



NEWS RELEASE

May 23, 2024

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

Renault SA (Sec. Code: -)

[Affirmed]

Issuer Rating: A-, Stable

Bond Rating: A-

RATIONALE:

Renault SA (Renault) is a European automaker headquartered in France. Renault has streamlined the process of product development and the operational system and has made progress in improving the product competitiveness and the sales quality. Renault has established a firmly high position in the European market, its mainstay market. The company has built up a relatively solid earnings base as a whole. Renault has made progress in improving the financial base, reflecting the elevated level of earning and cash flow generating capacities.

The earnings of Renault have recovered steadily following the considerable deterioration in 2020. In 2023, Renault posted an operating profit of 4.1 billion euros with the operating margin of 7.9%, with both indicators reaching record highs. This is attributable to the improvement in product mix and sales prices on top of the recovery in the number of vehicles sold, despite the higher costs of energy, logistics and raw materials among others. It is also attributable to the lower breakeven point achieved as a result of the past initiatives. The automotive net cash financial position climbed to 3.7 billion euros at year-end 2023, reflecting the positive free cash flow. Renault has built up a robust financial base as a whole. For 2024, the company plans to launch ten new models, aiming to achieve an operating margin of at least 7.5%. Renault projects the operating margin after adjustment of temporary factors to improve continuously.

In 2023, Renault Group was ranked third in terms of passenger car sales in the European automotive market. It has 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. The company has accumulated technologies for electric vehicle (EV) for years. In November 2023, Ampere, a newly established subsidiary, was set up as a pure player dedicated to the development of EVs and software for Renault Group. Although the plan of Ampere's initial public offering was canceled, Ampere will be able to propel the development of EVs and software. Going forward, Ampere is to push forward with the initiatives aimed at expanding Renault Group's products of EVs as well as at reducing costs of EVs.

Renault has long been in alliance with Nissan Motor Co., Ltd. (Nissan), whereby the two companies and Mitsubishi Motors Corp., which is another alliance member, cooperate in shared platforms, OEM production and electrification technologies, among others. While Renault had held a 43.4% share stake in Nissan previously, the two companies entered into a new agreement in November 2023, whereby the two parties came to stand on an equal footing by holding 15% of voting rights mutually and shifted to a balanced governance system. After Renault had transferred its Nissan shares equivalent to a 28.4% stake to a trust, it sold a part of said shares in two stages i.e. December 2023 and March 2024. Renault will be able to use the cash it obtained through divestment in order to strengthen its financial base and to secure investment funds.

In the automotive industry, tightened environmental regulations will lead the demand shift to battery electric vehicles, and software will come to play more important roles. Europe is the second largest market of EVs only after China, in terms of the percentage of EV sales in the total number of new car registrations. The rating may be upgraded if the company is able to improve its overall earning and cash flow generating capacities and their stability, while increasing the number of EVs sold through expansion of product line-up.

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Dept. (Public Relations) TEL.+81-(0)3-6273-7273

Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>
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R&I RATINGS:
ISSUER: Renault SA

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	Rating		Rating Outlook	
Issuer Rating	A-		Stable	
	Issue Amount	Issue Date	Maturity Date	Rating
Japanese Yen Bonds No.24	JPY 110,000 mn	Jul 6, 2021	Jul 5, 2024	A-
Japanese Yen Bonds No.25	JPY 80,700 mn	Jul 1, 2022	Jun 26, 2025	A-
Japanese Yen Bonds No.26	JPY 210,000 mn	Dec 22, 2022	Dec 22, 2026	A-

Primary rating methodologies applied:
 R&I's Basic Methodology for Corporate Credit Ratings [Jun 1, 2021]
 Passenger Vehicles [Jun 14, 2022]

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