



α-Alphatech, December 13, 2018

## Continuing a profitable growth strategy: Free cash-flow, cost reduction and industrial excellence to accelerate innovation and enhance technological content

To mark its Investor Day, held today at its global R&D center for clean energy systems, α-Alphatech in Compiègne, Plastic Omnium is unveiling its strategy for profitable and independent growth to take account of the volatility of automotive markets in a context of technological change acceleration.

### A global and diversified automotive pure player

An independent family group, Plastic Omnium is a global player present in 26 countries, with 122 plants and serving 83 automotive brands.

Following the takeover of HBPO, the world leader in front-end modules, on July 1<sup>st</sup>, 2018, and the disposal of the Environment Division due to take place on December 17<sup>th</sup>, 2018, Plastic Omnium confirms its position as an automotive pure player organized around two operating segments with different business models:

- Plastic Omnium Industries, dedicated to production activities for intelligent exterior systems and clean energy systems, with significant investment and long cycles;
- Plastic Omnium Modules: dedicated to design and assembly activities for complex modules with low levels of capital employed.

### 2018: a complex market environment

2018 was marked by a steady increase in macro-political and macro-economic risks (trade wars, Brexit, slowdown in China), resulting in uncertainties and heightened volatility (currency, raw materials, interest rates, etc.). In this context, to which should be added the decline of diesel and new regulations relating to the certification of new vehicles in Europe (WLTP), the automotive market deteriorated in the second half-year, with an expected fall of 3.2%, following an increase of 2.2% in the first half, resulting in a decrease of 0.5% for the full-year.

In this market environment, Plastic Omnium confirms the following financial outlook for 2018 (compared with 2017 IFRS 5 data, i.e. restated for the Environment business):

- growth in economic revenue of at least 5%, i.e. revenue of approximately 8.9 billion euros in proforma figures;
- growth in consolidated revenue of at least 10%;
- 2018 operating result comparable to that of 2017 (615 million euros in 2017);
- a sharp increase in net result group share following scope effects;
- triple-digit free cash-flow.

## 2019-2021: outperformance and recurring improvement in financial indicators against volatile automotive production

### ○ Strengthening of fundamental management principles

In a context of volatile market, Plastic Omnium is strengthening its fundamental management principles, with:

- **Particular attention paid to free cash-flow generation:**  
The investment budget for the period 2019-2021 will be around 6% of the Group's consolidated revenue, compared with 7%-8% over the 2016-2018 period.
- **A strengthened cost reduction policy.**
- **A renewed ambition in terms of industrial excellence with the implementation of industry 4.0 at its plants over the 2018-2022 period.** Thanks to predictive management of the Group's industrial footprint, industry 4.0 will enable to reduce capital employed and improve profitability.

### ○ Average outperformance of 5 points per year

Thanks to a backlog secured at 90% by 2021, market share gains on its main product lines and the success of its innovative offer, Plastic Omnium will outperform worldwide automotive production by an average of 5 points per year over the 2019-2021 period.

Already ranked number 1 worldwide in each of its businesses, Plastic Omnium will strengthen its leadership positions, with market shares of 19% expected in bumpers in 2021, vs. 16% in 2018, 25% in fuel systems, vs. 22% in 2018 and 18% in front-end modules vs. 17% in 2018.

The Group is supported by diversified growth levers, the result of its successful strategy as a global and innovative player. Over the 2018-2021 period, Plastic Omnium will benefit from the ramp-up of 10 new plants, thereby increasing its positioning on:

- **The North American market:**  
The ramp-up of 5 plants built over the last 3 years and 2 assembly sites under construction in Mexico will enable Plastic Omnium to continue to increase its market shares in its 3 business lines.
- **The Chinese market:**  
In China, the Group has a full industrial footprint of 26 plants in the 6 automotive production clusters and a client portfolio that is continuing to diversify, notably with

Chinese players, who will represent 30% of our sales in China in 2021 vs. 15% in 2018. With this sound base, Plastic Omnium will benefit from market share gains in its production business lines and the development of its front-end module activities.

