

GREEN TECH



Green Technologies



Smaller Companies

A safer world

Verification and testing: long-term sustainable drivers

■ Health, environment and globalisation: issues and risks

Players in inspection, verification, testing and certification (IVTC) have an increasingly important role under the impetus of: 1) stricter regulations worldwide in the areas of security, health and the environment; 2) globalisation, which makes the chain between producer and consumer more complex and increases the risk for companies; and 3) a growing trend towards outsourcing these activities to private-sector players such as Bureau Veritas, Intertek, Eurofins Scientific and SGS.

■ Proven resilience to economic slowdown

These structural factors underpin the market's organic growth of between 5% and 6% p.a., in addition to market share gains by the various players and macroeconomic factors such as increased trade and higher raw materials prices. Thus, since 2000, Bureau Veritas, Eurofins Scientific, Intertek and SGS have posted average organic growth rates of between 8.8% and 11% p.a. Over the period 2008-2010E, we expect organic growth of 8%, 10%, 9.5% and 11.8%, respectively, for the four groups.

■ Markets offer opportunities for external growth

On a very fragmented market, the four players have all announced their intention to carry out acquisitions. The most aggressive player in this regard is still Eurofins Scientific (22% external growth in 2007), while Bureau Veritas (5%) and Intertek (9%) are maintaining a steady pace of acquisitions. For the time being, SGS has not offered convincing proof of its external growth ambitions, despite intact financial capacity.

■ Growth combined with margin improvement

Between now and 2010E, we expect the EBITA margins of Bureau Veritas, Eurofins Scientific and SGS to widen by 70bp, 350bp and 200bp, in that order. Conversely, Intertek's margin could stagnate, in our view, given the business portfolio. We expect EPS CAGR of 23% for Bureau Veritas, 48% for Eurofins Scientific, 15% for Intertek and 17% for SGS between now and 2010E.

■ We favour visibility and minimal risk

The four groups are trading at attractive multiples given their projected growth, with the PEG multiples of Bureau Veritas, Eurofins Scientific, Intertek and SGS working out at 0.8x, 0.5x, 1.1x and 1.1x, in that order. However, in a particularly risk-adverse market context, we currently favour SGS, which benefits fully from market drivers with very limited risk. Lastly, we initiate coverage of Intertek with a 3/Underperform rating given weaker upside, anticipated margin pressure and the currency risk.

Sector Top Picks

SGS

CHF1,540.00

1/Selected List - Target: CHF1,750

To 31/12	2007	2008E	2009E	2010E
Sales (SFr m)	4371.6	4789.5	5370.8	5968.7
NAP rest. (SFr m)	500.0	594.5	688.7	792.7
Clean EPS (SFr)	65.31	77.47	90.69	104.93
Reported EPS (SFr)	66.1	78.4	91.8	106.3
P/E (x)	20.7	19.9	17.0	14.7
Attrib. FCF yield (%)	2.6	4.3	5.0	5.8
EV/EBITDA (x)	11.4	11.0	9.2	7.8
EV/EBITA (x)	14.7	13.9	11.6	9.7
ROCE (%)	37.0	41.1	44.0	46.7
ROE (%)	29.1	29.7	28.1	26.8
P/BV (x)	6.0	5.5	4.5	3.7
Net debt/EBITDA (x)	(0.4)	(0.6)	(0.8)	(1.1)
Net dividend (SFr)	35.00	26.00	30.50	35.10
Yield (%)	2.6	1.7	2.0	2.3

We consider SGS to be a “must have” stock in the current environment. SGS features a unique growth profile in a still very fragmented market combined with defensive characteristics. We believe up to 80% of group sales to be recession proof. This should result in organic sales growth in the low double digits in the coming three years. We see upside to current market estimates and confirm our 1/Selected List rating.

UPCOMING EVENTS/PUBLICATIONS

Company	Event	Date
Bureau Veritas	H1-08 sales	30 July 2008
	H1-08 results	28 Aug. 2008
	Q3-08 sales	6 Nov. 2008
Eurofins Scientific	H1-08 sales	30 July 2008
	H1-08 results	29 Aug. 2008
	Investor day	30 Sept. 2008
	9m-08 results	13 Nov. 2008
Intertek	H1-08 results	4 Aug. 2008
	H1-08 interim management statement	Oct. 2008
SGS	Investor days	18-19 Sept. 2008
	FY 2008 results	16 Jan. 2009
	AGM	24 Mar. 2009

Source: Cheuvreux

Summary

Growing health and environmental challenges in a more complex world

The growing political will to measure and control the impact of industrial activities on the environment and public health strengthens the role of verification, testing and certification players. This will is reflected in stronger regulations, and an increase in the number of standards that more and more companies must comply with in order to meet stakeholders' expectations. This trend, combined with greater international trade, a more complex production chain, sophisticated products that increase the number of risks for clients and end-consumers, and lastly, a trend towards outsourcing by private and public-sector players, constitute strong support factors for the markets of Bureau Veritas, Intertek, Eurofins Scientific and SGS.

Growth is set to continue even in a more difficult environment

These structural drivers ensure resilient organic growth during an economic downturn (5-6% p.a.). Some macroeconomic factors, notably the high price of raw materials, result in additional points of growth. Projected sales CAGRs for 2008-2010E are 11.1% for Bureau Veritas, 21.4% for Eurofins Scientific, 12.5% for Intertek and 10.9% for SGS. Margins are likely to continue to widen, particularly under the impetus of changes in the groups' business portfolios. Over the period 2007-2010E, we expect EPS CAGRs of 23%, 48%, 15% and 17%, respectively, for Bureau Veritas, Eurofins Scientific, Intertek and SGS.

Upbeat prospects and attractive valuation: we favour the lowest risk profiles

With the exception of Eurofins Scientific, the business portfolios of SGS, Bureau Veritas and Intertek are fairly similar overall, with differences that do not set the groups apart in the current context. Nevertheless, given the market conditions and clear risk aversion, among these three players, we favour SGS, which benefits from the market's structural and short-term growth drivers, has the highest profitability and limited risk (a net cash position and currency risk under control). We maintain our positive stance on Bureau Veritas, which offers good growth prospects but has a higher risk profile, and we initiate coverage of Intertek with a 3/Underperform rating given lower upside potential and less attractive margin prospects. Eurofins Scientific, which is the most specialised player in our sample in terms of the business portfolio, has a more fragile short-term profile and must convince the market of its ability to deliver on its targets (integration risk on acquisitions). Nevertheless, Eurofins Scientific shows the highest upside potential in our sample.

PEER COMPARISON

Companies (loc. curr.)	Target price (l.c.)	Sh. Price (l.c.)	Perf.			P/E (x)		EPS growth (%)	PEG (x)
			1m (%)	YTD (%)	2007 (%)	2008E	2009E	2007-10	2007-10
Bureau Veritas	45.0	37.0	-1.6	-8.6	0.0	18.2	15.9	23%	0.8
Eurofins Scientific	90.0	51.1	-3.9	-35.8	47.0	25.2	16.3	48%	0.5
Intertek (p)	1 110	9.4	-7.6	-4.8	18.8	17.0	14.9	15%	1.1
SGS	1 750.0	1 464.0	-7.4	8.5	-0.7	18.9	16.1	17%	1.1
Average						19.8	15.8		

Source: Cheuvreux

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I – Attractive valuations

Since early 2008, Bureau Veritas, Intertek and SGS, players in the inspection, testing and certification sector, have outperformed the market, with SGS clearly leading the pack. Conversely, after an excellent performance in 2007, Eurofins Scientific has underperformed since the beginning of the year. Nevertheless, the valuation multiples show that Eurofins Scientific is trading at a premium to its three peers, which reflects expectations of higher earnings growth in the medium term. Based on our DCF valuations, the target prices of Bureau Veritas, Eurofins Scientific, Intertek and SGS work out at EUR45, EUR90, 1,110p and CHF1,750, respectively, i.e., upside of 22%, 76%, 17% and 20%.

■ Recent share performances

After a poor performance in 2007, the SGS share has risen 8.5% since the beginning of the year, while Intertek has declined by 4.8% and Bureau Veritas by 8.6%. Conversely, Eurofins Scientific, which posted an excellent performance in 2007 (up 47%), has declined 36% since the beginning of the year.

SECTOR PERFORMANCE

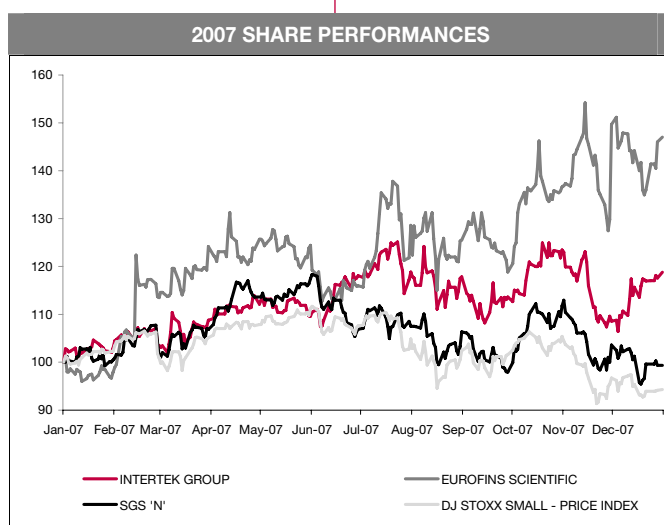
Companies	Price (loc. curr.)	1m perf. (%)	3m perf. (%)	YTD perf. (%)	2007 perf. (%)
Bureau Veritas	37.0	-1.6	-0.8	-8.6	N/A
Eurofins Scientific	51.1	-3.9	-21.7	-35.8	47.0
Intertek (p)	940	-7.6	-4.2	-4.8	18.8
SGS	1 464.0	-7.4	4.9	8.5	-0.7

Source: Cheuvreux

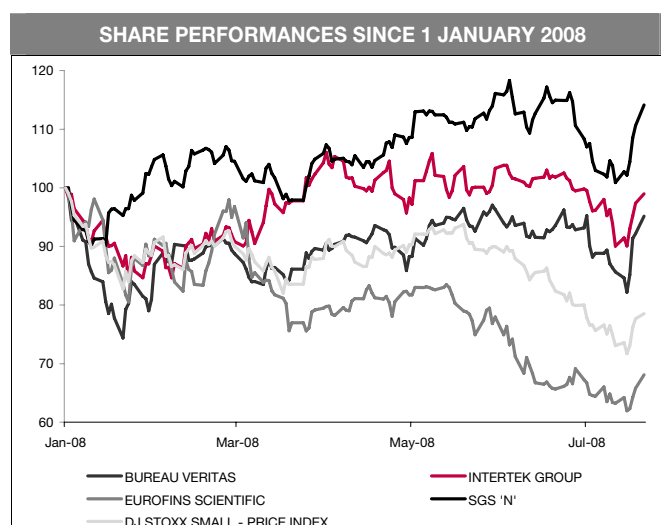
**SGS has
outperformed
significantly in 2008**

**In 2008, Eurofins
Scientific has erased
its 2007 gains**

Since the beginning of the year, SGS has outperformed the market significantly, whereas Eurofins Scientific has underperformed substantially. The performances of Bureau Veritas and Intertek, while negative, have nevertheless outpaced the market.



Source: Datastream



Source: Datastream

■ Market multiples vs. growth

Sector players are currently trading at average EV/EBITA multiples of 14.5x and 11.9x for 2008E and 2009E, respectively, and P/Es of 19.8x and 15.8x for 2008E and 2009E. A peer comparison shows Intertek and SGS trading at a discount to the universe, while Eurofins Scientific is trading at a strong 18.8% premium. Bureau Veritas is trading in line with the sector. Nevertheless, the groups' growth rates justify these multiples, with PEGs of 0.8x for Bureau Veritas, 0.5x for Eurofins Scientific, 1.1x for Intertek and 1.1x for SGS.

PEER COMPARISON

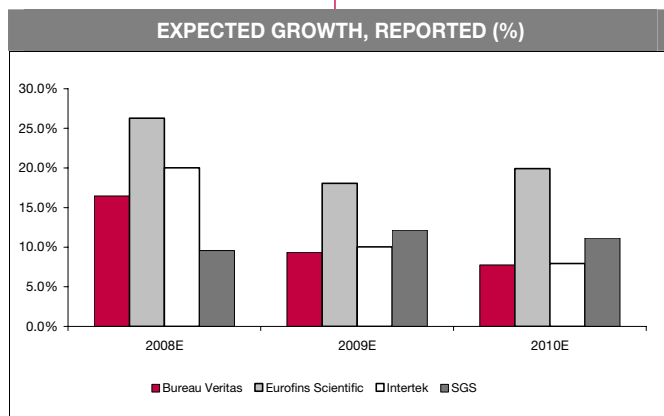
Groups	P/E (x)		Low point 98-08	High point 98-08	EV/EBIT (x)		EPS growth 2007-10	PEG 2007-10	Premium/ (discount) to average
	2008	2009			08	09			
Bureau Veritas	18.2	15.9	14.2	21.4	14.7	12.9	23%	0.8	0%
Eurofins Scientific	25.2	16.3	15.1	N/S	17.6	12.9	48%	0.5	15%
Intertek	17.0	14.9	11.8	19.2	12.5	11.0	15%	1.1	-10%
SGS	18.9	16.1	8.5	39.5	13.2	10.9	17%	1.1	-5%
Average	19.8	15.8			14.5	11.9			

Source: Cheuvreux

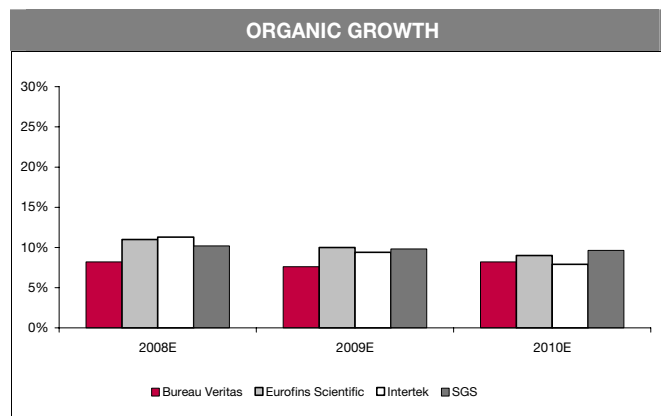
Multiples reflect prospects

Comparison of estimates

Out to 2010E, average sales growth rates for Bureau Veritas, Eurofins Scientific, Intertek and SGS are 11.1%, 21.4%, 12.5% and 10.9% p.a., respectively, bearing in mind that half of Eurofins Scientific's growth is likely to derive from external growth deals, whereas the figures for Bureau Veritas and Intertek reflect only organic growth and acquisitions already carried out in 2008.



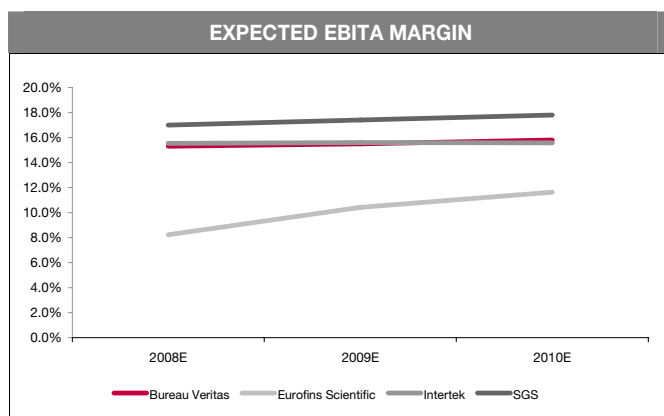
Source: Cheuvreux



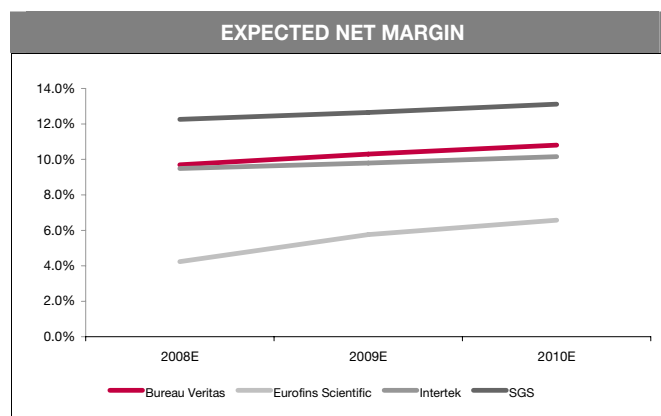
Source: Cheuvreux

SGS is likely to maintain its lead in terms of EBITA margin

The EBITA margins of the four groups are expected to increase. We thus expect for 2010E an operating margin of 15.8% for Bureau Veritas, 17.8% for SGS, 15.6% for Intertek and 11.6% for Eurofins Scientific. Apart from differences in business and geographic positioning, the difference in margin, notably for Eurofins Scientific, is due to the acquisitions envisaged over the period, which, as acquired companies have margins generally significantly lower than that of the group, or even negative, weigh on the group's margins. SGS is characterised by higher margins, which is due not only to its positioning, but also to its exclusively organic growth.



Source: Cheuvreux



Source: Cheuvreux

**Attractive upside
potential**

Thus, over the period 2007-2010E, the average EPS CAGRs for Bureau Veritas, Eurofins Scientific, Intertek and SGS work out at 23%, 48%, 15% and 17%, respectively, i.e. PEGs of 0.8x, 0.5x, 1.1x and 1.1x, respectively.

■ Valuation of the four groups

Based on our DCF models, our target prices work out at EUR45 for Bureau Veritas, EUR90 for Eurofins Scientific, 1,110p for Intertek and CHF1,750 for SGS, i.e., upside of 22%, 76%, 17% and 20%, in that order.

The WACC is based on a risk-free rate of 4.5% and a market premium of 4%.

WACC CALCULATION

	Risk-free rate	Market premium	Leveraged beta	Cost of equity	Cost of debt	Tax rate	WACC
Bureau Veritas	4.5%	4.0%	1.15	9.1%	5.5%	25%	8.3%
Eurofins Scientific	4.5%	4.0%	1.16	9.2%	6.0%	33%	8.5%
Intertek	4.5%	4.0%	1.10	9.9%	5.8%	26%	8.8%
SGS	4.5%	4.0%	1.00	8.7%	6.0%	24%	8.2%

Source: Cheuvreux

From 2010 to the end of the period, the growth rates for the four groups are relatively similar, with slightly higher growth for Eurofins Scientific, reflecting its growth record, size and positioning.

GROWTH RATE FROM 2010 TO 2017-18

	CAGR
Bureau Veritas	5.6%
Eurofins Scientific	6.4%
Intertek	6.0%
SGS	6.0%

Source: Cheuvreux

High expectations for SGS and Eurofins Scientific

Over the long term and based on organic growth, we expect operating margins of 16% for Bureau Veritas, 15.9% for Eurofins Scientific, 16% for Intertek and 19.7% for SGS. The significant difference in SGS's margin is due to its very positive track record, and the strengthening of its positioning on the most profitable activities: consumer testing, certification, industrial services and mineral services. For Eurofins Scientific, the strong increase in the margin between 2010 and the end of the period is based on the lack of external growth over this period and the assumption that the group will be in a position to reach average levels for the sector.

EBIT MARGIN ASSUMPTIONS

EBIT margin, adjusted	2010	End of period
Bureau Veritas	15.8%	16.0%
Eurofins Scientific	11.6%	15.9%
Intertek	15.6%	16.0%
SGS	17.8%	19.7%

Source: Cheuvreux

OTHER ASSUMPTIONS

	Capex/Sales	WCR/Sales
Bureau Veritas	2.5%	5.5%
Eurofins Scientific	5-6.4%	5.5-5.9%
Intertek	6.0%	7.5%
SGS	3.0%	6.8%

Source: Cheuvreux

We thus obtain an enterprise value of EUR6,035m for Bureau Veritas, EUR1,525m for Eurofins Scientific, GBP2,085m for Intertek et CHF21,548m for SGS, i.e., target prices of EUR45 for Bureau Veritas, EUR90 for Eurofins Scientific, 1,110p for Intertek and CHF1,750 for SGS.

