



*Automotive technology, naturally*

# Grow further the new focused Valeo

Investor Day, March 2011

# International and focused top management in place



**Jacques Aschenbroich**  
CEO



**Robert Charvier**  
CFO



**Christophe Perillat**  
COO



**Michel Boulain** HR  
**Géric Lebedoff** General Counsel



**Martin Haub** R&D and Prod. Marketing  
**Edouard de Pirey** Corp. Strategy & Planning  
**Hans-Peter Kunze** Sales & Business Dvpt



**Michael Schwenzler**  
Powertrain Systems



**Claude Leichlé**  
Powertrain Systems



**Alain Marmugi**  
Thermal Systems



**Marc Vrecko**  
Comfort & Driving Assistance Systems



**Robert de la Serve**  
Valeo Service



**Antoine Doutriaux**  
Visibility Systems

# My diagnosis in March 2010

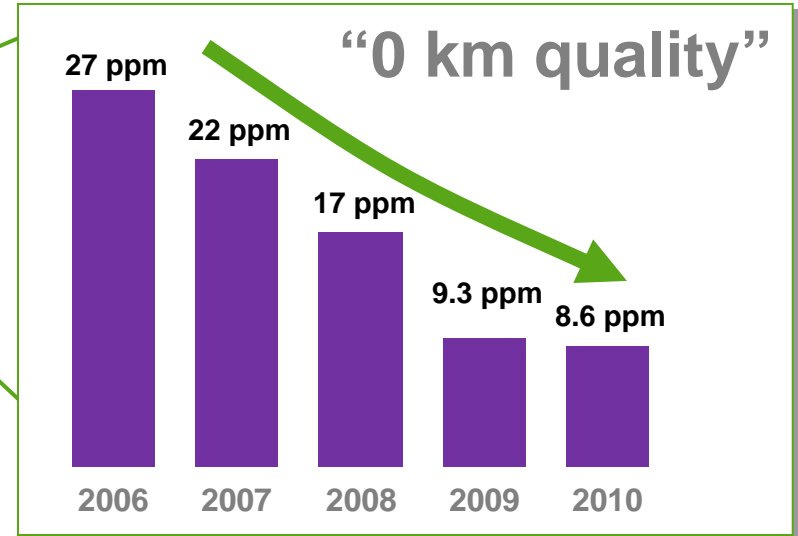
## Strengths

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

# My diagnosis in March 2010

## Strengths

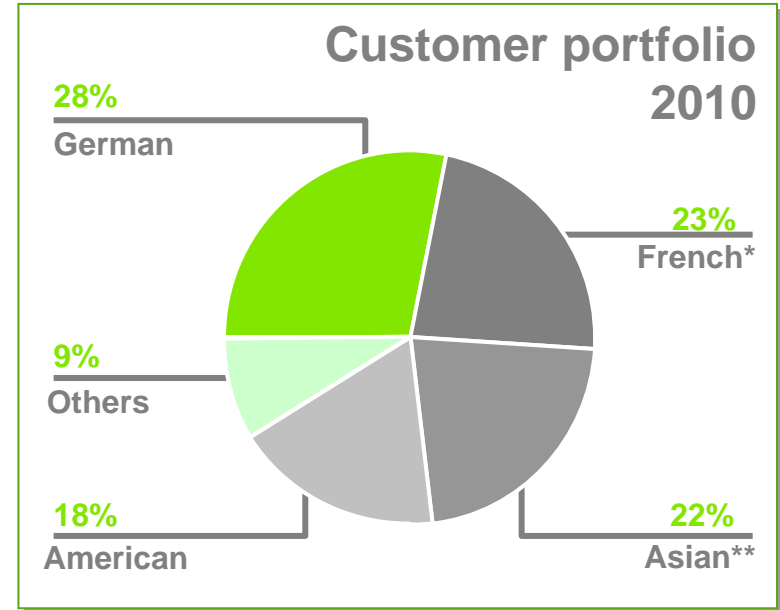
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\* Excluding Nissan

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### Powertrain Systems

Electrical Systems

#1

Transmission Systems

#2

### Thermal Systems

Global Thermal Systems

#2

### Comfort and Driving Assistance Systems

Driving Assistance

#1

Interior Controls

#1

### Visibility Systems

Wipers Systems

#1

Lighting Systems

#2

# My diagnosis in March 2010

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- Global leadership on most product lines
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- Healthy financial situation

## Weaknesses

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

# My diagnosis **in March 2010**

## Weaknesses

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

## Our commitments for the new Valeo

- 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



# Our commitment in March 2011

Grow further the  
new focused Valeo

1

## Ahead of March 2010 strategic plan

2

## Outperforming the market by 3pt

Innovation and new products

New customers and geographies

3

## Acquisitions on top of organic growth

Niles

4

## A new profitable model

Best in class profitability

**CO<sub>2</sub> emissions reduction**  
*Energy consumption reduction*

**Grow further the  
new focused Valeo**

**Asia  
Emerging countries**

# CO<sub>2</sub> emissions reduction

## *Energy consumption reduction*

### ■ A crucial need

- Environmental considerations
- Energy independence
- Geopolitics

### ■ New technologies to be developed

- Electrification of the powertrain
- Downsizing of the engine
- Lower energy consumption
- Eco-driving assistance



*“It’s really important that we have an improvement curve on fuel mileage and CO2 reduction.”*

