

Rating	UNDERPERFORM
Price (06 Apr 17, €)	19.95
Target price (€)	(from 17.00) 18.00
Market Cap (€ m)	8,814.9
Enterprise value (€ m)	11,099.7
Target price is for 12 months.	

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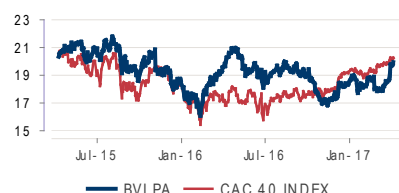
Bureau Veritas (BVI.PA)

INCREASE TARGET PRICE

Raising price target

- **Increasing price target.** We raise our price target to €18 (from €17) to reflect improved momentum in its minerals operations and the return of the group to organic revenue growth in H117. Our EPS forecast rise 1% for 2017E-2019E. However we retain our Underperform rating
- **Investment Overview:** After a 60bp organic revenue decline in 2016 we expect BVI to return to growth in 2017 with 90bp organic growth (weighted towards H2). Marine and Industrials will continue to decline organically, in our view, which is offset by better market conditions in Minerals, Construction and Certification. Whilst organic growth will turn positive, on our estimates, throughout 2017 we think this is more than reflected in the share price. We retain our Underperform rating seeing better value elsewhere in the broader business services sector.
- **Catalysts and Risks:** BVI will report Q1 revenues on 27th April. Upside risks include 1) less severe pressure in the marine division, than we forecast, in H1 as ship deliveries are completed 2) faster recovery in the commodity related business, 3) increased level of M&A and 4) positive working day impact on Q1 revenues, notably in France. Downside risks include 1) disruption to global trade as a result of geopolitical tension 2) further pricing pressure in oil and gas, and related industrial, markets 3) prolonged weakness on revenues and margins in its marine division
- **Valuation:** Our DCF derived price target rises to €18 (from €17) to reflect higher near term earnings, recent M&A and a moderately lower cost of equity as minerals markets stabilize. Our price target is a combination of our organic DCF valuation and the potential value of future acquisitions. BVI trades at 19.0x 2018E PE with a 4.9% FCF yield.

Share price performance



The price relative chart measures performance against the CAC 40 INDEX which closed at 5112.4 on 06/04/17. On 06/04/17 the spot exchange rate was €1/Eu 1.- Eu.94/US\$1

Performance	1M	3M	12M
Absolute (%)	11.0	5.2	-0.7
Relative (%)	8.0	1.1	-21.2

Financial and valuation metrics

Year	12/16A	12/17E	12/18E	12/19E
Revenue (€ m)	4,549.2	4,784.3	4,957.8	5,204.0
EBITDA (€ m)	857.8	899.5	942.0	999.0
Adjusted net income (€ m)	409.00	426.92	459.70	497.32
CS EPS (adj.) (€)	0.94	0.98	1.05	1.13
Prev. EPS (€)	-	0.97	1.04	1.12
ROIC (%)	13.0	13.4	13.9	14.6
P/E (adj.) (x)	21.3	20.4	19.0	17.6
P/E rel. (%)	140.4	141.0	145.7	146.2
EV/EBITDA (x)	13.0	12.3	11.7	10.9
Dividend (12/17E, €)	0.57	Net debt/equity (12/17E, %)		168.6
Dividend yield (12/17E, %)	2.9	Net debt (12/17E, € m)		2,284.8
BV/share (12/17E, €)	3.0	IC (12/17E, € m)		3,639.5
Free float (%)	56.1	EV/IC (12/17E, (x))		3.0

Source: Company data, Thomson Reuters, Credit Suisse estimates

DISCLOSURE APPENDIX AT THE BACK OF THIS REPORT CONTAINS IMPORTANT DISCLOSURES, ANALYST CERTIFICATIONS, LEGAL ENTITY DISCLOSURE AND THE STATUS OF NON-US ANALYSTS. US Disclosure: Credit Suisse does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Bureau Veritas (BVI.PA)

