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# Drivers for competitiveness

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# Michelin SWOT Analysis

## STRENGTHS

- First worldwide tire brand
- Global and balanced sales footprint
- Pricing power
- **Demonstrated innovation capacity**
- **Strategic vertical integration**
- People commitment and skills
- FCF generation

## OPPORTUNITIES

- **Fleet services demand**
- **E-business**
- Increasing presence in Tier 2 / Tier 3 segments
- Rising raw materials

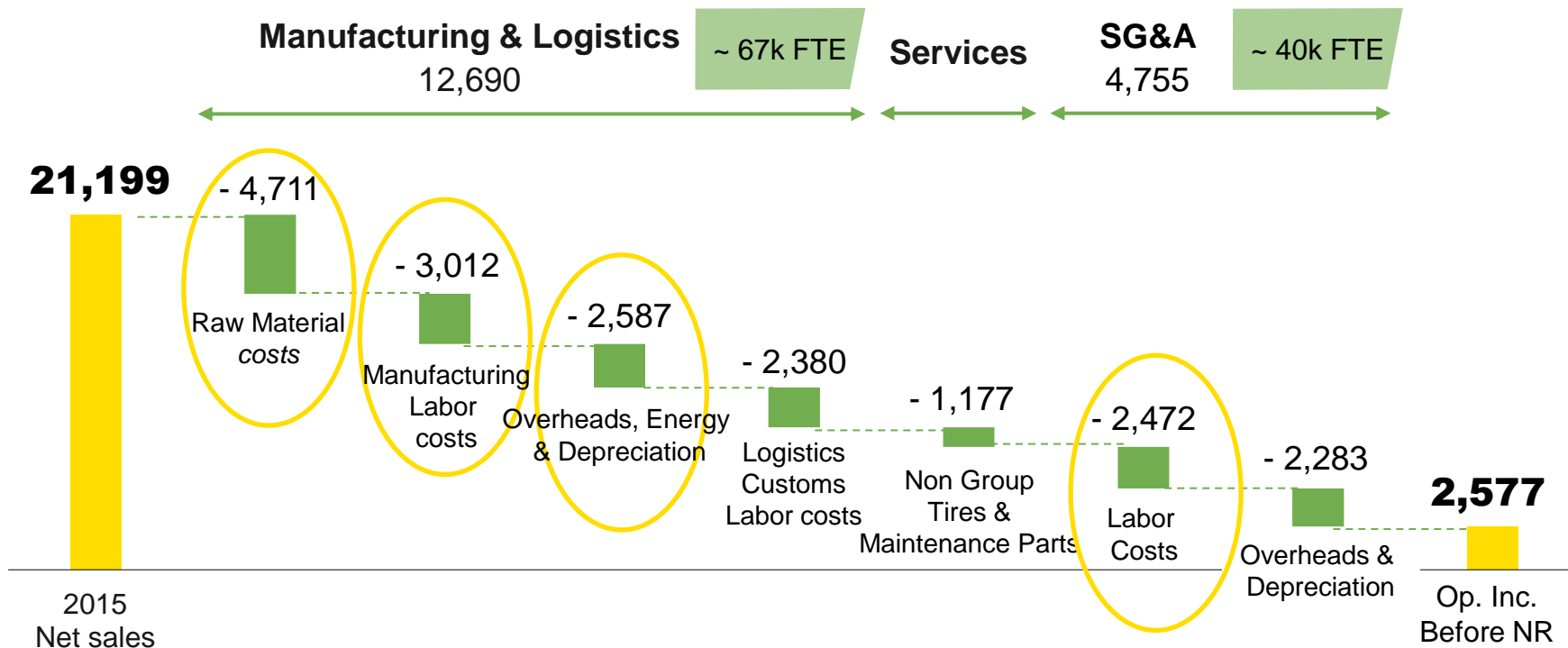
## WEAKNESSES

- **Cost Structure**
- **Industrial Footprint**
- Supply chain effectiveness
- Management information systems

## THREATS

- Worldwide GDP decline & weakening demand
- Tier 4 competition
- Industry over capacity and pricing pressure

# 2015: from Net Sales to EBIT



FTE: Full Time Equivalent

# Target: Reduce SG&A/Gross Margin ratio

Valuation method of gains:

- Manufacturing and SG&A



- Manufacturing flexibility assumption: variable costs vs. tonnage
  - Tonnage: 50%
- SG&A flexibility assumption: variable costs vs. Gross Margin change
  - Sales: 70%
  - R&D: 20%
  - Central costs: 10%

# New 2017 – 2020 Competitiveness Plan: accelerating to ~€300m per annum

| <i>In €m</i>           | Plan 2007-2010<br>achieved | Plan 2012-2016<br>Target: €1,200m |             | Plan 2017-2020 |
|------------------------|----------------------------|-----------------------------------|-------------|----------------|
|                        |                            | 2012-2015<br>achieved             | 2016(e)     |                |
| SG&A                   | 251                        | 421                               |             | 500/550        |
| Manufacturing<br>Costs | 406                        | 394                               |             | 450/500        |
| Materials              | 365                        | 149                               |             | 150/200        |
| <b>Total</b>           | <b>1,022</b>               | <b>964</b>                        | <b>~250</b> | <b>~1,200</b>  |

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