

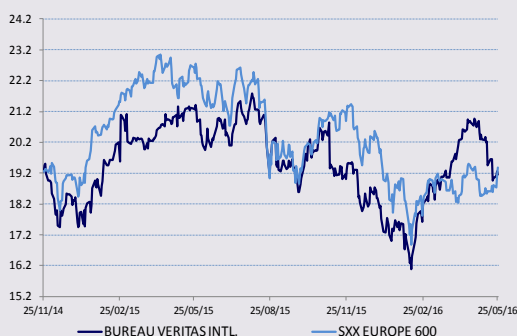
INDEPENDENT RESEARCH

27th May 2016

Business Services

Bloomberg	BVI FP
Reuters	BVI.PA
12-month High / Low (EUR)	21.8 / 16.1
Market capitalisation (EURm)	8,471
Enterprise Value (BG estimates EURm)	10,256
Avg. 6m daily volume ('000 shares)	777.6
Free Float	56.9%
3y EPS CAGR	6.2%
Gearing (12/15)	166%
Dividend yields (12/16e)	2.84%

YE December	12/15	12/16e	12/17e	12/18e
Revenue (EURm)	4,635	4,740	4,925	5,139
EBIT(EURm)	775.20	789.20	828.76	871.17
Basic EPS (EUR)	0.58	0.88	0.94	1.01
Diluted EPS (EUR)	0.96	1.03	1.08	1.15
EV/Sales	2.23x	2.16x	2.06x	1.95x
EV/EBITDA	13.2x	11.2x	10.6x	9.9x
EV/EBIT	13.3x	13.0x	12.2x	11.5x
P/E	20.0x	18.7x	17.7x	16.7x
ROCE	15.2	15.2	15.3	15.4



# Bureau Veritas

## Why test the risk now?

Fair Value EUR22 (price EUR19.17)


**NEUTRAL**

The TIC market's medium/long-term outlook remains very positive even if market growth is less sustained by trade globalisation, which has matured, or the super cycle in commodities. Moreover, Bureau Veritas is engaging in growth initiatives which should bring in at least 4% organic growth CAGR in the next five years even if we assume no market growth. Nevertheless, the short term is under pressure with a lack of visibility in some businesses and organic growth turning negative in Q1 2016 as expected but at a higher pace. Due to this situation with no improvement expected in Q2 and the lack of visibility due to macro-economic uncertainties, the share price should continue to be volatile.

■ **Short term is challenging with lack of visibility.** The first part of the year was a bit more challenging than anticipated with Q1 lfl revenue down 0.6% (vs. 0.3% anticipated) and no improvement expected in Q2. H2 2016 should be better due to more favourable comps and positive impacts from new commercial successes as announced by the management, which confirmed its FY guidance of lfl revenue growth of between 1% to 3% (our forecast is 1.6%) with an EBIT margin between 16.5% and 17% (our forecast is flat vs. last year at 16.7%).

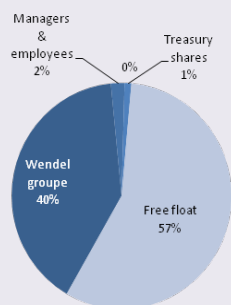
■ **Medium/long-term perspectives remain strong.** Growth in the TIC market will be lower than in the last 10 years (which had been positively impacted by trade globalisation and the commodities super cycle) but the fundamentals remain positive with "new normal" growth estimated at 3%. In such a market, Bureau Veritas has engaged key growth initiatives which concern 60% of the current portfolio (EUR2bn of incremental revenue anticipated in 2020 vs. 2015, balanced between organic and acquisitions). Assuming only contributions from organic key initiatives, the CAGR 2015-2020 is c.4% (vs.4.6% between 2010-2014).

■ **Be patient.** The stock price should remain under pressure for a while, waiting for more favourable winds but more importantly the first positive effects from BVI's key initiatives which need time. At the current share price, the stock is trading at 2016e and 2017e EV/EBIT of 13.0x and 12.2x respectively, compared with an historical median of 14.3x and CAGR EBIT 2015-2018 of 4%.



**Analyst:**  
**Bruno de La Rochebrochard**  
 33(0) 1 56 68 75 88  
[bdelebrochard@bryangarnier.com](mailto:bdelebrochard@bryangarnier.com)

## Bureau Veritas



### Company description

Created in 1828, Bureau Veritas is a global leader in Testing, Inspection and Certification (TIC). Bureau Veritas offers innovative solutions that go beyond simple compliance with regulations and standards, reducing risk, improving performance and promoting sustainable development. Bureau Veritas is recognized and accredited by major national and international organizations. The group now operates in some 140 countries through a network of 1,400 offices and laboratories. Bureau Veritas employs more than 66,000 people and has a portfolio of more than 400,000 customers.