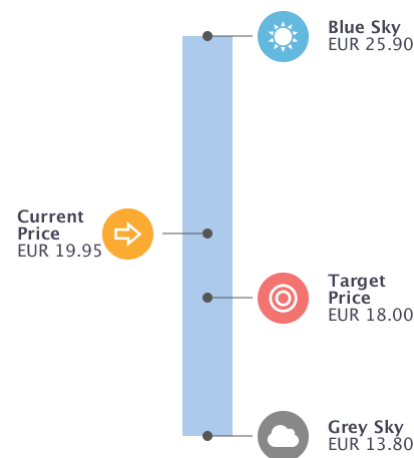
Price (06 Apr 2017): **€19.95**; Rating: **UNDERPERFORM**; Target Price: (from €17.00) **€18.00**; Analyst: **Andrew Grobler**

Income statement (€ m)	12/16A	12/17E	12/18E	12/19E
Revenue	4,549	4,784	4,958	5,204
EBITDA	858	899	942	999
Depr. & amort.	(202)	(197)	(202)	(209)
EBIT	655	702	740	790
Net interest exp.	(87)	(88)	(76)	(69)
Associates	1	0	0	0
PBT	649	677	726	784
Income taxes	(189)	(207)	(226)	(248)
Profit after tax	460	470	500	536
Minorities	(16)	(16)	(17)	(18)
Preferred dividends	-	-	-	-
Associates & other	(36)	(27)	(24)	(20)
Net profit	409	427	460	497
Other NPAT adjustments	(90)	(56)	(49)	(43)
Reported net income	319	371	410	455
Cash flow (€ m)	12/16A	12/17E	12/18E	12/19E
EBIT	655	702	740	790
Net interest	(86)	(82)	(70)	(63)
Cash taxes paid	(214)	(205)	(219)	(237)
Change in working capital	(37)	(10)	(21)	(29)
Other cash and non-cash items	190	213	228	245
Cash flow from operations	509	619	658	706
CAPEX	(157)	(181)	(198)	(207)
Free cashflow to the firm	352	438	461	498
Acquisitions	(190)	(55)	0	0
Divestments	11	0	0	0
Other investment/(outflows)	(19)	(19)	(19)	(19)
Cash flow from investments	(354)	(256)	(217)	(227)
Net share issue/(repurchase)	(42)	0	0	0
Dividends paid	(255)	(240)	(249)	(268)
Issuance (retirement) of debt	693	(632)	(250)	(200)
Cashflow from financing	384	(873)	(499)	(468)
Changes in net cash/debt	(155)	49	117	135
Net debt at start	2,179	2,334	2,285	2,168
Change in net debt	155	(49)	(117)	(135)
Net debt at end	2,334	2,285	2,168	2,033
Balance sheet (€ m)	12/16A	12/17E	12/18E	12/19E
Assets				
Total current assets	2,694	2,149	2,148	2,240
Total assets	6,095	5,589	5,584	5,674
Liabilities				
Total current liabilities	1,812	1,316	1,352	1,404
Total liabilities	4,852	4,235	4,086	4,005
Total equity and liabilities	6,095	5,589	5,584	5,674
Per share	12/16A	12/17E	12/18E	12/19E
No. of shares (wtd avg.) (mn)	437	437	439	439
CS EPS (adj.) (€)	0.94	0.98	1.05	1.13
Dividend (€)	0.55	0.57	0.61	0.66
Free cash flow per share (€)	0.81	1.00	1.05	1.14
Key ratios and valuation	12/16A	12/17E	12/18E	12/19E
Growth/Margin (%)				
Sales growth (%)	(1.8)	5.2	3.6	5.0
EBIT growth (%)	9.5	7.2	5.3	6.8
Net income growth (%)	(2.7)	4.4	7.7	8.2
EPS growth (%)	(3.5)	0.3	6.3	7.2
EBITDA margin (%)	18.9	18.8	19.0	19.2
EBIT margin (%)	14.4	14.7	14.9	15.2
Pretax profit margin (%)	14.3	14.2	14.6	15.1
Net income margin (%)	9.0	8.9	9.3	9.6
Valuation	12/16A	12/17E	12/18E	12/19E
EV/Sales (x)	2.5	2.3	2.2	2.1
EV/EBITDA (x)	13.0	12.3	11.7	10.9
EV/EBIT (x)	17.0	15.8	14.8	13.7
Dividend yield (%)	2.76	2.86	3.06	3.31
P/E (x)	21.3	20.4	19.0	17.6
Credit ratios (%)	12/16A	12/17E	12/18E	12/19E
Net debt/equity (%)	187.8	168.6	144.7	121.8
Net debt to EBITDA (x)	2.7	2.5	2.3	2.0
Interest coverage ratio (x)	7.6	8.0	9.7	11.4

