FitchRatings

Corporates
Auto & Related
France

Renault SA

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	BB	Negative	Downgraded 9 Oct 2020

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The recent downgrade reflects the sharp deterioration in Renault SA's key credit metrics in 2020 and Fitch Ratings' projections that a robust and sustained recovery will stretch beyond the rating horizon of the next two to three years. Fitch expects key credit ratios to remain weak for the ratings until at least end-2022, with free cash flow (FCF) to remain negative in 2021 and to only increase to about breakeven levels in 2022. This should cause funds flow from operations (FFO) gross and net leverage to remain well above 4x and 2x, respectively, until end-2022.

Renault announced some cost-saving measures in May 2020 that will bolster earnings and cash generation. It will also detail an updated business plan in early 2021, which we expect will further support credit metrics. However, we believe these measures will weigh on profitability and cash flow in the short term and will take at least two years before having a net positive effect on FCF.

The Negative Outlook reflects the risk of executing the announced plan in the expected timeframe. It also reflects the risk of a protracted weakened economic environment and its potential effect on new vehicle sales, particularly in Europe. A weaker- or slower-than-expected rebound in sales further impairing Renault's financial performance could lead to another downgrade.

Conversely, a stronger-than-expected recovery in the economic environment in 2021, boosting new vehicle sales, and early signs of smooth implementation of cost-saving measures, could help stabilise the Outlook and support the Issuer Default Rating (IDR).

Key Rating Drivers

Profitability Hit: In Europe, from where Renault derives about half of its unit sales and about two thirds of its revenue, we expect car sales to plummet by 20%-25% in 2020. The fall in revenue will strongly impair fixed cost absorption and will have a material effect on profitability this year. We expect Renault's industrial operating margin to be sharply negative in 2020, at about -3.5% down from 2.7% in 2019 and 4.4% in 2018.

Cash Absorption: We project Renault will burn substantial cash in 2020 from a combination of deteriorating FFO and working capital absorption. We believe that a cut in capex and dividends will preserve cash in the next three years, but expect investments to remain driven by the need to meet stringent emission regulation and other sector trends.

Furthermore, we expect a lack of material dividends up-streamed from Nissan for longer than previously forecast as Nissan also faces significant pressure on its financial profile. We anticipate FCF could be negative at about -10% in 2020 and remain negative between -1.5% and -2% in 2021.

Spike in Leverage: Significant cash absorption in 2020 will lead FFO net leverage to rise to just below 5x at the end of the year, according to our projections, from 1x at end-2019 and about 0.5x in 2014-2018. We expect a gradual decline in leverage, thereafter, from improving FFO but expect indebtedness to remain high for the rating. We forecast that FFO net leverage could decline to less than 2x by end-2023 only; a level that Fitch considers commensurate with a 'BB' rated car manufacturer.

Applicable Criteria

Corporates Notching and Recovery Ratings Criteria (October 2019)

Corporate Rating Criteria (May 2020)

Related Research

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

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

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

European Auto Manufacturers: Peer Comparison (August 2020)

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Gradual Credit Metrics Recovery: Profitability and cash flow recovery will depend primarily on the success of the ongoing cost-saving initiatives, the implementation of further restructuring measures and actions to bolster pricing power. We project the industrial operating margin to be moderately negative, between minus 0.5% and minus 1% in 2021 and to recover to between 3% and 4% in 2023 as sales rebound and the cost structure improves.

We also expect FCF to return to about breakeven in 2022 and be moderately positive in 2023 as FFO improves, and capex and dividends are maintained under control.

Restructuring Measures, Business Update: Renault has identified significant savings worth about EUR2 billion, or a reduction of 20% of its total fixed costs, in the next three years from non-core asset sales, increased commonalisation and the alignment of its global production footprint to its revised expectations for the automotive market and its own sales. Renault expects to cut engineering, production and administrative costs, thanks to reduced model complexity, lower manufacturing capacity and headcount reduction.