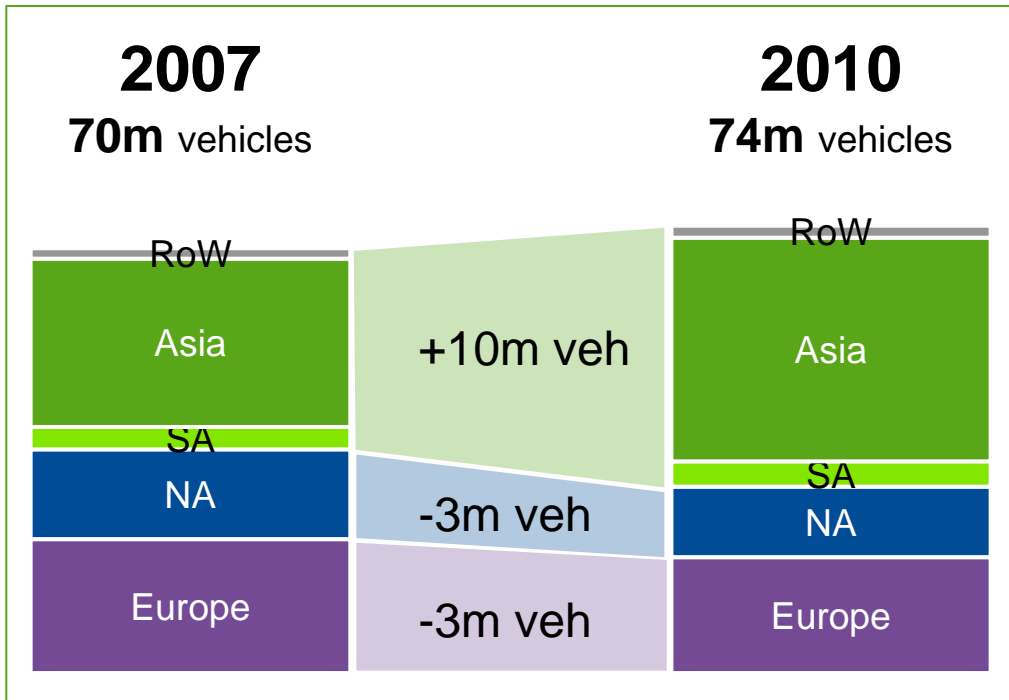
*Alan Mullaly, Jan. 2010*

*“The new energy vehicle is very, very important because we don’t have enough petroleum resource.”*

*Wang Chuanfu, BYD, 2011*

*“Volkswagen is the automaker, which will put the hybrid forward from a niche car”*

*Pr. Winterkorn, Geneva 2010*



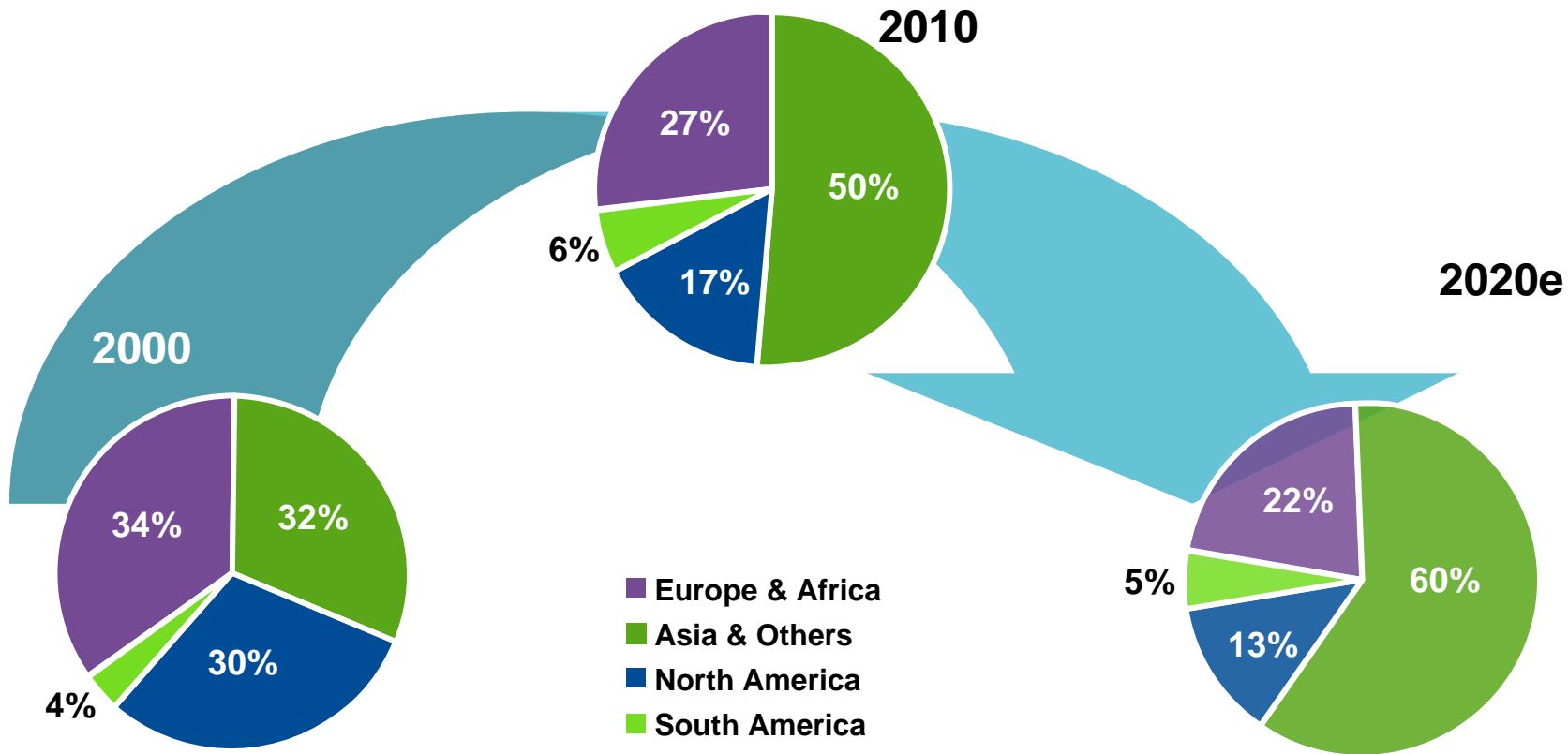
■ **The automotive world is changing**

- ➔ North America to re-emerge from a very low basis
- ➔ But a strong shift to Asia
- ➔ Especially China: +8m vehicles in 2010 vs. 2007