Source: FTI, Company data, Thomson Reuters, Credit Suisse Securities (EUROPE) LTD. Estimates

Company Background
Bureau Veritas SA is a France-based company primarily engaged in the business support sector. The Company operates in eight key divisions: Marine; Industry; Inspection and In-Service Verification; Health Safety and Environment; Construction, Certification

Blue/Grey Sky Scenario



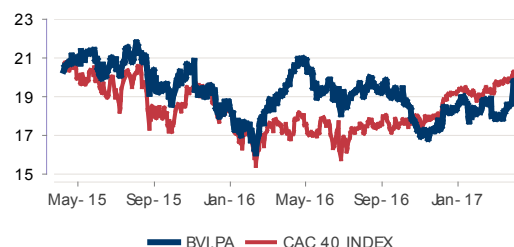
Our Blue Sky Scenario (€) 25.90

We assume 1) a recovery in commodities and O&G operations in 2017 with positive operational leverage 2) faster growth in the construction division 3) market share gains in marine offsetting market weakness 4) M&A 1% faster than our core estimates. We assume relative PE returns to median levels

Our Grey Sky Scenario (€) 13.80

We assume 1) continued contraction and negative operational leverage in resources based operations through 2017 2) continued headwinds in construction markets, particularly in France 3) high single digit declines in marine revenues and pressure on margins 4) M&A 1% slower than our core estimates. 5) weakness in consumer as global trade routes are disrupted. We assume relative PE is 1 standard deviation below median levels

Share price performance



The price relative chart measures performance against the CAC 40 INDEX which closed at 5112.4 on 06/04/17

On 06/04/17 the spot exchange rate was €1/Eu 1.- Eu.94/US\$1

Changes to estimates

Our EPS estimates rise 1% for 2017E-2019E to reflect the combination of improved conditions in the minerals operations, M&A and movements in FX

Figure 1: BVI – Changes to forecasts.

Euro in millions, unless otherwise stated

		2017E	2018E	2019E
OLD	Revenue	4,748	4,920	5,164
	Organic	0.6%	3.4%	5.0%
	EBITA	756.8	794.4	845.0
	EPS (euro/share)	0.97	1.04	1.12
NEW	Revenue	4,784	4,958	5,204
	Organic	0.9%	3.3%	5.0%
	EBITA	765.4	802.7	852.9
	EPS (euro/share)	0.98	1.05	1.13
% Change	Revenue	1%	1%	1%
	EBITA	1.1%	1.1%	0.9%
	EPS	1.0%	1.0%	0.9%

Source: Credit Suisse estimates

Valuation

Our DCF derived price target rises to €18 (From €17) to reflect higher near term multiples and a slightly lower cost of equity. The valuation is a combination of our organic valuation (Figure 2) and the potential value of future acquisitions (Figure 3)

