



# Investor day

March 10<sup>th</sup>, 2010





# The new focused Valeo

Jacques Aschenbroich, CEO

March 10<sup>th</sup>, 2010

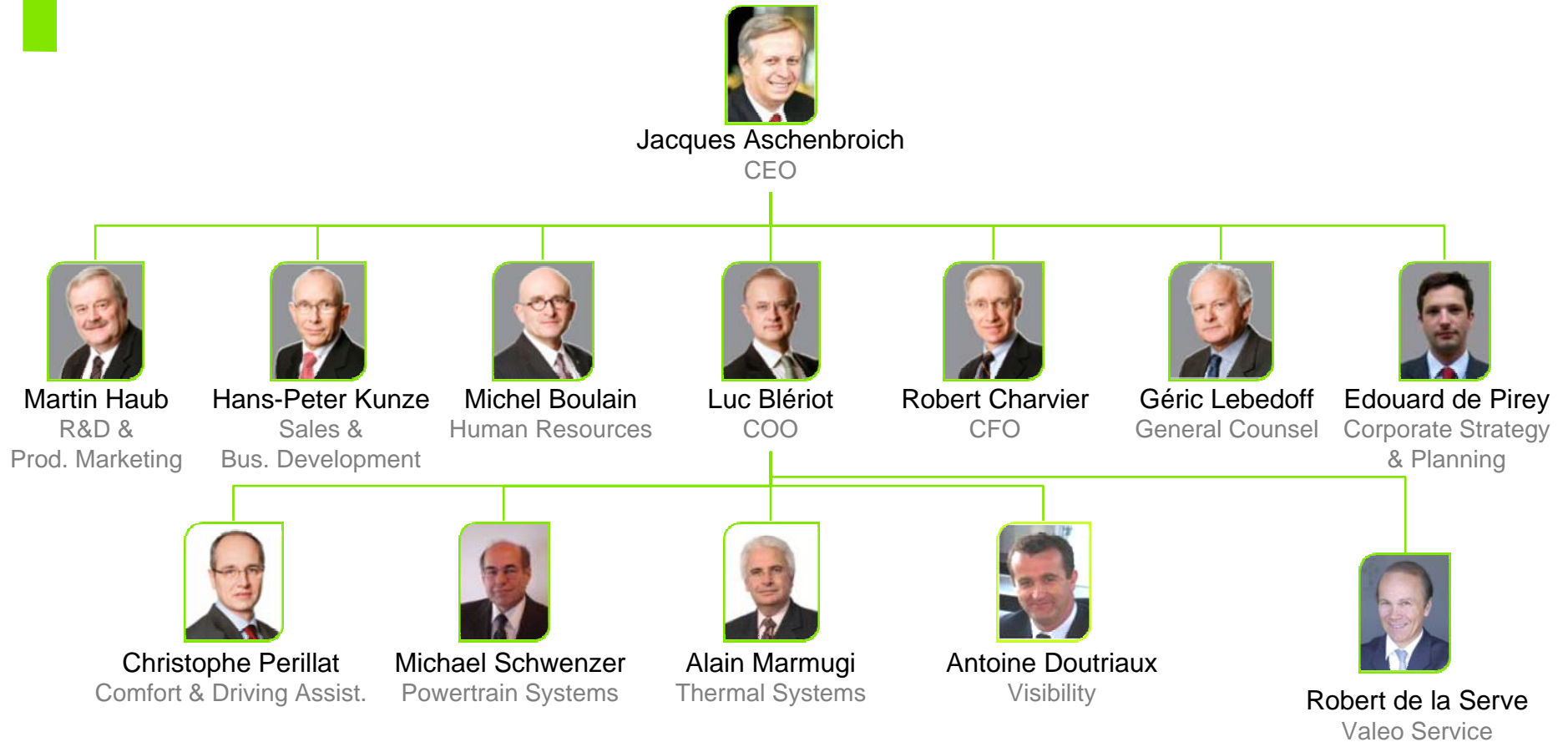
valeo added™ The graphic consists of seven vertical bars of varying heights, arranged in a row, with the tallest bar on the right.



