

Bureau Veritas

Price EUR17.21

Consensus now in line with management's new guidance: Still too early to revisit the stock

Fair Value EUR20 (+16%)

NEUTRAL

Bloomberg	BVI FP
Reuters	BVI.PA
12-month High / Low (EUR)	21.0 / 16.1
Market Cap (EUR)	7,605
Ev (BG Estimates) (EUR)	9,448
Avg. 6m daily volume (000)	700.5
3y EPS CAGR	3.8%

Consensus is now perfectly in line with 2016 guidance lowered following Q3 release on 19th October. In the last month, the share price has come down around 8% in absolute terms and relative to Stoxx. Even if we can now rule out new downgrades, no significant short-term rebound can be anticipated. Still too early to revisit the stock.

ANALYSIS

- Following Q3 revenue (19th October), Management has lowered its FY 2016 guidance and is now expecting "slightly" negative lfl revenue growth (i.e. first negative FY number since the IPO) vs. previously positive between 1-3%. Adjusted operating margin was also lowered between 16-16.5% compared with 16.5-17% previously and 16.7% in 2015. Consensus is now perfectly in line with 2016 guidance and been reduced drastically its 2017 anticipations.

Consensus changes

	2016e			2017e			2018e		
	On 14th Oct. 2016	On 9th Nov. 2016	Change	On 14th Oct. 2016	On 9th Nov. 2016	Change	On 14th Oct. 2016	On 9th Nov. 2016	Change
Revenue	4 598	4 555	-0,9%	4 776	4 726	-1,0%	4 955	4 908	-0,9%
Organic growth	0,40%	-0,60%	-100bps	2,50%	1,50%	-100bps	3,50%	3,70%	+20bps
Adjusted operating profit	763	741	-2,9%	795	771	-3,0%	829	829	0,0%
Adjusted operating margin	16,60%	16,30%	-30bps	16,60%	16,30%	-30bps	16,70%	16,40%	-30bps
Adjusted net profit	431	441	2,3%	452	431	-4,6%	482	461	-4,4%
Adjusted EPS	0,98	0,94	-4,1%	1,02	0,99	-2,9%	1,07	1,06	-0,9%

Source : Company Data.

- Does it make sense to come back on the stock? We still think that it is too early. Firstly, visibility remains limited in **Industry** segment (20% consolidated revenue) with the persistently challenging oil & gas markets with an earlier and sharp reversal in **Marine** (8.5%) and still negative number on **Construction** (13% o/w 50% from France) even if leading indicators sound better. Secondly, we see no catalyst before end of February (FY results) and no positive news is anticipated. Thirdly, poor organic growth won't be offset by higher M&A contribution, having notably in mind that net debt reached EUR2.2bn at the end of H1 2016 representing a leverage of c.2.5x (covenant at 3.25x). Finally, taking into account short-term trends, the valuation looks high.

VALUATION

- At the current share price, the stock is trading at 2016e and 2017e EV/EBIT of 12.7x and 12.1x respectively, compared with and historical median of 14.3x and CAGR EBIT 2015-2018 of 2% (CAGR 2016-2019 of 5%).

NEXT CATALYSTS

- FY 2016 results on 27th February 2017

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