Renault's incoming chief executive will also announce an updated business plan in early 2021. We expect this plan to prioritise value and profitability over volume. This should lead to a further streamlining of the cost structure and a focus on more profitable vehicles.

Execution Risk: We project that ongoing restructuring actions will support Renault's credit profile. Savings of EUR2 billion would boost its margin by more than 3pp if they were fully retained. However, we believe that the positive effect from savings will be offset by implementation costs in the next 12-18 months and that they will take time to fully accrue to FCF.

Furthermore, we believe that the planned cost-reduction project could meet heavy resistance from some stakeholders, which could delay or impair Renault's plan. Renewed synergies with Nissan could also take longer than expected to accrue from relationships on the mend.

Possible Compliance with Emission Targets: Renault is on track to meet its 2020 carbon dioxide (CO2) targets and avoid heavy fines but we believe that 2021 targets could be more difficult to reach. To meet these targets, we expect an acceleration of EV sales, but potentially at a loss, as well as additional investments, including in hybrid powertrains, which Renault has so far largely overlooked.

However, 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 CO2 emissions.

Strained Alliance: Renault can derive material synergies from its alliance with Nissan, which was completed by Mitsubishi recently, even though its scale remains modest on a standalone basis, compared with large international peers such as Volkswagen AG (BBB+/Stable) and Toyota Motor Corporation (A+/Negative).

This is an important advantage for new powertrains and autonomous driving technologies but one that we believe has not been leveraged to its full potential. Investigations into Carlos 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.

ESG - GHG Emissions & Air Quality and Governance Structure: 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 Fiat Chrysler Automobiles N.V. (BBB-/Stable), which ultimately failed.

Financial Summary

(EURm)	Dec 18	Dec 19	Dec 20F	Dec 21F
Gross revenue	54,211	52,132	39,377	44,158
Operating EBIT margin (%)	4.4	2.7	-3.6	-0.7
FCF margin (%)	0.0	-1.8	-10.3	-1.7
FFO interest coverage (x)	14.3	11.0	4.1	6.2
FFO net leverage (x)	0.5	1.0	4.8	3.3

F – Forecast
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 a large range of vehicles, including passenger cars (e.g. sport-utility vehicles, sedans and hatchbacks) and light commercial vehicles. The vehicles are marketed under five brands: 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 EUR5.7 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 Motors, provides it with 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 that of US peers. Nonetheless, we believe Renault's relative position should incorporate Dacia, which, despite not having a high brand value nor leading market shares, enhances Renault's product and geographical diversification and is a healthy contribution to profitability. We see a closer comparison in competitiveness and brand positioning between Renault, Hyundai and Kia Motors Corporation (BBB+/Negative).

Renault's financial profile has deteriorated significantly compared with 'BBB-' global automotive manufacturers. We expect Renault's automotive operating and FCF margins to be lower than those of GM, Peugeot S.A. (BBB-/Stable) and Fiat Chrysler Automobiles N.V. We also expect its FFO net leverage to be at the higher end of the industry's range.

No Country Ceiling, parent/subsidiary or operating environment aspects affect the rating.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Competitive Position	Diversification	Brand Positioning	Cost Structure	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+
Jaguar Land Rover Automotive plc	B/Neg	aa-	bbb+	bb-	bb	bb	bb-	b	bb-	b+
Peugeot S.A.	BBB-/Sta	aa-	bbb+	bbb-	bb+	bb+	bbb-	bbb	bbb+	bbb+
Renault SA	BB/Neg	aa-	bbb-	bb+	bb+	bb+	bbb-	bb-	bb-	bbb

Source: Fitch Ratings.

Importance: Higher / Moderate / Lower

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Competitive Position	Diversification	Brand Positioning	Cost Structure	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
Jaguar Land Rover Automotive plc	B/Neg	11.0	7.0	2.0	3.0	3.0	2.0	0.0	2.0	1.0
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	8.0	2.0	1.0	1.0	1.0	2.0	-1.0	-1.0	3.0

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 a Positive Rating Action/Upgrade

- Group operating margin recovering to 3%.
- FCF margin above 0.5%.
- Cash flow from operations/total debt above 35%.
- FFO net leverage declining below 1.5x.

