MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades Faurecia's rating to Ba1 from Ba2; outlook stable

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Frankfurt am Main, February 20, 2018 -- Moody's Investors Service, ("Moody's") has today upgraded the corporate family rating (CFR) of Faurecia SA (Faurecia) to Ba1 from Ba2. Concurrently, Moody's upgraded the probability of default rating (PDR) to Ba1-PD from Ba2-PD and the senior unsecured instrument ratings to Ba1 from Ba3. The outlook on the ratings is stable.

"The upgrade of Faurecia's ratings reflects the company's continued improvements in its operating performance over the last two years, which has sustained leverage metrics within our expectations for a rating upgrade. Moreover, profitability has consistently improved and now meets our expectations for a Ba1. Within a stable industry environment, we expect further gradual improvements in Faurecia's credit metrics," says Matthias Heck, a Moody's Vice President -- Senior Analyst and Lead Analyst for Faurecia.

LIST OF AFFECTED RATINGS

Upgrades:

..Issuer: Faurecia SA

.... Corporate Family Rating, Upgraded to Ba1 from Ba2

.... Probability of Default Rating, Upgraded to Ba1-PD from Ba2-PD

....Senior Unsecured Regular Bond/Debenture, Upgraded to Ba1 from Ba3

Outlook Actions:

..Issuer: Faurecia SA

....Outlook, Changed To Stable From Positive

RATINGS RATIONALE

The rating upgrade reflects Faurecia's gradual improvement of key credit metrics to the level required for a Ba1 rating. Leverage (Moody's adjusted debt / EBITDA estimated at 2.7x as of December 2017 vs. 3.0x as of 2016) and EBITA margins (4.8% on total sales, 5.5% on value-added sales, estimated for 2017, based on Moody's calculation, vs. 4.2% / 5.0% in 2016) have improved in line with expectations. Moreover, free cash flows have recovered (+6.4% Moody's adjusted FCF / debt in 2017, after 0% in 2016).

For FY2017, Faurecia reported an increase in value-added sales (excluding monoliths) of 10.6% to EUR17.0 billion and an increase in operating income of 20.6% to EUR1.17 billion. Faurecia's sales growth substantially outperformed global light vehicle production (+2.3% in 2017). All three divisions, seating, interiors and clean mobility, contributed to sales and operating profit growth. Faurecia's gross debt (Moody's adjusted) slightly increased to approximately EUR4.0 billion as of December 2017 (EUR3.8 billion at December 2016), reflecting financial investments of EUR319 million and also shareholder distributions of EUR226 million (dividends and share purchase).

Faurecia's Ba1 Corporate Family Rating (CFR) reflects as positives: (a) the large size of the group, which positions it as one of the 10 largest global automotive suppliers; (b) its strong market position with a leading market share in seating, emission control technologies and interiors; (c) long-standing relationships across a diversified number of original equipment manufacturers (OEMs); and (d) positive exposure to key industry themes (emissions reduction, light weighting and autonomous driving) that supports revenue growth above light vehicle production.

The rating also balances offsetting negative considerations, including: (a) significant exposure to OEM production which is highly cyclical and subjects the company to the manufacturers bargaining power; (b) limited exposure to aftermarket activities, which are typically more stable and at higher margin; (c) relatively weak, albeit improving profitability; (d) recently improved but overall still limited free cash flow (FCF) generation.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook incorporates our expectation that Faurecia will continue to improve its profitability, further reduce its leverage and thus build on the solid improvements the group has shown over the last three years. Moody's anticipates a continued strengthening of Faurecia's credit quality and buildup of some headroom for bolt-on acquisitions to support growth in strategic areas.

WHAT COULD CHANGE THE RATINGS DOWN/UP

Moody's would consider a positive rating action should Faurecia sustainably achieve EBITA margins above 7% (5.0% estimated for 2017, excluding monoliths), if it further improves FCF generation (EUR255 million estimated for 2017), indicated by FCF/debt in the high single digits (6.4% estimated for 2017) through the cycle and if the company can manage its leverage ratio to a level materially below 2.5x debt/EBITDA on a sustainable basis (2.7x estimated for 2017). An upgrade would also require Faurecia to achieve a solid liquidity profile.

The rating incorporates the expectation that profitability can be further strengthened and FCF generation will remain positive. However, EBITA margin approaching 4% or recurring negative free cash flow, would put downward pressure on the ratings. Moody's would also consider downgrading Faurecia's ratings if its leverage ratio increases to a level of sustainably above 3.0x debt/EBITDA. Likewise, a weakening liquidity profile could result in a downgrade.

The principal methodology used in these ratings was Global Automotive Supplier Industry published in June 2016. Please see the Ratings Methodologies page on www.moodys.com for a copy of this methodology.

Headquartered in Paris, France, Faurecia S.A. is one of the world's largest automotive suppliers for seats, exhaust systems and interiors. In 2017, value added sales (excluding monoliths) amounted to EUR17.0 billion.

Faurecia is listed on the Paris stock exchange and the largest shareholder is Peugeot S.A. (PSA), which holds 46.3% of the capital and 63.1% of the voting rights (data as of 30 June 2017). The remaining shares of Faurecia are in free float.

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