equity Credit / Op. EBITDA* [x]	2.3									2.6
CFO-Capex/Total Debt with Equity Credit (%)	-3.2%									0.7%
Net Leverage										
Total Adjusted Net Debt / Op. EBITDAR* [x]	-0.3									0.8
FFO Adjusted Net Leverage [x]	-0.6									1.3
FFO Net Leverage [x]	-0.6									1.0
Total Net Debt / (CFO - Capex) [x]	4.6									35.6
CFO-Capex/Total Net Debt with Equity Credit (%)	21.9%									2.8%
Coverage										
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	13.4									12.4

(EUR Millions, As reported)	Reported Values 31 Dec 19	Sum of Fitch Adjustments	- CORP - other	- CORP - Captive Finance	- CORP - Factoring	CORP - Lease Treatment	Other Adjustment	Adjusted Values
Debt Structure Details								
+ Other Receivables / Factoring Facilities [off B/S]	0	1,810			1,810			1,810
+ Capital Leases	739	-739				-739		0
+ Total Secured Debt	**739**	**1,071**			**1,810**	**-739**		**1,810**
+ Commercial Paper	648	0						648
+ Senior Unsecured Term Loans	1,860	0						1,860
+ Senior Unsecured Notes	6,284	-5	-5					6,279
+ Other Unsecured Debt	627	0						627
+ Inter-Company Debt	1,095	3,461		3,461				4,556
+ Total Unsecured Debt	**10,514**	**3,456**	**-5**	**3,461**				**13,970**
+ Junior Subordinated Debt	281	0						281
+ Total Subordinated Debt	**281**	**0**						**281**
+ Net B/S Deriv. (Assets)/Liab.Hedging Principal Borrowings	268	-268					-268	0
Total Debt With Equity Credit	**11,802**	**4,259**	**-5**	**3,461**	**1,810**	**-739**	**-268**	**16,061**
Lease-Equivalent Debt	0	1,104				1,104		1,104
Total Adjusted Debt With Equity Credit	**11,802**	**5,363**	**-5**	**3,461**	**1,810**	**365**	**-268**	**17,165**

Source: Fitch Ratings, Fitch Solutions, Renault

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.