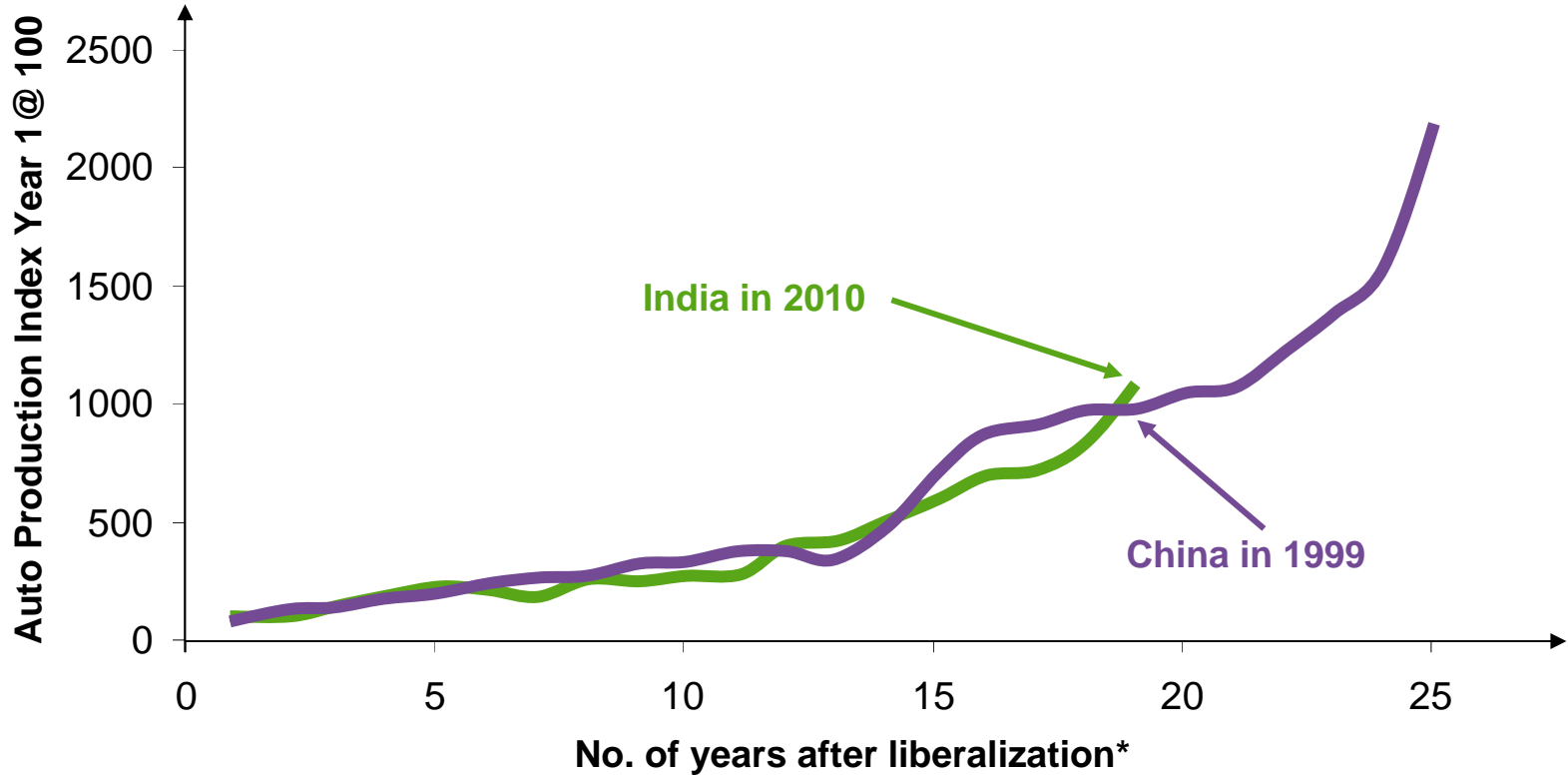
**Asia  
Emerging countries**

# This trend will continue

## Production by region



# China is the first automotive market today and India will follow



\*Year 1 – 1978 for China and 1992 for India

**CO<sub>2</sub> emissions reduction**  
*Energy consumption reduction*

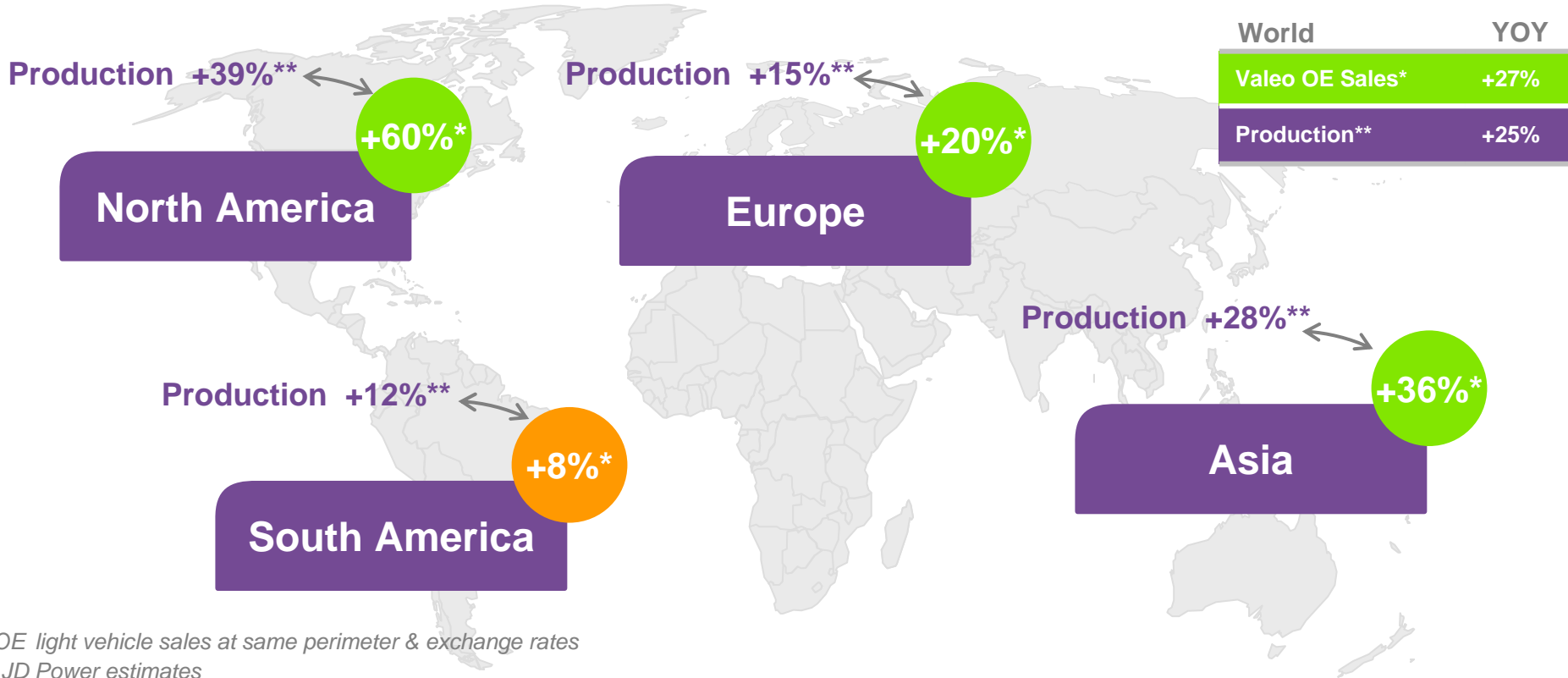
**First results  
in 2010**

**Asia  
Emerging countries**



# Outperforming our main regions

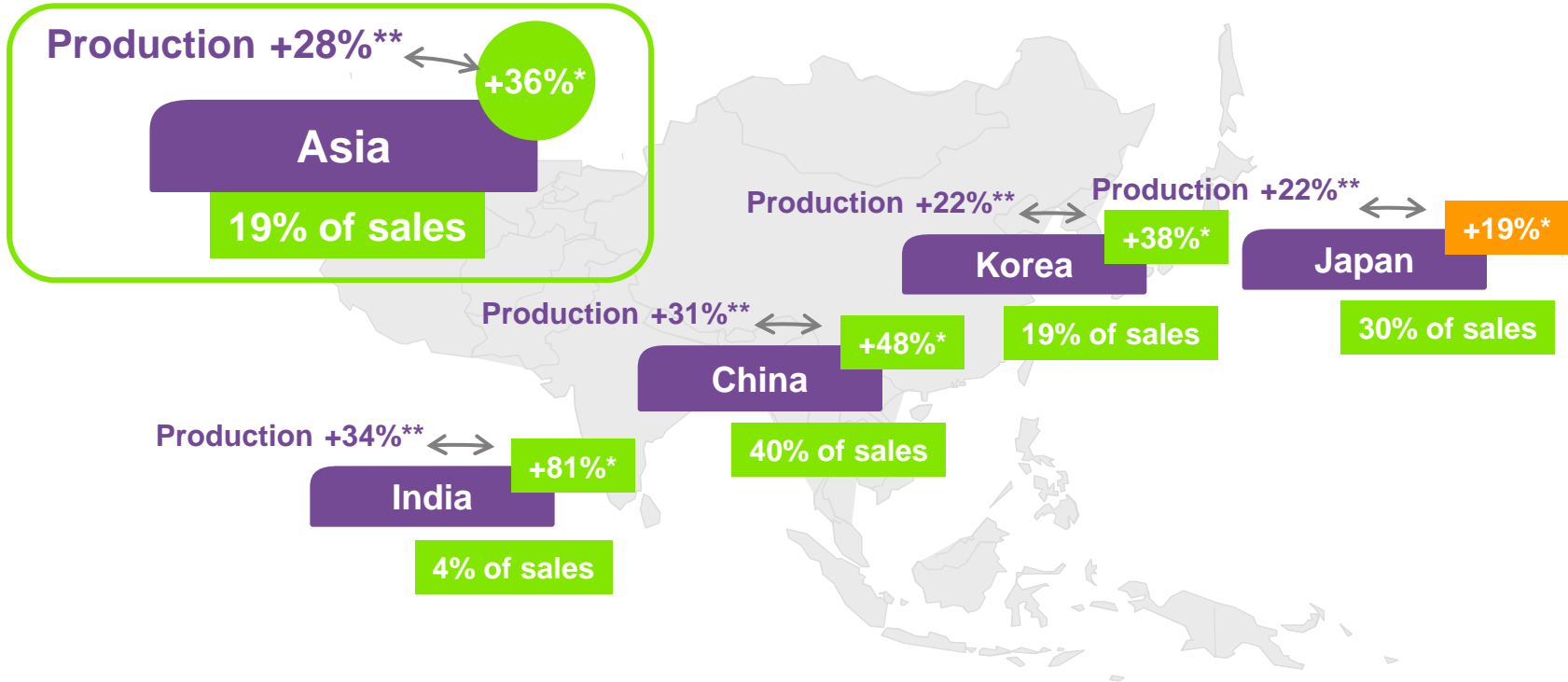
Full Year OE Sales outperforming the market by 2pts



\* OE light vehicle sales at same perimeter & exchange rates

\*\* JD Power estimates

# Outperforming Asian market by 8%



\* OE Light vehicle sales at same perimeter & exchange rates

\*\* JD Power estimates

# Ahead of the 2013 plan presented in March 2010

	2007	2009	2010	2013 as announced in March 2010	
<b>Sales</b> (in million euros)	9,567	7,499	9,632	10,000	✓
<b>Operating Margin</b> (as % of sales)	3.6%	1.8%	6.4%	6-7 %	✓
<b>Capital turnover</b>	4	4	5	5	✓
<b>ROCE*</b>	14%	7.1%	32%	>30%	✓