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

- Increasing risk of deteriorating liquidity.
- Group operating margin below 1.5%.
- FCF margin remaining negative by 2023.
- Cash flow from operations/total debt below 25%.
- FFO net leverage remaining above 2.5x.

Liquidity and Debt Structure

Adequate Liquidity: Substantial free cash burn from large working-capital outflows and negative FFO have depleted reported cash and cash equivalents and financial assets, which declined to EUR9.2 billion at end-June 2020 from EUR13.5 billion at end-2019. Nonetheless, current indebtedness and further free cash outflow expected over 2021 are more than covered by available liquidity at end-September 2020, which also includes EUR5.5 billion of availability under revolving credit facilities (RCFs).

We also expect Renault's liquidity to gradually improve as working capital normalises and cash flow generation recovers. Renault has a record of maintaining a prudent financial policy, including a material reported net cash position and availability under revolving credit lines of at least 20% of revenue.

Diversified Debt Structure: Renault's debt structure is diversified and consists mainly of unsecured bonds denominated in the euro and the Japanese yen. The notes' maturities are well-spread from March 2021 to October 2027. The group has also raised debt through bank credit lines, including at the level of its subsidiaries.

For its liquidity needs, the group has direct access to EUR3.5 billion of an undrawn RCF and an additional EUR5 billion RCF covered by a French state guarantee, of which EUR3 billion was drawn at end-September 2020. It also has recourse to a EUR2.5 billion commercial paper programme, of which it had used EUR1.8 billion at end-June 2020. It further uses 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 it is facing stringent emission regulation, notably in Europe which is its main market. This has a negative impact on the credit profile, and is 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. This has a negative impact on the credit profile, and is relevant to the rating in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance 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 the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Liquidity and Debt Maturity Scenario with No Refinancing

Liquidity Analysis

(EURm)	2020F	2021F	2022F
Available liquidity			
Beginning cash balance	11,971	2,593	909
Rating case FCF after acquisitions and divestitures	-4,059	-645	92
Total available liquidity (A)	**7,912**	**1,949**	**1,001**
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)	2,593	909	731
Revolver availability	8,480[a]	2,970	2,970
Ending liquidity	**11,073**	**3,879**	**3,701**
Liquidity score (x)	3.1	4.7	14.7

F – Forecast
[a] Including a EUR5 billion credit facility guaranteed up to 90% by the French state
Source: Fitch Ratings, Fitch Solutions, Renault SA

Scheduled debt maturities (EURm)	Original 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 SA

Key Assumptions

Fitch's Key Assumptions Within its Rating Case for the Issuer:

- A 20% decline in global new vehicle sales in 2020, including a decline of 20%-25% in Europe;
- Revenue from industrial operations to decline by about 25% in 2020, before recovering by about 12% in 2021, followed by mid-single-digit growth in 2022 and 2023;
- Automotive operating margin (including Avtovaz) turning negative in 2020 and 2021, before improving towards 4% in 2023. Negative group margin in 2020 recovering to 1.8% in 2021, and improving further towards 6% in 2023;
- A large working-capital outflow in 2020 and moderate inflows until 2023;
- Capex on average at 7.1% of industrial sales in 2021-2023, after peaking at 10% in 2020;
- Common dividend payment resumed in 2023; and
- No material acquisitions or disposals.