MULTIPLES AT OUR TARGET PRICE

(loc. curr.)	EV (m)	Target price	P/E (x)			EV/EBIT (x)		
			2008E	2009E	2010E	2008E	2009E	2010E
Bureau Veritas	6 035	45	22.3	19.3	16.9	17.1	15.2	13.8
Eurofins Scientific	1 525	90	47.7	29.7	21.7	31.1	20.4	15.1
Intertek (p)	2 085	1 110	19.1	16.8	15.1	14.3	12.9	12.0
SGS	21 548	1 750	22.6	19.3	16.7	26.5	23.1	20.3

Source: Cheuvreux

II – Leaders on their segments

French companies Bureau Veritas and Eurofins Scientific, UK group Intertek and Swiss group SGS are positioned on testing, verification, auditing and certification of products, infrastructure, capital goods and management systems. This market is still very fragmented and only partially outsourced. These four players are distinguished by a more or less significant positioning on testing activities, as opposed to verification and inspection. Intertek and Eurofins Scientific are the two players most active in testing activities with a major difference as Intertek is more strongly positioned on manufactured products and raw materials, whereas Eurofins Scientific is more active in agrifood, pharmaceutical products and the environment. Bureau Veritas is characterised by its weak presence in testing activities, whereas SGS is the most diversified player.

■ Differences in positioning

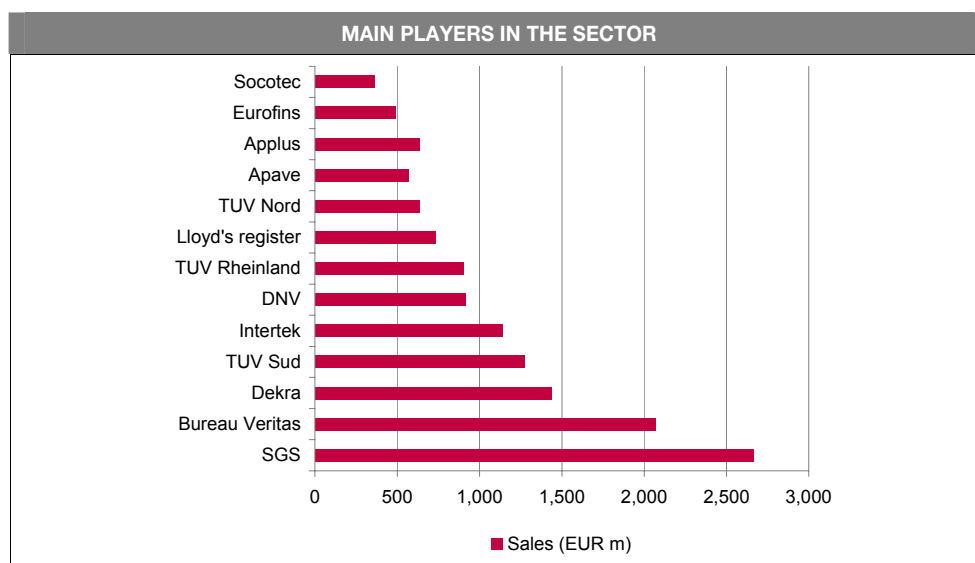
Bureau Veritas, Eurofins Scientific, Intertek and SGS are active in laboratory testing and bioanalysis, verification, auditing and certification of raw materials, products, infrastructure, capital goods and management systems.

Their objective is to provide clients with an audit and validation of their goods, equipment, processes or infrastructure on the basis of standards, regulations or specifications. In order to provide these services, these groups have experts, consultants and laboratories enabling the audits and diagnostics to be performed and validations or certifications to be delivered. The clients come from all sectors: industry, construction, retailing, services, agrifood, etc.

Still a very fragmented universe

The market, worth an estimated EUR50bn, is still very fragmented, with only 30% of the estimated market in the hands of private-sector players including the ones mentioned above. The six biggest players on the market — SGS, Bureau Veritas, Dekra, TUV, DNV and Intertek — represent a market share of less than 20%. There are substantial entry barriers that are characterised by the need to have an international network and above all numerous accreditations.

30% of the sector in the hands of private-sector players



Source: Cheuvreux

At present, Bureau Veritas, Eurofins Scientific, Intertek and SGS each have their specialised fields and are leaders on certain market segments.

Bureau Veritas: world No. 2 in maritime; world No. 1 in certification; world No. 3 in ISV; in the Top 3 worldwide in industry; and world No. 1 in construction.

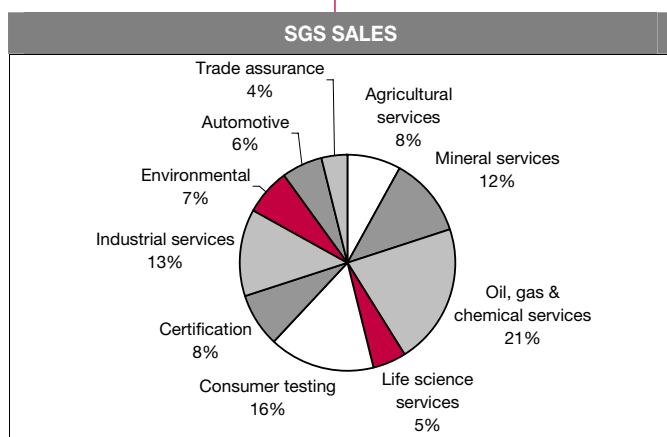
Eurofins Scientific: world No. 1 in agrifood analysis; European No. 1 in environmental bioanalysis.

Intertek: leader in consumer goods (No. 1 for textiles, No. 2 for toys).

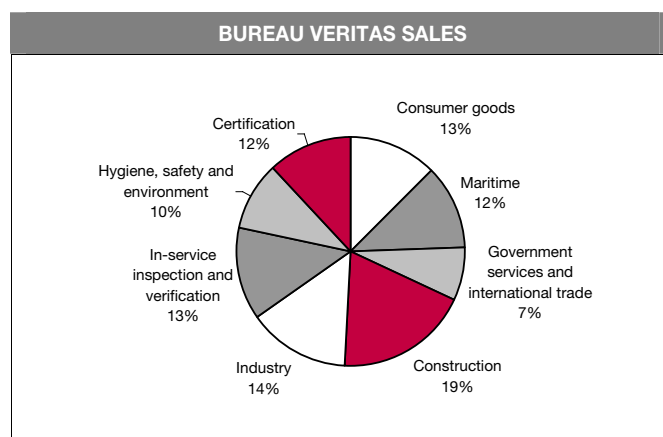
SGS: world No. 2 in consumer testing; world No. 1 in mineral services; world No. 1 in automotive services; world No. 1 in agricultural services; in the Top 3 worldwide in industry.

Breakdown of sales by business

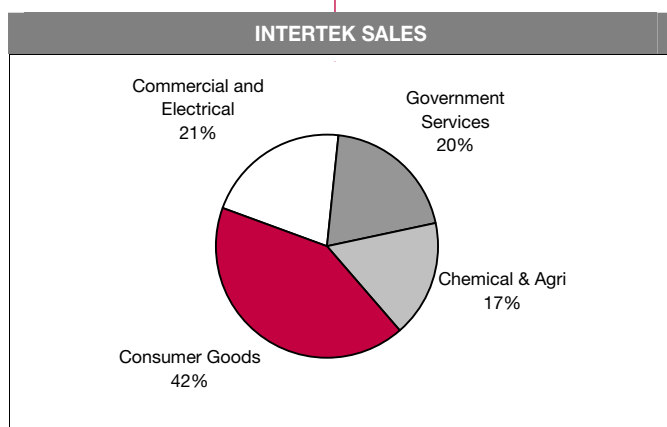
The services offered by these players are grouped by business line according to the industries addressed and/or type of product, equipment, infrastructure, service or benchmark use.



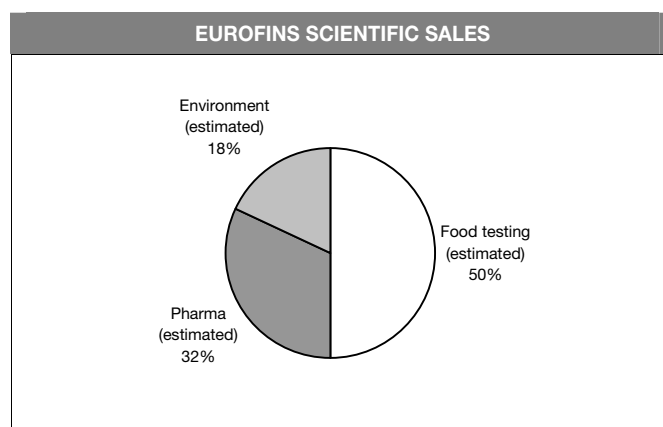
Source: SGS



Source: Bureau Veritas



Source: Intertek



Source: Cheuvreux

Similar terminologies for different services

Despite terminologies that are sometimes similar for different business lines, these four groups do not always offer the same services. The various business lines often group together the same client or product category, and sometimes, in the case of certification, a type of service. There is a major distinction between:

- So-called "testing" activities that are carried out in laboratories on client products or goods;
- Verification and inspection activities that take place on client premises;
- Cargo inspection and government services activities, which are carried out on the arrival or departure of goods.

Testing in laboratories

Testing in laboratories helps determine whether a product or good complies with regulatory requirements, industry standards and/or client specifications, and whether they fulfil the characteristics sought. These tests help identify how the product will perform for the consumer or compared with rival products. In certain cases, the tests give the product the right to carry a certain quality label.

Clients include retailers, manufacturers and industrial groups. Generally, they use these services on a voluntary basis, although the requirements of their clients and markets increasingly represent a strong incentive to carry out tests. According to Intertek, currently only 20% of goods commercialised are tested. In the US, only half of all toys are reported to be tested.

Bureau Veritas, Eurofins Scientific, Intertek and SGS are not involved in this type of activity in the same proportions, even when their divisions have similar names:

- **Eurofins Scientific:** 100% of its sales are generated by laboratory bioanalysis activities. The company has a portfolio of 25,000 tests specialised in the agrifood, environment and pharmaceuticals fields;
- **Intertek:** Around 65% of its revenues are derived from testing activities, which represent:
 - Around 70% of the consumer goods activities;
 - Some 80% of the commercial and electrical goods activities;
 - An estimated 50% for the mineral services, and oil and agri services activities;
 - An estimated 50% for foreign trade.
- **SGS:** Around 30% its revenues are linked to testing activities.
 - The most exposed activities are consumer testing, automotive, minerals and industrial services.
- **Bureau Veritas** is the group least exposed to this type of service with around 20% of its sales from testing. The most exposed activities are:
 - Consumer products (around 80% testing);
 - Government services and international trade;
 - The minerals activities inherited from Amdel (nearly 100% testing), which will be integrated into the industry division.

Eurofins Scientific and Intertek are testing specialists...

The relative number of laboratories owned by each group is fairly revealing of their difference in terms of positioning. At present, Intertek and Eurofins Scientific have the greatest positioning in testing activities with 355 and 150 laboratories, respectively. SGS also has a large number of labs (427), but given the size of the group, it is less exposed than the other two companies. Bureau Veritas is the least present in testing with 146 laboratories in 2007.

EXPOSURE TO TESTING ACTIVITIES

No. of laboratories	2007	Testing as a % of total sales
Bureau Veritas	146	20%
Eurofins Scientific	150	100%
Intertek	398	65%
SGS	427	30%

Source: Cheuvreux

...but in different fields

Note that Intertek is more active in consumer goods testing (toys, electrical and electronics equipment, and textiles) whilst Eurofins Scientific is more active in agrifood, pharmaceuticals products and environmental tests (air, water, soil testing).

Services: inspection, verification, audit, certification

The other activities carried out by these groups involve inspection services, periodic or statutory compliance audits of production units, capital goods, industrial installations, public works and other infrastructure with respect to the standards applicable.

The scope of these services thus covers industrial sites, buildings and ships to cite just a few examples. Note that some services involve existing assets and are carried out periodically to comply with prevailing regulation or at the wish of the client (checking the electrical installations of buildings, category certificates) whilst others concern assets under construction (new installations, ships, etc) and are the subject of a single contract spanning several years. Note also audits and certification of management system (quality, environment and security).

Bureau Veritas and SGS are the two groups most present on these types of services.

Cargo scanning and governmental services: mid-way between a service and testing

Cargo scanning and governmental services consist of inspecting goods (finished products, capital goods and raw materials), in the field of international trade, prior to shipment with a view to recovering customs taxes and duties, and verifying the goods by scanning in order to tackle illegal imports and terrorism. This activity mainly takes place at the time of loading and unloading of goods in ports.

The client base for this activity consists of government bodies (customs authorities), export-import companies and international organisations

SGS, Intertek and Bureau Veritas are all active in this business segment.

■ Different economic models

The economic model for testing differs from that for inspection, verification and certification. Testing involves the use of laboratories and testing equipment, which implies higher capex. Lab teams mainly consist of engineers and technicians, and hence payroll charges are sometimes lower. Conversely, the audit, inspection and verification activities require less capex but involve higher payroll charges due to the larger proportion of engineers.

Cargo inspection services and government services do not require laboratories, but instead equipment and inspectors in charge of verifying goods. From an economic standpoint, these businesses are mid-way between the two major types of activities.

The main differences

TESTING VS. VERIFICATION

Testing and products certification	Inspection, verification and systems certification
Capex of around 6.5% of sales	Capex of around 1.5% of sales
Higher fixed cost base	Higher payroll charges
Technicians mainly	Engineers mainly
Strengths	Strengths
Pooling costs has a positive effect on margins	Regulatory constraints
Barriers to entry: equipment, accreditation, reputation, networks	Barriers to entry: accreditation, reputation, networks
Weaknesses	Weaknesses
Voluntary basis	Pressure on wages
Less pricing power	Recruitment difficulties
	Strong local competition

Source: Cheuvreux

Testing requires higher capex...

The difference on positioning for the four groups has resulted in a higher level of capex for Eurofins Scientific (9.8% of sales), SGS (6.5%) and Intertek (5.7%), and hence increased depreciation. Conversely, capex represents just 2.5% of sales for Bureau Veritas.

CAPEX/SALES TRENDS

(%)	2004	2005	2006	2007
Bureau Veritas	2.4%	2.6%	2.4%	2.5%
Eurofins Scientific	6.8%	8.6%	7.0%	9.8%
Intertek	5.6%	5.4%	6.5%	5.7%
SGS	6.5%	5.7%	6.3%	6.5%

Source: Cheuvreux

Lower payroll charges for Intertek...

...unlike Eurofins Scientific, which is very present in Europe

...but payroll charges are lower

The Payroll charges/Sales ratio is lower for Eurofins Scientific, SGS and Intertek, mainly on account of the volumes generated by the laboratories. Conversely, they represent a higher proportion of Bureau Veritas's sales, as more staff are needed to carry out the services and the qualification profiles are more engineer oriented, which results notably in a higher Payroll charges/Employee ratio than at SGS and Intertek.

Eurofins Scientific has a higher Payroll charges/Employee ratio compared to its peers, due to the rationalisation costs with respect to acquisitions and less exposure to Asia, where labour costs are lower.

Intertek has the lowest payroll charges structure due to the combined effect of its positioning in testing and the geographical breakdown of its headcount with notably a strong presence in Asia (51%).

PAYROLL CHARGES/SALES TRENDS

(%)	2006	2007
Bureau Veritas	51.3%	50.8%
Eurofins Scientific	40.2%	47.5%
Intertek	42.3%	41.8%
SGS	47.6%	47.5%

Source: Cheuvreux

PAYROLL CHARGES/EMPLOYEE TRENDS

(EUR '000)	2006	2007
Bureau Veritas	38	35
Eurofins Scientific	36	44
Intertek	25	24
SGS	25	25

Source: Cheuvreux

HEADCOUNT BY REGION

(%)	Americas	Europe	China	Rest of Asia	ROW
Bureau Veritas	17%	48%		32%	
Eurofins Scientific	9%	86%			6%
Intertek	26%	23%	29%	22%	
SGS	23%	46%		31%	

Source: Cheuvreux

Higher EBITDA margins in testing

The lower level of operating charges results in higher EBITDA margins for SGS and Intertek compared to Bureau Veritas. Nevertheless, given the capex for these two groups, the three groups' operating margins, after depreciation and amortisation, are much closer. Eurofins Scientific's margins are much more volatile, due to a substantial acquisition programme that eats into margins, higher capex, and a more European cost base. The other three groups have a more international breakdown of costs.

EBITDA MARGIN TRENDS

(%)	2000	2001	2002	2003	2004	2005	2006	2007
Bureau Veritas	12.6%	14.3%	13.7%	N/A	16.7%	15.6%	16.3%	15.1%
Eurofins Scientific	9.0%	9.0%	11.0%	14.0%	14.7%	18.2%	15.5%	13.4%
Intertek (estimates)	18.2%	18.9%	20.5%	19.9%	20.7%	18.8%	19.3%	19.6%
SGS	11.0%	10.6%	13.0%	16.1%	17.5%	19.4%	20.3%	20.8%

Source: Cheuvreux

ADJUSTED EBIT MARGIN TRENDS

(%)	2000	2001	2002	2003	2004	2005	2006	2007
Bureau Veritas	10.2%	10.5%	11.9%	13.3%	14.4%	14.8%	14.5%	15.1%
Eurofins Scientific	N/A	N/A	5.1%	7.8%	8.5%	12.8%	10.1%	8.2%
Intertek	15.2%	15.5%	16.7%	16.2%	16.6%	15.0%	15.4%	15.7%
SGS	6.8%	-1.7%	5.3%	11.9%	13.1%	15.2%	16.3%	15.8%

Source: Cheuvreux

III – Dominated by structural growth factors

The testing and certification markets are driven by profound structural changes such as: 1) tighter regulations with regard to safety, quality and, increasingly, health and the environment; 2) globalisation, which is a factor behind the growing complexity of the production chain; 3) the growing diversification and sophistication of manufactured goods; 4) the increased sensitivity of stakeholders; and 5) a trend towards outsourcing by private and public-sector players. Economic factors, such as higher raw materials prices which increase the need for guaranteeing the value of goods, and growth in international trade in a buoyant environment, also stimulate demand for these types of service. Overall, we estimate 5-6% intrinsic growth for the testing and certification markets, which are immune to the economic environment.

MARKET DRIVERS FOR THE TESTING AND CERTIFICATION SECTORS

Driver	Description, overview, dynamics
Regulations and Directives	Over 250 regulations introduced over the past five years, new regulations and directives to come on stream (i.e. RoHS, REACH, Biofuels, US cargo scanning, etc.)
Globalisation and transfer of manufacturing to BRIC countries	Growth in trade is outpacing world production. Manufacturing industry moving to Asia. Made in China products represent 70% of total US consumer discretionary goods, and 50% in Europe.
Developing emerging market economies	Increased consumption in developing countries, and rapid growth in trade between emerging economies is positive for the development of testing, inspection and certification activities.
Product diversity and increasing sophistication	The growing number of patents, SKUs among the same group of products, shorter product lifecycles, and increasing rotation in inventories lead a rise in the total number of testing services.
Growing awareness of stakeholders	The growing awareness of consumers about the risk to their health and the environment. Increased use of boycott actions. Companies are implementing a social and environmental responsibility approach.
Outsourcing trend at manufacturers and public authorities	Large testing companies account for less than 30% of market value. Many companies still integrate testing vertically. Outsourcing testing enables clients to lower costs and focus on their core business.
Economic environment: industrial investment and international trade	A favourable economic environment stimulates trading in goods (inspection) and industrial investment (verification of infrastructure).
Commodity trading / high prices	Sustained increase and volatility of commodity prices, a growing need to ensure the value of shipments
Sector consolidation	Consolidation in the highly fragmented testing and certification market remains a key theme, M&A activity clearly not correlated to sector growth.

