



Press release
Paris, February 25, 2022

Valeo launches its Move Up plan, a value creation strategy built on the sustainable mobility megatrends

Outperformance for original equipment sales of more than 5 percentage points per year on average over the 2021-2025 period

EBITDA margin of around 14.5% by 2025

Free cash flow generation of between 800 million and one billion euros in 2025

Divestiture of 500 million euros' worth of non-strategic assets over the term of the plan

Optimized capital allocation and deleveraging

On February 25, 2022, at a presentation of Valeo's strategic and financial outlook for the 2022-2025 period in Paris, Christophe Périllat, Valeo's Chief Executive Officer, commented:

"Today, we are launching our Move Up plan, covering the 2022-2025 period. Move Up means building a Group that is technologically stronger and ideally positioned, and accelerating in electrification with the integration of Valeo Siemens eAutomotive, as well as in ADAS, reinvention of the interior experience and lighting everywhere.

Move Up means accelerating growth, outperforming the automotive market by more than 5 percentage points. Move Up also means creating value through a program of synergies and efficiencies, enhanced profitability, cash generation of between 800 million and 1 billion euros in 2025, and divesting 500 million euros' worth of non-strategic assets.

We are at the start of a period in which the transformation of mobility will drive hyper-growth in the electrification and ADAS markets for 15 to 20 years.

Move Up means capitalizing today on tomorrow's mobility.

With Move Up, we are creating value now, and we are creating a stronger Group that will be capable tomorrow of leveraging the hyper-growth set to take place in its markets."

Move Up, ready for the future of mobility

In 2035, the world will be electric and connected.

Valeo's Move Up plan is part of this long-term vision for cleaner and safer mobility. Post-2025, the electrification and ADAS markets will experience hyper-growth to reach 200 billion euros and 120 billion euros, respectively, in 2035.

Thanks to Move Up, Valeo will be ideally positioned to leverage this growth with leading-edge technologies, a robust financial performance and cash generation that will guarantee strong value creation for all the Group's stakeholders, including its shareholders.

Valeo Move Up, a value creation strategy built on the four sustainable mobility megatrends

Valeo's growth model is based on the four megatrends shaping tomorrow's automotive industry.

Megatrends	Business Group
Acceleration of electrification	> Powertrain Systems > Thermal Systems
Acceleration of ADAS Reinvention of the interior experience	> Comfort & Driving Assistance Systems
Lighting everywhere	> Visibility Systems

Valeo's solid foundations form the backbone of the Group and will enable it to capitalize on the extraordinary acceleration to come in the markets where it is ideally positioned:

- a diversified customer portfolio;
- recognized operational excellence;
- decrease in exposure to internal combustion engines to 4% of sales in 2030;
- extensive expertise in electronics and software involving nearly 40% of the Group's engineers;
- a foothold in the highly resilient and profitable aftermarket;
- best governance practices;
- recognized ESG performance.

Valeo's four Business Groups are leaders in their respective businesses with a global manufacturing footprint underpinned by an international R&D network and proven operational efficiency. Thanks to their critical mass and standardized technological and industrial platforms in their respective markets, the Business Groups will deliver the best levels of competitiveness and returns.

Acceleration of electrification

(Powertrain Systems and Thermal Systems Business Groups)

The acceleration of electrification will drive the growth of the Powertrain and Thermal Systems Business Groups over the coming years.

Thanks to the integration of Valeo Siemens eAutomotive into its Powertrain Systems business¹, Valeo will be able to leverage a wide range of skills and resources to develop a comprehensive offering of low- and high-voltage electric powertrain solutions.

In an accelerating electric vehicle market, recording annual growth of 17.5%² in high-voltage solutions (automotive e-powertrain market worth 92 billion euros² in 2030, 40%² of which will be outsourced), and 22%² in 48V by 2030, Valeo is also stepping up the pace and intends to increase its content per vehicle to outperform the market by more than 8 percentage points³ over the next four years. In the longer term, the Group will use its expertise in 48V systems to seize growth and diversification opportunities in adjacent land transportation solutions, such as two-wheeled motorized vehicles (electric bicycles and scooters, etc.), three-wheeled vehicles (tricycles) and four-wheeled vehicles (small urban electric cars, droids, etc.).

Thermal management is essential for ensuring that electric vehicles perform effectively, and in particular for providing end consumers with ultra-fast battery charging as well as stable range in all weather conditions.

Through its Thermal Systems Business Group, which develops thermal interior and battery management solutions, Valeo plans to use the acceleration in electrification to increase its content per vehicle and thereby outperform global automotive production by more than 4 percentage points³.

The combination of these three areas of expertise in low-voltage, high-voltage and electric thermal solutions make Valeo a champion of electric mobility.