Financial Data

(EURm)	Historical			Forecast		
	Dec 17	Dec 18	Dec 19	Dec 20	Dec 21	Dec 22
Summary income statement						
Gross revenue	56,257	54,211	52,132	39,377	44,158	48,027
Revenue growth (%)	14.8	-3.6	-3.8	-24.5	12.1	8.8
Operating EBITDA (before income from associates)	5,646	5,581	5,033	2,622	3,817	4,944
Operating EBITDA margin (%)	10.0	10.3	9.7	6.7	8.6	10.3
Operating EBITDAR	5,898	5,809	5,171	2,726	3,934	5,071
Operating EBITDAR margin (%)	10.5	10.7	9.9	6.9	8.9	10.6
Operating EBIT	2,685	2,406	1,420	-1,433	-289	814
Operating EBIT margin (%)	4.8	4.4	2.7	-3.6	-0.7	1.7
Gross interest expense	-441	-373	-362	-410	-435	-460
Pretax income (including associate income/loss)	4,918	3,124	748	-6,368	-1,549	379
Summary balance sheet						
Readily available cash and equivalents	11,352	11,415	11,971	8,833	8,863	9,721
Total debt with equity credit	14,294	13,821	16,061	16,842	17,802	18,832
Total adjusted debt with equity credit	16,310	15,645	17,165	17,676	18,737	19,849
Net debt	2,942	2,406	4,090	8,009	8,939	9,111
Summary cash flow statement						
Operating EBITDA	5,646	5,581	5,033	2,622	3,817	4,944
Cash interest paid	-476	-356	-363	-410	-435	-460
Cash tax	-493	-402	-378	-203	-270	-338
Dividends received less dividends paid to minorities (inflow/(out)flow)	684	899	1,044	0	600	456
Other items before FFO	-925	-990	-1,699	-750	-1,450	-1,250
Funds flow from operations	4,517	4,806	3,715	1,335	2,337	3,427
FFO margin (%)	8.0	8.9	7.1	3.4	5.3	7.1
Change in working capital	350	628	1,409	-1,206	705	152
Cash flow from operations (Fitch defined)	4,867	5,434	5,124	129	3,042	3,579
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	180	-245	-225
Net debt proceeds	-51	262	1,680	781	960	1,030
Net equity proceeds	-226	-41	-36	-40	-40	-40
Total change in cash	-252	-68	521	-3,138	30	857
Leverage ratios						
Total net debt with equity credit/operating EBITDA (x)	0.5	0.4	0.7	3.1	2.0	1.7
Total adjusted debt/operating EBITDAR (x)	2.5	2.3	2.8	6.5	4.1	3.6
Total adjusted net debt/operating EBITDAR (x)	0.8	0.6	0.8	3.2	2.2	1.8
Total debt with equity credit/operating EBITDA (x)	2.3	2.1	2.6	6.4	4.0	3.5
FFO adjusted leverage (x)	3.2	2.9	4.1	10.0	6.7	5.0
FFO adjusted net leverage (x)	1.0	0.8	1.3	5.0	3.5	2.6
FFO leverage (x)	2.9	2.7	4.0	10.1	6.6	4.9
FFO net leverage (x)	0.6	0.5	1.0	4.8	3.3	2.4
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-4,526	-5,432	-6,108	-4,188	-3,687	-3,487
Free cash flow after acquisitions and divestitures	341	2	-984	-4,059	-645	92
Free cash flow margin (after net acquisitions) (%)	0.6	0.0	-1.9	-10.3	-1.5	0.2
Coverage ratios						
FFO interest coverage (x)	10.3	14.3	11.0	4.1	6.2	8.3
FFO fixed-charge coverage (x)	7.1	9.1	8.3	3.5	5.1	6.7
Operating EBITDAR/interest paid + rents (x)	9.0	11.5	12.4	5.3	8.2	9.4
Operating EBITDA/interest paid (x)	13.3	18.2	16.7	6.4	10.2	11.7
Additional metrics						
CFO-capex/total debt with equity credit (%)	8.9	7.6	0.7	-22.6	-1.5	1.2
CFO-capex/total net debt with equity credit (%)	43.3	43.5	2.8	-47.6	-3.0	2.4

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

ESG Relevance:

Corporates Ratings Navigator
Automotive Manufacturers

Factor Levels	Sector Risk Profile	Operating Environment	Business Profile: Management and Corporate Governance	Business Profile: Competitive Position	Business Profile: Diversification	Business Profile: Brand Positioning	Business Profile: Cost Structure	Financial Profile: Profitability	Financial Profile: Financial Structure	Financial Profile: Financial Flexibility	Issuer Default Rating
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+											A+
a											A
a-											A-
bbb+											BBB+
bbb											BBB
bbb-											BBB-
bb+											BB+
bb											BB Negative
bb-											BB-
b+											B+
b											B
b-											B-
ccc+											CCC+
ccc											CCC
ccc-											CCC-
cc											CC
c											C
d or rd											D or RD

Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

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	bb	Medium-sized manufacturer (sales > 2 million units).
bb+			
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	bb	Some reliance on one or two end-markets (>60% of total unit sales).
bb+	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

bbb+	Capacity Utilization	bb	Poor capacity utilization rates leading to high under-absorption of fixed costs.
bbb	Potential for Synergies	bbb	High potential for synergies, very limited need for external alliances.
bbb-			
bb+			
bb			

Profitability

bb+	FFO Margin	bb	4%
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

bb+	FFO Leverage	b	4.0x
bb	FFO Net Leverage	bb	2.0x
bb-	(CFO-Capex)/Total Debt With Equity Credit	b	Positive
b+	CFO/Total Debt With Equity Credit	b	25%
b			

Financial Flexibility

a-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
bbb+	Liquidity	a	Very comfortable liquidity. No need to use external funding in the next 12 months even under a severe stress scenario. Well-spread debt maturity schedule. Diversified sources of funding.
bbb	FFO Interest Coverage	bbb	7x
bbb-	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging in place.
bb+			

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.

Credit-Relevant ESG Derivation

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

				Overall ESG
Emissions and pollutants from vehicles sold	key driver	0	issues	5
Board independence and effectiveness; ownership concentration	driver	2	issues	4
Waste and recycling in manufacturing operations; use of environmentally friendly materials	potential driver	7	issues	3
Data security; vehicle safety				
Impact of labor negotiations and employee (dis)satisfaction	not a rating driver	2	issues	2
Cities' focus on promoting less vehicle ownership; shift in consumer preferences toward cleaner energy		3	issues	1

Showing top 6 issues

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

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.

