



# NEWS RELEASE

Mar 22, 2023

## R&I Affirms A-, Changes Outlook to Stable: Renault SA

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

**ISSUER:** Renault SA  
**Issuer Rating:** A-, Affirmed  
**Rating Outlook:** Stable, Changed from Negative

### RATIONALE:

Renault SA (Renault) is a European automaker headquartered in France. Its earnings base has been stabilizing, with business transformation efforts paying off. Even in the challenging external environment, its earning and cash flow generating capacities have been improving. The company has returned to a net cash position, reflecting the progress in reducing net debt in the automotive business, which had been an issue to be addressed. Despite the concern over a slowdown in the European economy in 2023, Renault will likely maintain its sound financial base, in R&I's view. R&I has therefore affirmed the Issuer Rating at A- and changed the Rating Outlook from Negative to Stable.

Renault's operating performance, which deteriorated significantly in 2020, has been recovering. In 2022, its operating margin improved to 5.6%. While the shortage of semiconductors and a surge in raw material prices had a negative impact, higher selling prices and an improved product mix contributed to an increase in operating profit. A drop in the break-even point was another positive factor. Net income from continuing operations increased, though a net loss from discontinued operations was recorded due to the disposal of the Russian industrial activities. The automotive business secured positive free cash flow, and Renault restored a financial base commensurate with the rating on a consolidated basis. Liquidity is ample. With a high level of backlog orders, the company projects an operating margin of 6% or more for 2023.

Renault has one of the largest shares of the passenger vehicle market in Europe. It boasts strong product competitiveness, especially in the category of compact cars, and has been increasing the percentage of medium-size models of the "C" segment in total sales. As regards electric vehicles (EVs), Renault launched new products on the back of abundant technologies it has accumulated for years. Going forward, EV and software activities will be handled by Ampere, a newly established subsidiary whose initial public offering may take place in 2H 2023 at the earliest. Nissan Motor Co., Ltd. (Issuer Rating: A, Rating Outlook: Negative, Nissan), an alliance partner, plans to invest in Ampere. On the other hand, the powertrain business, including engines, will be transferred to a joint venture Renault will establish with the Geely Group in China.

Renault has long been in alliance with Nissan, in which it holds a 43.4% stake. The two companies and another alliance member Mitsubishi Motors Corp. (Issuer Rating: BBB+, Rating Outlook: Stable) cooperate in shared platforms and electrification technologies, among others. In February 2023, Renault and Nissan announced that they will have equal voting rights of 15% in each other to ensure a balanced governance. Renault would transfer the remaining 28.4% of Nissan shares into a trust and instruct the trustee to sell the shares. There is no specific pre-determined period of time to sell the shares. R&I believes that a cash inflow from the proceeds of the sale can be used for investments to reinforce Renault's businesses.

In the automotive industry, stricter environmental regulations will lead to a shift in demand to battery electric vehicles, and software and mobility services will also become more important. The key to Renault's future creditworthiness lies in whether Renault Group will be able to achieve a competitive advantage as a next-generation automaker. R&I will keep an eye on whether Renault can strengthen its earnings and financial bases over the medium to long term by leveraging Ampere and transforming the alliance.

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

#### R&I RATINGS:

<b>ISSUER:</b>	<b>Renault SA</b>
	<b>Issuer Rating</b>
<b>RATING:</b>	<b>A-, Affirmed</b>
<b>RATING OUTLOOK:</b>	<b>Stable, Changed from Negative</b>

<b>Japanese Yen Bonds No.22</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Jul 03, 2018	Jul 03, 2023	JPY 18,300

<b>RATING:</b>	<b>A-, Affirmed</b>
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<b>Japanese Yen Bonds No.23</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Jul 06, 2021	Jul 06, 2023	JPY 40,000

<b>RATING:</b>	<b>A-, Affirmed</b>
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<b>Japanese Yen Bonds No.24</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Jul 06, 2021	Jul 05, 2024	JPY 110,000

<b>RATING:</b>	<b>A-, Affirmed</b>
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<b>Japanese Yen Bonds No.25</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Jul 01, 2022	Jun 26, 2025	JPY 80,700

<b>RATING:</b>	<b>A-, Affirmed</b>
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<b>Japanese Yen Bonds No.26</b>	<b>Issue Date</b>	<b>Maturity Date</b>	<b>Issue Amount (mn)</b>
	Dec 22, 2022	Dec 22, 2026	JPY 210,000

<b>RATING:</b>	<b>A-, Affirmed</b>
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