Figure 2: BVI – organic DCF

Euro in millions, unless otherwise stated

Drivers	2015A	2016A	2017E	2018E	2019E	2020E	Assumptions	Period 1	Period 2	Final year
Sales growth	11.1%	-1.8%	5.2%	3.6%	5.0%	4.0%	First year of estimates	2017	2022	2027
EBITDA margin	19.3%	18.9%	18.8%	19.0%	19.2%	19.5%	Years of period	5	5	15
EBITA margin	16.7%	16.2%	16.0%	16.2%	16.4%	16.7%	Final year of period	2021	2026	2041
Depreciation / sales	2.6%	2.7%	2.8%	2.8%	2.8%	2.8%				
Working capital/Sales	7.1%	8.3%	8.1%	8.2%	8.4%	8.4%	Average sales growth	4.4%	5.0%	4.0%
Capex/Sales	3.7%	3.4%	3.8%	4.0%	4.0%	3.4%	Final EBITA margin	16.8%	16.3%	8.5%
Tax rate	45.2%	36.0%	34.8%	34.6%	34.4%	31.6%	Final Capex sales	3.4%	3.4%	3.4%
RONA	20.6%	18.4%	19.5%	23.3%	23.8%	24.5%	Final Capex / depn	105%	110%	105%
							Final year RONA	24.8%	24.9%	13.1%
Net sales	4,635	4,549	4,784	4,958	5,204	5,493				
EBITA	775	735	765	803	853	919	Risk free rate	2.0%		
NOPAT	425	470	499	525	560	605	Market risk premium	6.5%		
Add back depreciation	118	123	134	139	146	154	Beta	1.0		
Increase in NWC	49	-37	-10	-21	-29	-34	Normalised tax rate	31.6%		
Capex	-169	-157	-181	-198	-207	-219	Terminal growth	2.5%		
Other	-4	-46	-20	-10	0	0	Fade rate	10.0%		
Acquisitions and disposals	-98	-178	-55	0	0	0	Sustainable RoNA	24.9%		
Free cash flow (FCF)	321	175	367	436	469	506				
WACC	6.8%	6.8%	7.0%	6.9%	7.0%	7.0%				
PV of FCF (€mn)	7,030									
PV of terminal FCF (€mn)	1,998									
EV (€mn)	9,028									
Adj Net Debt (2016) (€mn)	2,334									
Mkt Cap (€mn)	6,694									
Shares (mn)	437									
Value/Share (€)	15.3									

Source: Company data, Credit Suisse estimates

Figure 3: BVI – potential value of future acquisitions

Euro in millions, unless otherwise stated

	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Spend	287	297	312	330	348	365	384	403
EV/Sales	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35
EV/EBITA	8.7	8.7	8.7	8.7	8.7	8.7	8.7	8.7
Revenue	390	629	892	1,181	1,498	1,843	2,219	2,629
Growth	131%	62%	42%	32%	27%	23%	20%	18%
EBITA	62	103	147	196	249	308	372	441
Margin	16.0%	16.3%	16.5%	16.6%	16.7%	16.7%	16.7%	16.8%
NOPAT	44	72	103	137	175	216	260	309
FCF	46	77	110	147	187	229	274	322
Average I/C	371	663	968	1,289	1,628	1,984	2,359	2,752
Post tax ROIC	11.7%	10.8%	10.6%	10.6%	10.7%	10.9%	11.0%	11.2%
WACC	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%	6.9%
Economic value	7	13	20	28	36	45	54	63
EPS accretion	6.8%	10.7%	14.3%	18.2%				
Implied ND/EBITDA	2.55	2.39	2.18	1.99				
Cost of acquisitions	3,356							
Economic value	4,534							
Market value (Eurmn)	1,178							
Shares	437							
Value/Share (Eur/Share)	2.7							

Source: Company data, Credit Suisse estimates

Financials

Figure 4: BVI – P&L

Euro in millions, unless otherwise stated

	2007A	2008A	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016A	2017E	2018E	2019E
Revenues	2,067	2,549	2,648	2,930	3,359	3,902	3,933	4,172	4,635	4,549	4,784	4,958	5,204
Revenue growth	11.9%	23.4%	3.9%	10.6%	14.6%	16.2%	0.8%	6.1%	11.1%	-1.8%	5.2%	3.6%	5.0%
EBITA	312	388	433	491	544	639	657	694	775	735	765	803	853
	15.1%	15.2%	16.4%	16.7%	16.2%	16.4%	16.7%	16.6%	16.7%	16.2%	16.0%	16.2%	16.4%
EBITDA	345	432	484	554	621	728	755	843	894	858	899	942	999
	16.7%	16.9%	18.3%	18.9%	18.5%	18.7%	19.2%	20.2%	19.3%	18.9%	18.8%	19.0%	19.2%
Interest charge (pre excep)	48	70	61	46	58	69	64	81	89	87	88	76	69
Associates	0	0	0	0	0	0	0	1	1	1	0	0	0
PTPA pre exceptional	264	318	372	445	486	570	593	614	687	649	677	726	784
Tax	67	80	94	122	130	158	185	210	254	225	234	249	268
Minority interest	5	6	5	7	8	10	11	13	12	16	16	17	18
Adjusted net profit	193	231	273	315	348	403	397	391	420	409	427	460	497
Adjusted EPS (Euro)	1.8	2.2	2.5	2.9	3.2	3.6	0.9	0.9	1.0	0.9	1.0	1.0	1.1
Total dividend (Euro)	0.6	0.7	0.8	1.2	1.3	1.8	0.5	0.5	0.5	0.6	0.6	0.6	0.7