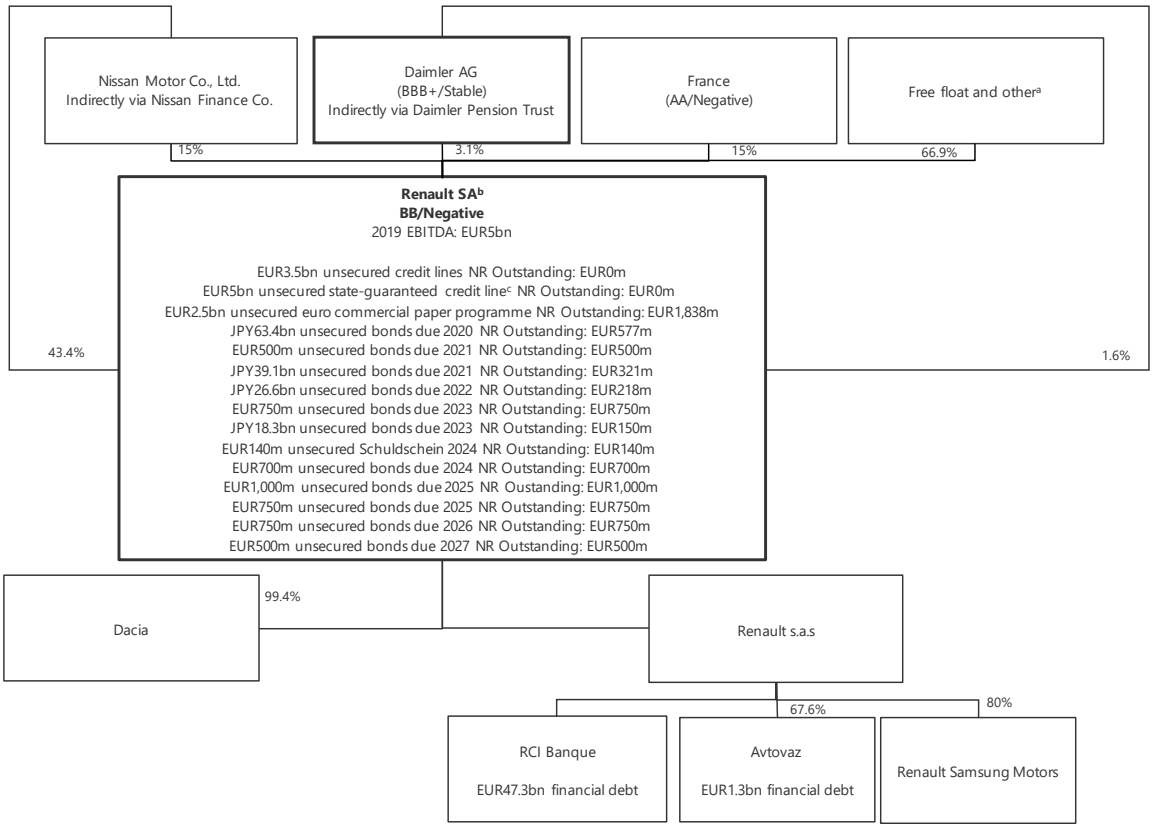
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

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: 1.6%.
[b] Renault and its subsidiaries also raised debt through various bank facilities.
[c] State guarantee for up to 90% of the amount borrowed. Maturity of 12 months with an option for Renault to extend by a further three years (amortisation of a third each year). EUR3 billion drawn at end-September 2020.
Source: Fitch Ratings, Fitch Solutions, Renault SA, as at June 2020

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	Operating EBIT margin (%)	FCF margin (%)	FFO interest coverage (x)	FFO net leverage (x)
Renault SA	BB						
	BBB	2019	52,132	2.7	-1.8	11.0	1.0
	BBB	2018	54,211	4.4	0.0	14.3	0.5
	BBB	2017	56,257	4.8	0.6	10.3	0.6
General Motors Company	BBB-						
	BBB	2019	109,609	3.2	-2.6	12.7	-0.2
	BBB	2018	112,771	4.2	0.2	15.4	-0.6
	BBB	2017	118,459	7.2	2.4	25.0	-0.1
Peugeot S.A.	BBB-						
	BBB-	2019	74,683	8.3	3.6	30.0	-0.5
	BBB-	2018	73,972	7.7	2.9	26.7	-0.5
	BB+	2017	65,094	6.1	-0.2	20.7	-0.3
Fiat Chrysler Automobiles N.V.	BBB-						
	BBB-	2019	107,976	5.5	1.3	10.5	-0.3
	BBB-	2018	110,171	5.2	5.1	10.4	0.3
	BB	2017	110,745	5.7	1.0	10.0	0.6
Ford Motor Company	BB+						
	BBB	2019	128,318	1.0	-0.6	5.6	-0.8
	BBB	2018	125,718	1.5	-0.4	5.3	-1.0
	BBB	2017	129,148	2.3	-0.2	6.3	-1.1