Source: Cheuvreux

Regulations in response to the demands of stakeholders

■ Environment, health and safety lie at the heart of new regulations

The increase in regulations is a global trend

In Europe, North and South America and Asia, there are an increasing number of regulations with regard to respecting the environment, health protection and increased safety, reflecting the growing awareness by society of the importance of these issues. Each country and region is gradually implementing increasingly restrictive restrictions for both States and companies with a view to improving citizen and consumer protection.

These regulations lie at the origin of numerous standards that companies are seeking to adopt in order to respond to the growing demands of their stakeholders: consumers, suppliers, employees and shareholders. In order to validate their compliance with these standards, certain companies wish to have independent experts audit, verify and certify their products, equipment, infrastructure or management systems. Certification increases the transparency and visibility of such compliance for companies, which are then able to highlight their good practice in such matters.

Industrial groups have to prove that their products are not toxic

At present, certain regulations and standards generate a larger amount of business for Bureau Veritas, Eurofins Scientific, Intertek and SGS notably, the REACH Regulation, RoHS Directive and energy efficiency regulations in the EU, and ISO standards at the international level.

The REACH Regulation: a legal obligation

The EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation is the strictest and most complex regulation to date with respect to chemicals substances produced in or imported into Europe. This Regulation, which came into effect in June 2007 after many years of preparation, applies to 30,000 substances (of which fewer than 1,000 have been tested). Industrial groups are now responsible for proving that the products they market are not toxic. This Directive provides for the registration of 30,000 substances produced in or imported into Europe (in quantities of more than 1,000 tonnes p.a.) by 2018.

An advance for the consumer, a strong constraint for the industrial player

The pre-registration phase for substances that fall under the REACH Regulation started on 1 June 2008 and ends on 30 November 2008. This initial phase concerns the manufacturers and importers of substances, and all downstream users that have to ensure that their use of such substances has been pre-registered by suppliers. Pre-registration enables registrants to benefit from registration delays for transitory or phase-in substances, i.e., mainly those substances placed on the market prior to 1981.

Note that any substance that is not pre-registered will be considered as a new substance and hence to be registered immediately. This is thus the first crucial step for all manufacturers and importers of substances, preparations and goods.

A significant effect in terms of additional sales

SGS estimates that the impact in terms of sales from the new regulation could amount to around 10% of its total sales in the medium term and thus provides a new source of growth to follow on from the RoHS (Restriction of Hazardous Substances) Directive that has substantially boosted organic growth for the group's Consumer Testing Services (CTS) activity over the past few years.

Energy efficiency is at the heart of the EU's strategy**Energy efficiency: the challenge for the coming years**

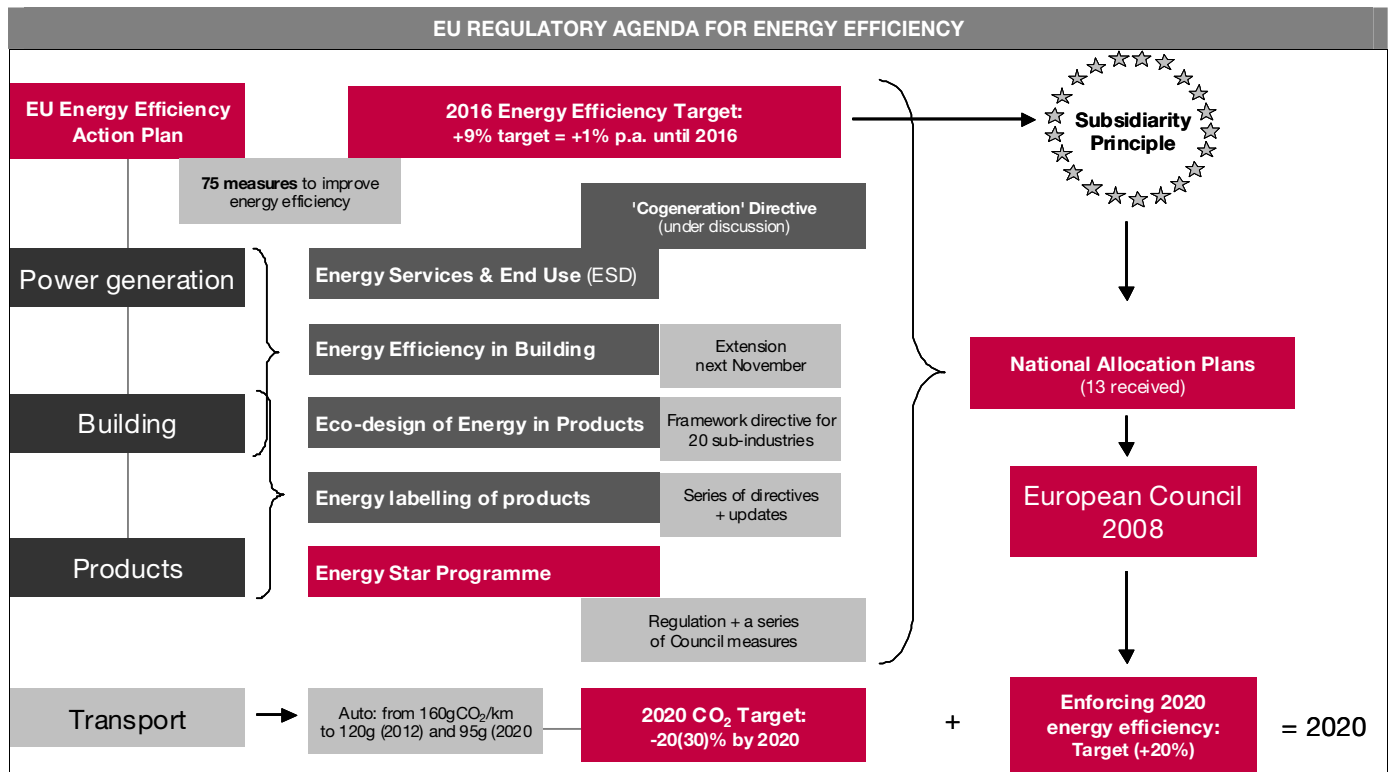
Energy needs for housing represent 25% of energy demand in the European Union. Since 2003, the EU has recommended that household appliances be labelled, with the intention of increasing consumer awareness on the real energy use of household appliances. This should also encourage manufacturers of household appliances to improve product design with a view to reducing energy consumption. Similarly, the building sector as a whole accounts for 40% of the EU's energy requirements and offers the largest potential for energy efficiency.

Making consumers more responsible

The EU has directed that by end 2008 every home, flat and commercial building will have to be inspected, with an energy performance certificate issued.

A major challenge for the building sector

These directives fuel demand for energy audits and certification for players in the building sector and for households, and hence provide a potential market for players such as Bureau Veritas and SGS.



Source: Cheuvreux

Increased vigilance regarding air quality

Eurofins Scientific has a strong positioning in bioanalysis

The challenge of the quality of air and water

The numerous risks presented by volatile organic compounds (VOCs), which can be found in a wide range of everyday products such as solvent-based paints and printing inks, have led the public authorities to increase the amount of regulations in order to restrict the use of VOC emitting products and encourage substitution. France, within the framework of the Gothenburg protocol, committed to reducing its VOC emissions by around 40% between 1999 and 2010. These commitments were enshrined in the EU Directive of 23 October 2001, which set a national VOC emission ceiling for France of 1,050 kilotonnes, to be attained by 2010.

In Hong Kong, the Air Pollution Control Ordinance Regulation, effective since 1 April 2007, is another measure aimed at controlling VOC emissions. It imposes maximum limits on the VOC content of architectural paints/coatings, printing inks and six selected consumer products - air fresheners, hairsprays, multi-purpose lubricants, floor wax strippers, insecticides and insect repellents. The limits have been enforced in phases since 1 April 2007, putting Hong Kong on a par with the internationally most stringent Californian standards, and in a leading position in the region to impose VOC limits on selected products.

This tightening of the legislation is a typical new opportunity for players such as Bureau Veritas, SGS, Eurofins Scientific and Intertek. With the coming into affect of the new VOC regulation in Hong Kong, SGS increased its headcount in this field in Hong Kong in 2007.

Similarly, dioxins and PCBs are also the subject of increased vigilance and feature in the Stockholm Convention on Persistent Organic Pollutants (POP). These chemicals have led to growing concerns about their long-term impact on human health in the case of consumption of products likely to contain high levels of these contaminants. Over the past few years Eurofins Scientific has been carrying out analyses in this field with accredited methods.

Global concerns

In the US, faulty regulations suggest that reforms will ultimately become inevitable. The standards governing air quality (in the Clean Air Act) and aimed at reducing pollutant emissions were last revised in 1990. In 2006, several states argued before the Supreme Court that carbon dioxide (CO₂) should be classified as a pollutant. In April 2007, the Supreme Court ruled that greenhouse gases fall under the legal definition of gases polluting the atmosphere. This decision gives the Environmental Protection Agency (EPA) the power to regulate emissions of these gases, including CO₂.

Water analysis is a major market

The upcoming deregulation of the water analysis market (estimated at around EUR100m p.a.) as from 2008 is also an opportunity for Eurofins Scientific, which already has strong positions in this segment in Germany and Denmark (Steins Laboratorium, which was bought in 2005) and which won an outsourcing contract from UK utility Southern Water in June 2007.

Application of standards on a voluntary basis

Certification is an activity in which an authorised body, independent of the parties at cause, provides written assurance that a product, process or services complies with specified requirements. The certification generally depends on standards. Unlike regulations, standards are technical documents that the interested parties apply voluntarily and that are established by all the economic players under the aegis of standards organisations such as AFNOR and other standards bodies for France, regional standards bodies CEN, CENELEC and ETSI for Europe, and international organisations ISO and IEC (International Electrotechnical Commission).

Standardisation in response to regulations

At present there are 31,300 French standards (NF), 16,400 European standards (EN and ETS) and 20,950 international standards (16,455 from ISO and 5,300 IEC).

The harmonised standards serve as a guide for the application of EU Directives and benchmark for product design. From an industrial standpoint, their requirement are mainly set by regulatory texts.

ISO (International Organization for Standardization) certification

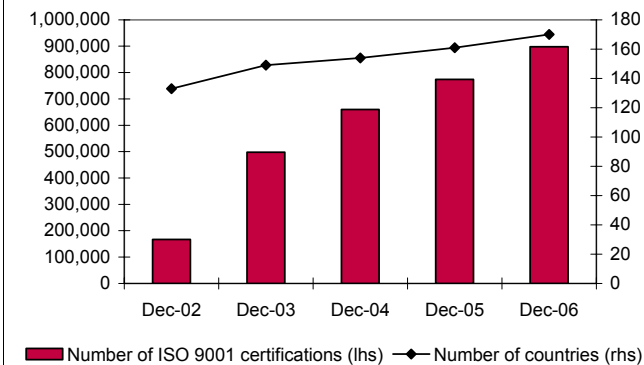
Out of the ca. 16,500 ISO standards, ISO 9001 and ISO 14001 are among the most widely applied. These two standards give requirements for quality management and environmental management systems respectively and are used worldwide by public and private-sector companies and organisations, in all fields of activity.

16,500 ISO standards

Even though certification is not mandatory for the application of these standards, users can choose to have their management systems audited and certified independently. Several thousand companies have thus decided to obtain such certification, which enhances their implementation of these standards.

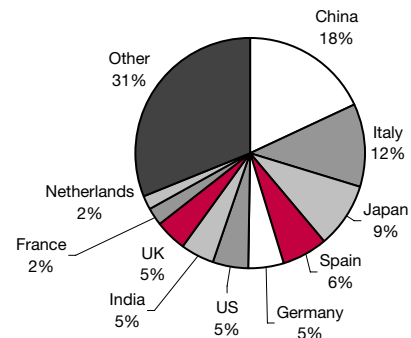
The number of certifications delivered every year for the two above-mentioned standards is on a constant uptrend and expanding more and more in developing countries. By 2006, 900,000 ISO 9001 certifications had been delivered since this standard was introduced, of which 162,259 in China.

ISO 9001 CERTIFICATION WORLDWIDE



Source: The ISO Survey, www.iso.org

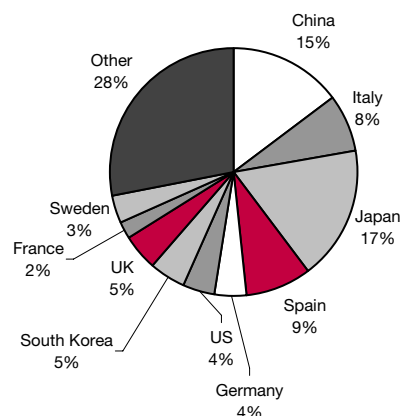
ISO 9001 CERTIFICATIONS BY REGION



Source: The ISO Survey, www.iso.org.

ISO 14001 is more recent and certifies a company's good environmental practices. It has also met with strong success, with over 129,199 certifications delivered worldwide to date.

ISO 14001 CERTIFICATIONS BY REGION



Source: The ISO Survey, www.iso.org

Regulations linked more to safety and specific to some sectors

Classification of ships for safety and environmental protection

Ships involved in international trade must comply with international safety and environmental protection regulations laid out in various texts of the International Maritime Organisation (IMO). Each country is responsible for enforcing and implementing these regulations for ships under its flag, and can delegate all or part of its powers to classification companies such as Bureau Veritas.

In this case, countries delegate a portion of their authority to the classification company to make sure that national and international rules are respected in terms of maritime safety and environmental protection. This includes the International Convention for the Safety of Life at Sea (SOLAS), codes on load lines (LL), the Convention on the Prevention of Maritime Pollution (MARPOL) and gauging of vessels.

Bureau Veritas carries out inspections and delivers statutory certificates on behalf of governments. This service includes reviewing the design, certifying the materials and equipment, and inspecting facilities. Shipbuilders can request that Bureau Veritas inspect a ship for both statutory regulations and in view of its classification. The classification company can then deliver statutory certificates on behalf of the merchant marine administration of the country in question. This business represents 11% of Bureau Veritas's sales.

Cargo scanning

Business opportunities may also lie in the introduction of non-intrusive cargo scanning in the US, where the goal is to achieve 100% cargo scanning by 2012, vs. the current level of 5%.

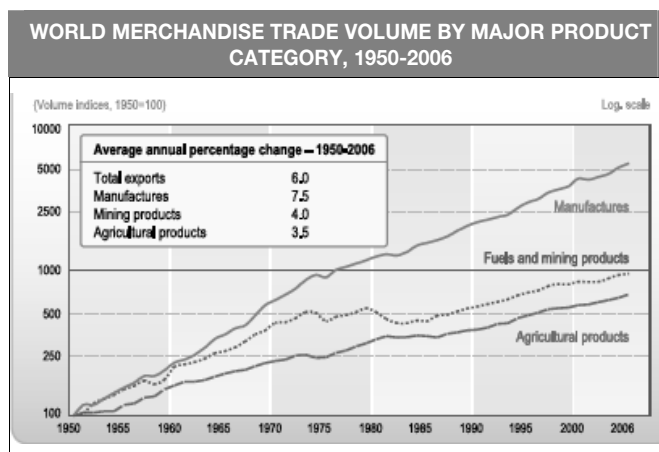
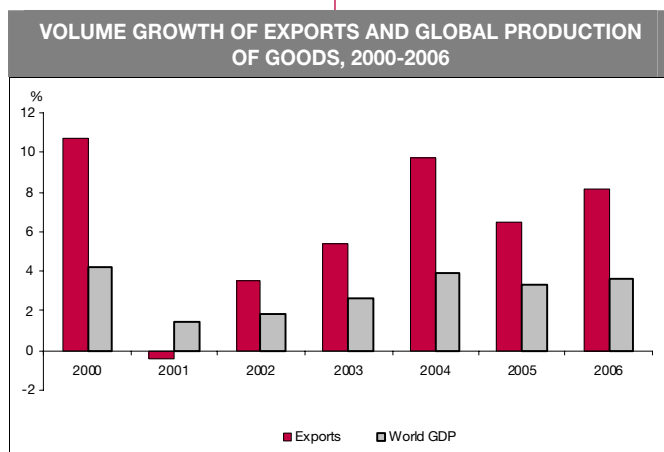
In the US, the main purpose of scanning is to detect special nuclear materials and other types of suspicious cargo. Cargo scanning is expected to be introduced in other countries as well.

Non-intrusive cargo scanning (or non-intrusive inspection, NII), or more specifically, the scanning of intermodal freight containers, is a technological challenge that has been subject to significant research activity in the past decade. In the US, it is spearheaded by the Department of Homeland Security and its Container Security Initiative (CSI), which endeavours to achieve 100% cargo scanning by 2012, as required by the US Congress and recommended by the 9/11 Commission. In the US, the main purpose of scanning is to detect special nuclear materials (SNMs), with the additional benefit of detecting other types of suspicious cargo. In other countries the emphasis is on manifest verification, tariff collection and the identification of contraband. As of 2007, less than 5% of incoming containers were scanned in the US.

■ Globalisation, a growth driver for testing and certification activities

Growth in world trade outstrips that of production

Globalisation results in growth in world trade outstripping that of global GDP, by a rate of nearly two to one since 2000. This trade includes manufactured goods, which have seen the most dynamic growth, up by 7.5% p.a. on average between 1950 and 2006, vs. 4% for fuels and mining products, and 3.5% for agricultural products.



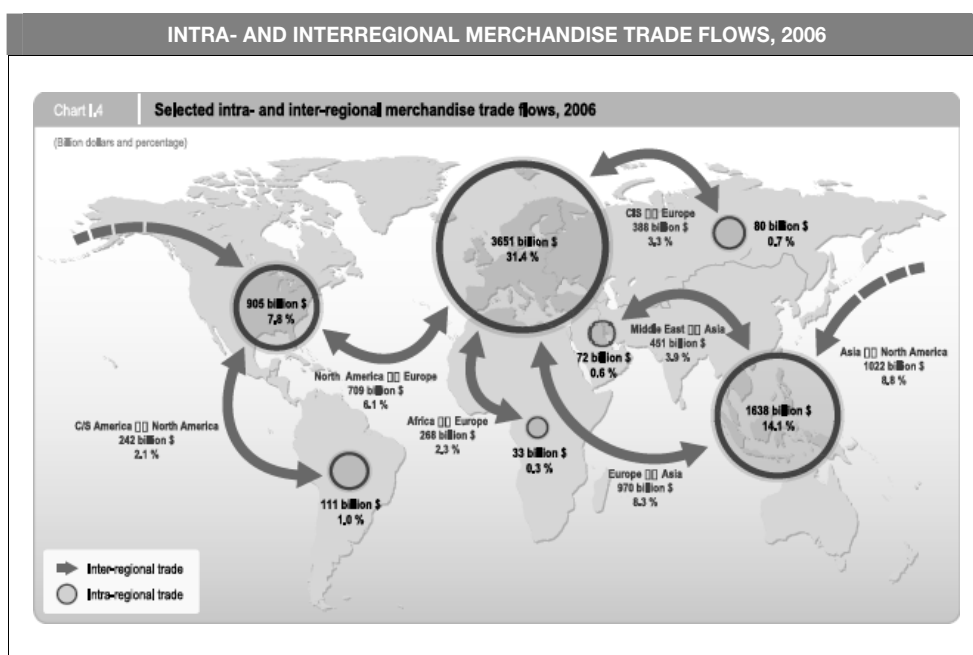
These figures reflect the sharp increase in flows, intermediaries between the producer and the end consumer, and clients' increased need for inspection of goods delivered.

