



NEWS RELEASE

Mar 11, 2021

R&I Affirms A-, Negative: Renault SA

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

ISSUER: Renault SA
Issuer Rating: A-, Affirmed
Rating Outlook: Negative

RATIONALE:

Renault SA (Renault) is an automaker with the French government being the largest shareholder, and offers multiple brands including Renault and Dacia. It has been in a capital and business alliance with Nissan Motor Co., Ltd. (Issuer Rating: A, Rating Outlook: Negative) and also in a three-party alliance with Nissan Motor and Mitsubishi Motors Corp. (Issuer Rating: BBB+, Rating Outlook: Negative). The three companies intend to cooperate in broad areas, including advanced technologies.

Renault posted substantial losses in 2020 as the novel coronavirus pandemic added more strain, with the cost structure having already deteriorated due to its expansion strategy in the past. Net cash of the automotive business turned negative. Meanwhile, its mainstay compact cars remain competitive. Thanks to the progress of cost reduction measures, the automaker booked operating income and positive free cash flow in the second half of 2020. R&I evaluated highly these improvements and has affirmed the Issuer Rating at A-. Yet as the demand recovery in Europe and emerging countries has been delayed, there is a risk that it will take time for the automaker to improve earnings and meet the challenge of reducing net debt. The Rating Outlook thus remains Negative.

In 2020, Renault fell into an operating loss of 337 million euros. The vehicle sales dropped 21% from a year earlier due to the coronavirus pandemic, and the decline was particularly big in its main markets -- Europe and South America. Meanwhile, the cost burden from its responses to environmental regulations and advanced technologies is increasing. In addition to restructuring cost and asset impairment, Renault booked about 5 billion euros in equity losses of affiliated companies after Nissan Motor's performance slumped. As a result, the automaker's net loss has grown to 8 billion euros, its worst loss ever. On the financial front, the automaker was in a negative net cash position of 3.6 billion euros at end-2020 as debt in the automotive business rose.

Renault maintains the competitiveness primarily of compact cars. It commands the third-largest share of the passenger car market in Europe -- the automaker's core market. In Russia, Renault, combined with its subsidiary Avtovaz, holds the top market share. Renault stays ahead of rivals in terms of sales of electric vehicles (EVs) in the European Union, and apparently met CO2 emission regulations that were tightened in 2020. The automaker's fixed cost reduction projects are advancing faster than its plan. The automaker still has somewhat ample equity capital, though it has decreased. Its sales finance subsidiary generates solid profits and has the capacity to pay dividends to the automobile business. In R&I's view, the automaker will have no trouble securing the overall liquidity.

According to its strategic plan released in January 2021, the automaker strives to further trim costs by properly adjusting its production capacity and sharing common vehicle platforms, with a focus on profits, rather than scale. It aims to raise profitability by introducing a number of new vehicles centered on medium-sized cars in C-segment ranges and EVs. That said, the risk arising from the coronavirus impact lingers in Europe and emerging countries. In the first half of 2021, semiconductor supply shortages will likely affect production. The automaker is also expected to pay restructuring cost. If it continues to log losses and negative free cash flow in the full year 2021, its financial base will likely further deteriorate and this will increase the likelihood of a rating downgrade. Eyes are on whether sales recovery and cost reductions will improve its earning capacity and financial base.

The primary rating methodologies applied to this rating are provided at "R&I's Basic Methodology for

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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

R&I RATINGS:

ISSUER: Renault SA
Issuer Rating
RATING: A-, Affirmed
RATING OUTLOOK: Negative

Japanese Yen Bonds No.20	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 06, 2017	Jul 06, 2022	JPY 26,600
RATING:	A-, Affirmed		

Japanese Yen Bonds No.21	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 03, 2018	Jul 02, 2021	JPY 39,100
RATING:	A-, Affirmed		

Japanese Yen Bonds No.22	Issue Date	Maturity Date	Issue Amount (mn)
	Jul 03, 2018	Jul 03, 2023	JPY 18,300
RATING:	A-, Affirmed		

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