

Valeo SA

Feedback from Day 2: J.P. Morgan Annual European Auto Conference

We hosted Valeo at our annual J.P. Morgan Auto Conference, where management provided updates on their AI strategy, robotics partnerships, and outlook for 2026, including key KPIs and operational developments.

AI & Humanoids: Valeo is leveraging its expertise in AI, automation, and advanced cooling technologies to unlock new growth avenues. The company is also exploring opportunities in drones, where Valeo has rapidly ramped up assembly using electric motors designed without heavy rare earth metals. This sovereign approach, relying on Western-sourced components, has positioned Valeo as a reliable partner in both defense and industrial automation. In China, Valeo has established a training center for humanoids in Nanjing, focusing on integrating robots into plant operations. Rather than pursuing walking robots, Valeo prefers wheeled humanoids for factory environments, emphasizing practical applications like assembly, coding, and software management. Partnerships to supply sensors and actuators to humanoid companies are progressing, though the market is not as visible yet as datacenters or defense actuators.

Data centers & battery Energy Storage System: The company is actively seeking opportunities in BESS, aiming to expand its applications in this area. Valeo has secured a €225 mn lifetime contract for battery cooling with a North American customer, utilizing existing production lines and requiring no additional capital investment. With datacenters increasingly demanding advanced cooling for more powerful chips, Valeo has aluminium-based cooling solutions in collaboration with hyperscalers, chip makers, and rack manufacturers. Aluminum offers better thermal performance, reduced weight, and lower costs compared to copper, and Valeo's global network of furnaces supports rapid production scaling. The liquid cooling market for datacenters is expected to reach \$50 bn by 2035. Valeo is currently testing its technology with French datacenters and hyperscalers, and will provide updates as new opportunities, especially in datacenter cooling, emerge.

Automotive Business Update: Despite global uncertainties, Valeo's core automotive business remains resilient. Raw material headwinds are limited, with most costs indexed to customers, and energy represents only 1.5% of sales. Memory prices are rising due to datacenter demand, but Valeo has secured over 90% of volumes for 2026 and expects to be fully compensated, albeit with some lag. Financially, Valeo is committed to step-by-step profitability improvement, targeting a 6–7% EBIT margin by 2028. Margins are typically higher in H2 vs H1 due to efficiency gains. Valeo anticipates stronger growth in China and improved profitability in the second half, despite higher raw material costs.

Overweight

VLOF.PA, FR FP
Price (02 Jun 26):€14.06
Price Target (Jun-27):€22.00

European Autos & Auto Parts

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Style Exposure

Quant Factors	Current	Hist %Rank (1=Top)			
	%Rank	6M	1Y	3Y	5Y
Value	3	3	5	22	37
Growth	38	69	55		
Momentum	82	34	78	68	89
Quality	63	59	61	66	79
Low Vol	16	73	93	76	62
ESGQ	35	88	70	8	25

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 5 for analyst certification and important disclosures, including non-US analyst disclosures.

Price Performance



	YTD	1m	3m	12m
Abs	20.8%	31.8%	18.9%	57.1%
Rel	31.2%	28.3%	23.7%	67.9%

Company Data

Shares O/S (mn)	234
52-week range (€)	14.06-8.39
Market cap (\$ mn)	3,830.60
Exchange rate	0.86
Free float (%)	85.7%
3M ADV (mn)	0.99
3M ADV (\$ mn)	12.8
Volatility (90 Day)	52
Index	STOXX Europe 600 Automobiles & Parts
BBG ANR (Buy Hold Sell)	5 11 3

Key Metrics (FYE Dec)

€ in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	20,903	21,278	21,661	22,052
Adj. EBITDA	3,089	3,064	3,148	3,235
Adj. EBIT	957	1,064	1,148	1,235
Adj. net income	200	228	274	322
Net margin	1.0%	1.1%	1.3%	1.5%
Adj. EPS	0.82	0.93	1.12	1.32
BBG EPS	1.11	1.36	1.88	2.34
Cashflow from operations	2,289	2,755	2,363	2,424
FCFF	833	955	563	624
Margins and Growth				
Revenue Growth Y/Y (%)	(2.7%)	1.8%	1.8%	1.8%
EBITDA margin	14.8%	14.4%	14.5%	14.7%
EBITDA Growth Y/Y (%)	11.7%	(0.8%)	2.7%	2.8%
EBIT margin	4.6%	5.0%	5.3%	5.6%
Adj. EPS growth	22.2%	13.9%	20.3%	17.4%
Ratios				
Adj. tax rate	44.6%	30.0%	30.0%	30.0%
Interest cover	9.4	9.3	9.6	9.8
Industrial Net Debt/Equity	1.0	0.9	0.9	0.8
Industrial Net Debt/EBITDA	1.3	1.2	1.2	1.2
ROCE	5.2%	7.6%	8.4%	9.1%
ROE	5.7%	6.7%	7.6%	8.3%
Valuation				
FCFF yield	24.3%	27.9%	16.4%	18.2%
Industrial Dividend yield	4.3%	3.8%	3.8%	3.8%
Industrial EV/EBITDA	2.6	2.7	2.7	2.6
Industrial EV/Sales	0.4	0.4	0.4	0.4
Industrial P/E	12.3	13.9	11.6	9.8

Summary Investment Thesis and Valuation

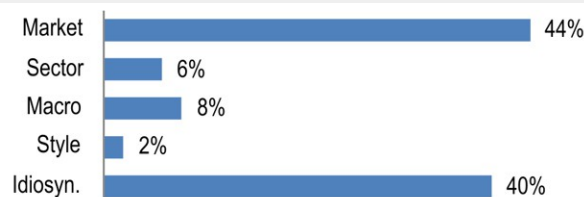
Investment Thesis

Valeo is present in the fastest-growing segments of the auto industry, allowing it to reap the benefits of rapidly increasing volumes over the coming years. The key earnings drivers will remain, in our view, and as growth returns to the business model, we see an opportunity to deliver margin improvement over the next few years, supporting our OW rating.