\*Operating margin / capital employed excluding goodwill

# A new horizon for 2015

€14bn Sales at 2010 perimeter, ie. Organic growth only

	2009	2010		2015
<b>Sales</b> (in million euros)	7,499	9,632	8.1% CAGR**	~14,000
<b>Operating Margin</b> (as % of sales)	1.8%	6.4%		>7%
<b>Capital turnover</b>	4	5		5
<b>ROCE*</b>	7.1%	32%		>30%

\*Operating margin / capital employed excluding goodwill

\*\* OEM Sales

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Ahead of March 2010 strategic plan

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**Outperforming the market by 3pt**

**Innovation and new products**

**New customers and geographies**

3

Acquisitions on top of organic growth

Niles

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A new profitable model

Best in class profitability

**Grow further the new  
focused Valeo**

**Find the right balance  
between growth and profit**

**€14 bn Sales by 2015**

**Outperforming  
the market by 3pt**

**In a 5% CAGR worldwide  
production hypothesis**

**Innovation  
& new products**

**New customers  
& geographies**

**Outperforming  
the market by 3pt**



**Innovation  
& new products**

**R&D expenses  
6% of Sales**

**A key driver for growth  
in each of the Business Groups**

# Innovation & new products

## A strong pipeline of innovations

### Already in production

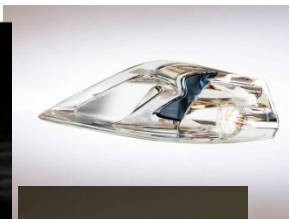


- **Stop and start** ➔ to become a standard
- **LEDs** ➔ to become a standard
- **Battery cooling**
- **360 View**

# Innovation & new products

# A strong pipeline of innovations

## Already in production



## Ordered



- Double clutch
- Aquablade & Direct drive
- Touchscreen Center Console
- Combined Charge air cooler and Air intake

# Innovation & new products

# A strong pipeline of innovations

## Ordered

## Development contracts

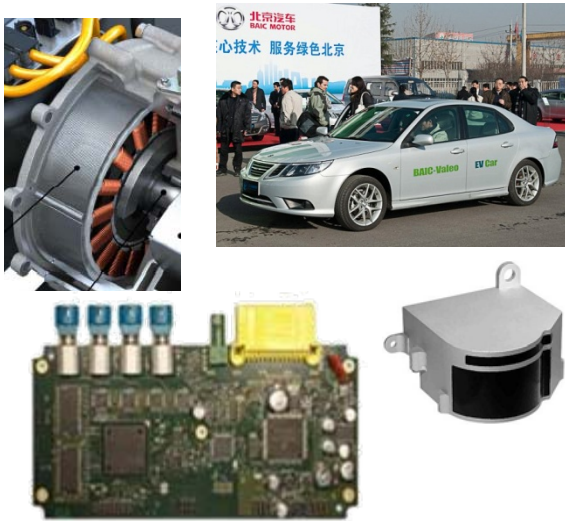


- Range extender
- Laser scanner
- Sensor fusion
- Full electric drivetrain

# Innovation & new products

# A strong pipeline of innovations

## Development contracts



## New innovations



- Electrical driven compressor
- Energy recovery
- Electrical motors
- eSkin
- Eco-driving assistance...

# Strengthen position in fast growing markets

# New customers & geographies

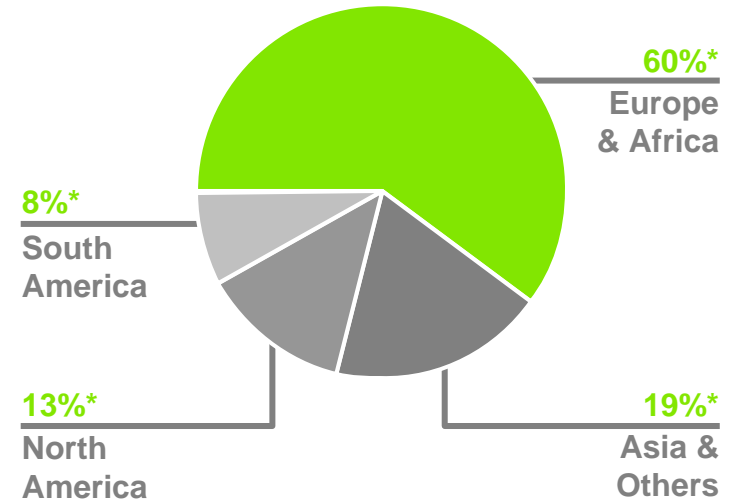
## ■ Europe to stay our main region

- Historically
- but also as a strong technological basis

## ■ Asia to grow in our portfolio

- External growth would be needed to reach 35% Valeo share in Asia, which could be our objective.

