

Renault will consider FCA's merger proposal – JCR will continue watching its impact on management including alliance strategy and potential synergy

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the Renault's decision to consider FCA's merger proposal.

- (1) Renault, one of the leading European carmakers decided in its board meeting on May 27 to consider the merger proposal with 50/50 shareholding ratios by FCA (Fiat Chrysler Automobile N.V.) in a positive manner. If the merger goes through, the sum of the cars sold around the world will total 8.7 million, ranking the newly formed company the third in the world in terms of volume. In addition, if one were to include sales of Nissan and MITSUBISHI with whom Renault has established alliance, the total sum of the car sales will total more than 15 million, the combined group becoming the largest car maker in the world.
- (2) According to the merger proposal announced by FCA, the total sales will amount to about EUR170 billion with operating income amounting to EUR10 billion. The merger synergies amounting to more than EUR5 billion will be expected through the use of common technologies such as vehicle design. Additionally, no plant closure is planned. It is proposed that the two companies will create an integrated company that will be established in Netherland. Given few overlapping sales regions, both companies are expected to complement each other and reduce investment cost through the proposed merger. On the contrary, FCA's comparatively heavy liabilities are likely to be a burden. JCR will keep on watching the future development, pros and cons of the proposed merger and its impacts on Renault's management strategy including alliance with Japanese carmakers.

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Rating

Issuer: Renault

<Reference>

Foreign Currency Long-term Issuer Rating: A-

Outlook: Positive

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