Valuation

We value Valeo on EV/Sales multiple correlated to the supplier sector and historical multiples of the firm. This is consistent with our valuation methodology across our supplier coverage where suppliers generating 10% margins should be trading on x1 EV/Sales.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.59	0.67
Sect: Cons Discretionary	0.17	0.34
Ind: Automobiles & Comp	0.32	0.43
Macro:		
Citi Eco Surprise Eurozone	0.51	0.27
Eurozone CPI	-0.07	-0.22
Eurozone Exports	-0.15	-0.18
Quant Styles:		
LowVol	-0.19	-0.22
DivYld	-0.14	-0.12
Growth	-0.08	0.08

Investment Thesis, Valuation and Risks

Valeo SA (*Overweight; Price Target: €22.00*)

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Risks to Rating and Price Target

A failure to convert the swelling order book into above-market outperformance or higher-than-expected ramp-up costs of its high voltage products. Structurally, Valeo is still heavily dependent on the European market, leaving it at risk of a slower-than-expected recovery.

Valeo SA: Summary of Financials

Group P&L (EUR m)	FY24	FY25	FY26E	FY27E	Group Balance sheet (EUR m)	FY24	FY25	FY26E	FY27E
Revenues	21,492	20,903	21,278	21,661	Intangibles	-	-	-	-
% change Y/Y	(2.5%)	(2.7%)	1.8%	1.8%	PP&E	5,102	4,667	4,697	4,727
Cost of Sales	(17,411)	(16,674)	(17,138)	(17,420)	Investments	110	64	64	64
EBITDA	2,766	3,089	3,064	3,148	Non-current receivables from sales financing	-	-	-	-
EBIT	931	957	1,064	1,148	Leased assets	-	-	-	-
% Ebit	4.3%	4.6%	5.0%	5.3%	Other	7,571	7,386	7,386	7,386
Net financial result	(285)	(329)	(329)	(329)	Total non current assets	12,783	12,117	12,147	12,177
Pretax Income	333	460	415	499	Inventories	2,110	1,862	2,021	2,058
Net Income	162	200	228	274	Trade receivables	2,656	2,956	2,553	2,599
Adj. EPS	0.67	0.82	0.93	1.12	Receivables from sales financing	-	-	-	-
Industrial Cash flow (EUR m)	FY24	FY25	FY26E	FY27E	Cash and cash equivalents	3,153	2,481	2,755	2,637
Net income	234	255	290	349	Other	867	742	742	742
Depreciation & amortization	1,835	2,132	2,000	2,000	Total current assets	8,875	8,153	8,184	8,148
Working capital	492	(301)	465	13	Total assets	21,658	20,270	20,331	20,325
Other change in operating cash flow	126	203	0	0	Equity	4,515	4,071	4,240	4,467
Operating cash flow	2,687	2,289	2,755	2,363	Long term liabilities	4,861	5,433	5,104	4,775
Net capex	(1,952)	(1,569)	(2,030)	(2,030)	Pension provisions	1,130	1,130	1,130	1,130
Free cash flow	751	833	955	563	Other non current liabilities	165	118	118	118
Financing cash flow	(524)	(1,161)	(451)	(451)	Total non current liabilities	6,156	6,681	6,352	6,023
Currency	48	(279)	0	0	Short term financial liabilities	2,174	1,078	1,078	1,078
Net change in cash	259	(720)	274	(118)	Trade payables	5,382	5,098	5,320	5,415
Net industrial debt (cash)	3,813	4,022	3,748	3,866	Other current liabilities	3,431	3,342	3,342	3,342
Industrial multiples	FY24	FY25	FY26E	FY27E	Total current liabilities	10,987	9,518	9,740	9,835
Industrial EV/Sales	0.4	0.4	0.4	0.4	Total Liabilities and Equity	21,658	20,270	20,331	20,325
Industrial EV/Ebitda	2.7	2.6	2.7	2.7					
Industrial EV/Ebit	8.5	8.1	7.8	7.3					
Industrial P/E	15.7	12.3	13.9	11.6					
Industrial Dividend yield	4.0%	4.3%	3.8%	3.8%					
Industrial Net debt to Ebitda	1.3	1.3	1.2	1.2					

Source: Company reports and J.P. Morgan estimates.

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Valeo SA (VLOF.PA, FR FP) Price Chart



Date	Rating	Price (€)	Price Target (€)
23-Jan-24	OW	11.45	22

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Feb 18, 2000. All share prices are as of market close on the previous business day.

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