2010

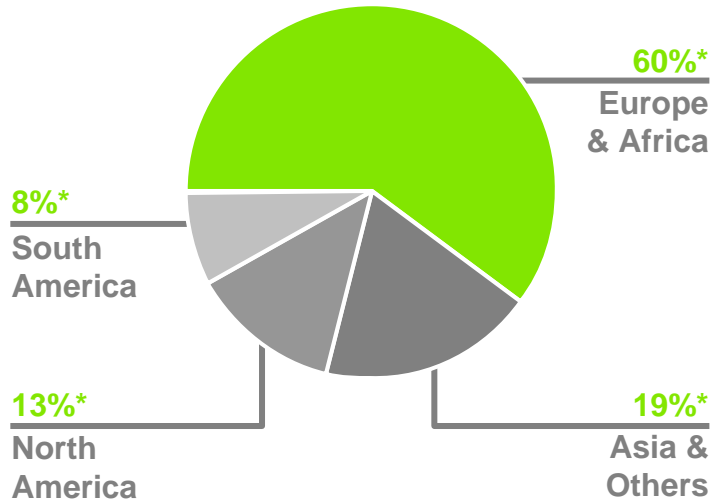


\* In % of OEM light vehicle sales

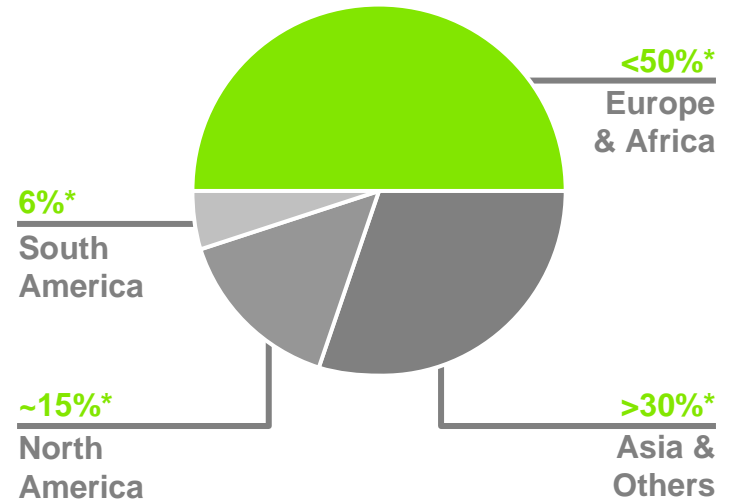
# Strengthen position in fast growing markets

# New customers & geographies

2010



2015

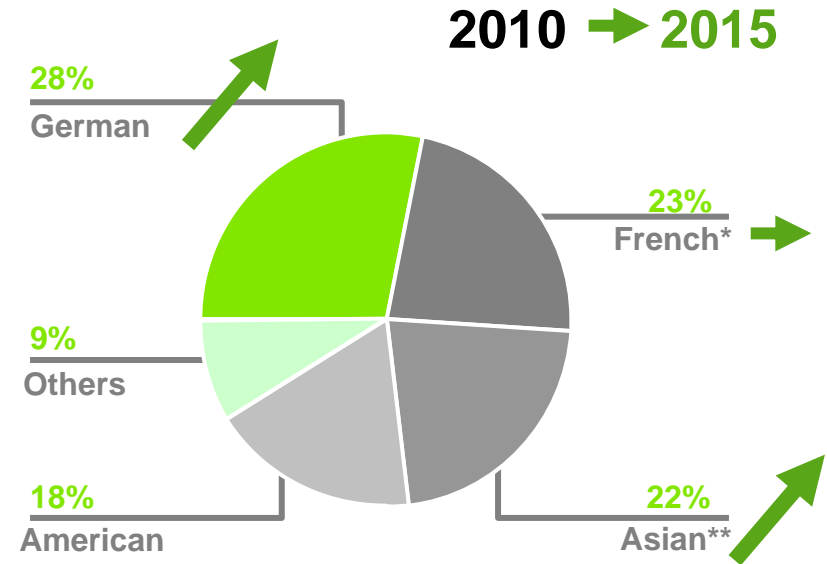


\* In % of OEM light vehicle sales

## Increase position with Premium & Asian customers

- **Strong relationship with German OEMs**
  - Especially Premium ones
  - To keep technological leadership
- **Intensify relationship with Asian customers**
  - Grow our share with Japanese OEMs
  - Become a strategic partner of the Chinese and Indian developing OEMs

## New customers & geographies



\* Excluding Nissan

\*\* Including Nissan



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**Niles**

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**Innovation  
& new products**

**New customers  
& geographies**

**Outperforming  
the market by 3pt**

**+ External growth**

# External growth principles

- **Permanent assessment of our product portfolio**
  - 3 criteria
- **Perform “Make or Buy” analysis**
  - Capital employed optimization
- **Acquisitions on top of the organic growth target**

# Permanent assessment of our product portfolio

Keep-or-sell assessment criteria for each business

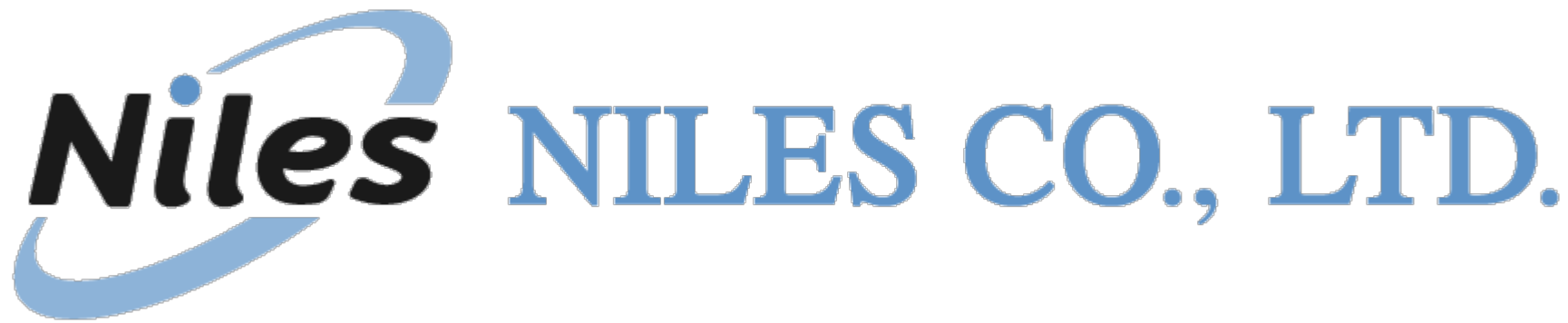
**ROCE\* >20%**

**Growth**

**One of the 3 major worldwide players**

# Acquisitions on top of the organic growth objective

- **Keep a balanced customer portfolio**
- **Keep a balance between distribution channels**
  - Original equipment
  - Aftermarket
- **Find new growth levers and reinforce our most successful product lines**
- **Privilege main growth strategy axes**
  - CO<sub>2</sub> emissions reduction
  - Asia and emerging countries
- **Strict financial discipline**
  - Become and stay investment grade



