

28th July 2016

Business Services

## Bureau Veritas

Price EUR19.69

H1 first take: In line with expectations. FY guidance confirmed but at the low end of the bracket.

Fair Value EUR21 (+7%)

NEUTRAL

Bloomberg	BVI.FP
Reuters	BVI.PA
12-month High / Low (EUR)	21.8 / 16.1
Market Cap (EURm)	8,703
Avg. 6m daily volume (000)	774.9

	1 M	3 M	6 M	31/12/15
Absolute perf.	8.8%	-6.1%	11.8%	7.1%
Inds Gds & Svs	12.8%	-0.2%	7.8%	0.8%
DJ Stoxx 600	11.0%	-1.6%	0.7%	-6.3%

  

	2015	2016e	2017e	2018e
P/E	20.5x	19.8x	18.7x	17.7x
Div yield (%)	2.6%	2.7%	2.8%	3.0%

### ANALYSIS

- **No surprises: Total revenue** reached EUR2.221bn perfectly in line with our forecast (consensus at EUR2.226bn and our estimate of EUR2.219bn), down 4.2% in reported terms with organic growth down 0.6% with Q2 in line with Q1. **Adjusted EBIT** was EUR350.5m (consensus at EUR351m and our estimate of EUR352m), down 5.3% in reported terms representing an adjusted operating margin of 15.8% down 20bps. **Operating cash flow** stood at EUR161m vs. EUR216m last year and free cash flow totalled EUR44m vs. EUR74m in H1 2015. At the end of June, adjusted net debt was EUR2.184bn representing a net debt to EBITDA multiple of 2.44x vs. 2.31x in H1 2015.
- **FY guidance confirmed but at the low end of the indicative bracket:** Management still expects a “progressive rebound” in organic growth in H2, which will also benefit from favourable comps and confirmed its FY guidance of between 1% to 3% but at the low end of that bracket (consensus at 0.7% and our estimate of 0.9%). Adjusted operating margin should be between 16.5% and 17% compared with consensus at 16.6% like our estimate, and 16.7% in 2015

### VALUATION

- At the current share price, the stock is trading at 2016e and 2017e EV/EBIT of 13.7x and 12.8x respectively, compared with an historical median of 14.3x and CAGR EBIT 2015-2018 of 3.1%

### NEXT CATALYSTS

- Conference call today at 2.00pm (CET)
- Q3 trading update on 7th November

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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.
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## Distribution of stock ratings

BUY ratings 54,4%

NEUTRAL ratings 34,9%

SELL ratings 10,7%

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