EthiFinance Ratings

BUREAU VERITAS SA

775690621 CORPORATE

A- ISSUER RATING
Long term

OUTLOOK
Stable

EF1 ISSUER RATING
Short-term

Initiation date	29/11/2022
Rating Date	05/05/2025

Contacts

Lead analyst
Reda Mouaacha
reda.mouaacha@ethifinance.com

Committee chair
Marc Pierron
marc.pierron@ethifinance.com

RATING ACTION AND RATIONALE

- EthiFinance Ratings affirms Bureau Veritas SA's long term rating at A-, maintaining its Stable outlook. Concurrently, we affirm Bureau Veritas's short-term rating of EF1.
- Bureau Veritas ("BV") is a global company specializing in testing, inspection, and certification (TIC) services.
- Our ratings affirmation reflects BV's sustainable top-line growth and stable yoy credit metrics. In FY24, the company achieved 6.4% sales growth (including a -4.4% FX effects). The organic growth rate of 10.2% was primarily driven by strong performance in the Industry, Certification and Marine & Offshore segments, benefiting from ongoing energy transition initiatives and the renewal of ageing assets. Adj EBITDA margin improved by 50 bps yoy, through recovery in consumer products, which delivered a standalone EBIT margin of 22% (vs 20% in FY23). Further contributions came from sustained profitability improvements within the Marine & offshore and Industry segments. As anticipated in our previous rating review, the EthiFinance Ratings-adjusted net leverage ratio slightly deteriorated from 1.5x in FY23 to 1.6x in FY24 due to the cash outflow related to the €200m share buyback program. We expect this ratio to gradually improve to reach 1.3x by year-end 2027, incorporating an additional €200m share buyback program in 2025, and our assumption of annual cash outflows of €50m earmarked for bolt-on acquisitions. Additionally, we expect BV to achieve a revenue CAGR (2024-27) of 5%, aligning with the overall growth projections for the TIC market. This growth will be underpinned by increasing regulatory requirements, which should favour BV, and the ongoing transformation of global supply chains.
- BV holds the second-largest market share within the TIC industry, behind Swiss-based SGS, with which it recently engaged in potential merger discussions that ultimately proved unsuccessful. Strategically, BV has shifted its business model towards services associated with customer operational expenses (OpEx), aiming to generate recurring revenue streams in addition to its traditional focus on CapEx. This strategic repositioning, driven by new product development and the expansion of global trade, supports sustained organic growth. In FY24, BV pursued its bolt-on M&A strategy by acquiring 10 companies that generated a combined annualized revenue of €180m, for which the full-year effect is expected to support growth from 2025 onwards. Conversely, it divested its food testing business segment, which generated €133m FY23. The net proceeds of €290m from this divestment are expected to be reinvested in markets where BV maintains a leading position and has high performance. Additionally, the company remains open to pursuing larger, debt-funded acquisitions (with revenue > €100m) going forward.
- However, our rating is slightly constrained by our industry risk assessment (BBB+), reflecting BV's high exposure to global supply chain dynamics across diverse sectors, which are impacted by macro headwinds such as US tariffs on goods. Profitability is further impacted by reduced margins in the consumer products segment (such as toys, textiles and electrical goods), due to a global decline in demand for electrical and wireless equipment, and a temporary slowdown in new product launches. This downward trend is also shared by BV's close competitors, such as Intertek and SGS. Additionally, our ratings remain further constrained by BV's moderate equity/ adj debt ratio of 64%.
- The TIC industry, which belongs to commercial & professional services, has medium ESG risks under our methodology (heatmap score of between 3 and 3.5). This results in a sector assessment that is not impacted by industry-related ESG considerations. Sustainability assurance and certification business lines constitute a pivotal and rapidly growing sub-sector within the TIC industry.
- According to our rating methodology, the company's ESG policy is advanced, with a score between 0 and 1, which counts positively on our financial assessment and therefore improves our rating accordingly. As a consultancy firm providing guidance on sustainability initiatives and facilitating their evaluation, BV leverages its in-house approach (BV Green line), serving both internal and customer-oriented ESG objectives. The company's ESG framework includes targeted efforts to address corruption, enhance cybersecurity, and protect workforce welfare. Its inclusion in the CAC40 ESG index highlights its commitment to upholding these standards.

