

29th July 2016

Business Services

## Bureau Veritas

Price EUR19.69

Feedback: Positive impact from BV 2020 ambition but short term remains really challenging

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

- **Growth initiative well engaged...:** BV 2020 ambition and 8 growth initiatives are well engaged and started to bear fruits added 2.2pts to group organic revenue growth in H1 which is definitely a good news. Remember that Management expects that the eight key initiatives, i.e. which concern 60% of the current portfolio, should generate EUR2bn incremental revenue in 2020 vs. 2015, equally balanced between organic and acquisitions. Regarding acquisitions, H1 was again active with 6 new deals representing EUR105m of annualized revenues or 2.3% of 2015 consolidated revenue.
- **...but short term remains really challenging:** After -0.6% organic growth in H1, Management confirmed its FY guidance of between 1% to 3% adding that it will be at the low end of the bracket with compares with our estimate of 0.9% and consensus 0.7%. Comps in H2 will be better (Q3 2015 lfl growth was 0.9% and 0% in Q4 after Q1 2015 up 4.4% and 3% in Q2) but current economic situation still really challenging with notably negative impact on **Marine** (9% consolidated revenue) with order book at low point and negative trend in new construction, no recovery in **Commodities** (18% of revenue), **Industry** (20%) still significantly impacted by drag from oil & gas capex, or rebound in **Construction** (13%) which should be rather in 2017 than in H2 2016. Regarding adjusted operating margin is again expected to be between 16.5% and 17% (after 16.7% in 2015) compared with a consensus of 16.6% as our estimate, which should be again a bit too optimistic.

### VALUATION

- At the current share price, the stock is trading at 2016e and 2017e EV/EBIT of 13.6x and 12.8x respectively, compared with an historical median of 14.3x and CAGR EBIT 2015-2018 of 3.1%

### NEXT CATALYSTS

- Q3 trading update on 7th November

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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