Source: Fitch Ratings, Fitch Solutions

Fitch Adjustment and Reconciliation Table

(EURm) 31 December 2019	Notes and Formulas	Reported Values	Sum of Adjustments	CORP - Lease Treatment	- CORP - Factoring	- CORP - Captive Finance	Other Adjustments	Adjusted Values
Income Statement Summary								
Revenue		52,132						52,132
Operating EBITDAR		5,171						5,171
Operating EBITDAR After Associates and Minorities	(a)	6,215						6,215
Operating Lease Expense	(b)	0	138	138				138
Operating EBITDA	(c)	5,171	-138	-138				5,033
Operating EBITDA After Associates and Minorities	(d) = (a-b)	6,215	-138	-138				6,077
Operating EBIT	(e)	1,444	-24	-24				1,420
Debt and Cash Summary								
Total Debt with Equity Credit	(f)	11,802	4,259	-739	1,810	3,461	-273	16,061
Lease-Equivalent Debt	(g)	0	1,104	1,104				1,104
Other Off-Balance-Sheet Debt	(h)	0						0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	11,802	5,363	365	1,810	3,461	-273	17,165
Readily Available Cash and Equivalents	(j)	13,536	-1,565				-216	11,971
Not Readily Available Cash and Equivalents		-64	1,349					1,285
Cash Flow Summary								
Operating EBITDA After Associates and Minorities	(d) = (a-b)	6,215	-138	-138				6,077
Preferred Dividends (Paid)	(k)	0						0
Interest Received	(l)	78						78
Interest (Paid)	(m)	-387	24	24				-363
Cash Tax (Paid)		-378						-378
Other Items Before FFO		-1,699						-1,699
Funds from Operations (FFO)	(n)	3,829	-114	-114				3,715
Change in Working Capital (Fitch-Defined)		1,844	-435		-435			1,409
Cash Flow from Operations (CFO)	(o)	5,673	-549	-114	-435			5,124
Non-Operating/Nonrecurring Cash Flow		0						0
Capital (Expenditures)	(p)	-5,009						-5,009
Common Dividends (Paid)		-1,035						-1,035
Free Cash Flow (FCF)		-371	-549	-114	-435			-920
Gross Leverage (x)								
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	1.9						2.8
FFO Adjusted Leverage	(i/(n-m-l-k+b))	2.9						4.1
FFO Leverage	(i-g)/(n-m-l-k)	2.9						4.0
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	1.9						2.6
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	5.6%						0.7%
Net Leverage (x)								
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	-0.3						0.8
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	-0.4						1.3
FFO Net Leverage	(i-g-j)/(n-m-l-k)	-0.4						1.0
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	-0.3						0.7
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	-38.3%						2.8%
Coverage (x)								
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	16.1						12.4
Operating EBITDA/Interest Paid[a]	d/(-m)	16.1						16.7
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	10.7						8.3
FFO Interest Coverage	(n-l-m-k)/(-m-k)	10.7						11.0

[a]EBITDA/R after dividends to associates and minorities.

Source: Fitch Ratings, Fitch Solutions, Renault SA

Fitch Adjusted Financials – Debt Summary

(EURm) 31 December 2019	Reported Values	Sum of Adjustments	CORP - Lease Treatment	- CORP - Factoring	- CORP - Captive Finance	Other Adjustments	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**	**-739**	**1,810**			**1,810**
+ Commercial Paper	648						648
+ Senior Unsecured Term Loans	1,860						1,860
+ Senior Unsecured Notes	6,284	-5				-5	6,279
+ Other Unsecured Debt	627						627
+ Intercompany Debt	1,095	3,461			3,461		4,556
+ Total Unsecured Debt	**10,514**	**3,456**			**3,461**	**-5**	**13,970**
+ Junior Subordinated Debt	281						281
+ Total Subordinated Debt	**281**						**281**
+ Net B/S Derivatives (Assets)/Liabilities Hedging Principal Borrowings	268	-268				-268	0
Total Debt with Equity Credit	**11,802**	**4,259**	**-739**	**1,810**	**3,461**	**-273**	**16,061**
Lease-Equivalent Debt	0	1,104	1,104				1,104
Total Adjusted Debt with Equity Credit	**11,802**	**5,363**	**365**	**1,810**	**3,461**	**-273**	**17,165**

B/S = balance sheet

Source: Fitch Ratings, Fitch Solutions, Renault SA

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.