# Niles

A bolt-on acquisition to become world-wide leader in interior controls

## Global market shares

17%

Valeo + Niles

12%

KOSTAL

11%

TOKAI RIKA

10%

Valeo

7%

DELPHI

7%

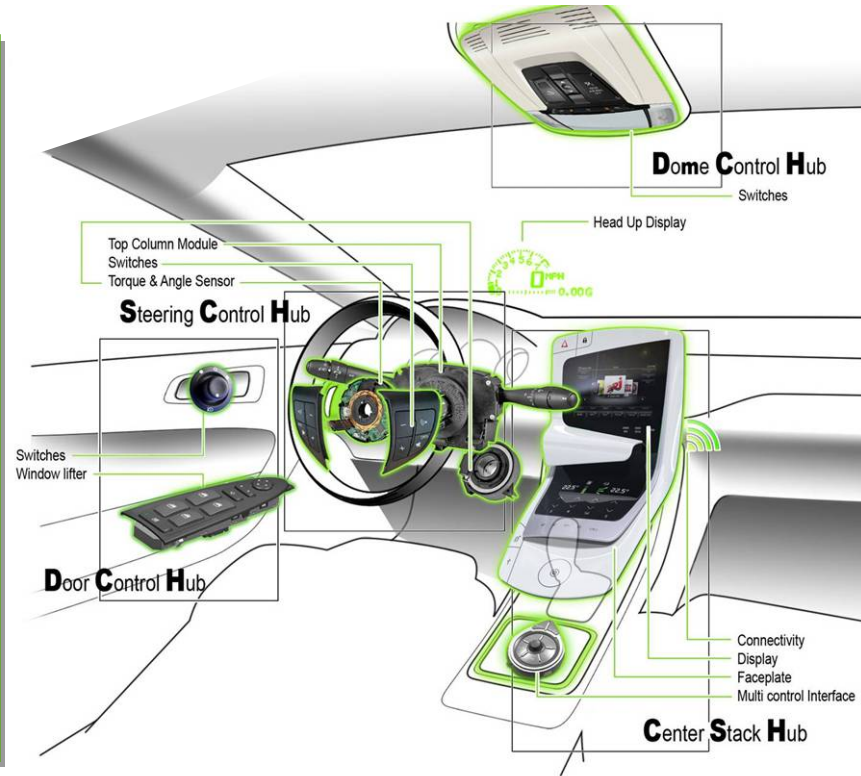
ALPS

7%

Niles

5%

TRW



# Interior controls is a promising product line

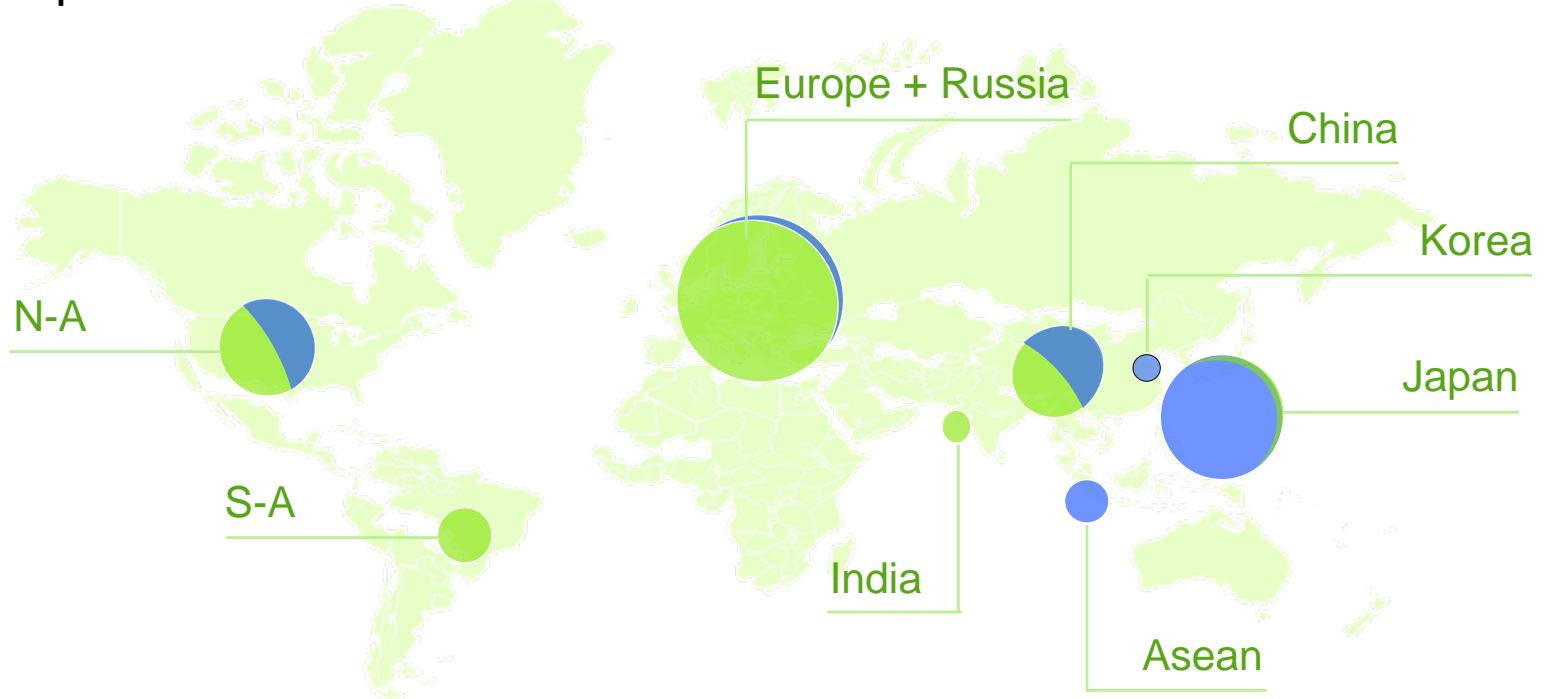
## Center console as a technologies integrator