ISSUER DESCRIPTION

Headquartered in France, Bureau Veritas (BV) is a leading player in the testing, inspection, and certification (TIC) industry. It has expertise in various sectors, including consumer products, commodities, industrial activities, and marine & offshore facilities. Through its 6 business divisions, BV provides B2B quality control solutions and operates as an independent entity to grant accreditations. It operates in various end-markets through its 84,000 employees, serving c. 400,000 clients in over 140 countries. The group maintains a well-balanced geographic portfolio, with Europe representing 35% of its FY24 revenues, followed closely by the Asia-Pacific region (APAC) at 29%, and the Americas at 27%. Bureau Veritas also has little client concentration risk, as its largest 25 clients collectively account only for 12% of its FY24 total revenues.

For FY24, the group reported €6.2bn in sales for €1.2 bn in adjusted EBITDA. The EthiFinance Ratings-adjusted net leverage ratio stood at 1.6x at end-2024. BV is listed on the Paris stock exchange, and has recently integrated into the French CAC40 index, with a current market capitalization of c. €12.4bn, as of 28 April 2025.

LIQUIDITY

- **Excellent liquidity profile with strong refinancing capacities**

We consider BV's liquidity profile to be 'Superior' as the company can repay all its upcoming debt maturities without refinancing for more than two years. BV's good access to the bond market, and its solid relations with banking counterparties supports our assessment further.

CREDIT METRICS EXPECTED EVOLUTION (CMEE)

- **Stable CMEE**

We have a Stable CMEE for BV, as we expect credit metrics to remain broadly stable over the next twelve months.

MAIN FINANCIAL FIGURES AND FORECASTS

Main financial figures. Millions of €.

	FY23	FY24	FY25e	FY26e	FY27e	24vs23
Turnover	5 868	6 241	6 553	6 881	7 225	6.4%
Adj.EBITDA (1)	1 138	1 240	1 286	1 350	1 418	8.9%
Adj EBITDA Margin (1)	19.4%	19.9%	19.6%	19.6%	19.6%	0.5pp
EBIT	824	933	958	1 006	1 057	13.2%
EBIT Margin	14.0%	15.0%	14.6%	14.6%	14.6%	0.9pp
Total Assets	6 644	7 195	6 855	7 426	7 213	8.3%
Equity	1 994	2 036	1 955	2 143	2 345	2.1%
Adj Total Financial Debt (2)	2 861	3 159	2 842	3 152	2 660	10.4%
Adj Net Financial Debt (2)	1 687	1 954	2 098	1 974	1 843	15.8%
Equity / Adj TFD (2)	69.7%	64.5%	68.8%	68.0%	88.1%	-5.2pp
Adj NFD / Adj EBITDA (1) (2)	1.5x	1.6x	1.6x	1.5x	1.3x	0.1x
Funds From Operations	815	864	836	882	929	6.0%
FFO / Adj NFD (2)	48.3%	44.2%	39.8%	44.7%	50.4%	-4.1pp
Adj EBITDA / Interest (1)	12.5x	12.8x	13.3x	13.2x	14.3x	0.3x

(1) Adj EBITDA includes restructuring expenses

(2) Adjusted Debt includes IFRS 16, pension benefits, earn-outs and other debt-like financial liabilities

RATING SNAPSHOT

Credit Rating	
Business Risk Profile	**A-**
Industry risk assessment	*BBB+*
Industry's ESG	*Neutral*
Competitive Positioning	*A-*
Governance	*A-*
Financial Risk Profile	**A-**
Cash flow and leverage	*A-*
Capitalisation	*BB+*
Company's ESG	*Positive*
Anchor Rating	**A-**
Modifiers	*-*
Final Rating	**A-**

RATING SENSITIVITY

- **List of ratings:**
  - **LT corporate rating: A-**
  - **ST corporate rating: EF1**

- **Ratings Positive factors (↑)**

An upgrade of our long-term rating would derive from a significant improvement of credit metrics, notably a net adjusted leverage ratio of 0.9x and/or an interest coverage ratio above 20.0x, on a sustained basis. An upgrade is contingent upon the overall TIC market growth.

An upgrade of our short-term rating would result from an upgrade of our long-term rating to A along with at least a Stable CMEE.

- **Ratings Negative factors (↓)**

A downgrade of our long-term rating could occur should the company's credit metrics deteriorate, such as an adjusted net leverage above 1.8x, and/or an interest coverage ratio of below 10.0x, on a sustained basis. This could result from a strong fall in profitability.

