

## Bureau Veritas

Price EUR20.22

Feedback Q1 revenue conf call: challenging and lower than anticipated, management confident in H2 rebound

Fair Value EUR22 (+9%)

NEUTRAL

Bloomberg	BVI FP
Reuters	BVI.PA
12-month High / Low (EUR)	21.8 / 16.1
Market Cap (EURm)	8,937
Ev (BG Estimates) (EURm)	10,804
Avg. 6m daily volume (000)	789.7
3y EPS CAGR	6.2%

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. Nevertheless, for FY 2016 management confirmed its guidance for lfl revenue growth of 1-3% (our estimate is 1.6%) benefiting from better comps and the ramp-up in new contracts (not yet disclosed). The adjusted EBITA margin target was also confirmed at between 16.5% and 17% compared with 16.7% in 2015. Strong rerating since the beginning of the year (relative performance of 20% vs. Stoxx600) that could be at risk if there is trouble in H2 rebound anticipated. Neutral opinion confirmed.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.5%	22.5%	5.0%	10.0%
Inds Gds & Svs	1.0%	12.9%	-3.2%	-2.0%
DJ Stoxx 600	-0.5%	6.6%	-10.6%	-8.9%

## ANALYSIS

- Lower than anticipated lfl revenue growth:** Comps were not easy and a negative figure was anticipated in Q1 2016 especially on a lfl basis. All numbers were lower than expected with total revenue of EUR1,059m (EUR1,095m anticipated), down 4.2% on a reported basis with lfl revenue growth of -0.6% (-0.3%) and a negative currency impact of 4.4% (-1.8%). By segment, while the continuing slowdown in **Oil & Gas** and **upstream minerals** was not a surprise, the **Marine** performance was really disappointing, impacted by the offshore segment which was down double digit and a slowdown in new construction activities as in **GSIT**, definitely impossible to anticipate. On the other hand, more positive figures came from **Consumer products**, which was a good surprise despite the impact of the two key accounts which held back the growth of the Hardlines and E&E/Mobile segment. Construction was in line with expectations.

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	4,172	4,635	4,726	4,900
% change		11.1%	2.0%	3.7%
EBITDA	778	782	910	956
EBIT	694.0	775.2	787.0	825.0
% change		11.7%	1.5%	4.8%
Net income	391.3	420.3	447.8	472.3
% change		7.4%	6.5%	5.5%

## Lfl revenue trend

	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16 est.	Q1 16
Marine	13,7%	9,9%	8,6%	9,4%	7,0%	1,2%
Industry	4,6%	2,6%	-4,6%	-7,6%	-8,0%	-8,1%
In-Service Inspection & Verification (IVS)	1,1%	2,5%	2,7%	4,6%	5,0%	5,1%
Construction	0,5%	1,4%	2,9%	0,5%	1,0%	0,8%
Certification	4,5%	4,4%	4,9%	4,7%	4,5%	3,6%
Commodities (Inspectorate)	6,3%	4,9%	0,6%	1,9%	0,0%	1,6%
Consumer products	5,1%	2,1%	0,1%	-0,8%	-0,5%	1,6%
Government Services & International Trade	-0,7%	-4,8%	3,3%	-4,8%	0,0%	-5,2%
<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>

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

- Despite a lower start and macro economic uncertainties, management confirmed its FY guidance:** FY 2016 guidance confirmed with lfl revenue growth between 1% and 3% (we maintain our forecast of 1.6% and consensus was at 1.5% after FY2015) with adjusted EBITA margin of between 16.5% and 17% (our estimate is 16.7% and consensus at 16.8%). Actually, even if headwinds continue to hit the strongly upstream commodities segments and a more challenging environment notably in Marine, management is still anticipating a rebound in H2 due to more favourable comps and positive impacts of new commercial successes.

## VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBIT of 13.6x and 12.9x compared with a CAGR in 2015-2018 EBIT of 4%.

## NEXT CATALYSTS

- H1 2016 results on 28th July (before market)

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