Simplified Profit & Loss Account (EURm)	2013	2014	2015	2016e	2017e	2018e
Revenues	3,933	4,172	4,635	4,740	4,925	5,139
Change (%)	0.8%	6.1%	11.1%	2.3%	3.9%	4.3%
EBITDA	739	778	782	913	960	1,012
Adjusted EBIT	657	694	775	789	829	871
Change (%)	2.8%	5.6%	11.7%	1.8%	5.0%	5.1%
Financial results	(64.0)	(80.9)	(89.3)	(95.7)	(95.8)	(95.9)
Pre-Tax profits	526	483	488	604	644	686
Exceptionals	12.8	19.8	20.8	0.0	0.0	0.0
Tax	(169)	(175)	(221)	(205)	(219)	(233)
Profits from associates	0.0	0.70	0.78	0.80	0.83	0.86
Minority interests	11.4	12.9	12.4	12.7	13.2	13.7
Net profit	357	308	268	399	425	454
Adjusted net profit	397	391	420	449	475	503
Change (%)	-1.4%	-1.4%	7.4%	6.9%	5.7%	6.0%
<b>Cash Flow Statement (EURm)</b>						
Operating cash flows	604	661	658	674	711	751
Change in working capital	(75.6)	(54.4)	48.5	49.6	51.5	53.8
Capex, net	(141)	(144)	(166)	(166)	(172)	(180)
Financial investments, net	(164)	(597)	(101)	(102)	(93.5)	(75.5)
Dividends	(217)	(216)	(250)	(225)	(240)	(254)
Net debt	1,321	1,879	1,867	1,784	1,676	1,530
Free Cash flow	381	459	537	558	590	625
<b>Balance Sheet (EURm)</b>						
Tangible fixed assets	401	476	498	509	529	552
Intangibles assets	1,787	2,465	2,430	2,485	2,582	2,694
Cash & equivalents	191	220	523	608	718	869
current assets	1,170	1,431	1,481	1,515	1,574	1,643
Other assets	169	188	219	224	232	242
Total assets	3,717	4,780	5,157	5,340	5,636	6,000
L & ST Debt	1,511	2,099	2,390	2,392	2,395	2,398
Others liabilities	1,224	1,540	1,641	1,678	1,743	1,819
Shareholders' funds	982	1,141	1,125	1,271	1,498	1,782
Total Liabilities	3,717	4,780	5,157	5,340	5,636	6,000
Capital employed	2,489	3,393	3,358	3,434	3,568	3,723
<b>Ratios</b>						
Operating margin	16.70	16.64	16.73	16.65	16.83	16.95
Tax rate	32.17	36.32	34.00	34.00	34.00	34.00
Net margin	10.09	9.38	9.07	9.48	9.64	9.79
ROE (after tax)	41.52	35.32	38.37	36.21	32.38	28.76
ROCE (after tax)	17.90	13.02	15.24	15.17	15.33	15.44
Gearing	134	165	166	140	112	85.83
Pay out ratio	52.60	52.75	56.67	53.00	53.00	53.00
Number of shares, diluted	443,797	443,797	443,218	443,218	443,218	443,218
<b>Data per Share (EUR)</b>						
EPS	0.79	0.67	0.58	0.88	0.94	1.01
Restated EPS	0.91	0.90	0.96	1.03	1.08	1.15
% change	-0.3%	-1.1%	6.7%	6.9%	5.7%	6.0%
EPS bef. GDW	0.91	0.90	0.96	1.03	1.08	1.15
BVPS	2.21	2.57	2.54	2.87	3.38	4.02
Operating cash flows	1.36	1.49	1.48	1.52	1.60	1.70
FCF	0.86	1.03	1.21	1.26	1.33	1.41
Net dividend	0.48	0.48	0.51	0.54	0.57	0.61

Source: Company Data; Bryan, Garnier & Co ests.

## 1.1. Lfl revenue growth under pressure especially in H1

In Q1 comps were not easy and negative figure was anticipated but all numbers were lower than expected not only in Oil & Gas and upstream minerals but also in Marine, Certification, GSIT or in Consumer products where the group performance seems to be lower than competitors. Management confirmed its FY guidance but no improvement anticipated before H2 with Q2 at the same trend than Q1.

