

GEM Investment Club



Analysis of Renault



By Romane Goussard & Thomas Chauveau de Quercize



BUY – SELL – WAIT

We want to invest in this company because we believe it has good growth prospects and strategic potential. But we want to wait because the share price has already reached a high ceiling. In addition, Renault's annual results will be released in February, which could change the course of fluctuations.

Investment summary

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01

Company's Overview

What does the company do ?

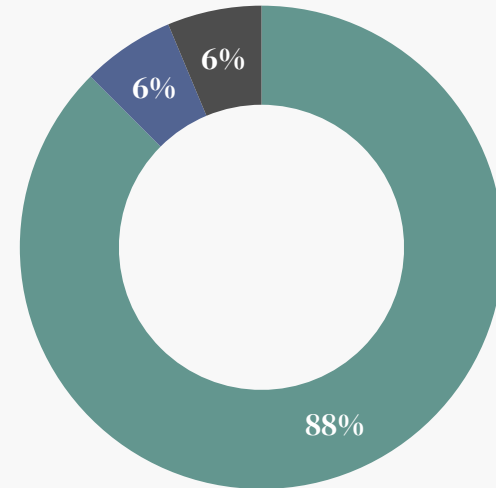


Renault is a French car manufacturer. It has been linked to the Japanese manufacturers Nissan since 1999 and Mitsubishi since 2017, through the Renault-Nissan-Mitsubishi Alliance, which is, in the first half of 2017, the world's leading car manufacturer.

Renault is part of the Renault Group, which also includes various subsidiaries such as DIAC, Dacia, Renault Sport and Motrio.

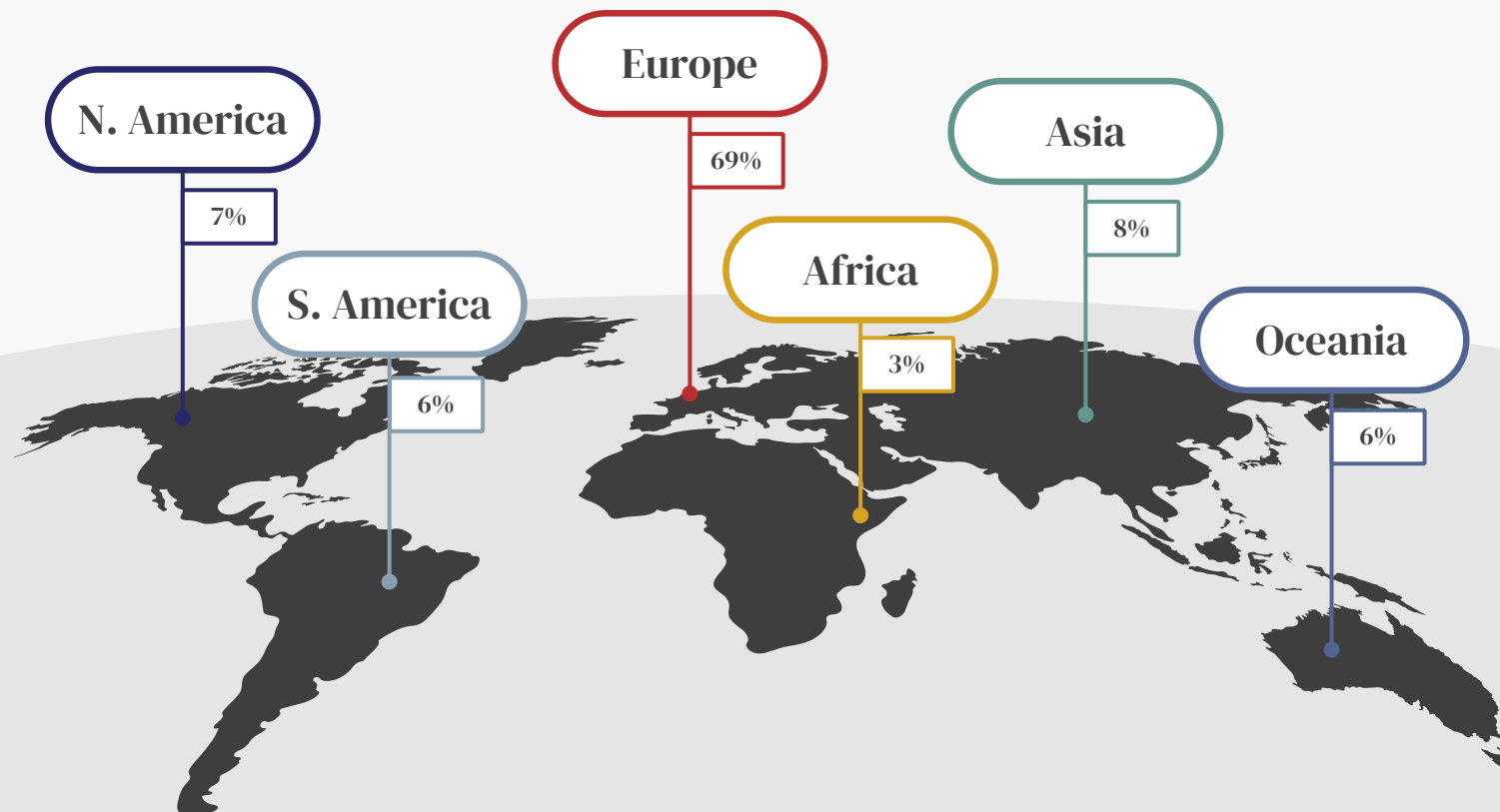
As a long-standing mobility brand and the leader in electric vehicles in Europe, Renault has always developed innovative vehicles. With the "Renaulution" strategic plan, unveiled in January 2021, the brand is outlining an ambitious, value-generating transformation. It intends to embody modernity and innovation in the automotive industry.