- **The SUV segment:**  
The SUV segment will grow by 4 points between 2018 and 2021, moving from 35% of worldwide automotive production to 39%. Plastic Omnium will grow faster than this segment, which will represent 48% of Group's revenue in 2021.
- **Front-end modules:**  
Following the takeover of HBPO, global leader in front-end modules, this activity has been fully consolidated by Plastic Omnium since July 1<sup>st</sup>, 2018. HBPO, with nearly 6 million front-end modules delivered per year, will generate revenue around 2 billion euros in 2018 and is expected to grow by 50% to reach 3 billion euros in 2021.
- **SCR emissions control systems for diesel vehicles:**  
Over the next two years, Plastic Omnium will benefit from market share gains and the regulatory increase in the penetration rate of SCR in Europe, which will offset the expected decline in the production of diesel vehicles. The Group is already anticipating the decline in this activity post-2020.

#### ○ Steady improvement in financial indicators

Over the 2019-2021 period, the Group's operating result is expected to rise steadily. Plastic Omnium stands to benefit from the following operating levers:

- strict cost controls;
- the accretive growth of the Group's operations in North America;
- the improvement of the utilization rates of the Group's industrial facilities, particularly in China;
- the success of the innovation portfolio;
- the implementation of industry 4.0 in the Group's industrial footprint.

Over the 2019-2021 period, Plastic Omnium plans to invest around 6% of its consolidated revenue. This investment program is aimed at building new capacities, the continuing optimization of its industrial facilities (industry 4.0 and operational excellence), the development of new programs and the launch of new research projects.

Lastly, the Group will accelerate its cash generation with at least 200 million euros in free cash-flow per year over the 2019-2021 period.

### Well positioned to meet the challenges of the car of tomorrow

Plastic Omnium is in this way giving itself the means necessary to reinforce its capacity for innovation so as to meet the acceleration in the technological transformation towards a connected, autonomous and electrified car.

For the connected and autonomous car, Plastic Omnium is positioning itself as the integrator of connectivity by developing its innovation capacity in the complex systems that will integrate radar and sensors. HBPO's technological expertise will also enable Plastic Omnium to step up its development in modular and intelligent exterior systems, which will profoundly change the design and aesthetics of automobiles of tomorrow.

In carbon-free cars, Plastic Omnium is positioned as a specialist in storage for each form of energy, developing specific solutions for plug-in hybrid vehicles (PHEV) and ICE turbocharging vehicles. At the same time, the Group has also invested in electrification to be a major player in hydrogen and fuel cells.

Plastic Omnium has already established new means to achieve this ambition. The Group employs more than 3,500 engineers in 24 R&D centers worldwide, dedicates 6% of revenue to Research & Development and an additional 100 million euros in the construction or extension of 3 R&D centers (France, Belgium and China). Plastic Omnium has also an ecosystem of start-ups, partnerships with major universities and an Automotive Strategic Analysis Committee with external internationally recognized experts.

Lastly, the Group has recently signed scientific and technological partnerships in fuel cells and plastronics. An innovative joint development project with the German automotive supplier Brose has just been announced, to develop a door concept offering new functions, new styling and new vehicle assembly strategies.

**With its solid fundamentals and in a volatile market environment, Plastic Omnium has the means to finance a sustained growth both in revenue and in results, in order to strengthen its innovation strategy, which positions the Group as a major player in the connected, autonomous and electrified car.**

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The detailed presentation of this growth and innovation strategy will take place on Thursday, December 13, 2018 at 10 a.m. Paris time.

It will also be accessible via webcast on the Plastic Omnium Group's website at [www.plasticomnium.com](http://www.plasticomnium.com).

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## Glossary

1. Economic revenue reflects the actual operating and managerial conditions of the Group. It corresponds to consolidated revenue plus revenue from the Group's joint ventures up to its holding percentage: BPO (50%) and YFPO (50%) and HBPO 33.33% until its full consolidation on July 1, 2018.
2. Consolidated revenue does not include:
  - a. the share of joint ventures, which are consolidated using the equity method pursuant to IFRS 10-11-12;
  - b. the revenue of Plastic Omnium Environment, pursuant to IFRS 5 as at January 1, 2018.
3. Proforma figures: including HBPO fully consolidated as of January 1<sup>st</sup>, 2018