**Fig. 1: Lfl revenue growth trend**

lfl revenue growth %	Q1 2015	Q2 2015	Q3 2015	Q4 2015	Q1 2016 est.	Q1 2016	FY 2016e
						released	
Marine	13,7%	9,9%	8,6%	9,4%	7,0%	1,2%	4,0%
Industry	4,6%	2,6%	-4,6%	-7,6%	-8,0%	-8,1%	-5,0%
In-Service Inspection & Verification (IVS)	1,1%	2,5%	2,7%	4,6%	5,0%	5,1%	3,0%
Construction	0,5%	1,4%	2,9%	0,5%	1,0%	0,8%	3,0%
Certification	4,5%	4,4%	4,9%	4,7%	4,5%	3,6%	4,5%
Commodities (Inspectorate)	6,3%	4,9%	0,6%	1,9%	0,0%	1,6%	3,0%
Consumer products	5,1%	2,1%	0,1%	-0,8%	-0,5%	1,6%	3,0%
Government Services & International Trade (GSIT)	-0,7%	-4,8%	3,3%	-4,8%	0,0%	-5,2%	3,0%
<b>Total group</b>	<b>4,4%</b>	<b>3,0%</b>	<b>0,9%</b>	<b>0,0%</b>	<b>-0,3%</b>	<b>-0,6%</b>	<b>1,6%</b>

Source: Company Data; Bryan, Garnier & Co ests.

## 1.2. Valuation: DCF and Historical multiple FY+3

EURm	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Long-term assumptions
Revenue	4 740	4 925	4 925	4 943	4 978	5 031	5 103	5 194	5 306	5 438	
% chg. In revenue	13,6%	3,9%	0,0%	0,4%	0,7%	1,1%	1,4%	1,8%	2,1%	2,5%	2,5%
EBITA	775	789	829	833	840	850	864	880	901	925	
EBITA margin	16,4%	16,0%	16,8%	16,9%	16,9%	16,9%	16,9%	17,0%	17,0%	17,0%	17,0%
- IS	271	276	290	292	294	298	302	308	315	324	
+ DAP	205	213	222	222	224	226	230	234	239	245	
as a % of revenue	4,3%	4,3%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%	4,5%
+ Chg in WCR	48,5	49,6	51,5	44,3	37,2	30,1	22,9	15,5	7,9	0,0	
as a % of revenue	1,0%	1,0%	1,0%	0,9%	0,7%	0,6%	0,4%	0,3%	0,1%	0,0%	0%
Operating Cash Flow	757	776	812	808	807	809	814	822	832	846	
- Capex	269	268	266	260	256	252	249	247	246	245	
as a % of revenue	5,7%	5,4%	5,4%	5,3%	5,1%	5,0%	4,9%	4,8%	4,6%	4,5%	4,5%
Free Cash Flow	488	508	546	548	551	557	565	575	587	601	
Discount coefficient	0,96	0,90	0,85	0,79	0,74	0,70	0,66	0,61	0,58	0,54	
Discounted FCF	470	458	462	435	411	389	370	353	338	325	

<b>Sum of discounted FCF</b>	<b>4010</b>	<b>1390</b>									
Terminal Value	8105	10060		14,3	Historical Multiple EV/EBIT 2007-2016						
- Net Debt	1867										
- Minority Interest	30										
+ Financial investments (book value)	5										
Equity Value (EURm)	10223	9558									
Number of shares (m)	442,0										
Fair Value (EUR)	23,1	21,6									
Last Price (EUR)	19,17	19,17									
Upside/Downside	20,7%	12,8%									

Valuation using an historical median multiple as the exit multiple FY+3

Source: Company Data; Bryan, Garnier & Co ests. Price Chart and Rating History

## Bureau Veritas



### Ratings

Date	Ratings	Price
09/11/15	NEUTRAL	EUR19.49
11/12/12	BUY	EUR21.65

### Target Price

Date	Target price
05/01/16	EUR22
14/04/15	EUR26
28/08/14	EUR24
18/06/14	EUR26
21/05/14	EUR27
09/01/14	EUR28
30/09/13	EUR27
29/08/13	EUR29
25/03/13	EUR31
15/01/13	EUR25
11/12/12	EUR23.75

*Page left blank intentionally*

*Page left blank intentionally*

## Bryan Garnier stock rating system

For the purposes of this Report, the Bryan Garnier stock rating system is defined as follows:

### Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

### Distribution of stock ratings

BUY ratings 56.3%

NEUTRAL ratings 34.5%

SELL ratings 9.2%

## Research Disclosure Legend

1	Bryan Garnier shareholding in Issuer	Bryan Garnier & Co Limited or another company in its group (together, the "Bryan Garnier Group") has a shareholding that, individually or combined, exceeds 5% of the paid up and issued share capital of a company that is the subject of this Report (the "Issuer").	No
2	Issuer shareholding in Bryan Garnier	The Issuer has a shareholding that exceeds 5% of the paid up and issued share capital of one or more members of the Bryan Garnier Group.	No
3	Financial interest	A member of the Bryan Garnier Group holds one or more financial interests in relation to the Issuer which are significant in relation to this report	No
4	Market maker or liquidity provider	A member of the Bryan Garnier Group is a market maker or liquidity provider in the securities of the Issuer or in any related derivatives.	No
5	Lead/co-lead manager	In the past twelve months, a member of the Bryan Garnier Group has been lead manager or co-lead manager of one or more publicly disclosed offers of securities of the Issuer or in any related derivatives.	No
6	Investment banking agreement	A member of the Bryan Garnier Group is or has in the past twelve months been party to an agreement with the Issuer relating to the provision of investment banking services, or has in that period received payment or been promised payment in respect of such services.	No
7	Research agreement	A member of the Bryan Garnier Group is party to an agreement with the Issuer relating to the production of this Report.	No
8	Analyst receipt or purchase of shares in Issuer	The investment analyst or another person involved in the preparation of this Report has received or purchased shares of the Issuer prior to a public offering of those shares.	No
9	Remuneration of analyst	The remuneration of the investment analyst or other persons involved in the preparation of this Report is tied to investment banking transactions performed by the Bryan Garnier Group.	No
10	Corporate finance client	In the past twelve months a member of the Bryan Garnier Group has been remunerated for providing corporate finance services to the issuer or may expect to receive or intend to seek remuneration for corporate finance services from the Issuer in the next six months.	No
11	Analyst has short position	The investment analyst or another person involved in the preparation of this Report has a short position in the securities or derivatives of the Issuer.	No
12	Analyst has long position	The investment analyst or another person involved in the preparation of this Report has a long position in the securities or derivatives of the Issuer.	No
13	Bryan Garnier executive is an officer	A partner, director, officer, employee or agent of the Bryan Garnier Group, or a member of such person's household, is a partner, director, officer or an employee of, or adviser to, the Issuer or one of its parents or subsidiaries. The name of such person or persons is disclosed above.	No
14	Analyst disclosure	The analyst hereby certifies that neither the views expressed in the research, nor the timing of the publication of the research has been influenced by any knowledge of clients positions and that the views expressed in the report accurately reflect his/her personal views about the investment and issuer to which the report relates and that no part of his/her remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.	Yes
15	Other disclosures	Other specific disclosures: Report sent to Issuer to verify factual accuracy (with the recommendation/rating, price target/spread and summary of conclusions removed).	No

A copy of the Bryan Garnier & Co Limited conflicts policy in relation to the production of research is available at [www.bryangarnier.com](http://www.bryangarnier.com)



## BRYAN, GARNIER & CO

<b>London</b>	<b>Paris</b>	<b>New York</b>	<b>Munich</b>	<b>New Delhi</b>
Beaufort House 15 St. Botolph Street London EC3A 7BB Tel: +44 (0) 207 332 2500 Fax: +44 (0) 207 332 2559 Authorised and regulated by the Financial Conduct Authority (FCA) and the Financial Conduct Authority (FCA) Autorité de Contrôle prudentiel et de resolution (ACPR)	26 Avenue des Champs Elysées 75008 Paris Tel: +33 (0) 1 56 68 75 00 Fax: +33 (0) 1 56 68 75 01 Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudentiel et de resolution (ACPR)	750 Lexington Avenue New York, NY 10022 Tel: +1 (0) 212 337 7000 Fax: +1 (0) 212 337 7002 FINRA and SIPC member	Widenmayerstrasse 29 80538 Munich Germany +49 89 2422 62 11	The Imperial Hotel Janpath New Delhi 110 001 Tel +91 11 4132 6062 +91 98 1111 5119 Fax +91 11 2621 9062 <b>Geneva</b> rue de Grenus 7 CP 2113 Genève 1, CH 1211 Tel +4122 731 3263 Fax +4122731 3243 Regulated by the FINMA

### Important information

This document is classified under the FCA Handbook as being investment research (independent research). Bryan Garnier & Co Limited has in place the measures and arrangements required for investment research as set out in the FCA's Conduct of Business Sourcebook.