Breakdown of revenue by segment



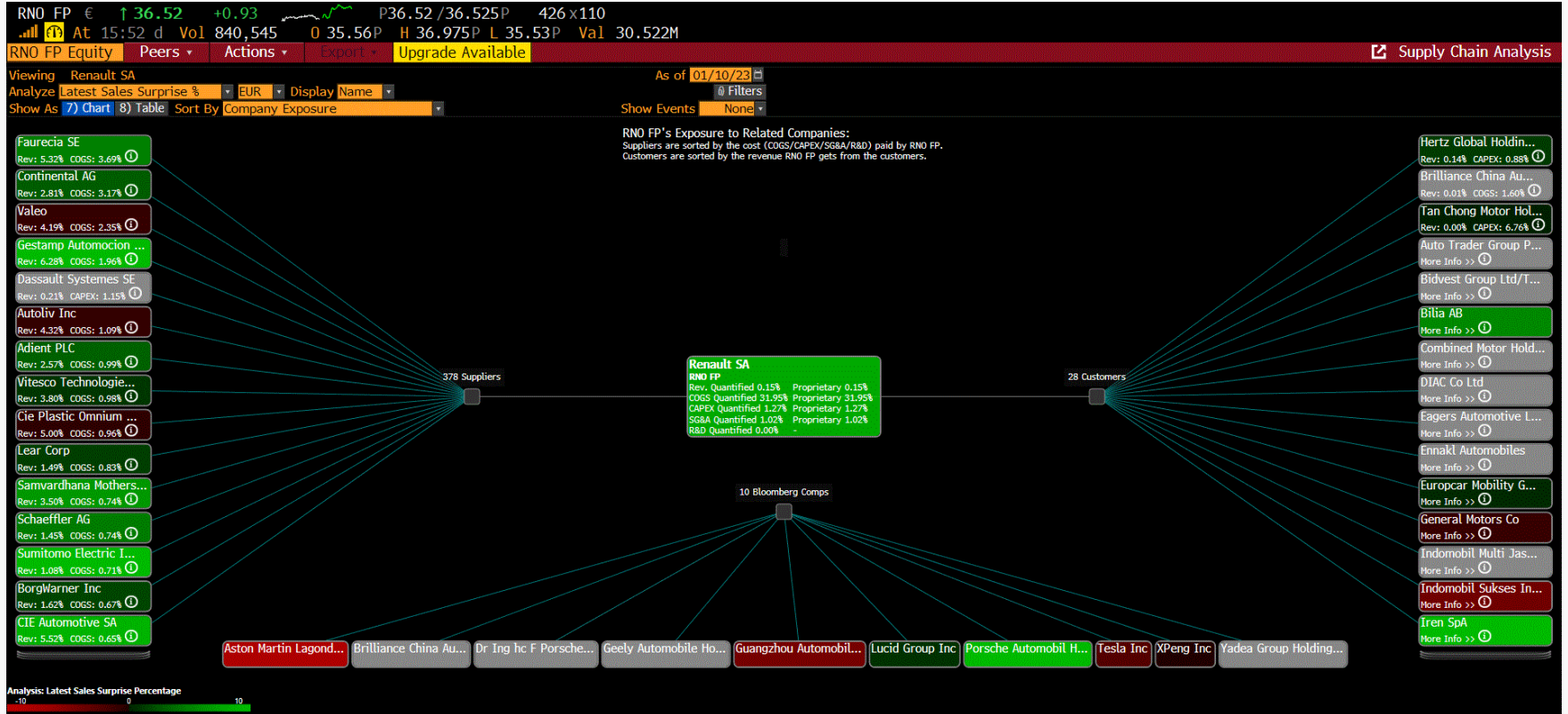
- Automotive excluding AVTOVAZ
- AVTOVAZ
- Sales financing

Where the company is doing business*



* In percentage of revenue per geographic area

Supply Chain Analysis



Strategy



Becoming the new generation automotive group

- Diversify its market potential
- Take advantage of the electrification and digital revolutions



Specialization and horizontal integration

- Setting up specialized teams to concentrate their talents, knowledges and energy in each field of activity
- Adopting a collaborative approach with the best partners to invest, develop and share risks



Meet future environmental standards

- Increase the use of low-emission diesel engines
- Develop partnerships on thermal and hybrid engines and develop new collaborations on hydrogen



Strengths



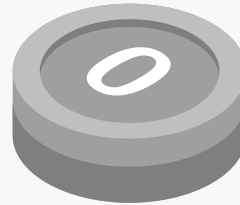
- Strategic partnerships with other manufacturers (Nissan, Mitsubishi, etc.)
- Dynamism of the Dacia brand and entry-level models in general
- State support in the face of the crisis

Weaknesses



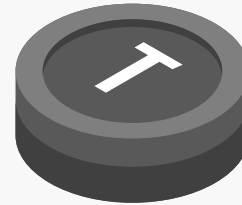
- Failure to establish a foothold in the Chinese market
- Too strong focus on entry and mid-range vehicles
- Some tensions with Nissan slowing down synergies.

Opportunities



- Rapid development of the electric vehicle segment
- Strong growth potential in emerging countries
- Efforts to revalue the Renault brand

Threats



- Stricter homologation policies and standards in Europe
- Persistent difficulty in supplying semiconductors
- Increasing competition from manufacturers in Renault's core market