*Automotive technology, naturally*



## International and focused top management in place





**Our main growth driver for the next decade**

Focus on  
CO<sub>2</sub> emissions reduction  
in all market segments

## My diagnosis

### Strengths

- Brand
- Quality
- Operational excellence & reactivity
- Committed people
- Global presence & diversified customer base
- Global leadership on most product lines
- Innovation
- Healthy financial situation

## My diagnosis

### Strengths

- Brand
- Quality
- Operational excellence & reactivity
- Committed people
- Global presence & diversified customer base
- Global leadership on most product lines
- Innovation
- Healthy financial situation

### Weaknesses

- Unfocused strategy
- Lack of growth
- Poor profitability
- Obsolete organization



## Weaknesses

- Unfocused strategy
- Lack of growth
- Poor profitability
- Obsolete organization

## Our commitments

- Focus on CO<sub>2</sub> emissions reduction in all market segments
- Deliver above market organic growth in each region
- Actively participate in industry consolidation
- Best-in-class profitability

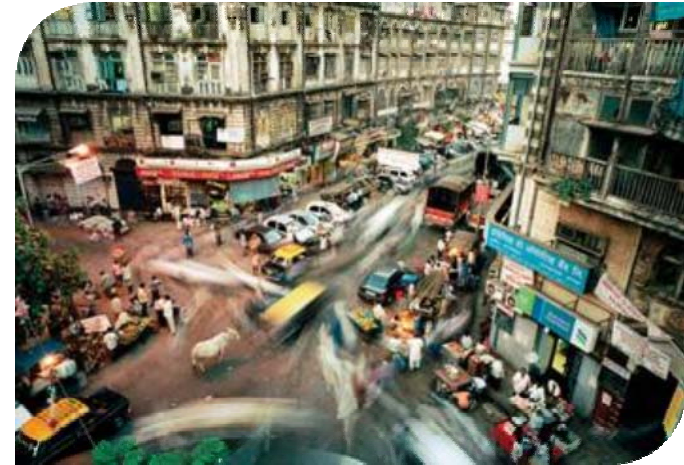
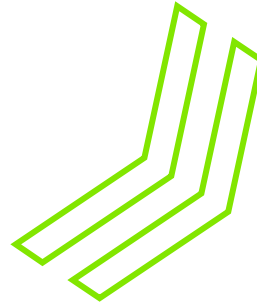
## The new focused Valeo

### Our commitments

- **Focus on CO<sub>2</sub> emissions reduction in all market segments**
- Deliver above market organic growth in each region
- Actively participate in industry consolidation
- Best-in-class profitability

## In recent years, a societal revolution...

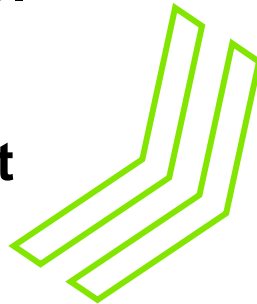
- Environmental awareness
- Changing society
- Emerging economies



- CO<sub>2</sub> emissions reduction and energy savings
- Safety
- Market segmentation