# Rebalanced geographical exposure

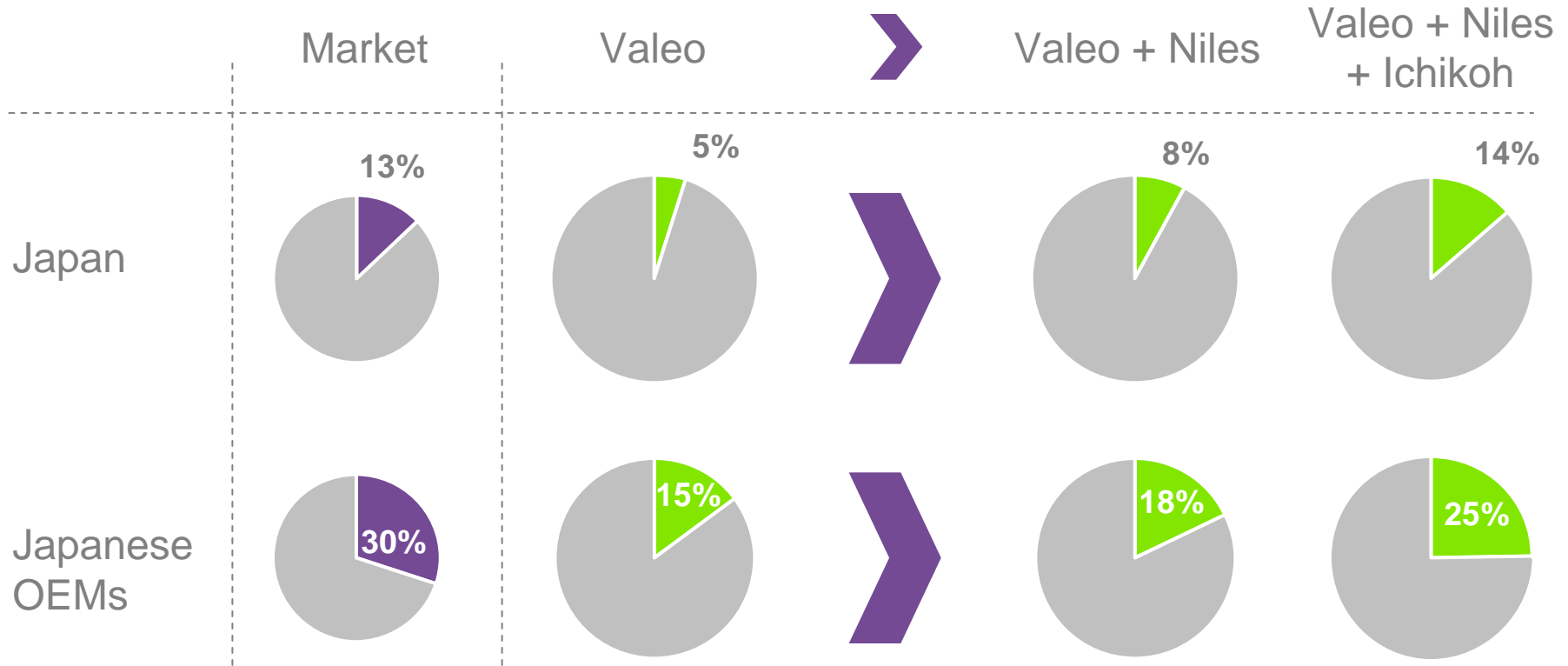
Niles, a perfect match with Valeo



-  Valeo Interior Controls Sales forecasts 2015
-  Niles Sales forecasts 2015

**Valeo to use Niles commercial & industrial footprint to sell & manufacture its advanced products in Asia**

# A stronger presence of Valeo in Japan and with Japanese customers



# Niles acquisition key financials

## ■ Niles key figures (January to December 2010)

- Sales: ~€435m
- EBITDA > 13%
- Operating margin >7%
- Employees: ~3,500 (60% in competitive countries)

## ■ Transaction

- Acquisition of 77.9% stake from RHJ  
20% stake from Nissan
- Enterprise value: €320m
- “Debt like items”\*: €146m

## ■ Multiples

- EV/Sales: 0.74x
- EV/EBITDA <5.7x

\*to be adjusted at closing

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**Best in class profitability**

**€14 bn Sales by 2015**

**A new profitable model**

**Profitability sustainable  
through the cycle**

# Outperform automotive market growth

- **Outperformance on our main markets**
- **Quality performance recognition**
- **Order intake at record high**
  - €12.5 bn at the end of 2010
  - Aftermarket + Others > €1.6 bn in 2010
- **High confidence in achieving 2015 target**

**€14 bn sales in  
2015**

# Optimization of capital employed to service the Group development

- Development in Asia and emerging countries less capital intensive
- 50 to 60% of investments allocated to development in Asia and emerging countries
- Lean Capex strategy leads to lower investments

**Capex at [4.5-5%]  
of sales**

# Profitability sustainable through the cycle

- Maintaining profitability despite raw material price evolution
- Keeping break even point under strict control
- Implementing new organization
- Lower Capex growth model
- Going forward with Visibility turnaround

**2015 Operating  
margin target  
>7%**



# Disciplined financial policy

Keep a strong balance sheet

## ■ A priority: back to investment grade...

→ Financial performance recognized by rating agency : notation Ba1 upgrade of the outlook from stable to + as of December 9.

## ■ ...to offer flexibility for future development...

→ A reinforced financial structure and a strong balance sheet

→ An acquisition policy in line with our target back to investment grade

## ■ ...and regular dividend policy

# Best in class ROCE

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# Conclusion

- The right strategy
- The right products
- The right teams
- The right business model



**Valeo is clutched for profitable growth**