02 Top Management

Board

De Meo Luca



CEO

Pieton Thierry



CFO & Senior VP

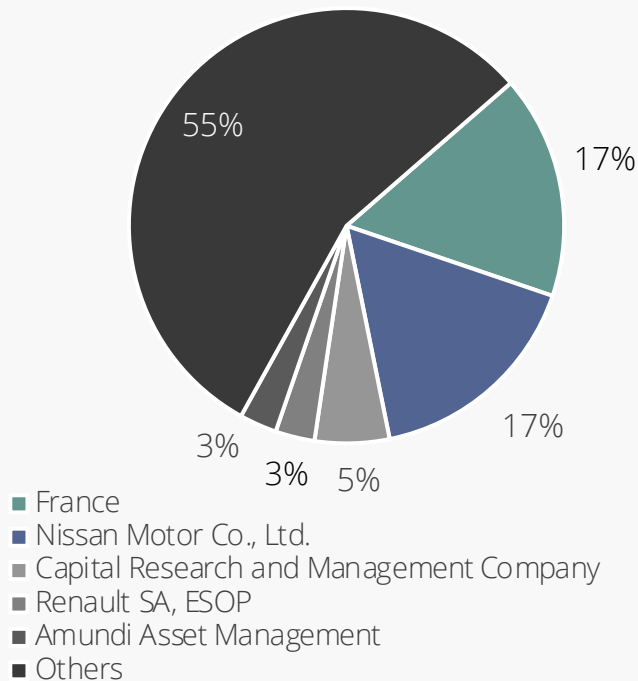
Senard Jean Dominique



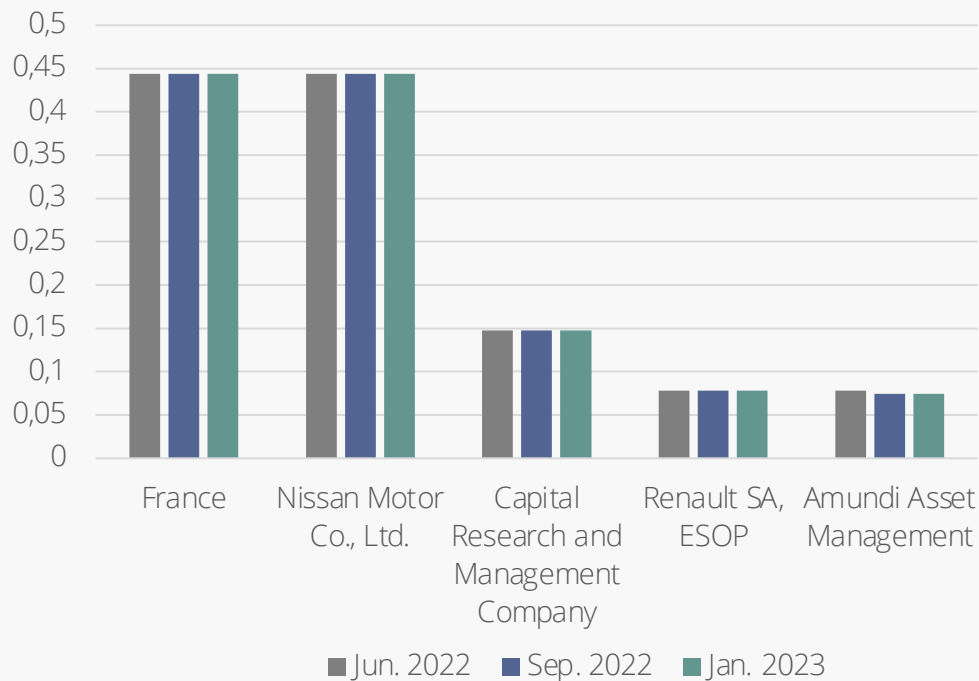
Independant Chairman

Stockholders

% Ownership



Current Top Holders Activity¹



¹ Variations in Common Stock Equivalent Held

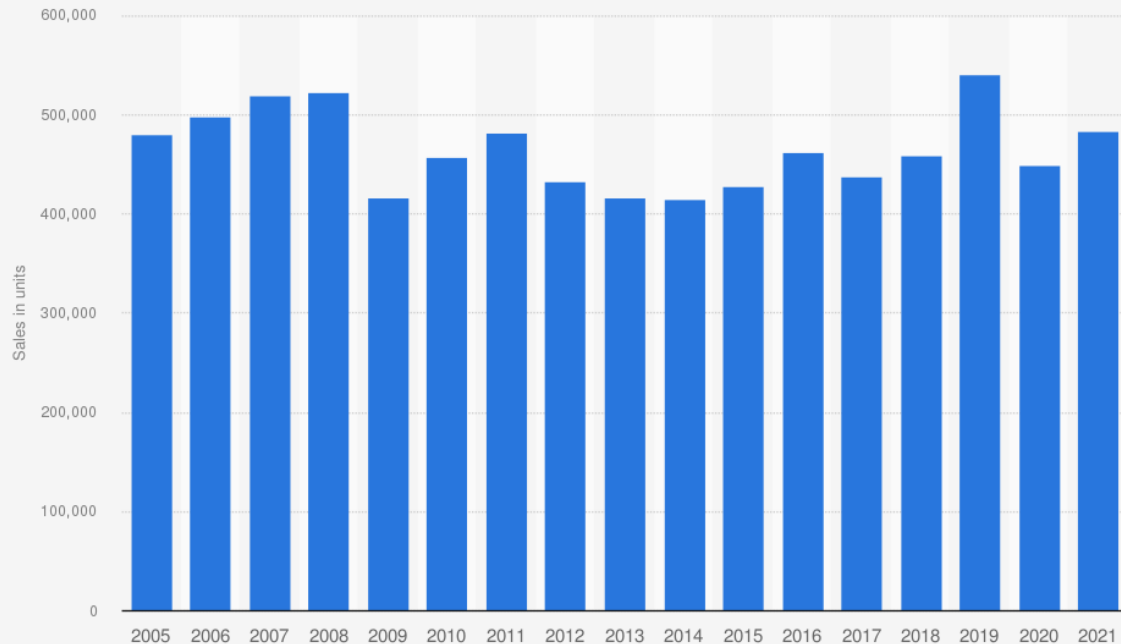
03

Market Analysis

Analysis of the market



Commercial vehicle sales in France between 2005 and 2021 (in units)