## ...leading to new consumer expectations

- Car as a status symbol
- For driving pleasure
- As a major investment



- Environment friendly
- Convenient
- Trendy, safe and smart
- Low cost products

**Towards a  
more  
segmented  
market**

## A crucial need for CO<sub>2</sub> emissions reduction

- For the citizen
- For the consumer

**Technology to be implemented to reduce CO<sub>2</sub> emissions**



## Valeo market expectations for next decade

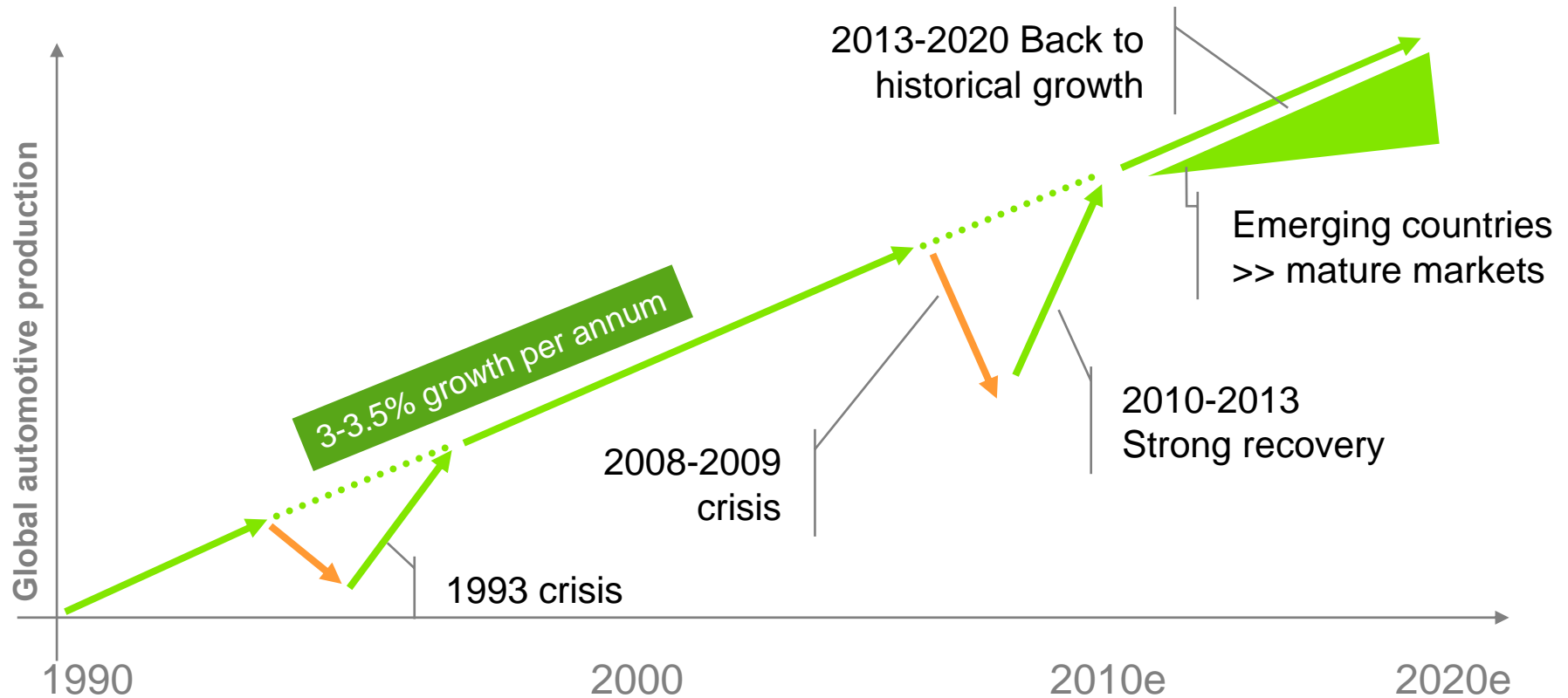
20% annual market growth  
for CO<sub>2</sub> related products

## The new focused Valeo

### Our commitments

- Focus on CO<sub>2</sub> emissions reduction in all market segments
- **Deliver above market organic growth in each region**
- Actively participate in industry consolidation
- Best-in-class profitability