Manufacturing is shifting to Asia

Increased risk in production chains: more sophisticated products and a larger number of suppliers

Social and environmental responsibility is gaining ground

While distances are still an obstacle, Asian exports to Europe nevertheless grew by more than 21% in 2006. Out of intra- and interregional trading volumes worth an estimated USD11,783bn in 2006, trade between Europe and Asia represented 8.3% and that between Asia and North America 8.8%, i.e. flows of USD970bn and USD1,022bn, respectively.



Source: WTO

A more complex production chain

The growth in Asian exports (up 10% p.a. over 2000-2006 vs. 5% for world exports) notably reflects the shift in labour-intensive industries to countries where labour costs are lower, as well as the increase in the number of products. Note that manufactured goods represented 82% of total Asian exports in 2006, vs. 70% worldwide. For clients, this trend also results in an increase in suppliers for the manufacture of a single product. This dispersion of the supply chain notably explains the increase in risks for clients and the need for greater control of the products sourced given the inability to master the entire manufacturing chain.

The increased number of risks is the source of more product recalls, which have not only an immediate financial cost, but also a longer-term cost in terms of reputation and market share. The latter cost is proportional to the substitution products and alternative brands available on the market.

Social and environmental responsibility issues

Note that quality and safety are the main issues for clients and result in implementation of a battery of tests. Companies' social and environmental responsibility increasingly prompts them to audit their suppliers or to require their suppliers to obtain certain certifications to guarantee that they respect major social and environmental principles in order to avoid the risk of boycotts. US and UK consumers are increasingly turning to boycotts. It is estimated that around 25% of European consumers (source: Credoc 2007) have already boycotted a specific product. The main reasons are:

- Child labour (57%):

- Redundancies when the company is making a profit (31%);
- Pollution (28%);
- Labour code not respected (21%).

Lastly, 91% of consumers state that they are prepared to boycott the products of companies with a poor record on social and environmental issues.

Changing modes of consumption

Increased consumption of manufactured goods, the rise in the number of products to meet strong demand for change and innovation, and the shorter lifespan of products are all growth factors for the test market.

■ Stronger trend towards privatisation and outsourcing

Public authorities are increasingly turning to private companies for assistance or to delegate their control activities. For instance, in the construction sector, Japanese authorities have decided to privatise the review of building permit compliance with the town planning code for new buildings. Some US states, including Texas and California, have also decided to privatise their building permit review process. Other countries are likely to follow suit in this field.

Companies are also increasingly calling on private service providers for their control and inspection activities in the QHSE (quality, hygiene, safety and environment) segments, which involve numerous activities such as consumer product testing, raw materials testing, as well as verification of equipment and infrastructure.

Some companies, such as those in the pharmaceuticals sector, increasingly turn to groups such as Intertek and Eurofins Scientific to carry out clinical tests, and sometimes transfer their teams and laboratories to the groups to which they have outsourced this testing.

At present, it is estimated that just 30% of the testing and certification market is in the hands of private-sector players.

■ Macroeconomic factors remain upbeat

Higher raw materials prices

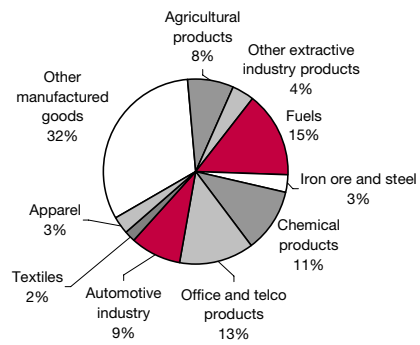
Aside from the phenomenon of increased trade due to globalisation, the economic environment – and thus the rate of growth in trade linked to demand – favours some activities of groups such as SGS or Intertek, which generate a portion of their sales in the inspection of raw materials cargos. These activities involve verifying quantities and the quality of the volumes traded, and thus depend partly on the economic environment.

Cargo inspection activities have been particularly favoured in the past few years as the underlying goods have increased in value, thus raising the financial stakes.

As a result, in the recent past, the value of fuels and extractive industry products has largely exceeded that of manufactured goods and agricultural products, whereas volume growth has been higher for the latter two categories. In 2006, the growth in value terms of fuels and mining products was 27% vs. 13% for manufactured goods and 11% for agricultural products, while volume growth for the three categories was 3.1%, 9.9% and 5.9%, in that order.

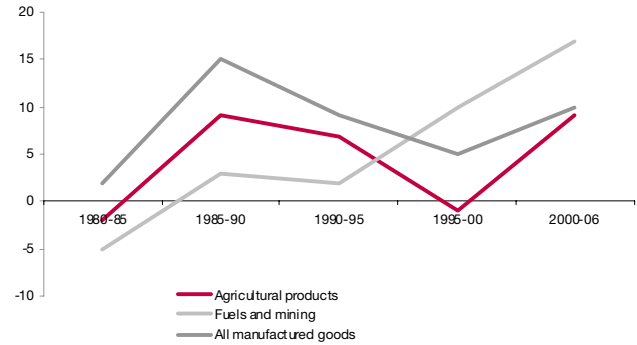
**More challenges for
cargo transport**

BREAKDOWN OF WORLD MERCHANDISE EXPORTS BY PRODUCT CATEGORY IN 2006 IN VALUE TERMS



Source: WTO, Cheuvreux

AVERAGE % CHANGE P.A. IN WORLD MERCHANDISE EXPORTS IN VALUE TERMS



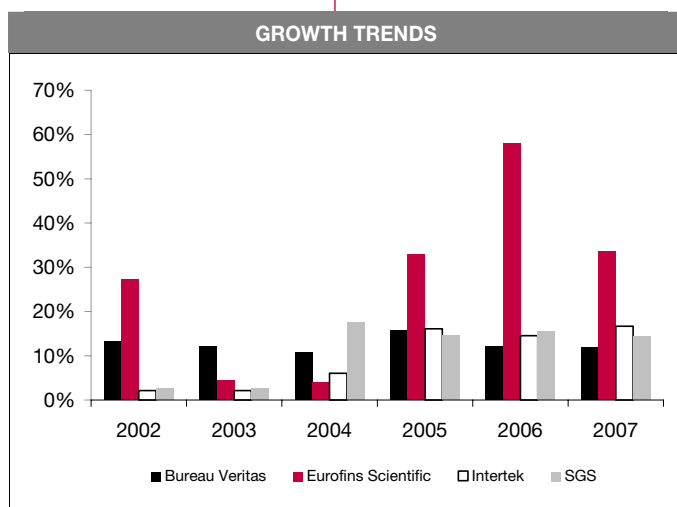
Source: WTO, Cheuvreux

IV – Prospects for the four groups

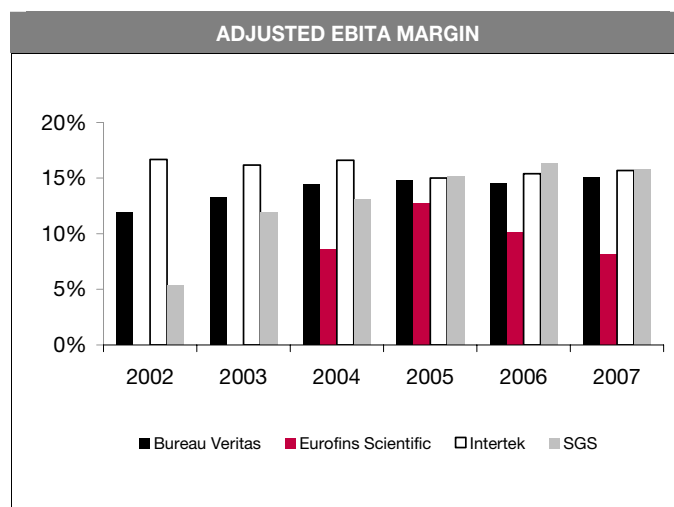
In the past, Bureau Veritas, Eurofins Scientific, Intertek and SGS have achieved strong growth driven by structural and macroeconomic growth factors, along with additional external growth. In the years to come, despite a challenging economic context, we believe that the four groups will be able to maintain a robust pace of growth (at between 7% and 10% organically). We expect significant margin improvement for Eurofins Scientific and SGS, more moderate modest expansion at Bureau Veritas, and fairly flat margins for Intertek. All four groups are officially targeting external growth, and three of them (Bureau Veritas, Eurofins Scientific and Intertek) have good track records in terms of acquisitions. With regard to risks, SGS has the lightest financial structure with the currency risk under control.

■ Strong growth

Since 2000, Bureau Veritas, Eurofins Scientific, Intertek and SGS have posted average growth rates of 13.5%, 38.3%, 10% and 9.1% p.a., respectively, with average organic growth rates estimated at 8.8%, 11%, 9.4% and 8.8%, in that order. In terms of the operating margin, Bureau Veritas, Intertek and SGS generate very similar EBITA margins of 15.1%, 15.7% and 15.8%, respectively, while Eurofins Scientific's EBITA margin is lower (8.2% in 2007).



Source: Cheuvreux



Source: Cheuvreux

Over the coming years, despite the economic slowdown, we believe that this sector is fairly protected in terms of growth and profitability, as its growth is driven by lasting structural factors and short-term factors contribute only a few additional growth points.

The four players – Bureau Veritas, Eurofins Scientific, Intertek and SGS – have somewhat different degrees of sensitivity to the aforementioned factors.

In our view, Eurofins Scientific is the player in our sample with the lowest exposure to the macroeconomic context, with the exception of its activities in the agrifood sector, which are sensitive to growth in international trade.

Bureau Veritas is exposed to the construction sector via its validation activity for residential and commercial building permits (around 50% of its construction activity's revenues) and, to a lesser extent, international merchandise trade via its ship classification business. Higher raw materials and energy prices also have a positive impact on its recently-acquired ore business (added with the Amdel acquisition in April 2008) and its energy infrastructure activity, as higher prices foster new mining or energy projects.

Intertek and SGS are exposed to trade volumes for raw materials via their cargo inspection activities and because the high prices of these raw materials makes testing even more crucial.

The strengthening of environmental and health regulations affects all four players, while Eurofins Scientific is less exposed to security regulations or growth in trade.

EXPOSURE OF EACH SECTOR PLAYER TO GROWTH DRIVERS

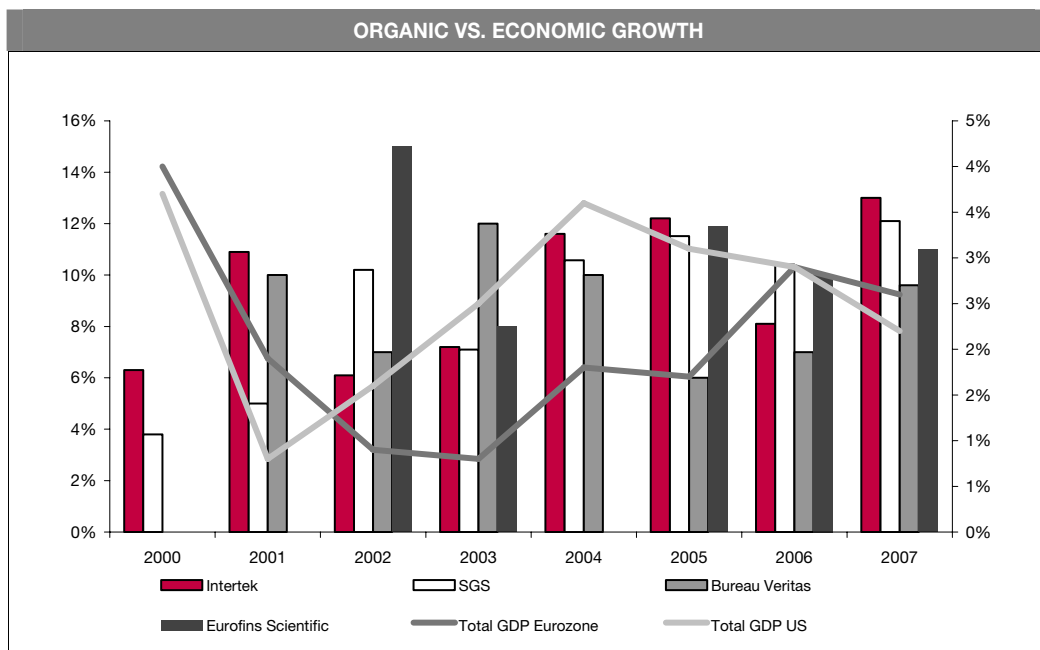
	Driver orientation	Bureau Veritas	Eurofins Scientific	Intertek	SGS
Economic environment factors					
Raw materials prices	↗	•		••	••
International trade	↗	•	••	••	••
Construction	↘	••			
Consumer spending	↘	•		•	•
Industrial investment	↘	••	•	••	••
Industrial factors					
Environmental and health regulations	↗	•••	•••	•••	••••
Safety regulations	↗	•••	•	•••	•••
Outsourcing and privatisation	↗	•	•••	•••	••
Globalisation	↗	•	•	•••	••

Source: Cheuvreux

Additional points of growth for SGS and Intertek

At this point in time, in our view, Intertek and SGS seem to be the players most supported by economic factors (notably the increase in raw materials prices and growth in trade volumes) but, like Bureau Veritas and Eurofins Scientific, they also benefit from strong and durable structural growth factors. In our view, these economic factors are contributing additional points of organic growth to both groups at present.

The organic growth rates recorded by the four groups over the period 2000-2003 provide a good illustration of this resilience, at above 5% p.a. (SGS is a special case). Note also that the groups' business portfolios have been diversified since then, reducing the sensitivity to the economic environment and also the exposure to highly volatile government services business lines.



Source: Cheuvreux

SGS posting the strongest margins and organic growth

We expect SGS to achieve average growth of 10.9% p.a. out to 2010E, together with margin improvement, leading to an EBITA margin of 17.8% in 2010E vs. 15.8% in 2007.

GROWTH AND OPERATING MARGIN PROSPECTS

(%)	2007	2008E	2009E	2010E
% Change, sales	14.4%	9.6%	12.1%	11.1%
% Chg., organic (at const. currencies)	12.1%	13.4%	11.4%	10.5%
% Chg., external	0.9%	1.1%	0.8%	0.7%
EBITDA margin	20.8%	21.5%	21.8%	22.1%
EBITA margin	15.8%	17.0%	17.4%	17.8%

Source: Cheuvreux

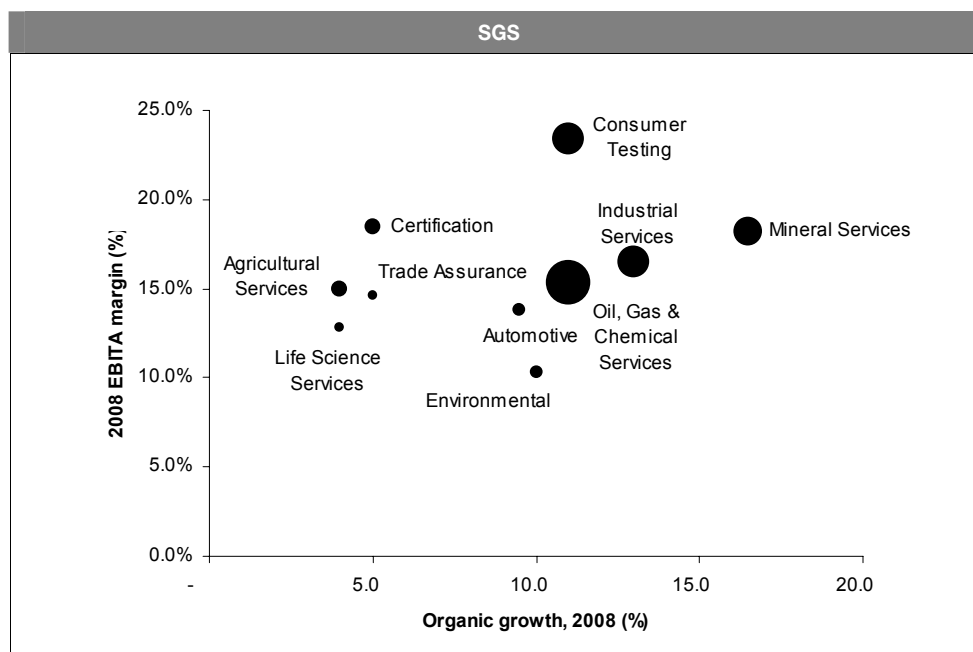
We expect the lion's share of the group's growth to be organic. Our estimates for SGS include little external growth (around 1% p.a.) given the lack of visibility on the timeframe for such transactions and its minimal track record in this respect. As regards organic growth in 2007, only two activities, agricultural and life science services, representing 13% of sales, achieved organic growth of less than 9%. In 2008-2010E, we estimate that four businesses will continue to post very strong organic growth: mineral services (15% p.a.); oil, gas & chemical services (10% p.a.); consumer testing (12% p.a.); and industrial services (12% p.a.). These represent around 64% of the group's total sales. In H1-08, these four divisions reported growth rates of 31%, 11%, 18% and 17%, respectively.

These four business lines also generate high margins, notably mineral services (EBITA margin of 17.5%), industrial services (16.1%) and consumer testing (23.2%). These margin levels and growth rates should help to improve the group's overall margin. We also expect a significant improvement from the life science services and agricultural services businesses.

SGS: SALES BY BUSINESS

Business	As a % of sales			Organic growth (%)			EBIT margin (%)		
	2008E	2009E	2010E	2008E	2009E	2010E	2008E	2009E	2010E
Agricultural services	8	8	7	4.0	4.7	4.7	15.0	15.5	16.0
Mineral services	14	14	15	16.5	15.5	14.2	18.2	18.6	19.0
Oil, gas & chemical services	21	21	21	11.0	10.0	9.8	15.3	15.6	16.0
Life science services	4	4	4	4.0	3.7	3.5	12.8	13.2	13.5
Consumer testing	15.1	15.4	15.9	11.0	11.5	12.5	23.4	23.6	23.8
Certification	7.7	7.3	7.0	5.0	5.5	5.5	18.5	18.6	18.8
Industrial services	14.5	14.8	15.0	13.0	12.0	11.0	16.5	16.9	17.5
Environmental	6.3	6.3	6.2	10.0	9.5	9.0	10.3	10.8	11.3
Automotive	5.6	5.4	5.3	9.5	7.0	6.5	13.8	13.9	14.1
Trade assurance	4.4	4.1	3.9	5.0	5.0	5.0	14.6	14.7	14.9

Source: Cheuvreux



Source: Cheuvreux

Intertek: less margin growth potential

Intertek now has four divisions (which are soon to be split into eight): oil, chemical and agro, commercial and electrical, consumer goods, and government services, which currently represent 47%, 23%, 23% and 7% of the group's sales respectively. The two operations that generate the strongest operating margins are the consumer goods division (EBIT margin of 30%) and the commercial and electrical division (15%). Over the next few years, we expect the group's operating margin to remain relatively stable (2010 EBITA margin of 15.6% vs. a 2007 EBITA margin of 15.7%) given the change in the business portfolio, with strong growth in the oil, chemical and agro businesses, along with the expansion targeted in analytical services and mineral services, which are expected to generate an operating margin of around 15%.

INTERTEK: SALES BY BUSINESS

(%)	As a % of sales			Organic growth (%)			EBITA margin (%)		
	2008E	2009E	2010E	2008E	2009E	2010E	2008E	2009E	2010E
Caleb Bret (mineral and oil testing, cargo inspection)	49.0%	50.3%	51.3%	13.0%	10.0%	8.0%	12.6%	13.0%	13.0%
ETL Semko (elect. and telecom testing, building products)	23.4%	24.0%	24.5%	8.0%	7.0%	7.0%	15.2%	15.4%	15.6%
Labtest (toys, textiles testing)	21.6%	20.1%	19.0%	15.0%	13.0%	11.0%	30.5%	30.3%	30.2%
Foreign trade standard	5.9%	5.5%	5.2%	0.0%	0.0%	0.0%	14.0%	14.0%	14.9%

Source: Cheuvreux

Growth at the group is thus set to remain robust with a CAGR for 2007-2010E of 12.5% est. Thus by 2010, we expect an EBITA margin of 15.6% on sales totalling GBP1,105m.