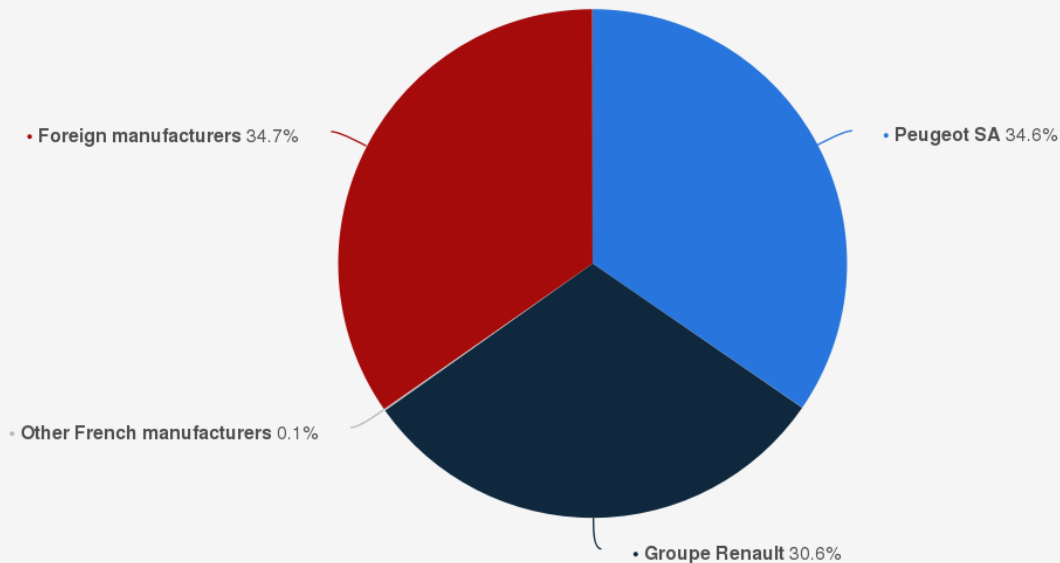
Source
OICA
© Statista 2022

Additional Information:
France; 2005 to 2021

Analysis of the market



Market share of light commercial vehicles manufacturers in France in 2020



Source

Comité des Constructeurs Français d'Automobiles (CCFA)
© Statista 2022

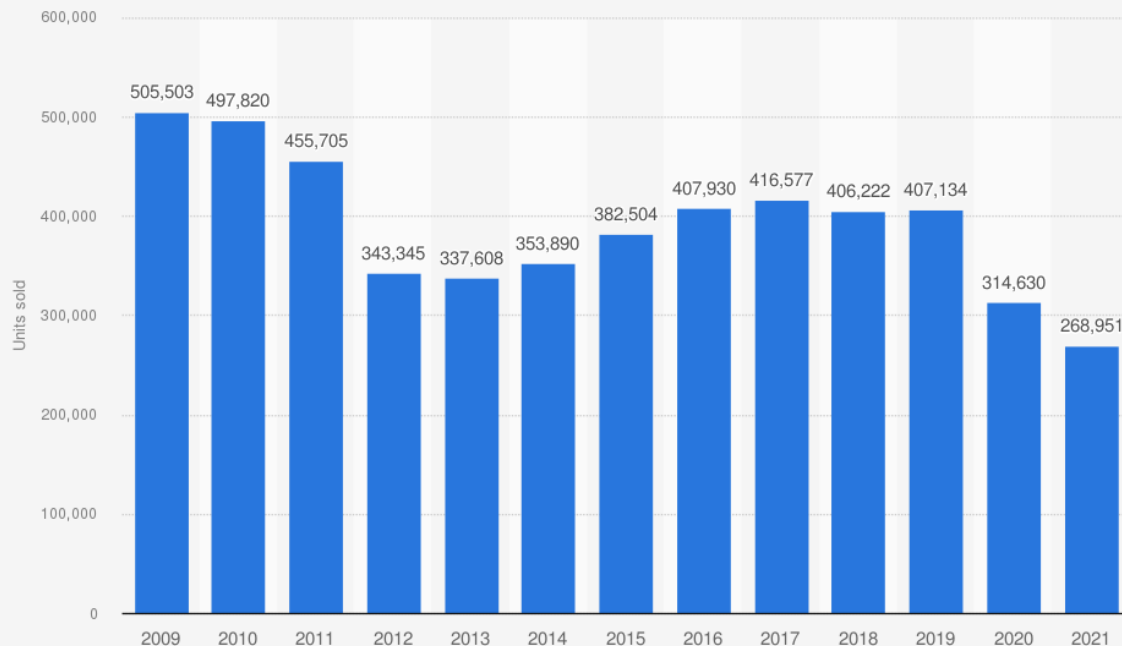
Additional Information:

France; AAA DATA; Comité des Constructeurs Français d'Automobiles (CCFA); 2020

Analysis of the market



Number of Renault cars sold in France from 2009 to 2021



Source

Comité des Constructeurs Français d'Automobiles (CCFA)
© Statista 2022

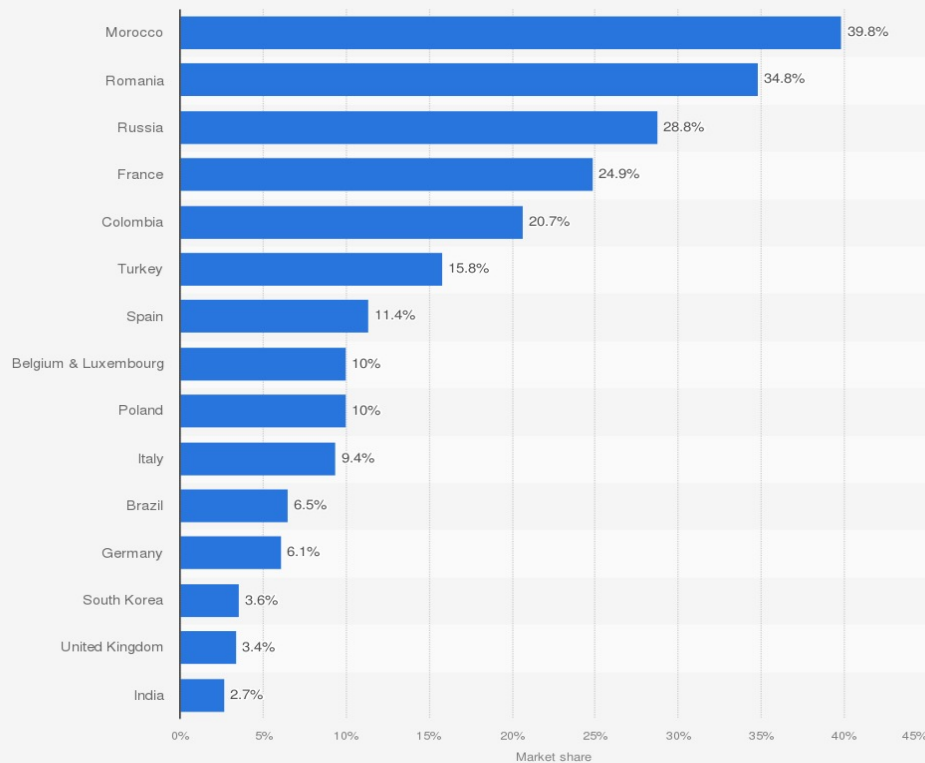
Additional Information:

France; 2009 to 2021

Analysis of the market



Market share of Renault Group in 2021, by country



Source
Renault
© Statista 2022

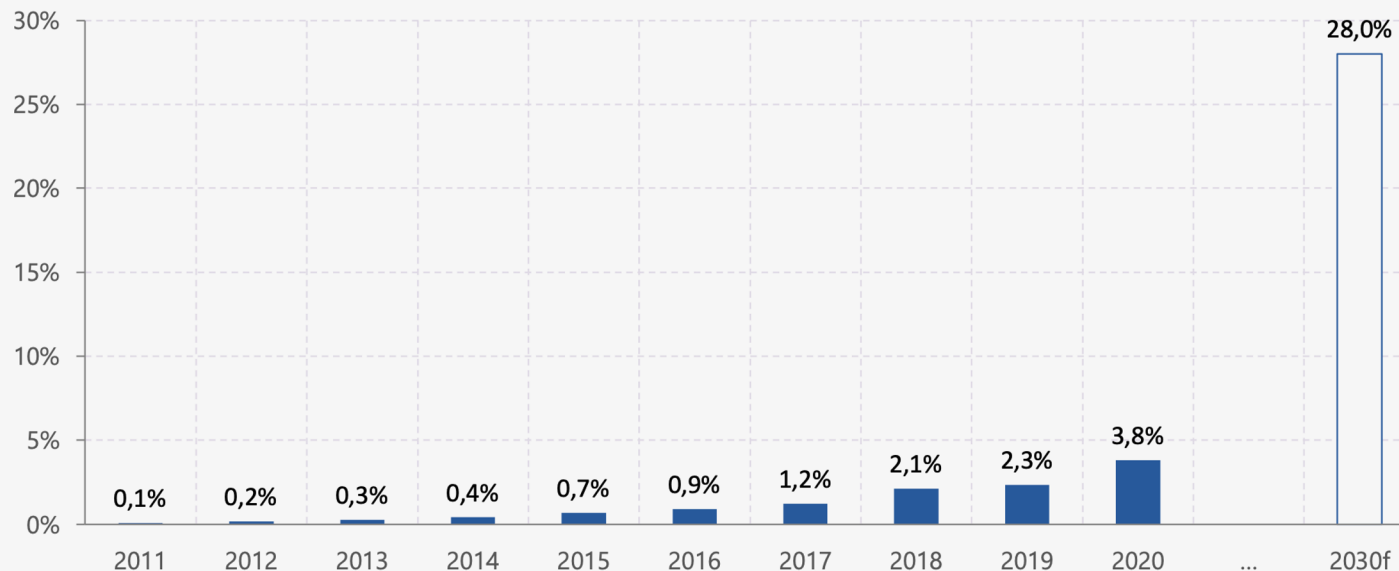
Additional Information:
Worldwide; 2021

Analysis of the market



*Global sales of plug-in light electric vehicles (BEVs and PHEVs) (2011-2030f)**

Unit: thousands of vehicles, share in global vehicle sales



(*) BEV: 100% electric, PHEV: rechargeable hybrid / Source: Xerfi Global with IEA / Forecast: AlixPartners

Analysis of the market

Ukrainian war : impacts and outlook



War Impacts

- The forced withdrawal from Russia leads to significant losses and reduces the potential for growth, whereas the group had invested heavily to turn around the Lada brand and get Dacia onto the local market
- The share is strongly linked to the conflict as the Russian market is the 2nd largest market in the world for the Renault Group, with its Lada brand and its subsidiary Avtovaz, where 90% of vehicle sales are made on the Russian market
- Vehicle prices are likely to rise sharply in the future as well as automotive equipment and raw materials

Outlook

- States are carrying out action plans to help their companies cope with the crisis and recover their economies
- A growing quest for independence from international countries so that countries can meet their own resource needs
- An active search for new cost-effective and sustainable energy sources

Porter Analysis on competitive rivalry

The automotive market is very competitive, with different players. Car manufacturers are involved in different markets. They diversify into cars for private individuals, professionals, racing cars... The competition is based on various parameters related to pure automotive efficiency but also on technological performance.

Suppliers

An acute dependence on its suppliers which poses supply problems



New Entry

Market entry can be difficult due to competitors which are already numerous and technology costs are high



Buyers

Buyers are varied as the sector is large but their purchasing power is unstable and decreasing in view of the recent crises



Substitution

Cars are a means of locomotion that can be substituted by other means of transport





**The eye of the
experts**

04 News

30th Oct. 2022

Renault to help Airbus electrify, technology associated with future hybrid-electric aircraft

24th Oct. 2022

Renault Group said third quarter (Q3) 2022 revenue rose 20.5% year on year to EUR9.8bn

12th Sept. 2022

Electrified vehicles take 36% of Renault H1 sales

24th Mar. 2022

Renault suspends its Russian manufacturing operations

20th Jua. 2022

Record sales of batteries at Rombat in 2021 and record sales of recycled batteries

Earnings



07/20/2021

+0.3%

2nd Quarter

02/16/2022



4th Quarter

1st Quarter

-2.7%

04/22/2021

3rd Quarter

+20.5%

10/21/2021

05 ESG Analysis

ESG Analysis

2,5/3

Environment

The group is aiming for a 50% reduction in emissions from its sites by 2030 worldwide.

2,5/3

Governance

In particular, with a gender balance respected in the management committee.

7,82/10

2,15/3

Social

Notably, many actions for social inclusion.

0,67/1

Transversal

Medium Bloomberg ESG disclosure score.