Acceleration of ADAS

(Comfort & Driving Assistance Systems Business Group)

Valeo has a comprehensive range of advanced driving assistance systems (ADAS) including components, instrumentation (sensors) and control units (domain and zone controllers), as well as functional software that provides all active safety features and enables automation at level 2+ and above. With expertise in these three different areas (i.e., sensors, electronics and software), Valeo is positioned as an integrator and validator of ADAS, in which Valeo itself is now world leader, equipping one in three new cars with its technology. Thanks to the increase both in content per vehicle and the penetration rate of these new technologies, Valeo's ADAS business is aiming to outperform global automotive production by more than 12 percentage points³ by 2025, by doubling its 2021 sales figures.

The Group now has extensive expertise in ADAS, enabling it to produce ever more efficient solutions at optimal cost. Valeo has sold more than 1.5 billion ADAS sensors over the past 30 years and plans to sell more than 3 billion sensors over the next 5 years.

¹ The integration will take place after July 2022 following the acquisition by Valeo of the 50% stake held by Siemens in the Valeo Siemens eAutomotive joint venture. The transaction is subject to authorization from the relevant antitrust authorities. The relevant employee representative bodies will be informed and consulted.

² Based on Valeo estimates.

³ Based on IHS estimates (February 2022).

Reinvention of the interior experience as a medium-term growth opportunity

(Comfort & Driving Assistance Systems Business Group)

The Group has the hardware and software needed to meet passenger demands for a safer, more immersive and more connected driving experience. Thanks to its market-aligned solutions, Valeo plans to take full advantage of growth opportunities in “Reinvention of the interior experience”. Valeo is therefore aiming to outperform global automotive production by more than 8 percentage points⁴ over the next four years.

Lighting everywhere as a profitable growth driver

(Visibility Systems Business Group)

The phasing out of radiator grilles has given designers the freedom to completely rethink the front end of the electric vehicle, enabling brands to assert their identity with more lighting. In reality, this trend is resulting in more lighting not only at the front of the car, but in and all around the vehicle, as a way of reasserting brand style and identity, improving communication between the car and its surroundings, and enhancing comfort inside the car. Valeo will use its position as world leader in interior and exterior visibility and the increase in content per vehicle for its technologies in value terms to outperform global automotive production by over 4 percentage points⁴ by 2025.

This performance is based on a tried and tested value creation model supported by:

- the competitiveness and standardization of its technological platforms. To take just one example, the ThinLens module is already used in more than 21 models and has a hardware standardization rate of nearly 94%;
- recognized multidisciplinary expertise in design, digital simulation, optics, plastic injection molding, electronics and software.

The Group has set the following objectives for each of its Business Groups:

	Annual growth in original equipment sales 2021-2025	Outperformance 2021-2025	EBITDA margin in 2025
PTS Acceleration of electrification	15%	>8 points	>11%
THS Acceleration of electrification	11%	>4 points	~13%
CDA Acceleration of ADAS and reinvention of the interior experience	16%	>9 points	~18%
VIS Lighting everywhere	10%	>4 points	~15%

⁴ Based on IHS estimates (February 2022).

Group financial outlook for 2025

Outperformance of more than 5 percentage points over the 2021-2025 period

After two years impacted by the Covid-19 crisis and the electronic component shortage, Valeo intends to take full advantage of the recovery in volumes forecast for the 2022-2025 period. Assuming global automotive production of around 98.5 million vehicles⁵ in 2025, corresponding to annual growth of 6.3% over the 2021-2025 period, Valeo is aiming to grow its original equipment sales by around 13% and to outperform the market by more than 5 percentage points⁵.

Valeo's sales should therefore total around 27.5 billion euros in 2025, including around 24 billion euros in original equipment sales.

Improved profitability

Amid the current sharp increase in raw material and energy prices, by 2025, the Group is aiming to increase its EBITDA margin and operating margin to around 14.5% and 6.5% of sales, respectively, compared with 13.4% and 4.0% of sales in 2021.

Over the 2021-2025 period, Valeo will see the improvement in its profitability (as per pro forma data) accelerate in line with:

- a recovery in volumes of over 21 million⁵ vehicles;
- synergies following the integration of Valeo Siemens eAutomotive estimated at 120 million euros⁶ on an annual basis by 2025;
- an efficiency program worth 100 million euros⁷ on an annual basis by 2023;
- improved profitability of high-tech projects launched by the Group.

Increased free cash flow generation

Valeo aims to accelerate its free cash flow generation over the term of the plan to reach between 800 million and 1 billion euros in 2025, by:

- increasing the EBITDA margin from 13.4% to around 14.5% over the 2021-2025 period;
- leveraging its technological platforms and synergies to achieve a significant reduction in R&D expenditure, which should fall to around 6.5% of sales in 2025 (compared with 7.9% of sales in 2021);
- exercising strict control over capital expenditure, keeping it below 6% of sales over the next four years;
- the positive contribution of working capital to free cash flow generation, thanks to the reduction in inventories following the end of the electronic components crisis and a return to normal supply chain conditions.