INTERTEK: GROWTH AND OPERATING MARGIN PROSPECTS

(%)	2007	2008E	2009E	2010E
% Change, sales	16.7%	20.0%	10.0%	7.9%
% Chg., organic (at const. currencies)	13.0%	11.3%	9.4%	8.3%
% Chg., external	9.5%	11.8%	3.5%	0%
EBITDA margin	19.6%	19.5%	19.6%	19.6%
EBITA margin	15.7%	15.5%	15.6%	15.6%

Source: Cheuvreux

Bureau Veritas: Organic and external growth

Bureau Veritas is targeting growth by 2011 of 15% p.a. of which 8% like for like, similar to that achieved since 2000. It is well on the way in 2008 with growth of around 9% and external growth of at least 9% (2007 and 2008 acquisitions). The group is looking to achieve an EBITA margin of 16% in 2011, excluding acquisitions. We are looking for an EBITA margin of around 15.8% in 2010, excluding further acquisitions.

BUREAU VERITAS: GROWTH AND OPERATING MARGIN PROSPECTS

(%)	2007	2008E	2009E	2010E
% Change, sales	11.9%	16.5%	9.4%	7.8%
% Chg., organic (at const. currencies)	9.6%	8.2%	7.6%	8.2%
% Chg., external	5.0%	12.9%	1.7%	0.0%
EBITDA margin	15.1%	16.7%	17.0%	17.3%
EBITA margin	15.1%	15.3%	15.5%	15.8%

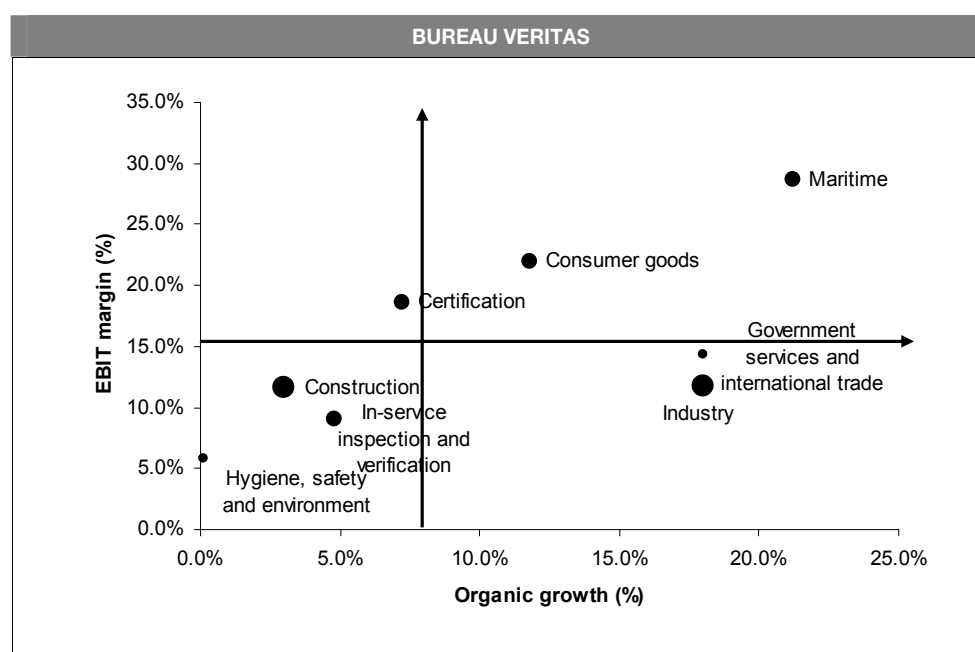
Source: Cheuvreux

The group has the potential to leverage its margins in ISV and HSE (achieving critical mass, cleaning up of portfolios), whose margins remain very much below those of the group.

BUREAU VERITAS: SALES BY BUSINESS

(%)	% of sales			Organic growth (%)			EBIT margin (%)		
	2008E	2009E	2010E	2008E	2009E	2010E	2008E	2009E	2010E
Consumer products	11.4%	12.6%	13.2%	17%	14.0%	14.0%	23.0%	22.0%	22.0%
Marine	11.5%	13.0%	13.8%	17%	16.0%	15.0%	28.0%	26.0%	26.0%
GSIT	6.6%	6.8%	6.6%	0%	5.0%	5.0%	13.5%	14.0%	14.2%
Construction	17.9%	17.4%	16.4%	1%	0%	2.0%	11.0%	10.0%	11.5%
Industry	18.2%	16.8%	17.6%	22%	13%	13.0%	13.0%	14.5%	15.0%
ISV	13.2%	13.5%	13.2%	5%	6%	6.0%	10.5%	11.0%	12.5%
HSE	8.9%	8.9%	8.6%	-2%	3%	4.0%	6.8%	7.0%	8.0%
Certification	10.9%	11.1%	10.7%	4%	5%	5.0%	19.0%	19.0%	19.0%

Source: Cheuvreux



Source: Cheuvreux

Eurofins Scientific: growth to the detriment of margins

Eurofins Scientific aims to generate EUR720m in sales in 2009 and EUR1bn by 2011, vs. EUR492m in 2007, thanks to a mix of organic and acquisition-led growth. The group still has a large pipeline of potential acquisitions. Acquisitions also drive organic growth to the extent that newly-integrated entities benefit from strong commercial synergies within the group, which has a vast client base. While ambitious, the group's medium-term objectives are equally credible, in our view. We currently estimate sales of EUR733m in 2009 and EUR879m in 2010, with organic growth of 8% to 10% over the period. Eurofins Scientific has already proven its capacity to restore margins to historical levels, in particular between 2003 and 2005. There is therefore a genuine rationale to these newly-acquired entities reaching cruising speed within three to four years after their integration. Hence we are looking for an EBITA margin of 11.6% by 2010E.

EUROFINS: GROWTH AND OPERATING MARGIN PROSPECTS

(%)	2007	2008E	2009E	2010E
% Change, sales	33.6%	26.3%	18.1%	19.9%
% Chg., organic (at const. currencies)	11.0%	11%	10%	9%
% Chg., external	22.1%	17.1%	8.1%	10.9%
EBITDA margin	13.4%	13.8%	16.3%	17.4%
EBITA margin	8.2%	8.2%	10.4%	11.6%

Source: Cheuvreux

In the longer term, the group could achieve an EBITA margin of 15% if the portion of growth attributable to acquisitions decreases significantly. From 2010 onwards, our purely organic growth scenario would enable the group to generate an EBIT margin of 15% as from 2014.

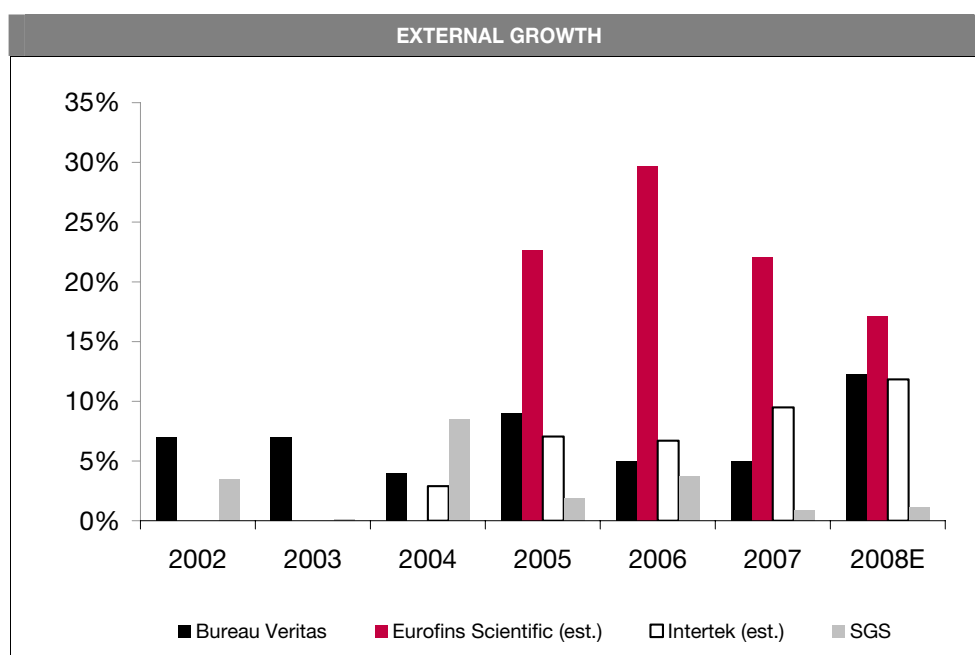
■ Acquisitions: growth accelerators

The four groups have carried out a large number of acquisition in the past five years in relatively fragmented markets. We estimate the impact on Bureau Veritas, Eurofins Scientific, Intertek and SGS's sales to have been EUR354m, EUR190m, EUR222m and EUR273m over the 2004-2007 period, representing growth vs. 2004 sales of 25%, 100%, 30% and 15%, respectively.

Eurofins Scientific is clearly the most aggressive player in acquisition terms, external growth standing at more than twice its organic growth (22% in 2007 vs. 11%) whereas SGS is lagging somewhat with external growth of 0.9% in 2007 and 3.7% in 2006. External growth is more regular at Bureau Veritas at roughly the same level as organic growth. These growth rate differentials partly explain the gaps in profitability between the various groups, as acquisitions generally have a dilutive impact in margin terms over the first three to four years following the transaction.

Intertek also intends to further its growth through acquisitions. Since the beginning of 2008, it has acquired 16 companies for a total of GBP46m. Through these acquisitions, group is seeking to round out its geographical cover and its skill base. The targets remain moderate in size with an operating margin that is generally close to that of the group. We have not factored any additional external growth into our forecasts, as the group does not provide any acquisitions targets for the year.

Acquisitions also remain a priority for SGS's management, which notably has at its disposal a considerable cash pile and equally significant annual cash flow. The group's acquisition pipeline consists of 50 or so targets realising average sales of CHF50m i.e. potential additional revenues of CHF200m-300m (4-7% of SGS's full-year 2007 sales).



FINANCIAL INVESTMENT AS A % OF SALES

	2004	2005	2006	2007
Bureau Veritas	3.2%	9.8%	2.7%	11.1%
Eurofins Scientific	4.6%	19.8%	16.3%	13.7%
Intertek	5.3%	7.7%	5.6%	11.1%
SGS	15.3%	3.4%	6.7%	1.5%

Source: Cheuvreux

CAPEX AS A % OF SALES

	2004	2005	2006	2007
Bureau Veritas	2.4%	2.6%	2.4%	2.5%
Eurofins Scientific	6.8%	8.6%	7.0%	9.8%
Intertek (GBP)	5.6%	5.4%	6.5%	5.7%
SGS	6.5%	5.7%	6.3%	6.5%

Source: Cheuvreux

TOTAL INVESTMENT AS A % OF SALES

	2004	2005	2006	2007
Bureau Veritas	5.6%	12.4%	5.1%	13.6%
Eurofins Scientific	11.3%	28.4%	23.3%	23.5%
Intertek	10.9%	13.1%	12.0%	16.8%
SGS	21.7%	9.2%	13.0%	8.1%

Source: Cheuvreux

■ Limited interest rate and currency risks

Debt structure

The acquisition and also the dividend policies explain the difference in the four groups' financial footing. For Bureau Veritas, this is notably very much linked to its core shareholder, Wendel, which after acquiring a stake in the group in 2004 and buying out minority interests, is seeking to retrieve its initial investment and maximise the return on equity via its dividend and capital decrease policy. Thus, Bureau Veritas currently presents the highest gearing, although this still respects the covenants renegotiated prior to its flotation and high return on equity.

Conversely, SGS is the least indebted but is far from having optimised its balance sheet. The group, whose share performance suffered last year in the absence of any significant acquisitions, is likely to continue its share buyback programme (March 2007 to December 2009) with 26,000 shares bought back so far, and barring any major acquisitions, an exceptional dividend paid out as in 2007 (exceptional dividend payment of CHF15 in 2007, i.e. a pay-out ratio of 53%).

Eurofins and Intertek maintain balanced financial structures that should enable them to further their external growth.

NET DEBT

Local currency	2004	2005	2006	2007	2008E	2009E	2010E
Bureau Veritas	416	500	498	878	638	464	267
Eurofins Scientific	32.9	69.5	159.5	155.8	183	265	338
Intertek	130	144	148	187	179	119	50
SGS	(437)	(513)	(215)	(378)	(607)	(970)	(1 389)

Source: Cheuvreux

GEARING

(%)	2004	2005	2006	2007	2008E	2009E	2010E
Bureau Veritas	797%	245%	218%	531%	191%	88%	36%
Eurofins Scientific	50%	84%	155%	72%	78%	99%	107%
Intertek	N/S	241%	141%	106%	74%	37%	12%
SGS	-36%	-35%	-14%	-19%	-27%	-35%	-43%

Source: Cheuvreux

No risks as regards covenants being met

Respecting made-to-measure covenants

Bureau Veritas and Intertek respect the covenants negotiated with the banks with Net debt/EBITDA and EBITDA/financial expense multiples of 3x and 5.5x and 1.2x and 3.5x, respectively.

For Eurofins Scientific, the maximum covenants max are a Net debt/EBITDA of 3.5x and gearing of 1.5x. These stood at 1.8x and 0.6x, respectively, at 31 March 2008. Note that the perpetual bond issued in May 2007 for EUR100m is assimilated with equity while reducing the net debt at the same time and helping to improve the covenant ratios.

For the time being, excluding further very large acquisitions, the four players respect their covenants and the cash flow generated by each will contribute to improving these ratios.

NET DEBT/EBITDA

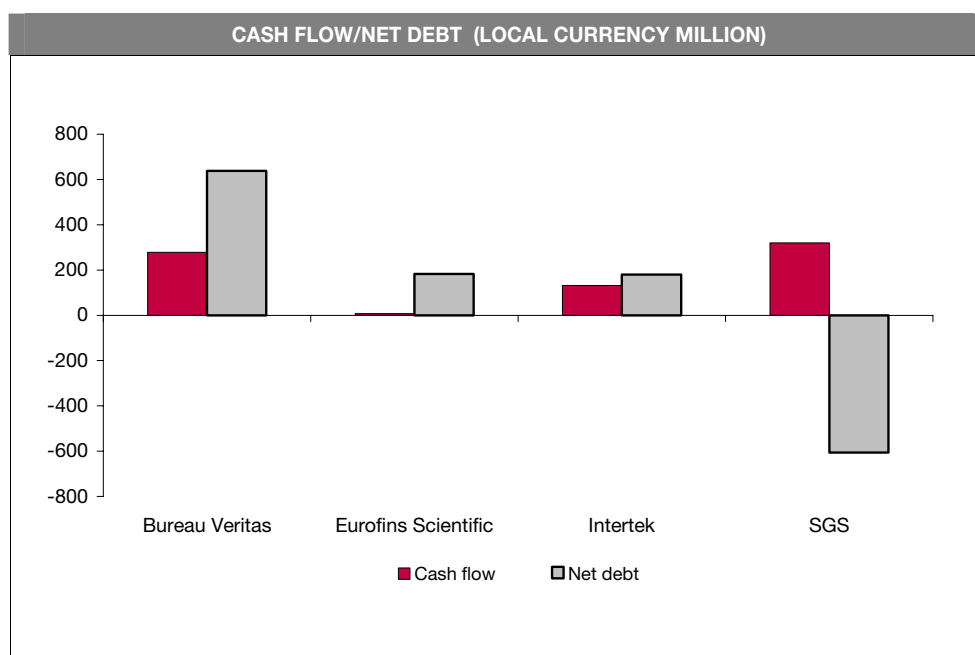
	Covenants	2007	2008E	2009E	2010E
Bureau Veritas	3.0x	2.1	1.6	1.1	0.6
Eurofins Scientific	3.5x	2.4	2.1	2.2	2.2
Intertek	3.5x	1	1.0	0.6	0.2
SGS		N/S	N/S	N/S	N/S

Source: Cheuvreux

EBITDA/FINANCIAL EXPENSE

	Covenants	2007	2008E	2009E	2010E
Bureau Veritas	≥ 5.5x	8	12.5	18.8	35.7
Eurofins Scientific	N/A	5.7	4.9	6.3	6.5
Intertek	≥ 4.2x	14.9	16.8	28.2	74.2
SGS		N/S	N/S	N/S	N/S

Source: Cheuvreux



Source: Cheuvreux

Credit lines recently renegotiated

Interest rate risk for variable rate loans

Bureau Veritas has a variable rate debt with the Libor USD and the Libor EUR as benchmark rates. The margin on these rates is 40bp. The loans negotiated on this basis mature in 2012-2013. Based on actual rates, we estimate the group's average interest rate was 5.5% in 2007.

Intertek negotiated a credit facility of GBP400m at Libor GBP plus a margin of between 30bp and 60bp. The group had an average gearing of 6% est. in 2007. These credit lines mature in December 2011.

Eurofins Scientific issued EUR120m in bonds with redeemable stock warrants in 2006. The maturity date for the issues is between 2011 and 2013. The bonds issued produce quarterly interest, at three-month Euribor plus 0.85% p.a. at maturity.

The group also carried out a EUR100m issue of perpetual subordinated bonds in May 2007 on the Frankfurt stock exchange. The notes yield a fixed-rate coupon of 8.081% for a period of seven years. Although this was a perpetual bond issue, Eurofins reserves the right to make an early call at par from May 2014. The structure of the perpetual bonds guarantees that this financial instrument is recognised under shareholders' equity under the IAS 32 standard. For this reason, the tax-deductible interest is not included under interest expense, but booked in the same way as dividends for shareholders.

Currency risks

Intertek and SGS are the two groups with the greatest exposure to currency risks, including the euro, the US and Canadian dollar and Asian currencies. In 2007, currencies carved 5.8% from Intertek's sales and 30bp from the operating margin; for SGS, the impact was a positive 1.5% on sales. In full-year 2008, the trend in the pound sterling vs. other currencies is likely to benefit Intertek (positive currency effect of 3% expected), whereas SGS will be hurt by the appreciation in the Swiss franc vs. other currencies (negative currency effect of 7% in H1-08 on sales and 9% on operating profit). For Bureau Veritas, the currency risk concerns 37% of sales and remains relatively neutral in margin terms. Eurofins Scientific remains the group that is the least exposed to currency fluctuations, with around 77% of sales euro-denominated.

SALES BY CURRENCY

	USD	EUR	Asian curr.	GBP	Other
Bureau Veritas	18%	43%	14%	7%	18%
Eurofins Scientific	12%	77%			10%
Intertek	28%	10%	25%	10%	37%
SGS	15%	36%	8%	4%	28%

Source: Cheuvreux

CURRENCY EFFECTS

(%)	2006	2007	2008E
Bureau Veritas	0%	-2.4%	-2%
Eurofins Scientific (estimated)	-0.1%	-0.7%	-2%
Intertek (estimated)	-0.3%	-5.8%	3%
SGS	1.4%	1.5%	-5.4%

Source: Cheuvreux

Company profiles

- **Bureau Veritas**
- **Eurofins Scientific**
- **Intertek**
- **SGS**

MULTI-SERVICES

Bureau Veritas

A growth stock with limited risk

■ Recent events – Q1-08 still strong

The group reported Q1-08 sales growth of 17.6% o/w 9% organic, in line with its full-year target (sales growth of 15% with a stable operating margin excluding further acquisitions). Organic growth was underpinned by the very good performances of the marine, industry and consumer goods divisions (which achieved 17.7%, 23.6% and 18.3% growth, respectively), which largely made up for weak growth of less than 4% at the HSE, ISV, certification and government services & international trade divisions. Note also the recovery at the construction division, which reported growth of 5% thanks to infrastructure work activities and the increased privatisation of this type of services.