06 Fundamental Analysis

Income Statement

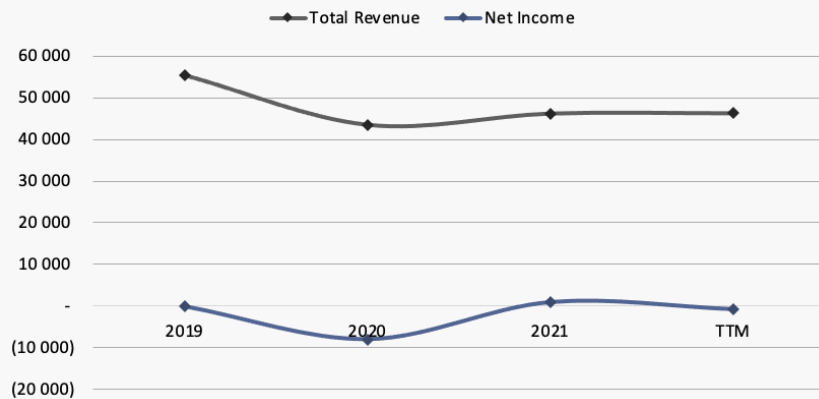


	2019		2020		2021		TTM		Average Growth
Revenue	52 134,0		40 336,0		43 278,0		43 334,0		
Other revenue	3 405,0		3 138,0		2 935,0		2 943,0		
Total Revenue	55 539,0	100%	43 474,0	100%	46 213,0	100%	46 277,0	100%	
<i>Revenue Growth</i>	/		-22%		6%		0%		-5%
Cost of sales (COGS)	44 665,0	80%	36 257,0	83%	37 526,0	81%	37 060,0	80%	
Gross Profit	10 874,0	20%	7 217,0	17%	8 687,0	19%	9 217,0	20%	
SG&A	5 580,0	10%	5 001,0	12%	4 670,0	10%	4 742,0	10%	
R&D	2 658,0	5%	2 569,0	6%	2 365,0	5%	2 281,0	5%	
D&A		0%		0%		0%		0%	
Other operating expense/(income)		0%		0%		0%		0%	
Total OPEX	8 238,0	15%	7 570,0	17%	7 035,0	15%	7 023,0	15%	
Operating Income	2 636,0	5%	(353,0)	-1%	1 652,0	4%	2 194,0	5%	
Interest income	134,0	0%	19,0	0%	77,0	0%	89,0	0%	
Interest expenses	367,0	1%	340,0	1%	367,0	1%	386,0	1%	
Other non-operating income/(loss)	(930,0)	-2%	(6 952,0)	-16%	215,0	0%	199,0	0%	
Pretax Income	1 473,0	3%	(7 626,0)	-18%	1 577,0	3%	2 096,0	5%	
Income tax expense	1 454,0	3%	420,0	1%	610,0	1%	671,0	1%	
Profit from continuing operations	19,0	0%	(8 046,0)	-19%	967,0	2%	1 425,0	3%	
Earnings of discontinued operations	-	0%		0%		0%	(2 492,0)	-5%	
Net Income to Company	19,0	0%	(8 046,0)	-19%	967,0	2%	(1 067,0)	-2%	
Minority interest	(160,0)	0%	38,0	0%	(79,0)	0%	244,0	1%	
Net Income	(141,0)	0%	(8 008,0)	-18%	888,0	2%	(823,0)	-2%	
<i>Net Income Growth</i>	/		-5579%		111%		-193%		-1887%

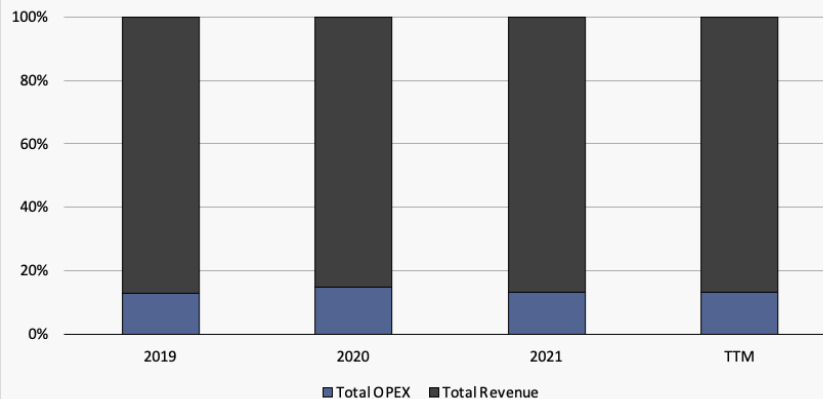
Income Statement



Revenue & Net Income Growth



Proportion of OPEX in Total Revenue



Balance Sheet



Assets

	2019		2020		2021		TTM	
-Current Assets	73 778,0	60%	74 275,0	64%	72 331,0	64%	72 338,0	65%
Cash & cash equivalents	14 982,0	12%	21 697,0	19%	21 928,0	19%	19 007,0	17%
Short term investments	1 375,0	1%	426,0	0%	893,0	1%	1 031,0	1%
Accounts receivable	1 258,0	1%	910,0	1%	788,0	1%	896,0	1%
Other receivable	4 150,0	3%	3 908,0	3%	3 574,0	3%	708,0	1%
Inventory	5 731,0	5%	5 599,0	5%	4 768,0	4%	5 142,0	5%
Prepaid expenses	456,0	0%	315,0	0%	351,0	0%	-	0%
Other current assets	45 826,0	38%	41 420,0	36%	40 029,0	35%	45 554,0	41%
-Long Term Assets	48 393,0	40%	41 462,0	36%	41 436,0	36%	38 648,0	35%
PPE (Gross)	47 998,0	39%	49 319,0	43%	49 874,0	44%	47 153,0	42%
Depreciation	(31 098,0)	-25%	(32 184,0)	-28%	(33 680,0)	-30%	(33 220,0)	-30%
PPE (Net)	16 900,0	14%	17 135,0	15%	16 194,0	14%	13 933,0	13%
Goodwill	1 127,0	1%	916,0	1%	1 021,0	1%	-	0%
Other intangible assets	343,0	0%	316,0	0%	320,0	0%	5 171,0	5%
Investment property	22 073,0	18%	16 071,0	14%	16 942,0	15%	17 624,0	16%
Financial assets	342,0	0%	351,0	0%	370,0	0%	219,0	0%
Other long term assets	7 608,0	6%	6 673,0	6%	6 589,0	6%	1 701,0	2%
Total Assets	122 171,0		115 737,0		113 767,0		110 986,0	