This report is prepared by Bryan Garnier & Co Limited, registered in England Number 03034095 and its MIFID branch registered in France Number 452 605 512. Bryan Garnier & Co Limited is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 178733) and is a member of the London Stock Exchange. Registered address: Beaufort House 15 St. Botolph Street, London EC3A 7BB, United Kingdom

This Report is provided for information purposes only and does not constitute an offer, or a solicitation of an offer, to buy or sell relevant securities, including securities mentioned in this Report and options, warrants or rights to or interests in any such securities. This Report is for general circulation to clients of the Firm and as such is not, and should not be construed as, investment advice or a personal recommendation. No account is taken of the investment objectives, financial situation or particular needs of any person.

The information and opinions contained in this Report have been compiled from and are based upon generally available information which the Firm believes to be reliable but the accuracy of which cannot be guaranteed. All components and estimates given are statements of the Firm, or an associated company's, opinion only and no express representation or warranty is given or should be implied from such statements. All opinions expressed in this Report are subject to change without notice. To the fullest extent permitted by law neither the Firm nor any associated company accept any liability whatsoever for any direct or consequential loss arising from the use of this Report. Information may be available to the Firm and/or associated companies which are not reflected in this Report. The Firm or an associated company may have a consulting relationship with a company which is the subject of this Report.

This Report may not be reproduced, distributed or published by you for any purpose except with the Firm's prior written permission. The Firm reserves all rights in relation to this Report.

Past performance information contained in this Report is not an indication of future performance. The information in this report has not been audited or verified by an independent party and should not be seen as an indication of returns which might be received by investors. Similarly, where projections, forecasts, targeted or illustrative returns or related statements or expressions of opinion are given ("Forward Looking Information") they should not be regarded as a guarantee, prediction or definitive statement of fact or probability. Actual events and circumstances are difficult or impossible to predict and will differ from assumptions. A number of factors, in addition to the risk factors stated in this Report, could cause actual results to differ materially from those in any Forward Looking Information.

Disclosures specific to clients in the United Kingdom

This Report has not been approved by Bryan Garnier & Co Limited for the purposes of section 21 of the Financial Services and Markets Act 2000 because it is being distributed in the United Kingdom only to persons who have been classified by Bryan Garnier & Co Limited as professional clients or eligible counterparties. Any recipient who is not such a person should return the Report to Bryan Garnier & Co Limited immediately and should not rely on it for any purposes whatsoever.

Notice to US investors

This research report (the "Report") was prepared by Bryan Garnier & Co Limited for information purposes only. The Report is intended for distribution in the United States to "Major US Institutional Investors" as defined in SEC Rule 15a-6 and may not be furnished to any other person in the United States. Each Major US Institutional Investor which receives a copy of this Report by its acceptance hereof represents and agrees that it shall not distribute or provide this Report to any other person. Any US person that desires to effect transactions in any security discussed in this Report should call or write to our US affiliated broker, Bryan Garnier Securities, LLC, 750 Lexington Avenue, New York NY 10022. Telephone: 1-212-337-7000.

This Report is based on information obtained from sources that Bryan Garnier & Co Limited believes to be reliable and, to the best of its knowledge, contains no misleading, untrue or false statements but which it has not independently verified. Neither Bryan Garnier & Co Limited and/or Bryan Garnier Securities LLC make no guarantee, representation or warranty as to its accuracy or completeness. Expressions of opinion herein are subject to change without notice. This Report is not an offer to buy or sell any security.

Bryan Garnier Securities, LLC and/or its affiliate, Bryan Garnier & Co Limited may own more than 1% of the securities of the company(ies) which is (are) the subject matter of this Report, may act as a market maker in the securities of the company(ies) discussed herein, may manage or co-manage a public offering of securities for the subject company(ies), may sell such securities to or buy them from customers on a principal basis and may also perform or seek to perform investment banking services for the company(ies).

Bryan Garnier Securities, LLC and/or Bryan Garnier & Co Limited are unaware of any actual, material conflict of interest of the research analyst who prepared this Report and are also not aware that the research analyst knew or had reason to know of any actual, material conflict of interest at the time this Report is distributed or made available.