Outlook: Strong visibility and growth

We expect this firm organic growth, combined with acquisitions carried out since the start of the year and representing cumulative sales of around EUR150m, to ensure growth of around 17% in 2008E including a negative currency effect of 4%. Looking beyond 2008, the group's target is to maintain organic growth of 8% p.a., accompanied by an acquisition programme of EUR500m over the period 2007-2011, i.e., achieving sales of EUR3.7bn in 2011 with an EBITA margin of 16%. For the time being, we expect sales of EUR3bn in 2011E without integrating new acquisitions, and organic growth reduced to 7% given the more difficult economic outlook, although, in our view, the group is not very sensitive to the economic slowdown. We expect an EBITA margin of 15.8% in 2010E, i.e., an additional 70bp vs. 2007 on the back of margin improvement in ISV (9% in 2007) and HSE (5.8%) services following a clean-up of the business portfolio, and critical mass being achieved in these activities. With regard to external growth, the group has a portfolio of targets estimated to represent EUR800m in sales. Its high debt leaves little room for additional recourse to debt, in our view, but we believe the cash flow generation (EUR300m p.a.) is sufficient to finance its programme.

■ Resilience in the current economic situation

Over the period 2007-2011E, we expect EPS CAGR of 23% (excluding further acquisitions). The share is currently trading at 19x expected earnings in 2008, a level close to our worst-case scenario (EUR34), thus offering an investment opportunity with upside of 24% based on a cautious DCF (margin stabilising at 16% and average growth of 6% thereafter).

Rating 2/Outperform

Target price (6 months) +16.8% **EUR45**
Price (22/07/2008) **EUR38.54**

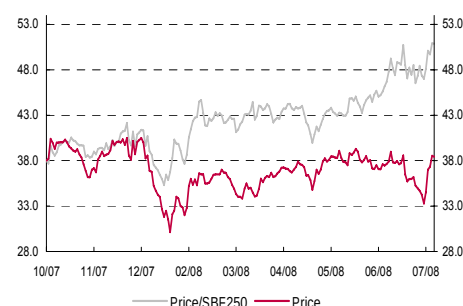
 Reuters: **BVI.PA** Bloomberg: **BVI FP**

Stock data

Market capitalisation	EUR4477m
Free float	EUR1280m
Enterprise value	EUR5627m
No. of shares, adjusted	116.16m
Daily volume	EUR 7.28m

Performances

	1 month	3 months	12 months
Absolute perf.	1.4%	2.4%	-
Relative perf.	6.4%	15.5%	-



Sector focus

Sector Top Picks	SGS
Least favoured	

Shareholders

Wendel Group 58.6%, Free Float 28.6%,
Autocontrol 7.8%, Management 4.0%, Employees
1.0%

	2007	2008E	2009E	2010E
P/E (x)	28.3	19.1	16.6	14.5
EV/EBITDA (x)	21.0	13.7	12.1	10.6
Attrib. FCF yield (%)	0.4	6.9	5.1	5.9
Net debt/EBITDA (x)	3.2	2.2	1.7	1.1
Yield (%)	1.5	1.8	2.1	2.1
ROCE (%)	24.9	31.8	34.6	37.4
EV/Capital empl. (x)	6.1	4.9	4.6	4.4

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Disclosures available on www.cheuvreux.com

■ Investment case

A tried and tested business model that is set to last

Over the past ten years, Bureau Veritas has posted **growth of 15% p.a.** via a mix of organic and external growth, together with an **improvement in profitability** (operating margin widening from 7.8% to 14.5%). The group's IPO has not changed its strategy for the coming years. Bureau Veritas aims to **double its 2006 sales** by 2011 through acquisitions (EUR500m in investment) and organic growth, i.e. to EUR3.7bn, **achieve an operating margin of 16%**, and **post net attributable profit growth of 15-20% p.a.**

The group's strategy is sound in view of the growth in its markets (estimated at EUR50bn), **which are driven notably by stiffer regulations in terms of safety, environment and quality, by increased outsourcing, and by an increase in the number of intermediaries in production chains.** Bureau Veritas generates a substantial share of its sales in services linked to the environment and corporate social responsibility (CSR). The group expects **average growth of 5-7% p.a. on its markets overall**, which it could outpace by strengthening its businesses (marine and industry, for example) and the most buoyant regions (Asia), and by benefiting from increasing outsourcing.

The extensive fragmentation of its markets offers the group **numerous external growth opportunities** despite competition over large-scale targets. Since the beginning of the year, Bureau Veritas has acquired EUR150m in sales. The balance sheet structure, which benefits from **optimised leverage and cash flow generation**, is likely to enable the group to pursue this strategy without making a call on the market. Excluding new acquisitions, **we project sales of EUR3.0bn in 2011E, i.e., a CAGR 2007-2011E of 10% (including 8% organic), and net attributable profit of EUR326m, i.e., a CAGR of 20%.**

■ SWOT analysis

Strengths

- Structural drivers: favourable regulations, growing outsourcing, globalisation
- Leader in several of its markets
- Positive track record in growth and margin improvement
- Diversified businesses
- Entry barriers: accreditation, reputation

Weaknesses

- High debt
- Construction sector sensitive to the economic situation
- Risk of legal disputes
- Exposure to currencies (21% USD, 8% GBP, 7% HKD)
- Dense local competition in the industry and facilities activities

Opportunities

- Tighter regulations
- Growing outsourcing and delegation
- Asia-Pacific region (one-third of EBIT)
- Fragmented markets

Threats

- Higher interest rates
- Risk of difficulties in integrating an acquisition

■ Valuation

DCF valuation:

We applied a WACC of 8.2% based on a beta of 1.0, a risk-free rate of 4.5%, a market premium of 4.0%, and a cost of debt of 5.5%.

In our DCF approach we drew up three scenarios (with growth to infinity of 2%):

■ A deteriorated situation scenario: growth of between 4.5% and 5.0% p.a. starting in 2010E, operating margin of 14%. We derive a value per share of EUR34 under this approach.

■ A central scenario: 2012-2018E growth of 6% p.a., operating margin at 16% starting in 2012. We obtain a value per share of EUR45.3.

■ A scenario with acquisitions: investment increased by EUR375m p.a. between 2009 and 2011E, resulting in additional value per share of EUR2.

In order to determine our target price, we weighted our different scenarios, assigning a higher probability to the central scenario and to the scenario with acquisitions. This results in a target price of EUR45 per share.

■ Company profile

Bureau Veritas is active in the verification, inspection/audit and certification of products, assets and applied management systems in the fields of quality, safety, the environment and social responsibility. The group ranks among the leaders in each of its markets and is organised into eight global businesses: marine (13% of sales), industry (13%), inspection and in-service verification or ISV (13%), health, safety and environment or HSE (10%), construction (20%), certification (11%), consumer products (13%), and government services and international trade or GSIT (7%). The group is now present in 140 countries and has 33,000 employees, with sales split as follows: 55% Europe, 16% North and South America, 24% Asia/Middle East and 5% Africa. The group generated sales of EUR2.1bn in 2007, with an adjusted operating margin of 15.1% and a net margin of 7.7%.

Bureau Veritas

FY to 31/12 (Euro m)	2005	2006	2007	2008E	2009E	2010E
Profit & Loss Account						
Sales	1,647.2	1,846.2	2,066.8	2,407.0	2,632.1	2,836.3
% Change		12.1%	11.9%	16.5%	9.4%	7.8%
Staff costs	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	(1,387.2)	(1,544.2)	(1,790.8)	(1,996.2)	(2,179.4)	(2,340.0)
EBITDA	260.0	302.0	276.0	410.8	452.7	496.3
% Change		16.2%	-8.6%	48.8%	10.2%	9.6%
Depreciation	(27.7)	(32.7)	(37.4)	(43.3)	(45.0)	(48.0)
EBITA	232.3	269.3	238.6	367.5	407.7	448.3
% Change		15.9%	-11.4%	54.0%	10.9%	10.0%
Goodwill amortisation before OP	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation [impairment test]	6.6	(10.9)	(9.9)	(10.0)	(6.0)	(6.0)
Non recurring operational items	(2.3)	(1.3)	36.7	(5.0)	(5.0)	(5.0)
EBIT	236.6	257.1	265.4	352.5	396.7	437.3
Net financial items	(17.5)	(37.9)	(47.7)	(55.3)	(45.0)	(35.4)
Non recurring financial items	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional items	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(66.0)	(62.1)	(54.9)	(68.5)	(87.9)	(100.5)
Associates [contribution]	0.0	0.0	0.0	0.0	0.0	0.0
Discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0
Net profit [loss] before minorities	153.1	157.1	163.4	228.7	263.8	301.5
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	(2.6)	(3.1)	(4.9)	(6.9)	(7.9)	(9.1)
Net attributable profit [loss]	150.5	154.0	158.5	221.8	255.9	292.4
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	0.0	0.0	0.0	0.0	0.0	0.0
Net attrib. profit [loss], restated	150.5	154.0	158.5	221.8	255.9	292.4
% Change		2.3%	2.9%	39.9%	15.4%	14.3%
Cash Flow Statement						
Cash flow	215.4	217.6	210.8	272.0	308.8	349.4
% Change		1.0%	-3.1%	29.0%	13.5%	13.1%
Change in WCR	(20.4)	(17.5)	(137.2)	111.6	(3.1)	(2.8)
Capex	(42.4)	(44.4)	(51.7)	(60.2)	(63.2)	(68.1)
o/w Growth capex	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	152.6	155.7	21.9	323.4	242.5	278.5
Financial investments	(162.2)	(50.2)	(230.0)	(294.0)	0.0	0.0
Net buyback of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	(15.5)	2.2	0.0	0.0	0.0	0.0
Dividend paid	(1.7)	(4.2)	(99.4)	(66.5)	(76.8)	(87.7)
Capital increase	0.0	(152.5)	(113.1)	0.0	0.0	0.0
Other cash flow	0.0	0.0	0.0	0.0	0.0	0.0
Dec. [inc.] in net debt	(26.8)	(49.0)	(420.6)	(37.1)	165.7	190.8
Balance Sheet						
Shareholders' equity [group share]	197.1	220.7	155.6	310.8	489.9	694.6
Minority interests	7.2	7.4	9.9	16.8	24.7	33.8
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.0	0.0	0.0	0.0	0.0	0.0
Net debt [cash]	500.2	498.2	878.0	915.1	749.3	558.4
Gearing [%]	244.8	218.4	NS	279.3	145.6	76.7
Capital invested	704.5	726.3	1,043.5	1,242.7	1,263.9	1,286.8
Goodwill	420.1	459.8	677.9	901.3	901.3	901.3
Intangible assets	51.7	50.3	0.0	55.9	55.9	55.9
Tangible assets	100.8	106.3	134.0	165.5	183.7	203.8
Financial assets	100.8	100.4	87.0	87.0	87.0	87.0
Associates	2.0	2.1	0.0	0.0	0.0	0.0
Working capital requirement	29.1	7.4	144.6	33.0	36.1	38.9
WCR as a % of sales	1.8	0.4	7.0	1.4	1.4	1.4
Capital employed	704.5	726.3	1,043.5	1,242.7	1,264.0	1,286.9

Bureau Veritas

FY to 31/12 (Euro)	2005	2006	2007	2008E	2009E	2010E
Per Share Data (at 21/7/2008)						
EPS before goodwill	1.30	1.42	1.43	2.02	2.33	2.66
% Change		9.6%	0.8%	41.0%	15.3%	14.1%
EPS, reported	1.30	1.42	1.36	1.91	2.20	2.52
% Change		9.6%	-3.9%	40.0%	15.4%	14.3%
Goodwill per share	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share	0.00	0.00	0.60	0.70	0.80	0.80
Cash flow per share	1.85	2.01	1.90	2.47	2.80	3.17
% Change		8.3%	-5.2%	29.8%	13.4%	13.1%
Book value per share	1.7	2.0	0.7	2.0	3.4	5.2
No. of shares, adjusted	116.160	108.419	116.160	116.160	116.160	116.160
Av. number of shares, adjusted	116.160	108.419	116.160	116.160	116.160	116.160
Treasury stock, adjusted	0.000	0.000	8.951	8.954	8.954	8.954
Share Price [Adjusted]						
Latest price	-	-	40.50	38.54	38.54	38.54
High	-	-	41.23	40.50	-	-
Low	-	-	35.71	27.20	-	-
Average price	-	-	39.04	36.27	-	-
Market capitalisation	-	-	4,623.9	4,476.8	4,476.8	4,476.8
Enterprise value	-	-	5,797.1	5,627.5	5,461.7	5,270.8
Valuation						
P/E	NS	NS	28.3	19.1	16.6	14.5
P/E before goodwill	NS	NS	28.3	19.1	16.6	14.5
P/CF	NS	NS	21.3	15.6	13.7	12.2
Attrib. FCF yield [%]	-	-	0.4	6.9	5.1	5.9
P/BV	NS	NS	NS	19.5	11.3	7.4
Enterprise value / Op CE	NS	NS	6.1	4.9	4.6	4.4
Yield [%]	0.0	0.0	1.5	1.8	2.1	2.1
EV/EBITDA, restated	NS	NS	21.0	13.7	12.1	10.6
EV/EBITA, restated	NS	NS	24.3	15.3	13.4	11.8
EV/Sales	NS	NS	2.8	2.3	2.1	1.9
EV/Debt-adjusted cash flow	NS	NS	21.3	16.5	14.8	13.1
Financial Ratios						
Interest cover	14.9	8.0	5.8	7.4	10.1	14.0
Net debt/Cash flow	2.3	2.3	4.2	3.4	2.4	1.6
EBITDA margin [%]	15.8	16.4	13.4	17.1	17.2	17.5
EBITA margin [%]	14.1	14.6	11.5	15.3	15.5	15.8
Net margin [%]	9.3	8.5	7.9	9.5	10.0	10.6
Capital turn [Sales/ Op. CE]	2.7	3.0	2.2	2.1	2.2	2.4
Gearing [%]	244.8	218.4	NS	279.3	145.6	76.7
Payout ratio [%]	0.0	0.0	44.0	36.7	36.3	31.8
Return [%]						
Pre-tax RoCE	38.6	43.2	24.9	31.8	34.6	37.4
RoCE after tax	38.5	43.0	24.9	31.7	34.5	37.2
ROE [%]	NS	NS	NS	NS	70.7	53.3
Return on equity, restated	NS	NS	NS	NS	70.7	53.3

HEALTHCARE PROVIDERS & SERVICES

Eurofins Scientific

2008 guidance reiterated and fully at hand

■ Profitability of business "under development" is improving

2007 EBITAS for the business "under development" was a loss of EUR4.5m versus a loss of EUR4.3m in 2006, but on sales that were twice as high (EUR181m vs. EUR96m). As a reminder, it usually takes three to four years for a newly-integrated entity to achieve a mature EBIT margin of ca. 15%. In Q1, the overall profitability improved with a pro-forma EBITAS of EUR2.5m, compared to EUR1.8m in 2007.

■ Credible prospects for 2008, both for sales and margins

10% organic growth on the 2007 sales pro-forma basis would be sufficient to achieve the 2008 target of EUR620m. The company recently confirmed its EBITAS target for the year (i.e. around EUR51m): circa a 15% margin for the up-to standard business, and slightly above zero for around EUR273m of non mature business. This is a credible level considering the performance achieved in 2007 in both types of businesses and given the fact that 2008 is set to show a relative lull in terms of acquisitions.

In addition, with less consolidation scope effect, a low level of acquisitions and better seasonality, EBITAS is set to significantly increase through the rest of the year, particularly in Q3 and Q4.

■ Still a solid growth story with strong market drivers

Fuelled by organic and external growth, we expect EUR989m of sales in 2011, i.e. a CAGR of close to 20%. The strengthening of regulations is one of the essential growth components of the bio-analysis market, while an easing of these rules is unlikely, in our view. In Q1-08, the company did not see a negative impact in relation with the change in the macroeconomic environment.

■ Strong rationale for high margins in the medium term

The mid-term operating margin target of 15% remains coherent as Eurofins Scientific has already proven its capacity to restore its profitability to historical peaks during lulls in external growth and in the creation of new subsidiaries. We currently assume an EBIT margin of 15% in 2014E, four years after the end of our acquisitions scenario.

■ Target price of EUR90 reiterated

A DCF approach on a pro rata temporis basis delivers a target price of EUR90, i.e., upside of 69% compared with the current share price. At this target price, the P/E for 2009E works out at 30x, which is high in absolute terms, but fully consistent with earnings growth that we estimate at 48% p.a. over the period 2008E-2010E.

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Rating

2/Outperform

Target price (6 months)

+66.2% EUR90

Price (22/07/2008)

EUR54.16

Reuters: EUFI.PA Bloomberg: ERF FP

Stock data

Market capitalisation	EUR756m
Free Float	EUR385m
Enterprise value	EUR943m
No. of shares, adjusted	13.954m
Daily volume	EUR 1.25m

Performances

	1 month	3 months	12 months
Absolute perf.	4.5%	-15.8%	-26.8%
Relative perf.	9.6%	-5.0%	1.7%



Shareholders

Free Float 51.0%, Martin Family 48.1%, Management And Employees 0.9%

	2007	2008E	2009E	2010E
P/E (x)	56.7	26.7	17.3	12.9
EV/EBITDA (x)	19.1	11.0	8.6	7.2
Attrib. FCF yield (%)	NS	0.9	3.4	5.6
Net debt/EBITDA (x)	2.4	2.1	2.2	2.2
Yield (%)	0.0	0.3	0.6	0.8
ROCE (%)	10.6	12.0	14.1	15.4
EV/Capital empl. (x)	3.3	2.1	1.8	1.6

Disclosures available on www.cheuvreux.com

■ Investment case

■ The company aims to participate actively in the sector consolidation

Eurofins aims to achieve EUR720m in sales in 2009 and EUR1bn by 2011, thanks to a mix of organic growth and acquisitions. Eurofins has confirmed that it still has a large selection of possible acquisitions. In addition, external growth boosts organic growth in that the newly-integrated entities benefit from strong commercial synergies within a group with a broad client base. While ambitious, we consider the mid-term objectives credible too. We currently integrate EUR733m of sales in 2009 and EUR989m in 2011, with an organic growth in a 8%-10% range over the period.

■ Mid-term EBIT margin target of 15% still coherent

Eurofins Scientific has already proven its ability to restore its margins to historical average levels, particularly between 2003 and 2005. There is therefore a genuine rationale for these newly-acquired entities to reach cruising speed within three to four years after being integrated. We therefore assume an EBIT margin of 15% as of 2014, i.e., four years after the end of our acquisitions scenario.

■ The share is still attractive, in our view, given its prospects for strong growth in sales and net profit

We expect a CAGR of 19% and 41% respectively over the period 2008-2011E.

■ SWOT analysis

Strengths

- Critical size enabling it to accept large contracts
- Organisation in centres of excellence with a range of 25,000 tests and recognised expertise

Weaknesses

- The pharmaceutical segment includes several competitors in the US that are much bigger than Eurofins Scientific

Opportunities

- Bio-analysis market still fragmented, in which Eurofins Scientific can optimally participate in the sector consolidation and become one of the key leaders. Increasingly strict standards and quality control

Threats

- Higher prices for acquisition targets.

■ Valuation

Our DCF approach values Eurofins Scientific at EUR90, with a WACC of 8.5%, including a cost of capital of 9.2%.

This method is appropriate for the company, which now offers a profile of steady and solid operating free cash flow generation.

