ELLIOTT

Elliott Investment Management L.P.
360 S Rosemary Ave, 18th Floor, West Palm Beach, FL 33401

May 11, 2023
The Board of Directors
The Goodyear Tire & Rubber Company
200 Innovation Way
Akron, Ohio 44316
Attn: Mr. Richard Kramer

Dear Mr. Kramer and Members of the Board:

We are writing to you on behalf of Elliott Associates L.P. and Elliott International, L.P. (collectively, "Elliott" or "we"), which together have an investment representing an approximately 10% economic interest in The Goodyear Tire & Rubber Company (the "Company" or "Goodyear"). Elliott is a multi-strategy investment firm founded in 1977 that has approximately $55 billion of assets under management. We have established a long and successful record of investing in the automotive sector and working with automotive original equipment manufacturers (OEMs), suppliers, dealers and finance companies to create sustainable value.

We have become one of Goodyear's largest investors because we have strong conviction in the significant value-creation opportunity achievable at the Company today. Goodyear is an iconic U.S. manufacturing leader. As the only remaining publicly traded U.S. tire manufacturer, Goodyear plays an important role in the U.S. economy, commands a leading global position, enjoys a strong brand and is poised to benefit from industry tailwinds.

However, despite these advantages, Goodyear's stock has meaningfully and consistently underperformed. Relative to the S&P 400, Goodyear has underperformed by 90% over the past five years and 143% over the past ten years. Relative to proxy peers, key competitors and relevant indices such as the Dow Auto Parts Index, the story of underperformance is similar:

Goodyear Cumulative Total Return Relative to Peers
Bloomberg. As of 5/8/23. Proxy Peers uses peer group median.

	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year	CEO
vs. 2021 Proxy Peers	(17)	(36)	(1)	(78)	(106)	(120)	(147)	(137)	(130)	(156)	(332)
vs. 2022 Proxy Peers	(14)	(30)	(3)	(63)	(57)	(103)	(113)	(101)	(120)	(128)	(279)
vs. Dow Auto Parts	(14)	(19)	15	(51)	(48)	(79)	(89)	(76)	(87)	(86)	(186)
vs. S&P 400	(8)	(33)	5	(68)	(90)	(120)	(144)	(140)	(157)	(143)	(273)
vs. S&P 500	(9)	(43)	10	(86)	(120)	(157)	(184)	(184)	(209)	(208)	(354)
vs. Michelin (France)	(16)	(33)	13	(50)	(59)	(81)	(110)	(99)	(84)	(97)	(175)
vs. Bridgestone (Japan)	(21)	(47)	12	(54)	(69)	(84)	(95)	(89)	(102)	(51)	(265)

It is an unfortunate fact for Goodyear and its investors that over the past decade, owning Goodyear stock has been a disappointment. We believe the Company's poor stock performance is a direct result of its significant margin erosion, suboptimal go-to-market strategy and unfocused brand strategy, which have collectively led to a loss of investor confidence. This loss of confidence has had other consequences: The Company now finds itself capital-constrained and unable to pursue value-creating opportunities, such as high-ROIC investments to support growing its valuable retail store platform.

Our investment in Goodyear is underpinned by our confidence that, with improved financial flexibility and the right oversight in place, the Company has significant upside. In fact, it is rare to find a company with as much potential to increase shareholder value; we believe that by following the recommendations detailed below, <u>the Company can create an additional $21 per share in value – a ~179% increase to its current share price, without any valuation multiple uplift.</u>

In this letter and the appended presentation, we lay out our perspectives on the best path forward for Goodyear. We look forward to working with the Board and our fellow shareholders to realize the value-creation opportunity at hand and to ensure the success that Goodyear's shareholders, employees and customers deserve.

Goodyear Today

We have tremendous respect for Goodyear and its celebrated history. For 125 years, Goodyear has been a manufacturing leader in the United States. Soon after its founding, Goodyear became the world's largest tire manufacturer and the supplier of tires for the Ford Model T. During the First and Second World Wars, Goodyear developed critical equipment for the U.S. military, including observation aircraft and tanks as well as plane and Navy vessel components. For the latter half of the 20th century, the Company continued its expansion, developing petrochemical centers, opening its first retail stores and growing to more than 100 global plants. Since 2000, the Company has exited the private-label tire business, constructed a new headquarters in Akron and acquired Cooper Tire.

More recently, however, Goodyear's legacy has been undermined by the Company's (i) industry-low operating margins; (ii) underutilized retail platform; and (iii) loss of investor confidence, which have driven material stock price underperformance.