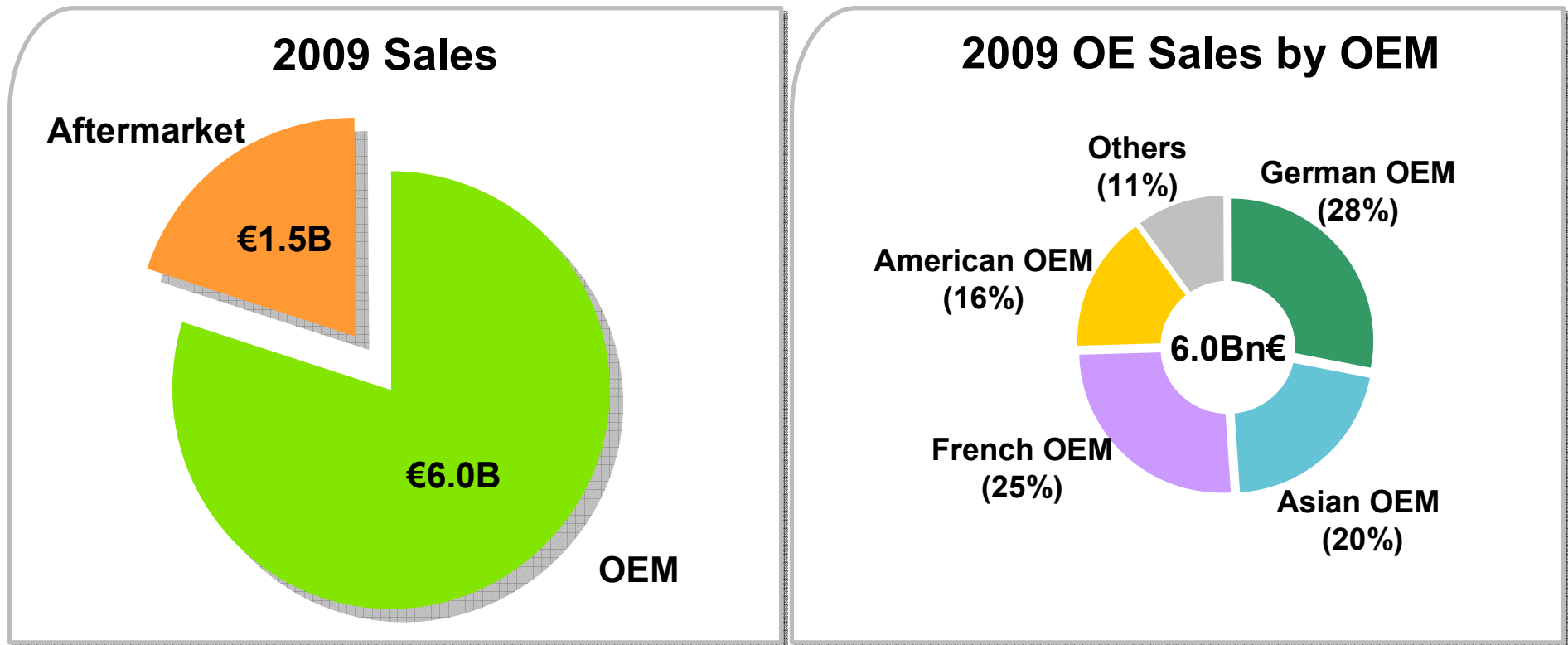
## Return to strong structural market growth after 2009 crisis



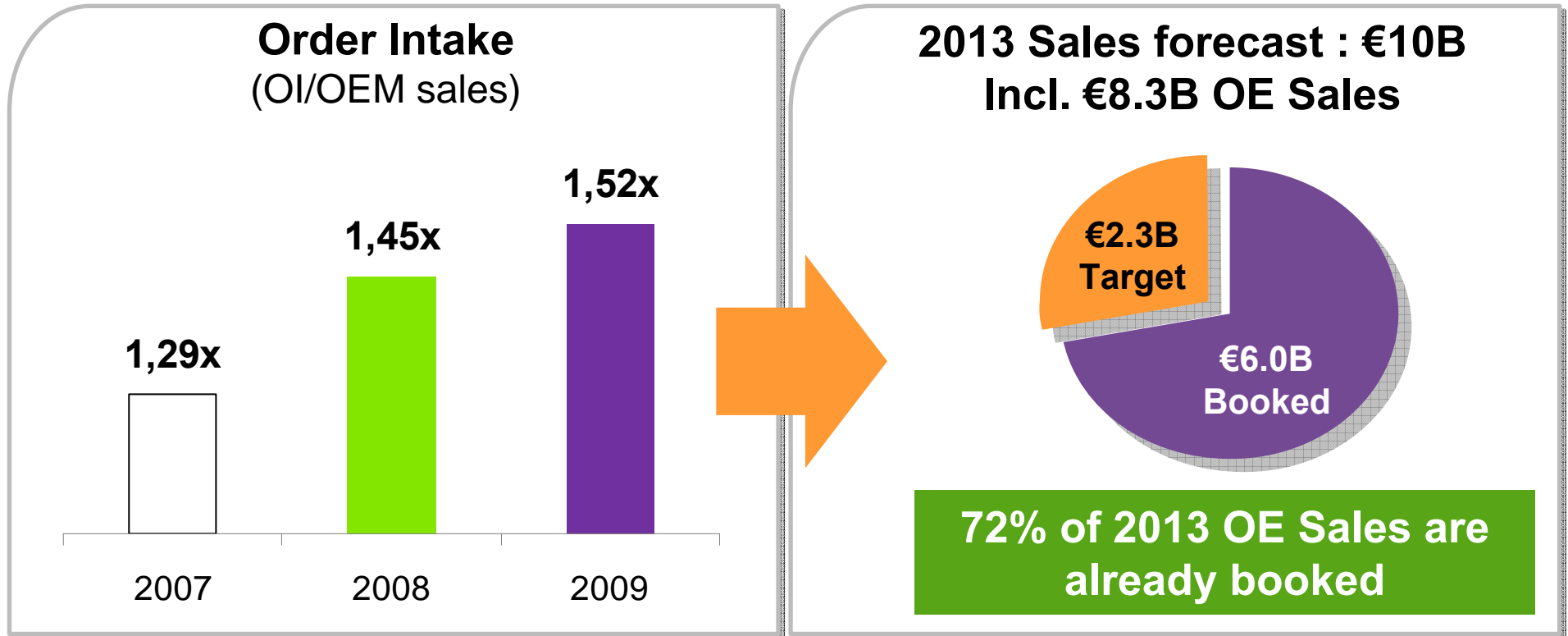
## Levers to sustain growth over the decade