⁵ Based on IHS estimates (February 2022).

⁶ 50% in 2023, 75% in 2024 and 100% in 2025.

⁷ 60% in 2022 and 100% in 2023/2024/2025.

500 million euros in non-strategic asset divestitures and optimized capital allocation

The Group aims to divest from around 500 million euros' worth of non-strategic assets over the term of the plan.

These divestitures, combined with accelerated cash generation, will allow us to deleverage, with the aim of bringing the leverage ratio (i.e., net debt/EBITDA) below 0.7x in 2025.

The Group is targeting a gradual recovery in its dividend per share (in value terms).

Through these objectives, which are set out in the 2021-2025 plan, Valeo confirms its long-term growth and value-creation objectives thanks to its unique positioning in the megatrends that are shaping the automotive industry. The Group is also reaffirming its commitment to sustainable mobility and combating global warming. Valeo is recognized by the main non-financial rating agencies as one of the leaders in the automotive parts sector and the Group is now included in more than 15 global ESG indices.

2022 and 2025 guidance

Assuming global automotive production of around 98.5 million vehicles⁸ in 2025 (factoring in the recovery in volumes after the Covid-19 crisis and the end of the electronic component shortage), corresponding to annual growth of 6.3% over the 2021-2025 period, Valeo expects to outperform automotive production by more than 5 percentage points⁸.

	2022*	2025**
Sales (in billions of euros)	19.2-20.0	~27.5
EBITDA (as a % of sales)	11.8%-12.3%	~14.5%
Operating margin (as a % of sales)	3.2%-3.7%	~6.5%
Free cash flow (in millions of euros)	~320	800-1,000

* Based on:

- IHS automotive production estimates (released in February 2022), reduced by 1.5%, corresponding to around 82.9 million vehicles; and
- the integration of Valeo Siemens eAutomotive after July 2022 following the acquisition by Valeo of the 50% stake held by Siemens in the joint venture. The transaction is subject to authorization from the relevant antitrust authorities. The relevant employee representative bodies will be informed and consulted.
- The impacts of applying IAS 37 revised and IFRS 3 in connection with the accounting for the Valeo Siemens eAutomotive acquisition will be presented at a later date.

** Based on:

- IHS automotive production estimates (released in February 2022), corresponding to around 98.5 million vehicles; and
- after factoring in the divestiture of non-strategic assets.

These objectives do not take into account the potentially unfavorable impacts of recent developments in the Russia-Ukraine crisis on the economic and financial environment such as a decline in production volumes or an increase in energy or raw material prices to above those seen in early 2022.

⁸ Based on IHS estimates (February 2022).

Safe Harbor Statement

Statements contained in this document, which are not historical fact, constitute “forward-looking statements”. These statements include projections and estimates and their underlying assumptions, statements regarding projects, objectives, intentions and expectations with respect to future financial results, events, operations, services, product development and potential, and statements regarding future performance. Even though Valeo’s Management feels that the forward-looking statements are reasonable as at the date of this document, investors are put on notice that the forward-looking statements are subject to numerous factors, risks and uncertainties that are difficult to predict and generally beyond Valeo’s control, which could cause actual results and events to differ materially from those expressed or projected in the forward-looking statements. Such factors include, among others, the Company’s ability to generate cost savings or manufacturing efficiencies to offset or exceed contractually or competitively required price reductions. The risks and uncertainties to which Valeo is exposed mainly comprise the risks resulting from the investigations currently being carried out by the antitrust authorities as identified in the Universal Registration Document, risks which relate to being a supplier in the automotive industry and to the development of new products and risks due to certain global and regional economic conditions. It is also exposed to environmental and industrial risks, risks associated with the Covid-19 epidemic, including risks related to the Group’s supply of electronic components and the rise in raw material prices, as well as risks and uncertainties described or identified in the public documents submitted by Valeo to the French financial markets authority (*Autorité des marchés financiers* – AMF), including those set out in the “Risk Factors” section of the 2020 Universal Registration Document registered with the AMF on April 6, 2021 (under number D.21-0260).

The Company assumes no responsibility for any analyses issued by analysts and any other information prepared by third parties which may be used in this document. Valeo does not intend or assume any obligation to review or to confirm the estimates issued by analysts or to update any forward-looking statements to reflect events or circumstances which occur subsequent to the date of this document.

Valeo is an automotive supplier, partner to all automakers worldwide. As a technology company, Valeo proposes innovative products and systems that contribute to the reduction of CO₂ emissions and to the development of intuitive driving. In 2021, the Group generated sales of 17.3 billion euros and invested 8.7% of its sales in Research and Development. At December 31, 2021, Valeo had 184 plants, 21 research centers, 43 development centers and 16 distribution platforms, and employed 103,300 people in 31 countries worldwide. Valeo is listed on the Paris Stock Exchange.

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