A downgrade of our short-term rating would result from a significant downgrade of our long-term rating used as a reference, and therefore seems improbable at present.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
  - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

Conditions of Use for this document and its content:

For all types of Ratings that ETHIFINANCE RATINGS, S.L. (the "AGENCY") issues, the User may not, either by themselves or via third parties, transfer, sublease, sublicense, sell, extract, reuse, or dispose of in any other way the content of this Document to a third party, either for free or for consideration.

For the purpose of these Conditions of Use, any client who might have subscribed for a product and/or a service that allows him to be provided with the content of this Document as well as any privileged person who might access the content of this Document via www.ethifinance.com shall be considered as a User.

Nor may they alter, transform or distort the information provided in any way. In addition, the User will also not be permitted to copy and/or duplicate the information, nor create files which contain the information of the Document, either in its entirety or partially. The Document and its source code, regardless of the type, will be considered as the elaboration, creation, or work of the AGENCY and subject to the protection of intellectual property right regulation. For those uses of this Document which are permitted, the User is obliged to not allow the removal of the copyright of the AGENCY, the date of the Document's issuance, the business name as established by the AGENCY, as well as the logo, brands and any other distinctive symbol which is representative of the AGENCY and its rights over the Document. The User agrees to the conditions of Use of this Document and is subject to these provisions since the first time they are provided with this Document no matter how they are provided with the document. The Document and its content may not be used for any illicit purpose or any purpose other than those authorised by the AGENCY. The User will inform the AGENCY about any unauthorised use of the Document and/or its content that may become apparent. The User will be answerable to the AGENCY for itself and its employees and/or any other third party which has been given or has had access to the Document and/or its content in the case of damages which arise from the breach of obligations which the User declared to have read, accepted and understood upon receiving the Document, without prejudice to any other legal actions that the AGENCY may exercise in defence of its lawful rights and interests. The Document is provided on the acceptance that the AGENCY is not responsible for the interpretation that the User may make of the information contained. Credit analyses included in the Document, as well as the ratings and statements, are to be deemed as opinions valid on the date of issuance of the reports and not as statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The credit ratings and

credit rating prospects issued by the AGENCY are consider to be its own opinion, so it is recommended that the User take it as a limited basis for any purpose that it intends to use the information for. The analyses do not address the suitability of any value. The AGENCY does not act as a fiduciary or an investment advisor, so the content of the Document should not be used as a substitute for knowledge, criteria, judgement or experience of the User, its Management, employees, advisors and/or clients in order to make investment decisions. The AGENCY will devote every effort to ensure that the information delivered is both accurate and reliable. Nonetheless, as the information is elaborated based on data supplied by sources which may be beyond the control of the AGENCY, and whose verification and comparison is not always possible, the AGENCY, its subsidiaries, and its directors, shareholders, employees, analysts and agents will not bare any responsibility whatsoever (including, without any limitations, loss of revenue or income and opportunity costs, loss of business or reputational damage or any other costs) for any inaccuracies, mistakes, noncorresponding information, incompleteness or omission of data and information used in the elaboration of the Document or in relation to any use of its content even should it have been warned of potential damages. The AGENCY does not make audits nor assume the obligation of verifying independent sources of information upon which the ratings are elaborated. Information on natural persons that may appear in this document is solely and exclusively relevant to their business or business activities without reference to the sphere of their private life and should thus be considered. We would like to inform that the personal data that may appear in this document is treated in accordance with Regulation (EU) 679/2016, on the protection of natural persons with regard to the processing of personal data and the free movement of such data and other applicable legislation. Those interested parties who wish to exercise the rights that assist them can find more information in the link: https://www.ethifinance.com/ in the Privacy Policy page or contact our Data Protection Officer in the mail dpo@ethifinance.com. Therefore the User agrees that information provided by the AGENCY may be another element to consider when making business decisions, but decisions will not be made based solely on it; that being the case the AGENCY will not be held responsible for the lack of suitability. In addition, the use of the information before courts and/or tribunals, public administrations, or any other public body or private third party for any reason shall be solely the User's responsibility and the AGENCY shall not be held responsible for any liabilities on the grounds of inappropriateness of the information's contents. Copyright © 2023 ETHIFINANCE RATINGS, S.L. All Rights Reserved. C/ Benjamín Franklin S/N, Edificio Camt, 1º Izquierda, 18100, Granada, España C/ Velázquez nº18, 3º derecha, 28001 - Madrid