Source: Company data, Credit Suisse estimates

Figure 5: BVI – Balance Sheet

Euro in millions, unless otherwise stated

	2007A	2008A	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016A	2017E	2018E	2019E
Tangible assets	243	348	208	281	320	379	401	476	498	519	586	644	705
Intangible assets	678	925	1,004	1,660	1,711	1,872	1,787	2,465	2,430	2,664	2,636	2,573	2,510
Other fixed assets	-22	-14	99	149	185	179	169	188	225	218	218	218	218
Total fixed assets	899	1,259	1,310	2,090	2,216	2,430	2,356	3,128	3,153	3,401	3,441	3,436	3,434
Cash and liquid assets	143	153	147	225	244	244	191	220	523	1,094	585	527	538
Accounts receivable	669	784	770	889	961	1,018	1,123	1,325	1,374	1,496	1,455	1,508	1,583
Inventories	1	5	3	5	5	9	0	0	0	0	0	0	0
Other current assets	125	87	68	64	52	105	48	106	107	104	109	113	119
Current assets	939	1,030	988	1,183	1,262	1,375	1,361	1,651	2,004	2,694	2,149	2,148	2,240
Total assets	1,838	2,289	2,298	3,273	3,478	3,805	3,717	4,780	5,157	6,095	5,589	5,584	5,674
Accounts payable	87	167	180	225	228	241	232	249	241	331	248	257	270
Short term debt	75	88	86	109	266	128	104	154	79	590	140	140	140
Other current liabilities	578	525	563	609	625	676	684	788	913	892	928	956	994
Current liabilities	740	780	828	943	1,120	1,045	1,021	1,191	1,233	1,812	1,316	1,352	1,404
Long term debt	735	973	741	1,186	999	1,283	1,407	1,945	2,311	2,493	2,311	2,061	1,861
Pension liabilities	78	79	88	103	105	125	126	158	148	178	178	178	178
Other long term liabilities	119	174	140	181	170	185	182	345	340	369	429	494	563
Long term liabilities	933	1,225	969	1,470	1,274	1,592	1,714	2,449	2,800	3,041	2,918	2,733	2,602
Net Assets	166	284	501	860	1,084	1,168	982	1,141	1,125	1,243	1,355	1,498	1,668
Shareholders funds	166	284	501	860	1,084	1,168	982	1,141	1,125	1,243	1,355	1,498	1,668

Source: Company data, Credit Suisse estimates

Figure 6: BVI – Cashflow

Euro in millions, unless otherwise stated

	2007A	2008A	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016A	2017E	2018E	2019E
Reported EBIT	266	369	405	456	480	518	590	563	577	610	682	730	790
Cash EBITDA	308	432	478	547	609	686	739	820	872	812	879	932	999
Change in working capital	-10	-63	47	-24	-39	-25	-76	-54	49	-37	-10	-21	-29
Other	-6	12	4	11	-18	23	19	33	17	33	36	36	36
Tax paid	74	66	110	137	150	180	154	192	232	214	205	219	237
Interest paid	36	40	44	34	42	43	63	61	78	86	82	70	63
Other	1	0	0	0	0	0	0	0	0	1	0	0	0
Cash from operations	181	275	375	363	360	462	465	546	628	508	619	658	706
Capex	51	88	65	77	116	141	147	148	169	157	181	198	207
Acquisitions	210	319	12	559	70	243	164	597	100	190	55	0	0
Sale of assets	2	2	1	2	3	5	6	4	2	11	0	0	0
Cashflow from investing	265	406	72	646	186	377	305	771	264	354	256	217	227
Shares issued	383	4	4	2	30	13	6	5	12	1	0	0	0
Shares repurchased	491	0	-1	-1	1	66	108	46	45	43	0	0	0
Dividends paid	108	66	83	91	131	147	217	216	250	255	240	249	268
FX impact	-3	-5	0	11	5	-4	24	-5	2	3	0	0	0
Other	0	0	0	0	0	0	0	0	4	-11	0	0	0
Change in net debt	-293	-188	225	-382	68	-112	-182	-478	75	-134	123	192	211
FCF to Equity	132	187	309	286	245	321	318	398	458	352	438	461	498
FCF to EV	168	227	353	320	287	364	381	459	537	438	520	531	561