## A well-balanced customer base



## Future growth secured by strong order intake



## Engine optimizing & downsizing

Thermal

- High performance engine cooling

- Exhaust Gas Recirculation (EGR)

- E-Valve

- Smart transmission

Powertrain



## Hybrid vehicles

- **Stop-Start solutions**
- **Regenerative braking**
- **Electrical motors**
- **Plug-in charging solutions**
- **ECU and powerelectronics**

Powertrain

- **Battery thermal management**

Thermal



## Electric vehicles

- **Electrical motors**
- **Plug-in charging solutions**
- **ECU and powerelectronics**

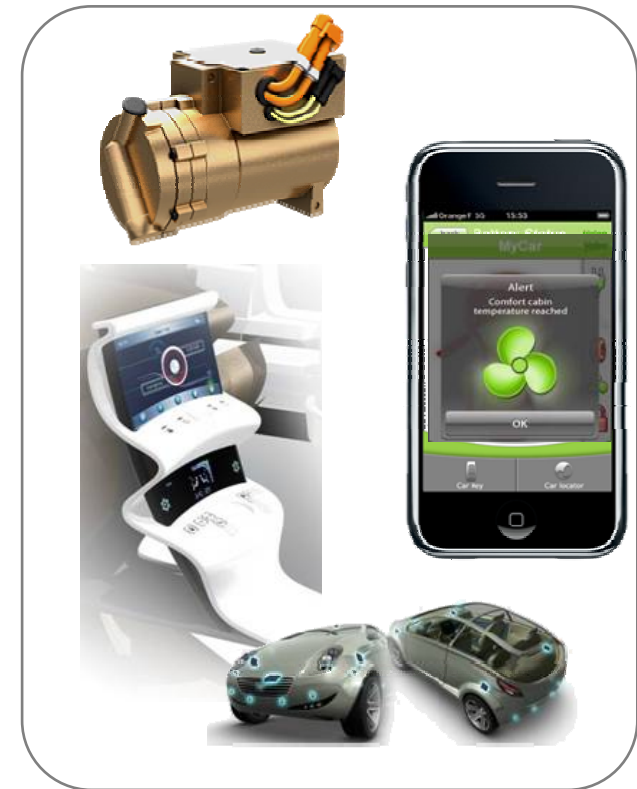
Powertrain

- **Electric compressor**

Thermal

- **Vehicle pre-conditioning**
- **HMI differentiation**
- **Driving assistance**

Comfort & Driving Assistance



## Lower consumption & weight reduction across product range

### ■ Lower consumption

- High Efficiency Alternator
- Global Electric Energy Management

Powertrain

- Wiper motors
- LED Lighting

Visibility

### ■ Weight reduction

- Aquablade®
- Direct drive wiper motors

- New clutch range

Powertrain

- New compressor range

Thermal



## Sales for new CO<sub>2</sub> related products to double by 2013

<i>In euro billion</i>	2013
Lower energy equipment consumption	0.7
Hybridization and electric vehicles	0.2
Reducing emissions for internal combustion engines	0.1
<b>TOTAL</b>	<b>€1B</b>