The current share price implies a WACC of 10.6% (implicit cost of capital of 11.5%). We believe that this is too high in view of the critical size acquired, the group's demonstrated expertise in integrating the entities acquired and its ability to generate an operating margin of at least 15% at cruising speed for stabilised business activities.

Assuming a market risk premium of 4.0%, the implicit beta for Eurofins Scientific works out at 1.73 vs. less than 0.8 at present for players in the in vitro diagnostics segment, one of the closest sectors (barely 0.8 for pharmaceuticals over the long term, and 0.5 to 0.7 at present).

■ Company profile

Founded in 1987, Eurofins Scientific is a leading player in bio-analysis for the food, environmental and pharmaceuticals sector.

This market is estimated to be worth EUR10bn. In 1997, in a fragmented and often captive market, the company launched an aggressive external growth programme with a view to acquiring market share and technologies. Over the period 2002-2004, the company structured its network of laboratories around Competence Centres, on an international basis. This interlude in terms of changes in the consolidation scope enabled the company to raise its margins to historical highs.

After the sharp pick-up in acquisitions in 2005, 2006 and 2007. 2008 has emerged as the year for integrating the acquired companies, without this interlude bringing the pragmatic approach to targets to a halt.

Given its relatively bigger size, Eurofins benefits from a better position than purely financial players or small rivals for optimal participation in the sector consolidation and becoming one of the future leaders on a more concentrated market.

Eurofins Scientific

FY to 31/12 (Euro m)	2003	2004	2004	2005	2006	2007	2008E	2009E	2010E
Profit & Loss Account									
Sales	168.7	175.5	175.5	233.1	368.0	491.8	621.0	733.1	879.0
% Change	4.4%	4.0%	0.0%	32.8%	57.9%	33.6%	26.3%	18.1%	19.9%
Staff costs	(80.9)	(82.7)	(82.7)	(107.4)	(169.5)	(233.6)	(288.7)	(329.1)	(393.8)
Other costs	(64.4)	(67.0)	(67.0)	(83.3)	(141.5)	(192.1)	(246.2)	(284.4)	(332.0)
EBITDA	23.4	25.8	25.8	42.5	57.0	66.1	86.0	119.6	153.2
% Change	34.5%	10.2%		64.6%	34.3%	16.0%	30.0%	39.1%	28.1%
Depreciation	(10.3)	(10.8)	(10.8)	(12.7)	(19.7)	(25.9)	(34.9)	(43.1)	(51.0)
EBITA	13.1	15.0	15.0	29.7	37.3	40.2	51.1	76.4	102.2
% Change	59.8%	14.5%		98.3%	25.5%	7.7%	27.1%	49.6%	33.7%
Goodwill amortisation before OP	0.0	(0.8)	(0.8)	0.0	0.0	(1.9)	(2.0)	(1.5)	(1.0)
Goodwill amortisation [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non recurring operational items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	13.1	14.2	14.2	29.7	37.3	38.3	49.1	74.9	101.2
Net financial items	(3.0)	(2.3)	(2.3)	(6.2)	(6.4)	(9.2)	(5.8)	(7.9)	(11.5)
Non recurring financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional items	(4.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(2.6)	(4.1)	(4.1)	(9.7)	(11.6)	(9.5)	(15.1)	(23.5)	(31.0)
Associates [contribution]	0.0	(0.1)	(0.1)	(2.4)	0.1	0.1	0.1	0.1	0.1
Discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	(0.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit [loss] before minorities	1.7	7.8	7.8	13.8	19.3	19.7	28.1	43.6	58.8
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	(0.1)	0.0	0.0	(1.4)	(1.8)	(2.0)	(1.8)	(1.3)	(1.0)
Net attributable profit [loss]	1.6	7.8	7.8	12.4	17.5	17.6	26.3	42.3	57.8
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net attrib. profit [loss], restated	2.5	8.7	8.7	12.4	17.5	19.5	28.3	43.8	58.8
% Change	-28.6%	NS		42.6%	41.3%	11.3%	45.3%	54.5%	34.3%
Cash Flow Statement									
Cash flow	13.1	20.6	20.6	30.6	37.5	43.4	63.0	86.7	109.8
% Change	2.3%	57.1%		48.9%	22.3%	15.9%	45.1%	37.6%	26.6%
Change in WCR	0.1	3.1	3.1	(4.5)	(7.3)	(3.8)	(9.3)	(9.5)	(10.1)
Capex	(12.6)	(11.9)	(11.9)	(20.0)	(25.7)	(48.1)	(46.6)	(51.3)	(57.1)
o/w Growth capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	0.6	11.8	11.8	6.1	4.5	(8.5)	7.1	25.9	42.5
Financial investments	2.8	(8.0)	(8.0)	(46.2)	(59.9)	(67.5)	(26.0)	(98.0)	(103.0)
Net buyback of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.3	0.2	0.2	8.9	1.3	7.6	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	(0.0)	0.0	(6.8)	(8.0)	(10.6)	(12.2)
Capital increase	0.1	0.1	0.1	0.8	0.9	0.7	0.0	0.0	0.0
Other cash flow	2.8	(0.1)	(0.1)	0.2	(0.8)	(6.7)	0.0	0.0	0.0
Dec. [inc.] in net debt	6.6	4.0	4.0	(30.2)	(54.0)	(81.2)	(26.9)	(82.7)	(72.7)
Balance Sheet									
Shareholders' equity [group share]	53.9	65.9	65.9	79.6	98.9	209.6	227.9	259.6	305.1
Minority interests	(0.2)	0.2	0.2	2.8	3.7	6.0	7.8	9.1	10.1
Pension provisions	1.9	2.4	2.4	2.9	4.8	12.1	5.2	5.3	5.4
Other provisions	12.6	14.6	14.6	12.1	14.6	18.9	25.8	25.7	25.6
Net debt [cash]	43.1	32.9	32.9	69.5	159.5	155.8	182.7	265.4	338.1
Gearing [%]	80.3	49.8	49.8	84.3	155.4	72.3	77.5	98.8	107.3
Capital invested	111.3	116.0	116.0	166.9	281.5	402.4	449.4	565.1	684.3
Goodwill	54.8	57.5	57.5	89.3	157.1	227.1	253.1	351.1	454.1
Intangible assets	2.3	2.3	2.3	4.1	13.5	23.1	23.1	23.1	23.1
Tangible assets	39.6	41.2	41.2	46.6	71.4	106.9	118.6	126.8	132.9
Financial assets	2.0	4.6	4.6	9.6	17.6	20.8	20.8	20.8	20.8
Associates	0.0	1.2	1.2	0.7	1.6	1.5	1.5	1.5	1.5
Working capital requirement	12.9	9.2	9.2	16.6	20.4	23.0	32.3	41.8	51.9
WCR as a % of sales	7.6	5.3	5.3	7.1	5.5	4.7	5.2	5.7	5.9
Capital employed	111.6	116.0	116.0	166.9	281.5	402.4	449.4	565.1	684.3

Eurofins Scientific

FY to 31/12 (Euro)	2003	2004	2004	2005	2006	2007	2008E	2009E	2010E
Per Share Data (at 21/7/2008)									
EPS before goodwill	0.19	0.65	0.65	0.91	1.27	1.40	2.03	3.14	4.21
% Change	-28.6%	NS		40.0%	40.0%	10.6%	44.8%	54.5%	34.3%
EPS, reported	0.12	0.58	0.58	0.91	1.27	1.27	1.89	3.03	4.14
% Change	NS	NS		55.1%	40.0%	0.1%	48.7%	60.5%	36.7%
Goodwill per share	0.07	0.06	0.06	0.00	0.00	0.13	0.14	0.11	0.07
Dividend per share	0.00	0.00	0.00	0.00	0.10	0.00	0.19	0.30	0.41
Cash flow per share	1.00	1.53	1.53	2.24	2.71	3.12	4.52	6.21	7.87
% Change	2.4%	54.0%		46.3%	21.1%	15.1%	44.6%	37.6%	26.6%
Book value per share	4.1	4.9	4.9	5.8	7.1	15.1	16.1	18.3	21.5
No. of shares, adjusted	13.208	13.438	13.438	13.675	13.806	13.903	13.954	13.954	13.954
Av. number of shares, adjusted	13.171	13.438	13.438	13.675	13.806	13.903	13.954	13.954	13.954
Treasury stock, adjusted	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Share Price [Adjusted]									
Latest price	10.35	16.83	16.83	37.70	54.10	79.53	54.16	54.16	54.16
High	14.25	17.20	17.20	40.00	59.00	84.46	79.62	-	-
Low	9.11	10.02	10.02	16.95	38.10	51.80	47.89	-	-
Average price	11.09	13.40	13.40	27.62	49.78	66.91	63.71	-	-
Market capitalisation	136.3	221.1	226.2	516.5	746.2	1,097.9	755.7	755.7	755.7
Enterprise value	181.3	256.4	261.4	588.9	910.5	1,265.9	943.7	1,026.5	1,099.2
Valuation									
P/E	85.2	28.8	28.8	41.6	42.7	62.7	28.7	17.9	13.1
P/E before goodwill	54.5	26.0	26.0	41.6	42.7	56.7	26.7	17.3	12.9
P/CF	10.4	11.0	11.0	16.8	19.9	25.5	12.0	8.7	6.9
Attrib. FCF yield [%]	0.4	5.4	5.2	1.2	0.6	NS	0.9	3.4	5.6
P/BV	2.5	3.4	3.4	6.5	7.7	5.3	3.4	3.0	2.5
Enterprise value / Op CE	1.7	2.3	2.4	3.8	3.5	3.3	2.1	1.8	1.6
Yield [%]	0.0	0.0	0.0	0.0	0.2	0.0	0.3	0.6	0.8
EV/EBITDA, restated	7.7	9.9	10.1	13.9	16.0	19.1	11.0	8.6	7.2
EV/EBITA, restated	13.8	17.1	17.4	19.8	24.4	31.5	18.5	13.4	10.8
EV/Sales	1.08	1.46	1.49	2.53	2.47	2.6	1.5	1.4	1.3
EV/Debt-adjusted cash flow	12.4	11.6	11.8	17.2	22.0	25.5	14.1	11.2	9.4
Financial Ratios									
Interest cover	7.8	11.3	11.3	6.9	9.0	7.2	14.8	15.1	13.3
Net debt/Cash flow	3.3	1.6	1.6	2.3	4.3	3.6	2.9	3.1	3.1
EBITDA margin [%]	13.9	14.7	14.7	18.2	15.5	13.4	13.8	16.3	17.4
EBITA margin [%]	7.8	8.5	8.5	12.8	10.1	8.2	8.2	10.4	11.6
Net margin [%]	1.0	4.5	4.5	5.9	5.3	4.0	4.5	5.9	6.7
Capital turn [Sales/ Op. CE]	1.5	1.6	1.6	1.5	1.4	1.3	1.5	1.4	1.3
Gearing [%]	80.3	49.8	49.8	84.3	155.4	72.3	77.5	98.8	107.3
Payout ratio [%]	0.0	0.0	0.0	0.0	7.9	0.0	10.0	10.0	10.0
Return [%]									
Pre-tax RoCE	12.0	13.6	13.6	19.0	14.2	10.6	12.0	14.1	15.4
RoCE after tax	6.0	8.9	8.9	11.1	8.9	7.1	7.8	9.2	10.1
ROE [%]	3.0	12.7	12.7	16.9	19.4	8.8	12.3	17.7	20.9
Return on equity, restated	3.0	12.7	12.7	16.9	19.4	8.8	12.3	17.7	20.9

MULTI-SERVICES

Intertek

Growth but margin weakness

■ Recent developments – Strong organic growth

Intertek reported 2007 sales of GBP775.4m, up 16.7% or 13% on a comparable structure and constant exchange rate basis. Operating profit came in at EUR121.6m, i.e. a margin of 15.7%, up 30bp vs. 2006. The group's main divisions are: analytical services, oil, chemicals & agriculture, consumer goods and commercial & electrical (out of the seven divisions after the reorganisation in early 2008), which represent 87% of the group's sales. As was the case in 2007, each of these activities are likely to post 2008 organic growth between 8 and 15%, while the other activities are likely to remain fairly stable.

■ Outlook – Slight margin weakness in 2008E

The group's strategy for the coming years is to: 1) develop in mineral services (3% of sales) via acquisitions and organic growth; 2) expand analytical services (14% of sales) notably in pharmaceuticals analysis and mining extraction; 3) reduce the proportion of oil, chemicals & agri business (35% of sales), which is more sensitive to volumes and generates low margins; and 4) expand industrial services (3% of sales) notably in infrastructure projects. Overall, the group is targeting average organic growth of 7-10% p.a. and an operating margin of around 16%. **For 2008, we expect organic growth of 11% and a currency effect of 3% i.e. sales of GBP931m, up 20% overall.** Given the change in the business portfolio (strong growth of toy testing, which generates lower margin than textiles, expansion of Corporate Social Responsibility (CSR) activities, and investment in minerals and pharmaceuticals services), we project a slight contraction in the group's operating margin to 15.5% in 2008 vs. 15.7% in 2007. Going forward, we expect margins to pick up slightly. With regard to acquisitions, the group is targeting profitable groups that provide complementary expertise. Since the beginning of 2007, the group has acquired 16 companies for a total investment of GBP150m.

■ Investment recommendation – Fully-valued

We project 2007-2010E sales and net attributable profit CAGRs of 11% and 15%, respectively. The share is currently trading at a P/E for 2008E of 16x, i.e., a PEG de 1.1. Since 1 January 2008, the share has outperformed the market, with a decline of just 6%. Our DCF model points to a value of 1,110p per share, i.e., upside of 17%. In our current universe of stocks, we prefer sector shares that offer higher upside and more attractive potential for margin improvement. Hence, we initiate coverage of Intertek with a 3/Underperform rating.

Corinne GAGNE

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Rating

3/Underperform

Target price (6 months)

+13.3% 1,110p

Price (22/07/2008)

980p

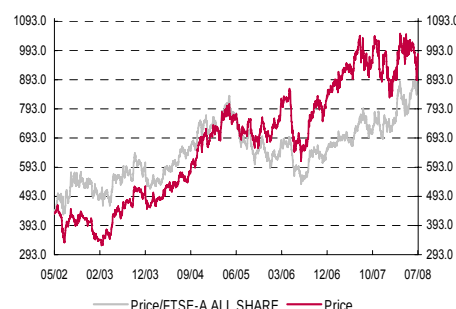
Reuters: ITRK.L Bloomberg: ITRK LN

Stock data

Market capitalisation	GBP1542m
Free float	GBP1542m
Enterprise value	GBP1854m
No. of shares, adjusted	157.393m
Daily volume	GBP 10.60m

Performances

	1 month	3 months	12 months
Absolute perf.	-3.0%	-4.0%	-5.7%
Relative perf.	1.7%	8.0%	17.6%



Sector focus

Sector Top Picks	SGS
Least favoured	

Shareholders

Free float 100%

	2007	2008E	2009E	2010E
P/E (x)	21.6	17.5	15.4	13.8
EV/EBITDA (x)	NS	10.2	9.0	8.1
Attrib. FCF yield (%)	0.0	4.8	5.4	6.0
Net debt/EBITDA (x)	1.2	1.0	0.6	0.2
Yield (%)	0.0	2.0	2.0	0.0
ROCE (%)	34.7	35.3	37.4	38.6
EV/Capital empl. (x)	NS	4.5	4.2	3.9

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■ Investment case

■ A track record of growth and stable margins

Since 2000, the group has posted average growth of 10% p.a. with minimum organic growth of 6%. Over this period growth in adjusted EBIT has ranged from 15% to 17%. The group carried out very few acquisitions up to 2005 but since that date, growth has gathered pace thanks to deals (external growth of 7-9%).

■ A leader in testing

Intertek is a major player in verification and testing with a very strong presence in testing textiles, toys, electrical and electronic equipment, as well as cargo inspection (minerals and oil). Intertek's markets benefit from lasting structural drivers: 1) an increase in international trade and the number of players in the production chain; 2) more restrictive regulations in terms of health and safety and the environment; and 3) a growing trend towards outsourcing testing activities. The group's business is also buoyed by the trend in raw materials prices which makes the verification of goods being traded an increasingly strategic issue.

■ Ongoing growth but stable margins

Growth is thus set to remain robust in the coming years even in a challenging environment. However, in our view the trend in the business portfolio seems to indicate stable margins for the group. Intertek's most profitable business of consumer goods (23% of sales with an EBIT margin of 32%), which accounts for 40% of EBITA, is set to decline to the benefit of less profitable activities. We believe that by 2011, the group will post a stable margin in the region of 15.4% to 15.7%.

■ SWOT analysis

Strengths

- Buoyant structural market drivers (outsourcing, regulation, globalisation)
- Firm economic drivers: higher raw materials prices, increased trade
- Ability to pool costs
- Resilience to an economic downturn

Weaknesses

- Exposure to currencies (10% of billings are in local currencies) – sensitivity of margins
- The trend in the business mix is unfavourable for margins

Opportunities

- Growing outsourcing
- New regulations
- Continued acquisitions

Threats

- A slowdown in international trade
- Depreciation of the dollar and the euro vs. sterling
- Higher interest rates

■ Valuation

We applied a DCF valuation based on the following assumptions:

- A WACC of 8.8% based on a risk-free rate of 4.5%, a market premium of 4%, a beta of 1.1 and an average cost of debt of 5.8%,.

- For 2008-2011, average sales growth of 11.8% p.a., with a stable operating margin at around 15%. Over our second period, average growth that falls to 6.5% with gradual improvement in the operating margin to 16%.

- Growth to infinity of 2%.

Our DCF yields a value per share of GBP11.1.

■ Company profile

Intertek is positioned in testing, inspection and certification of products, raw materials, infrastructures and processes. The group's clients are active mainly in goods manufacturing (textiles, toys, and electronic and electrical equipment) and the oil and gas, chemicals, mining and industrial segments.

The group is now organised into seven divisions (vs. four up to 2007): oil, chemicals & agri (~35% of sales); analytical services (~14%); mineral services (~3%); consumer goods (~23%); commercial and electrical (~20%); government services (~6%) and industrial services (~3%).

The group generates 35% of its sales in North and South America, 30% in EMEA and 35% in the Asia-Pacific region.

In 2007, the group generates sales of GBP775m up 16.7% with organic growth of 13%. The adjusted operating margin came to 15.7%.

