

21 Renault – Gaetan Toulemonde. BUY, close €85.2, €115 tgt, 35% upside

- **Emerging markets are the key drivers of the growth**, such as: 1) **Russia** (delivering €500-700m operating profit growth); 2) **Americas** (mostly focused in Brazil and bringing €300-€350m earnings growth); 3) **China**; 4) **Iran**; 5) **India**.
- We expect the **profit contribution from Europe to remain stable**, at a high level, in light of modest growth (with Brexit a further drag on the UK) and regulatory costs.
- **Economies of scale should drive €700m pa cost savings and thus increased operating profit**. Renault has volumes of only 3.5m units, but in partnership with Nissan has access to a purchasing department (€120bn) and an R&D centre (€10bn) of 10m units.
- **Acceleration of synergies with Nissan**. It took 18 years (1999-2017) to have 20% of commonality between the two. It will take 4 years (2018-2021) to move it to 80%.
- Renault has an **attractive profile** in the sector's context, including low cost and ultra low cost line up, main sites in low cost countries, EV expertise, economies of scale and EM exposure
- **Renault's core is far too cheap at the current share price**. The current share price implies a share price of €25/share for Renault's core business. This is **less than 2x P/E** for a business still growing EPS at 5% p.a. to 2019E.
- Catalysts: confirmation of the recovery in Russia and Brazil and the resilience of European sales

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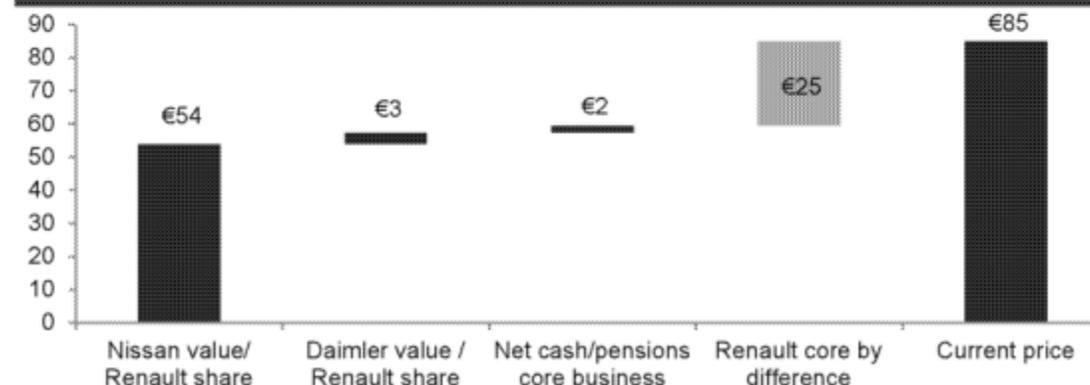
[Postcard from Curitiba \(Toulemonde\)](#)

2016-22E volume growth breakdown: EM leads the way

(000 units)	2016	2017E	2022	2016-2022E
Europe	1,805	1,910	2,000	+200
Africa Middle East (Maghreb, India, Iran)	491	540	850	+360
Eurasia (Russia, Turkey, CIS)	649	730	1,100	+450
Americas Brazil, Argentina...	354	400	600	+250
Asia Pacific (China, South Korea)	167	230	700	+530
Sum	3,468	3,810	5,250	+1,790
o/w from Europe	52%	50%	38%	

Source: Renault, Deutsche Bank estimates

Implied share price of Renault core is only €25 via SoTP



Source: Renault, Deutsche Bank estimates