**€1B targeted sales for CO<sub>2</sub> related products in 2013**

## Sales for new CO<sub>2</sub> related products to reach €5B+ in 2020

<i>In euro billion</i>	2013	2020
Lower energy equipment consumption	0.7	1.9
Hybridization and electric vehicles	0.2	2.8
Reducing emissions for internal combustion engines	0.1	0.6
<b>TOTAL</b>	<b>€1B</b>	<b>€5B+</b>

**Support innovation by maintaining R&D at 6% of Sales**



## Address all car segments

### ■ Premium

→ Highly innovative products

### ■ Mass market

→ Bringing state-of-the-art innovative products to mass market

### ■ Low Cost

→ Successful and fully amortized products

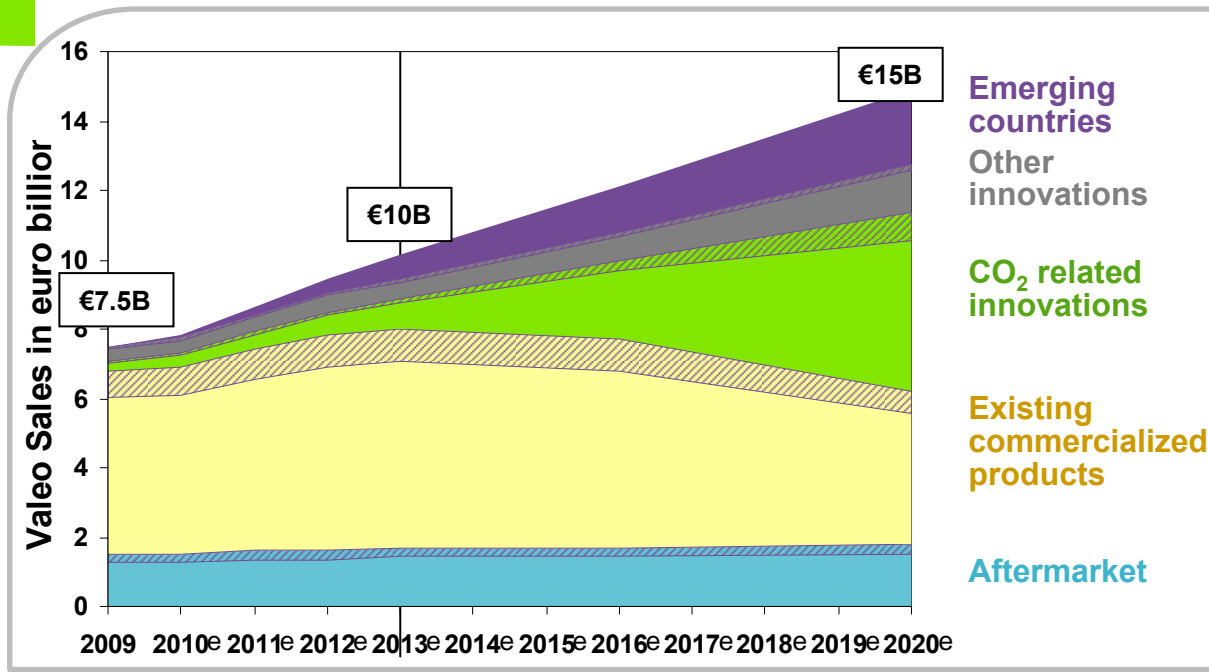
→ Way of lowering costs for all product lines

## Accelerate expansion in Asia and emerging countries

- **≥ 60% of Capex**
- **Be competitive vs. emerging local suppliers**
- **Be local**
  - Develop specific products for local markets
  - Leverage local R&D and engineering capacities
  - Local managers, global values & processes

**Benefiting from growth in emerging countries  
China + India Sales = €1B by 2013 and €3B by 2020**

## Levers to sustain growth over the decade



- Investment in emerging countries
- Enlarge customer base
- Innovation in CO<sub>2</sub> related products

**Our objective:  
outperform the market in each region**

## The new focused Valeo

### Our commitments

- Focus on CO<sub>2</sub> emissions reduction in all market segments
- Deliver above market organic growth in each region
- **Actively participate in industry consolidation**
- Best-in-class profitability

## **Strong financial structure increasing strategic options**

- **Boost fast growing businesses through acquisitions**
- **Assess possibility for transformational transactions**
- **Continuous portfolio assessment**

