



26 Bld Malesherbes - 75008 PARIS
11 Hill Street – LONDON W1J 5LF
Tel : + 33 1 4387 1866 / + 44 20 3876 7981

www.ci-am.com

Paris, 3rd June 2019

To all directors of the board,

I write to you in my capacity as the CEO of CIAM, a French investment management firm managing two investment funds invested in listed shares. We are shareholders of Renault.

As such, we believe that, in theory, the offer on which you will vote on Tuesday is a great European industrial project, the likes of which we would like to see more often. It would create an automotive giant that would become number two in Europe and number four in North America (number one, including Nissan). This makes this deal an ideal tie-up.

Nevertheless, we believe that this deal would benefit Fiat Chrysler Automobiles (FCA) significantly more than Renault, both from an industrial and a financial point of view.

From an industrial point of view, it is clear that FCA needs the consolidation with Renault more than the reverse, both to be geographically strengthened in Europe and to close a technological gap. For example, FCA invests only 2.8% of its revenue per year in engineering, whilst Renault devotes 5%, which has put the latter in a position of technological leadership with regard to electric vehicles. In addition, the Renault group already has a presence in the United States via Nissan.

From a financial point of view, the methodology applied to value the companies at their stock market prices and readjust the value of FCA by paying a special dividend of €2.5 billion to its shareholders appears to us to be misleading and results in significantly undervaluing Renault, which has also suffered a big decline in the stock market since the beginning of the "Carlos Ghosn" case.

In fact, in addition to its industrial assets, the Renault Group holds a stake in Nissan and another in Daimler, which are both listed, as well as a leasing division called "RCI Banque" which represents €5.6 billion of equity on Renault's balance sheet. The cumulative value of these two holdings (with Nissan and Daimler's holdings being simply valued based on their share price, which is an approach accepted by the bankers who carried out the valuations) and the RCI Banque funds already exceeds the value that FCA assigns to Renault. This means that Renault's industrial assets – which are the very subject of this deal – have a negative "implied value" of €3 billion, even though they generate earnings before interest and taxes (EBIT) of €2.25 billion, which should be valued at €6.75 billion using the EBIT multiples applied to FCA (3x EV / EBIT).



26 Bld Malesherbes - 75008 PARIS
11 Hill Street – LONDON W1J 5LF
Tel : + 33 1 4387 1866 / + 44 20 3876 7981

www.ci-am.com

Worse still, if instead of valuing RCI Banque on its equity we choose to value it at up to 8 times its net profit, we get an amount of €8 billion which leads to a negative implied valuation of Renault's automotive division of €6 billion.

We therefore wonder why FCA is paid a special dividend of €2.5 billion while the proposed offer does not take into account the real value of Renault's automotive division. In our opinion, not only should this dividend not be paid to FCA's shareholder but it should be paid to Renault shareholders on top of an additional cash payment.

Finally, our Italian friends want to pass off their buyout as a "merger of equals", in which they will hold 14.5% of the combined entity whilst the second shareholder will hold only 7.5%. This brings to mind a recent Franco-Italian merger "between equals" whose troubles continue to this day.

We are therefore surprised at the lack of premium involved in this buyout and we will strongly oppose this opportunistic takeover that not only undervalues Renault, but also offers no control premium if the price remains as planned.

Additionally, tensions within the Renault-Nissan alliance should be able to be resolved in order to complete the merger, freeing the group of an unjustified valuation discount.

We ask that, as members of Renault's Board of Directors, you consider this offer with the highest attention, since it is not a fair one as it stands. For our part, we will of course exercise our rights as shareholders when voting for or against this merger.

Yours sincerely,

Catherine Berjal
CEO