Balance Sheet



Liabilities and Equity

	2019		2020		2021		TTM	
-Current Liabilities	71 987,0	59%	71 290,0	62%	67 285,0	59%	67 542,0	61%
Accounts payable	9 582,0	8%	8 277,0	7%	7 975,0	7%	8 402,0	8%
Short term debt	648,0	1%	1 448,0	1%	1 178,0	1%	718,0	1%
Cur. portion of LT debt	2 015,0	2%	2 357,0	2%	2 303,0	2%	3 563,0	3%
Other current liabilities	59 742,0	49%	59 208,0	51%	55 829,0	49%	54 859,0	49%
-Long Term Liabilities	14 844,0	12%	19 109,0	17%	18 561,0	16%	15 513,0	14%
Long term provisions	622,0	1%	530,0	0%	479,0	0%	464,0	0%
Long term debt	7 305,0	6%	12 003,0	10%	11 860,0	10%	9 168,0	8%
Other LT liabilities	6 917,0	6%	6 576,0	6%	6 222,0	5%	5 881,0	5%
Total Liabilities	86 831,0	71%	90 399,0	78%	85 846,0	75%	83 055,0	75%
-Shareholders' Equity	35 340,0	29%	25 338,0	22%	27 921,0	25%	27 931,0	25%
Common stock	1 127,0	1%	1 127,0	1%	1 127,0	1%	1 127,0	1%
Preferred stock	9,0	0%		0%	27,0	0%		0%
Add. paid-in capital	3 785,0	3%	3 785,0	3%	3 785,0	3%	3 785,0	3%
Treasury stock	(344,0)	0%	(284,0)	0%	(237,0)	0%	(183,0)	0%
Retained earnings	(141,0)	0%	(8 008,0)	-7%	888,0	1%	(1 357,0)	-1%
Other	30 904,0	25%	28 718,0	25%	22 331,0	20%	24 559,0	22%
Total Liab. & Equity	122 171,0		115 737,0		113 767,0		110 986,0	

Cash Flow Statement



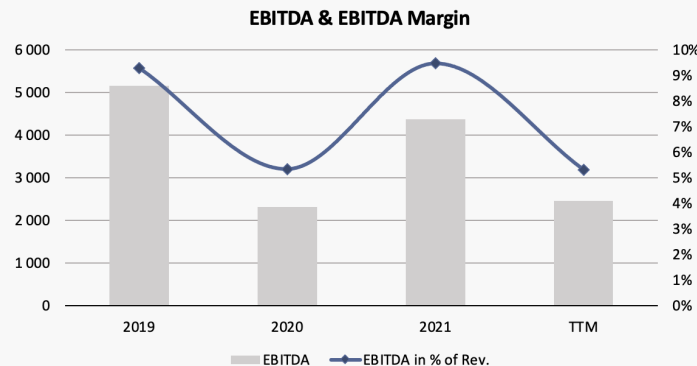
	2019	2020	2021	TTM
Net Income	(141,0)	(8 008,0)	888,0	(823,0)
D&A	2 520,0	2 673,0	2 721,0	263,0
Amort of Goodwil & Intangibles	104,0	105,0	85,0	124,0
Stock based compensation				
Other Operating Activities	4 184,0	2 556,0	(2 540,0)	4 219,0
Change in acc. Receivable	390,0	338,0	123,0	(18,0)
Change in Inventories	165,0	(112,0)	847,0	(280,0)
Change in acc. Payable	(161,0)	(908,0)	(467,0)	1 400,0
Change in Unearned Revenue				
Change in other Net Op. Assets	(239,0)	(1 439,0)	(1 070,0)	(1 437,0)
Cash From Operations	6 822,0	(4 795,0)	587,0	3 448,0
CAPEX	(5 022,0)	(4 208,0)	(3 001,0)	(2 977,0)
Cash Acquisitions	5,0		(103,0)	(103,0)
Divestitures	2,0			(38,0)
Invest. In Securities	(123,0)	(218,0)	914,0	(312,0)
Net Decrease (Incr.) in loans				
Other Investing Activities				(516,0)
Cash From Investing	(5 138,0)	(4 426,0)	(2 190,0)	(3 946,0)

	2019	2020	2021	TTM
ST Debt Issued				
LT Debt Issued	1 557,0	6 250,0	2 241,0	1 645,0
ST Debt Repaid				
LT Debt Repaid	(633,0)	(590,0)	(2 751,0)	(3 677,0)
Issuance of Com. Stock				
Repurchase of Com. Stock	(36,0)	(44,0)	(36,0)	(33,0)
Com. Dividends Paid	(1 035,0)			
Special Dividend Paid				
Other Financing Activities	(106,0)	(11,0)	(85,0)	397,0
Cash From Financing	(253,0)	5 605,0	(631,0)	(1 668,0)
Net Change in Cash	1 431,0	(3 616,0)	(2 234,0)	(2 166,0)
Free Cash Flow	1 684,0	(9 221,0)	(1 603,0)	(498,0)

Ratios



	2019	2020	2021	TTM
EBITDA	5 156	2 320	4 373	2 457
EBITDA in % of Rev.	9,28%	5,34%	9,46%	5,31%
EBIT	2 636	-353	1 652	2 194
EBIT in % of Rev.	4,75%	-0,81%	3,57%	4,74%



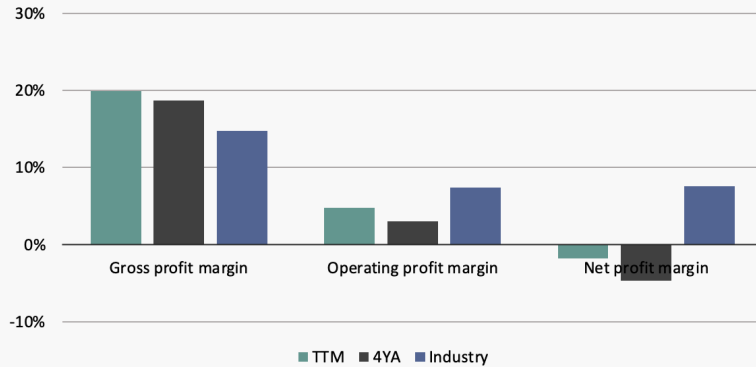
Ratios



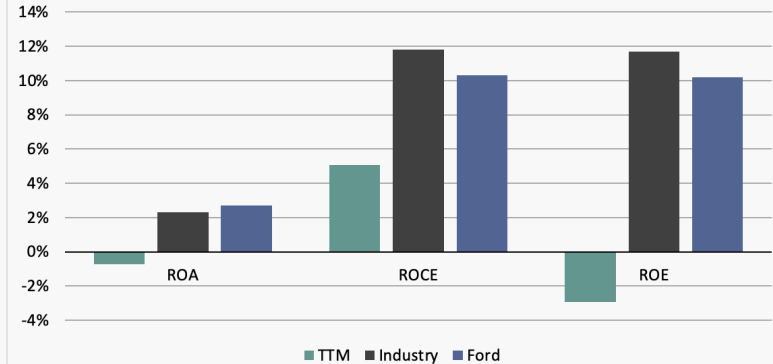
Margin Ratios	TTM	4YA	Industry
Gross profit margin	19,92%	18,72%	14,80%
Operating profit margin	4,74%	3,06%	7,40%
Net profit margin	-1,78%	-4,63%	7,60%

