

1st September 2016

Business Services

Bureau Veritas

Price EUR19.22

New opportunist bond issue

Fair Value EUR21 (+9%)

NEUTRAL

Bloomberg	BVI.FP
Reuters	BVI.PA
12-month High / Low (EUR)	21.0 / 16.1
Market Cap (EURm)	8,495
Avg. 6m daily volume (000)	676.7

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.1%	-0.5%	4.6%	4.5%
Inds Gds & Svs	2.8%	2.1%	9.6%	3.6%
DJ Stoxx 600	0.5%	-1.1%	2.9%	-6.1%

	2015	2016e	2017e	2018e
P/E	20.0x	19.7x	18.8x	17.5x
Div yield (%)	2.7%	2.7%	2.8%	3.0%

ANALYSIS

- In view of beneficial financial market conditions and strong demand, BVI has launched a new bond issue for a total amount of EUR700m. The issue is split between two components i.e. EUR500m with a 7-year maturity with a coupon of 1.25% and EUR200m with a 10-year maturity and a coupon of 2%. Note that the issue was respectively oversubscribed 8 times and 2.5 times.
- First of all, the new issue will refinance the EUR500m bond maturing in May 2017 with a coupon of 3.75% and will lengthen and increase group resources to pursue its M&A strategy.
- At the end of June, BVI's adjusted net debt reached EUR2,184m (gross debt of EUR2,391) vs. EUR1,863m (gross debt of EUR2,390m) at the end of December 2015, representing financial leverage of 2.4x and 2x respectively for a covenant of 3.25x. The average cost of debt was 3.5% at the end of 2015 (3.7% at the end of 2014). In all, taking into account that issue and after May 2017, the cost of debt will be reduced by EUR8m compared with net finance costs of EUR89m in 2015.

VALUATION

- At the current share price, the stock is trading on 2016e and 2017e EV/EBIT multiples of 13.7x and 13x respectively, compared with an historical median of 14.3x and CAGR in 2015-2018 EBIT of less than 3%.

NEXT CATALYSTS

- Q3 trading update on 7th November

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