**Maintain strictly disciplined approach to cash allocation**

## Portfolio assessment

### All Business Groups have profitable growth potential

	Comfort & Driving Assist.	Powertrain	Thermal	Visibility
2009 Order Intake / Sales ratio	1.5	1.7	1.5	1.5
4Q09 EBITDA	9.9%	11.7%	10.4%	11.2%
Worldwide ranking	#1 Driving Assistance #3 Interior Controls	#1 Electrical Systems #2 Clutches	#2 Air Conditioning #2 Engine Cooling	#1 Wipers #2 Lighting



## Keep-or-sell assessment criteria for each business by 2013

**ROCE\* >20%**

**Growth**

**One of the 3 major worldwide players**

\* Before restructuring, tax and goodwill

## **Actively participate in future industry consolidation**

- **Ongoing consolidation of car manufacturers**
- **Potential acceleration of automotive supplier consolidation**
- **Valeo meets all criteria to play a leading role in this consolidation**
  - Global
  - High innovation capacity and system integration
  - Excellent performance in quality, process management and cost savings
  - Independent and healthy financial situation

## The new focused Valeo

### Our commitments

- Focus on CO<sub>2</sub> emissions reduction in all market segments
- Deliver above market organic growth in each region
- Actively participate in industry consolidation
- **Best-in-class profitability**

## **New organization to better fit with automotive industry evolution**

- **Shift in the value chain from car manufacturers towards automotive suppliers**

- **Automotive suppliers to play a more central role**

- Innovation
- Economies of scale in a more fragmented market
- Worldwide presence
- Healthy financial situation

- **With ever higher client expectations**

- Perfect quality
- Service
- Committed partner
- Competitiveness
- Flexibility



## A new focused organization

**9** Industrial Branches

**96** Industrial Divisions

**27** members Management Committee



**4** Business Groups

**16** Product Groups

**7** members Staff Committee

## 4 balanced, coherent Business Groups with leading market positions

<i>2009 figures</i>	<b>Comfort &amp; Driving Assistance</b>	<b>Powertrain Systems</b>	<b>Thermal Systems</b>	<b>Visibility Systems</b>
<b>Headcount</b>	<b>9,800</b>	<b>12,600</b>	<b>13,300</b>	<b>15,100</b>
<b>Sales</b>	<b>€1.3B</b>	<b>€2.0B</b>	<b>€2.3B</b>	<b>€1.9B</b>
<b>FY EBITDA</b>	<b>7.9%</b>	<b>10.3%</b>	<b>8.0%</b>	<b>7.5%</b>
<b>Q4 EBITDA</b>	<b>9.9%</b>	<b>11.7%</b>	<b>10.4%</b>	<b>11.2%</b>



## **New organization with high growth & profitability potential**

- **Better fit with customer organization**
- **Benefit from synergies**
- **Promote innovation**

## Profitability strengthened through cost reduction program

- **Breakeven point lowered by €1.1B**
  - Equivalent to around €7B of sales
- **Negative operating working capital**
  - Positive contribution to free cash flow of €214M in 2009

## **New Organization with lowered G&A**

- **Shared services**

- Human resources
- Finance
- Supply chain

- **Global purchasing organization**

- **Implementation following consultation with social partners in concerned countries**

**G&A reduced from 4.5% to around 3% of sales as of 2012**



## New Organization with lowered G&A

**+1.5 pt Operating margin as of 2012**

## Capex optimization

- Lower in mature markets
- Higher in emerging countries
- Favor fast growing product lines

**Capex  $\leq$ 80% of Depreciation in 2010 & 2011  
Target: 4-4.5% of sales as of 2013**



## Tight control of Capex

**+1 pt Operating margin from 2013**

## Turnaround Visibility Systems Business Group

- **Visibility Systems Business Group turnaround already underway**

**ROCE in line with Valeo average by 2013**



## Turnaround Visibility Systems Business Group

**+0.5 pt Operating margin in 2013**

\* In addition to the Group's average profitability improvement

## Best-in-class profitability

	2009	2013	Δ
<b>Sales</b>	€7.5bn	€10bn	+33%
<b>Operating margin</b>	1.8%	6-7%	+ 4-5 pt
<b>ROCE*</b>	7.1%	≥ 30%	> +20 pt

\* Before restructuring, tax and goodwill



*Automotive technology, naturally*