Profitability Ratios	TTM	Industry	Ford
ROA	-0,73%	2,30%	2,70%
ROCE	5,05%	11,80%	10,30%
ROE	-2,95%	11,70%	10,20%

Margin Ratios : TTM vs 4YA vs Industry



Profitability Ratios



Ratios



Liquidity Ratios	2019	2020	2021	TTM	Trend	Competitors
Current ratio	1,02	1,04	1,07	1,07		1,2
Quick ratio	0,24	0,32	0,35	0,31		1,4
Cash ratio	0,23	0,31	0,34	0,30		0,36

Solvency Ratios	2019	2020	2021	TTM	Trend	Competitors
LT Debt to Equity	21%	47%	42%	33%		34,10%
Debt to Equity	28%	62%	55%	48%		60,20%
Debt to Capital	22%	38%	35%	33%		37,60%
Debt to Assets	8%	14%	13%	12%		23,40%
Debt to EBITDA	193%	681%	351%	547%		13,70%

07 Valuation

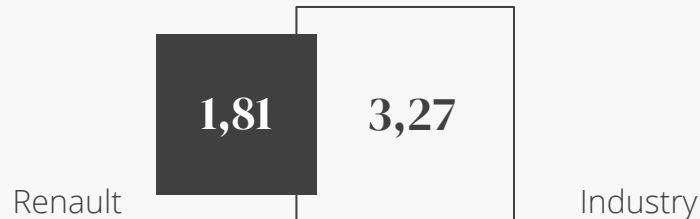
Market valuation



Market cap (in B \$)



EV/EBITDA



P/E ratio

Renault	11,8	79,5	Volkswagen
Stellantis	50,2	20,8	KIA Corp

08

Chart Analysis

Chart analysis



Chart analysis



Chart analysis



Our suggestions



09 Consensus Analysis

Consensus analysis



10 Risks & Opportunities

Risks

- Shortage of semi conductors which may lead to rethinking the production process
- High competitive intensity in this market segment
- Regulation requires adaptation to the new European laws in force

Opportunities

- Development of new technologies including AI in the automotive sector
- New emerging countries offer new market shares in response to certain constraints in the global economy

Current Price

36 €



Take profit

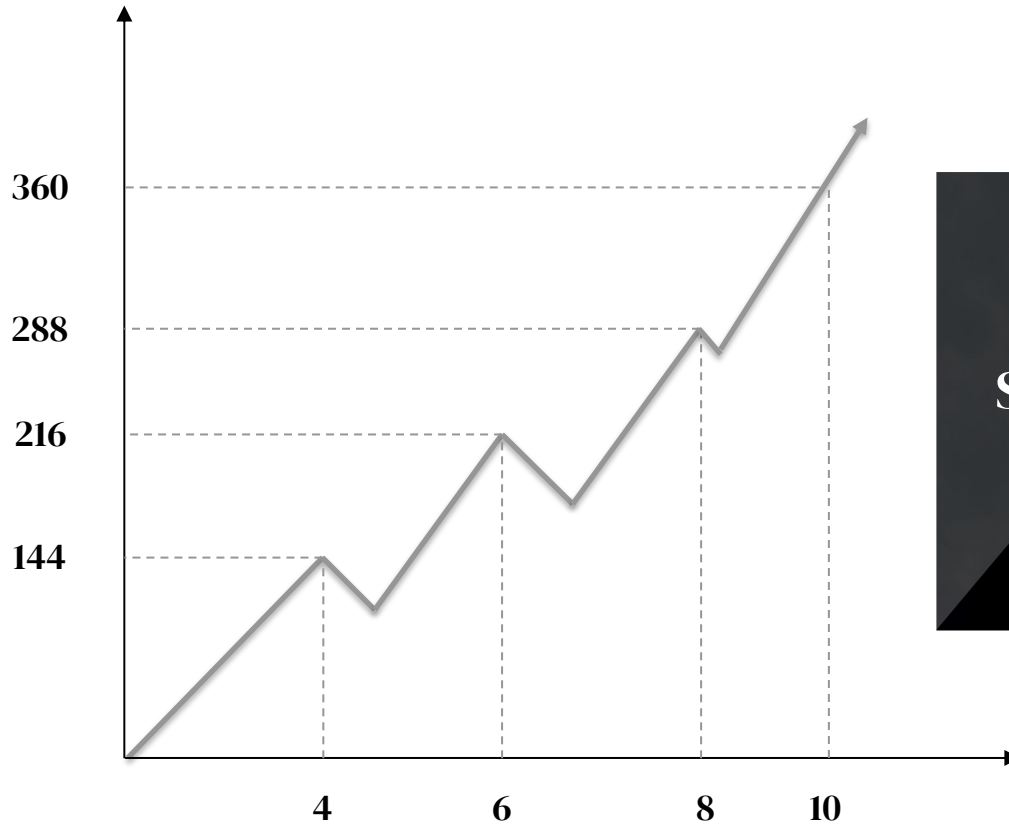
- €
+x%



Stop Loss

- €
-y%





Shares & Prices

The background of the slide is a grayscale photograph of the New York Stock Exchange facade. The image shows the ornate architectural details, including the pediment with its sculptures and the large letters "NEW YORK" on the front. A white rectangular box is superimposed over the left side of the image, containing the text "Let's Discuss".

Let's Discuss