- **(i) Industry-Low Operating Margins:** Despite leading scale, Goodyear's margins are the lowest in the tire industry, trailing its closest peers, Michelin and Bridgestone, by ~700 basis points. Not only has the Company failed to close the margin gap vs. these peers, but in recent years the gap has continued to widen. Further, the fallout from the Company's suboptimal tire-distribution strategy has negatively affected both its top and bottom lines, while an unfocused brand strategy has prevented the Company from optimizing the value of its product portfolio.

- **(ii) Underutilized Retail Platform:** Goodyear currently owns ~1,025 top-rated auto service retail stores, but has failed to leverage its industry-leading consumer brand into growing a high-value retail platform. Over the past five years, the number of Goodyear Auto Service stores has contracted, whereas public peers have grown their footprints substantially. Well-capitalized and efficiently operated automotive aftermarket service businesses trade in both the public and private markets at valuations dramatically higher than where Goodyear trades today.

(iii) **Loss of Investor Confidence:** Over the past several years, Goodyear has failed to deliver on expected financial performance. The Company missed investor day targets set in 2016 by nearly 70% and has consistently lowered and pushed out margin improvement promises. At the same time, Goodyear has increased invested capital by $4 billion since 2016, only for Net Operating Profit After Tax (NOPAT) to decline by 42% (while peers' NOPAT has grown). As a result of these missteps, among others, market sentiment on Goodyear is profoundly negative, and the market has "orphaned" the stock, as illustrated by the Company's minimal sell-side coverage.

We have reached these conclusions after an exhaustive research and diligence process. As part of our outside-in work, we engaged in thorough due diligence with the help of top-tier consultants, legal counsel and investment bankers, and conducted scores of interviews with former Company employees, fellow shareholders and industry executives. This process has indicated that substantial improvement in all of the areas outlined above is both necessary and achievable in the near term.

Accelerating Goodyear

Our goal at Goodyear is to reverse this period of negative performance and set the Company on a path to sustainable value creation. To achieve this objective, we believe the Company should take the following steps:

- **Enhance Leadership & Oversight:** Appoint five new highly qualified independent directors to the Board to improve governance, bring about a cultural change and help restore confidence among investors. Elliott has identified several experienced executives to spearhead Goodyear's Board enhancement.

- **Monetize the Trapped Value of Goodyear's Retail Platform:** Explore ways to monetize Goodyear's Company-owned store network, which we believe is nearly worth Goodyear's market capitalization given the multiples of auto aftermarket service businesses. The Company could use proceeds to pay down debt, improving its balance sheet and financial flexibility. <u>We estimate that a sale of these stores would generate an increase of more than $4 per share in the Company's stock price, while allowing the retail platform to grow under more focused and better-capitalized ownership.</u>

- **Initiate an Operational Review:** Form an Operational Review Committee to develop an operational and margin improvement plan. We estimate that a comprehensive review of Goodyear's SG&A costs could drive at least 114 basis points of margin improvement, while a redesign of Goodyear's go-to-market and brand strategies could drive an incremental 271 basis points of operating margin expansion. <u>Together, these initiatives could create more than $16 per share of value at the Company.</u>

We believe that, taken together, these steps will strengthen Goodyear's financial position, bolster its competitiveness globally and create sustainable value, <u>potentially driving Goodyear's stock</u>

price to exceed \$32 per share (~179% upside from current levels). Moreover, we believe all of these steps are achievable in the near term.

For the avoidance of doubt, **we are not calling for** any reductions in plant capacity or factory workforce. Nor are we calling for any increases in leverage. On the contrary, the changes we are seeking at Goodyear would reduce leverage, accelerate growth and lay the groundwork for a more sustainable future.

Next Steps

In closing, we want to reiterate our deep respect for Goodyear. Few manufacturing companies have played as important a role as Goodyear in American history. Given the scale of the issues the Company faces and the urgency of addressing them, we are sharing this letter and our related materials publicly at AcceleratingGT.com.

We believe that our recommendations – enhancing leadership and oversight, monetizing Goodyear's retail platform, and developing a margin improvement plan – will make Goodyear a better company for its customers, employees and shareholders for decades to come.

As a next step, we look forward to discussing our recommendations with the Board, and we will make ourselves available at your earliest convenience. Our hope is to align in the coming weeks on the best path forward.

Sincerely,

Marc Steinberg
Senior Portfolio Manager

Austin Camporin
Portfolio Manager