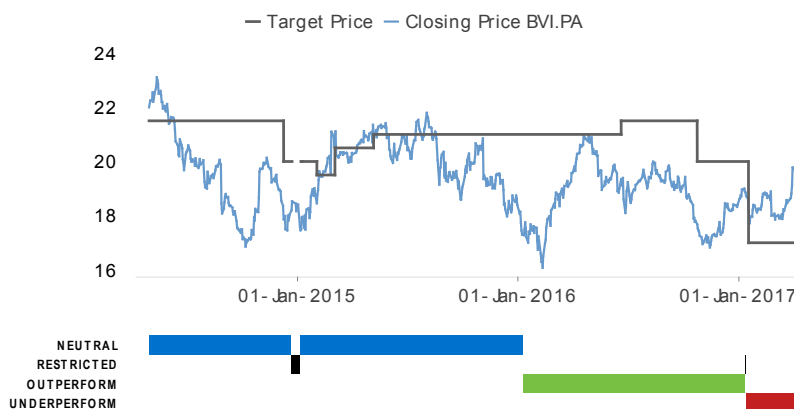
Source: Company data, Credit Suisse estimates

Companies Mentioned (Price as of 06-Apr-2017)**Bureau Veritas** (BVI.PA, €19.95, UNDERPERFORM, TP €18.0)**Disclosure Appendix****Analyst Certification**

Andy Grobler, CFA, Karl Green and Daniel Hobden each certify, with respect to the companies or securities that the individual analyzes, that (1) the views expressed in this report accurately reflect his or her personal views about all of the subject companies and securities and (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

3-Year Price and Rating History for Bureau Veritas (BVI.PA)

BVI.PA	Closing Price	Target Price	
Date	(€)	(€)	Rating
30-Apr-14	22.00	21.50	N
09-Dec-14	17.87	20.00	
23-Dec-14	18.53		R
07-Jan-15	17.50	20.00	N
02-Feb-15	18.46	19.50	
04-Mar-15	20.89	20.50	
07-May-15	21.02	21.00	
12-Jan-16	17.48	21.00	O
20-Jun-16	19.34	21.50	
24-Oct-16	17.68	20.00	
16-Jan-17	18.62		R
17-Jan-17	18.32	17.00	U



* Asterisk signifies initiation or assumption of coverage.

The analyst(s) responsible for preparing this research report received Compensation that is based upon various factors including Credit Suisse's total revenues, a portion of which are generated by Credit Suisse's investment banking activities

As of December 10, 2012 Analysts' stock rating are defined as follows:

Outperform (O) : The stock's total return is expected to outperform the relevant benchmark* over the next 12 months.

Neutral (N) : The stock's total return is expected to be in line with the relevant benchmark* over the next 12 months.

Underperform (U) : The stock's total return is expected to underperform the relevant benchmark* over the next 12 months.

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Target Price and Rating

Valuation Methodology and Risks: (12 months) for Bureau Veritas (BVI.PA)

Method: Our target price of €18 is based on our DCF methodology, in line with the rest of the sector. Our organic DCF uses a WACC of 7.1% in 2017 based on a risk free rate of 2% and a 6.5% market risk premium. We use 5 years of explicit forecasts and then reduce RoNA to sustainable mid-cycle levels for the subsequent 5 years. Thereafter we fade RoNA towards the WACC at 10% of the difference between RoNA and WACC per year. In addition we include the value of future acquisitions to reflect the company's M&A strategy. Our Underperform rating reflects our view that organic growth and margin will remain subdued over the next 12 months and this is not reflected in the share price.

Risk: Upside risks to our rating and target price: Regulatory changes boosting growth significantly; value-creating acquisitions, resources markets improving more rapidly, margins rising more rapidly from lean management initiatives. Downside risks to our rating and target price: Marine weakening more rapidly than anticipated; overhang risk if Private Equity shareholders sell down further, weakness in oil and gas or commodities sectors and slowing process of globalisation limiting growth in testing and inspection markets

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