Intertek

FY to 31/12 (Pound Sterling m)	2004	2005	2006	2007	2008E	2009E	2010E
Profit & Loss Account							
Sales	499.6	580.1	664.5	775.4	930.6	1,024.1	1,105.3
% Change		16.1%	14.5%	16.7%	20.0%	10.0%	7.9%
Staff costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other costs	(398.7)	(471.0)	(536.0)	(623.8)	(748.8)	(823.3)	(888.9)
EBITDA	100.9	109.1	128.5	151.6	181.8	200.8	216.4
% Change		8.1%	17.8%	18.0%	19.9%	10.5%	7.8%
Depreciation	(18.4)	(24.1)	(26.3)	(30.0)	(37.2)	(41.0)	(44.2)
EBITA	82.5	85.0	102.2	121.6	144.6	159.8	172.2
% Change		3.0%	20.2%	19.0%	18.9%	10.5%	7.8%
Goodwill amortisation before OP	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation [impairment test]	0.0	(2.0)	(4.1)	(5.5)	(5.0)	(5.0)	(5.0)
Non recurring operational items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	82.5	83.0	98.1	116.1	139.6	154.8	167.2
Associates [contribution]	0.0	2.3	0.3	(0.1)	0.0	0.0	0.0
Net financial items	(8.1)	(5.9)	(7.0)	(10.2)	(10.7)	(7.0)	(2.9)
Non recurring financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit before tax [UK]	74.4	79.4	91.4	105.8	128.9	147.8	164.3
Tax	(20.3)	(18.7)	(22.5)	(27.0)	(32.9)	(38.4)	(42.7)
Discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit [loss] before minorities	39.4	60.7	68.9	78.8	96.0	109.4	121.5
Minorities	(2.8)	(3.6)	(5.1)	(5.6)	(6.8)	(7.8)	(8.6)
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net attributable profit [loss]	36.6	57.1	63.8	73.2	89.2	101.6	112.9
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net attrib. profit [loss], restated (*)	36.6	57.1	63.8	73.2	89.2	101.6	112.9
Cash Flow Statement							
Cash flow	78.0	60.7	95.2	108.8	138.3	155.3	170.8
% Change		-22.2%	56.8%	14.3%	27.1%	12.3%	10.0%
Change in WCR	(0.7)	0.0	0.0	7.3	(5.5)	(2.3)	(2.0)
Capex	(28.0)	(31.3)	(43.2)	(43.8)	(52.6)	(61.4)	(66.3)
o/w Growth capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	49.3	29.4	52.0	72.3	80.2	91.6	102.5
Financial investments	0.0	(44.5)	(36.9)	(85.8)	(43.4)	0.0	0.0
Net buyback of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.3	0.9	0.0	0.0	0.0	0.0
Dividend paid	(14.4)	(16.9)	(19.8)	(25.2)	(28.3)	(30.5)	(33.9)
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other cash flow	(26.3)	0.0	0.0	0.0	0.0	0.0	0.0
Dec. [inc.] in net debt	8.6	(31.7)	(3.8)	(38.7)	8.5	61.1	68.6
Balance Sheet							
Shareholders' equity [group share]	(3.6)	51.9	96.4	164.2	225.1	296.2	375.3
Minority interests	5.7	7.8	8.8	11.6	18.4	26.2	34.8
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	17.3	0.0	0.0	0.0	0.0	0.0	0.0
Net debt [cash]	112.9	144.1	148.0	186.8	178.3	117.2	48.7
Gearing [%]	NS	241.4	140.7	106.3	73.2	36.4	11.9
Capital invested	132.3	203.8	253.2	362.6	421.8	439.6	458.8
Goodwill	36.9	55.7	71.1	148.4	178.1	173.1	168.1
Intangible assets	1.8	0.0	19.6	35.0	35.0	35.0	35.0
Tangible assets	88.5	115.9	123.7	149.2	173.2	193.7	215.8
Financial assets	0.0	14.4	13.3	11.9	11.9	11.9	11.9
Associates	0.0	0.7	0.7	0.6	0.6	0.6	0.6
Working capital requirement	5.1	4.3	24.8	17.5	23.0	25.3	27.3
WCR as a % of sales	1.0	0.7	3.7	2.3	2.5	2.5	2.5
Capital employed	132.3	191.0	253.2	362.6	421.8	439.6	458.7

Intertek

FY to 31/12 (Pound Sterling)			2004	2005	2006	2007	2008E	2009E	2010E
Per Share Data (at 21/7/2008)									
EPS before goodwill			0.24	0.37	0.41	0.46	0.56	0.64	0.71
% Change				55.5%	11.2%	12.5%	22.0%	13.8%	11.1%
EPS, reported			0.24	0.37	0.41	0.47	0.57	0.65	0.72
% Change				55.5%	11.2%	14.0%	21.9%	13.9%	11.0%
Goodwill per share			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share			0.10	0.00	14.80	18.00	0.20	0.20	0.00
Cash flow per share			0.50	0.39	0.61	0.68	0.87	0.97	1.07
% Change				-22.1%	55.8%	12.0%	27.3%	12.2%	10.0%
Book value per share			(0.1)	0.3	(14.2)	(17.0)	1.2	1.7	2.4
No. of shares, adjusted			155.270	155.381	156.384	157.393	157.393	157.393	157.393
Av. number of shares, adjusted			155.270	155.381	156.384	157.393	157.393	157.393	157.393
Treasury stock, adjusted			0.000	0.000	0.000	0.000	0.000	0.000	0.000
Share Price [Adjusted]									
Latest price			7.05	6.97	8.34	9.90	9.80	9.80	9.80
High			7.30	8.15	8.68	10.65	10.55	-	-
Low			4.57	6.45	6.03	8.15	8.11	-	-
Average price			5.68	7.29	7.53	9.38	9.57	-	-
Market capitalisation			109,465.4	108,223.2	129,417.5	152,164.6	1,542.4	1,542.4	1,542.4
Enterprise value			112.9	127,465.5	142,365.1	163,804.6	1,854.9	1,812.2	1,743.7
Valuation									
P/E			NS	19.0	20.4	21.6	17.5	15.4	13.8
P/E before goodwill			NS	19.0	20.4	21.6	17.5	15.4	13.8
P/CF			NS	17.8	13.7	14.5	11.3	10.1	9.1
Attrib. FCF yield [%]			NS	0.0	0.0	0.0	4.8	5.4	6.0
P/BV			NS	NS	NS	NS	8.0	5.8	4.1
Enterprise value / Op CE			0.9	NS	NS	NS	4.5	4.2	3.9
Yield [%]			0.0	0.0	0.0	0.0	2.0	2.0	0.0
EV/EBITDA, restated			1.1	NS	NS	NS	10.2	9.0	8.1
EV/EBITA, restated			1.4	NS	NS	NS	12.8	11.3	10.1
EV/Sales			0.23	NS	NS	NS	2.0	1.8	1.6
EV/Debt-adjusted cash flow			1.3	NS	NS	NS	11.6	10.2	9.2
Financial Ratios									
Interest cover			10.2	18.5	18.4	14.9	17.0	NS	NS
Net debt/Cash flow			1.4	2.4	1.6	1.7	1.3	0.8	0.3
EBITDA margin [%]			20.2	18.8	19.3	19.6	19.5	19.6	19.6
EBITA margin [%]			16.5	14.7	15.4	15.7	15.5	15.6	15.6
Net margin [%]			7.9	10.5	10.4	10.2	10.3	10.7	11.0
Capital turn [Sales/ Op. CE]			3.8	3.3	2.8	2.2	2.3	2.4	2.5
Gearing [%]			NS	241.4	140.7	106.3	73.2	36.4	11.9
Payout ratio [%]			44.1	0.0	3627.7	3870.3	35.3	31.0	0.0
Return [%]									
Pre-tax RoCE			62.4	48.3	42.7	34.7	35.3	37.4	38.6
RoCE after tax			62.4	48.2	42.6	34.6	35.2	37.3	38.5
ROE [%]			NS	NS	98.9	57.4	49.4	41.4	35.4
Return on equity, restated			NS	NS	98.9	57.4	49.4	41.4	35.4

MULTI-SERVICES

SGS

Better-than-expected H1-08, a must-have stock

■ Cyclical or defensive? 80% of activities are recession proof

We note that some 35-40% of total group sales are currently linked to commodity businesses. Even in the event of a stabilisation in commodity prices, demand for testing, inspection and verification is expected to remain sustained. Another 25% of group sales is related to consumer products: we note CTS (Consumer Testing Services) posted an acceleration in the latest economic downturn and we expect testing demand to remain sustained on the equation: fear of market share losses + risk of recall = higher testing. Moreover, it would be hard for companies having outsourced their activities to renounce testing, even in the event of economic downturn. We also believe momentum in industry-linked activities – some 30% of group sales – will remain robust, even in an economic slowdown, as most of this business is correlated to regulatory/statutory requirements.

■ Impressive H1-08 organic growth for the top five divisions

Results were bang in line with our top-of-consensus estimates. Impressive organic growth of 15% stemmed from the top five divisions (75% of sales, 80% of EBITA): MIN up 31% (!), CTS up 18%, IND up 17%, OGC up 11% and AGRI up 6%. Market share gains highlighted in key divisions. Margin consolidation in IND and OGC on investment in capacity: margins are expected to bounce back in H2-08. We note the margin was up 60bp in H1-08 vs. 25bp in a record H1-07 despite the fact that IND and OGC saw margin pressure. The company highlighted that services offered are increasingly upstream, i.e. less dependent on volumes and achieving a favourable mix on better pricing/margins. Upbeat outlook, margin recovery seen in IND and OGC.

■ Outlook: upbeat on H2-08, a must have stock

Organic sales growth to remain firm across major divisions, no signs of slowdown. By key division: AGRI, a promising crop forecast and high export volumes; MIN strong fundamentals in place for H2; OGC, REACH contract to contribute in H2; CTS: RSTS testing and softline seen improving further, strong toy testing in Q3-08, and tough base in Q4-08 (recall in Q4-07); and IND, underlying growth to remain strong in H2. M&A - happy with the current diversified business portfolio, no divestitures in sight – opportunistic approach in acquisitions. Guidance: No upgrade in guidance: sales up 10%+ and EPS of CHF80, but clearly organic growth will be in mid teens this year vs. market expectations of 10-12%. For every 1% increment in organic growth we assume a fair value up by CHF60-70. Special dividend? A CHF113m exceptional payment could be made to shareholders if there are no big acquisitions in H2-08 (Bodycote?). This would increase the dividend yield from 2% to 3%. There are at least two reasons to hold this stock: 1) The pick up in organic growth in such challenging times clearly mirrors the defensive profile of SGS's activities; and 2) Upside to current estimates. We are 3-4% above consensus in 2008, 10% above in 09-10E.

Mario MONTAGNANI

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Rating 1/Selected List

Target price (6 months) **+13.6% CHF1750**

Price (22/07/2008) **CHF1540**

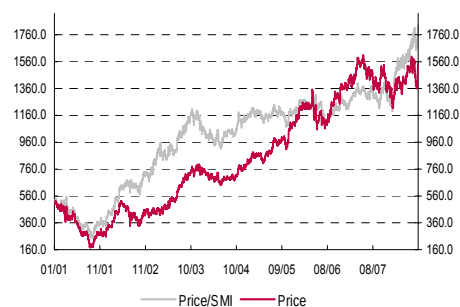
Reuters: **SGSN.VX** Bloomberg: **SGSN VX**

Stock data

Market capitalisation	CHF11612m
Free Float	CHF5514m
Enterprise value	CHF11297m
No. of shares, adjusted	7.54m
Daily volume	CHF 41.28m

Performances

	1 month	3 months	12 months
Absolute perf.	-1.3%	5.4%	4.9%
Relative perf.	0.8%	11.6%	38.0%



Sector focus

Sector Top Picks	SGS
Least favoured	

Shareholders

Free Float 48.0%, Von Finck Family 23.5%, Ifil 15.0%, Allianz Se 7.0%, Fmr Corp. 5.0%

	2007	2008E	2009E	2010E
P/E (x)	20.7	19.9	17.0	14.7
EV/EBITDA (x)	11.4	11.0	9.2	7.8
Attrib. FCF yield (%)	2.6	4.3	5.0	5.8
Net debt/EBITDA (x)	(0.4)	(0.6)	(0.8)	(1.1)
Yield (%)	2.6	1.7	2.0	2.3
ROCE (%)	37.0	41.1	44.0	46.7
EV/Capital empl. (x)	5.4	5.5	4.9	4.4

Disclosures available on www.cheuvreux.com

■ Investment case

■ World's largest testing and certification company

With revenues of c.CHF4.5bn, SGS is the world's largest inspection, verification, testing and certification (IVTC) company. Headquartered in Geneva, it employs over 50,000 employees and is active in c.150 countries. IVTC is a highly fragmented market characterised by high barriers to entry, including the need for relatively complex technical skills, an established global network and accreditations.

■ Outlook: solid structural drivers to underpin growth

SGS should post low double digit organic sales CAGR and over-proportional margin improvement in 2008-11E, on solid structural drivers and company-specific factors: among the structural drivers, we highlight heightened consumer awareness of quality and safety, a tightening regulatory environment featuring higher safety standards, high commodity and raw material demand, growing product sophistication and complexity combined with shorter lifecycles, a shift of production assets to deregulated emerging countries as well as fast-growing consumption in emerging economies. These drivers, combined with SGS's broad-based service and market portfolio, give the group a low cyclical profile, as it is less dependent on final consumer demand / volumes. We also point out that SGS has reduced considerably its exposure to volatile government contracts (from 90% in 2000 to less than 5% of group EBITA in 2007). A further factor is the upstream expansion of testing services in the product/service value chain.

■ Investment recommendation: a must-have stock

SGS offers a good combination of growth and defensiveness, strong earnings visibility combined with a defensive profile. This makes it a must-have stock in the current market environment also considering the prospect of a recession and morose picture for the world economy in 2009. At less than 16x times projected 2009E earnings, the shares trade on par with CAGR 08-10E EPS growth, at a discount to historical multiples of 20-22x and at a justified premium to peers on SGS's greater liquidity, stronger balance sheet and lower risk profile.

■ SWOT analysis

Strengths

- World's largest inspection and certification company
- Balanced service portfolio
- Strong balance sheet
- IVTC underpinned by structural growth – low cyclical

Weaknesses

- Currency exposure
- Risk of lawsuits (insurance)
- Moderate sensitivity of the agricultural services, mineral services, oil, and gas & chemicals services to trading volumes

Opportunities

- Widening existing services portfolio
- Op. efficiency improvement

Threats

- Pricing pressure in inspection and testing
- Severe decline in world GDP growth

■ Valuation

DCF (20 years)

■ Our three-stage DCF yields a fair value in excess of CHF2,000/share and is based on the following parameters and assumptions: top-line annual organic growth in low double-digits in stage one (2008-2011E) and at +6% in stage 2 (2012-2027E), with terminal growth of 2% (baseline scenario); EBITA margin to expand to 17.0% by end 2008E and reach 19.7% in terminal value; invested capital turns improving to 3.5x by 2010E (from 2.1x in 2007); tax rate of 24%; ROIC of 36% by 2008E; WACC of 8.2%.

Peer comparison

■ The stock trades at 13.2 times 2009E earnings implying a 20% discount to post restructuring multiples of between 20-22x.

■ Company profile

With revenues of c.CHF4.5bn in 2007, SGS is the world's largest testing, inspection, certification and verification company. Headquartered in Geneva, Switzerland, it employs over 50,000 employees and is active in c.150 countries through a network of more than 1,000 offices and laboratories. The final output of each activity is a report or inspection certificate, issued on the basis of an inspection, verification programme or laboratory analysis.

The major global competitors in this fragmented market are Intertek (UK) and Bureau Veritas (France).

SGS

FY to 31/12 (Swiss Franc m)	2002	2003	2004	2005	2006	2007	2008E	2009E	2010E
Profit & Loss Account									
Sales	2,391.9	2,454.0	2,885.2	3,307.9	3,821.0	4,371.6	4,789.5	5,370.8	5,968.7
% Change	2.6%	2.6%	17.6%	14.7%	15.5%	14.4%	9.6%	12.1%	11.1%
Staff costs	(1,252.3)	(1,240.0)	(1,435.0)	(1,645.0)	(1,818.0)	(2,076.0)	(2,272.2)	(2,545.4)	(2,825.9)
Other costs	(908.4)	(815.0)	(941.6)	(1,020.9)	(1,207.4)	(1,408.6)	(1,486.3)	(1,654.1)	(1,821.1)
EBITDA	231.2	399.0	508.6	642.0	795.6	887.0	1,031.0	1,171.3	1,321.7
% Change	NS	72.6%	27.5%	26.2%	23.9%	11.5%	16.2%	13.6%	12.8%
Depreciation	(95.2)	(96.0)	(114.6)	(140.0)	(172.0)	(197.0)	(217.6)	(237.7)	(259.1)
EBITA	136.0	303.0	394.0	502.0	623.6	690.0	813.4	933.6	1,062.6
% Change	NS	122.8%	30.0%	27.4%	24.2%	10.6%	17.9%	14.8%	13.8%
Goodwill amortisation before OP	(8.7)	(10.0)	(16.0)	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non recurring operational items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	127.3	293.0	378.0	502.0	623.6	690.0	813.4	933.6	1,062.6
Net financial items	13.2	10.0	6.0	5.0	(1.0)	2.0	2.0	8.6	19.2
Non recurring financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	(27.5)	(68.0)	(90.0)	(119.0)	(155.0)	(172.0)	(199.0)	(229.0)	(261.8)
Associates [contribution]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit [loss] before minorities	112.9	235.0	294.0	388.0	467.6	520.0	616.4	713.3	820.0
Dividend to preferred shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	(3.8)	(8.0)	(15.0)	(17.0)	(25.0)	(20.0)	(21.9)	(24.6)	(27.3)
Net attributable profit [loss]	109.1	227.0	279.0	371.0	442.6	500.0	594.5	688.7	792.7
Restatement [impairment test]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adj. for exceptional items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net attrib. profit [loss], restated	117.8	237.0	295.0	371.0	442.6	500.0	594.5	688.7	792.7
% Change	NS	101.2%	24.5%	25.8%	19.3%	13.0%	18.9%	15.8%	15.1%
Cash Flow Statement									
Cash flow	218.8	395.0	392.6	697.0	553.6	625.0	843.4	964.0	1,092.5
% Change	3.6%	80.5%	-0.6%	77.5%	-20.6%	12.9%	34.9%	14.3%	13.3%
Change in WCR	32.0	(70.0)	56.0	1.0	(81.0)	(11.0)	(22.1)	(30.7)	(31.6)
Capex	(118.0)	(101.0)	(374.4)	(453.0)	(422.2)	(346.0)	(306.5)	(348.5)	(382.8)
o/w Growth capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow	132.8	224.0	74.2	245.0	50.4	268.0	514.8	584.8	678.1
Financial investments	(84.7)	(16.0)	(60.0)	(76.3)	24.6	45.1	(10.0)	(11.0)	(12.3)
Net buyback of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	(46.9)	(56.0)	(69.0)	(91.7)	(375.2)	(150.1)	(266.7)	(196.2)	(227.3)
Capital increase	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other cash flow	(45.2)	(60.6)	(1.2)	(1.0)	2.2	0.0	(1.2)	0.0	0.0
Dec. [inc.] in net debt	(44.0)	91.4	(56.0)	76.0	(298.0)	163.0	236.9	377.6	438.5
Balance Sheet									
Shareholders' equity [group share]	896.6	1,072.0	1,229.0	1,449.0	1,562.0	1,971.0	2,298.8	2,791.4	3,356.8
Minority interests	18.1	18.0	26.0	26.0	30.0	36.0	47.9	61.5	76.5
Pension provisions	94.0	74.0	65.0	100.0	46.0	64.0	64.0	64.0	64.0
Other provisions	178.0	207.0	184.0	318.0	286.0	176.0	185.4	198.4	211.8
Net debt [cash]	(401.6)	(493.0)	(437.0)	(513.0)	(215.0)	(378.0)	(615.0)	(992.6)	(1,431.1)
Gearing [%]	NS	NS	NS	NS	NS	NS	NS	NS	NS
Capital invested	785.1	878.0	1,067.0	1,380.0	1,709.0	1,869.0	1,981.1	2,122.7	2,278.0
Goodwill	92.5	117.0	269.0	394.0	503.0	563.0	563.0	563.0	563.0
Intangible assets	14.2	30.0	35.0	35.0	38.0	39.0	35.0	35.0	35.0
Tangible assets	459.5	533.0	620.4	808.4	946.0	1,034.0	1,127.5	1,238.3	1,362.1
Financial assets	2.9	2.0	2.6	2.6	2.0	2.0	2.6	2.6	2.6
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital requirement	216.1	196.0	140.0	139.0	220.0	231.0	253.1	283.8	315.4
WCR as a % of sales	9.0	8.0	4.9	4.2	5.8	5.3	5.3	5.3	5.3
Capital employed	785.2	878.0	1,067.0	1,379.0	1,709.0	1,869.0	1,981.2	2,122.7	2,278.1

SGS

FY to 31/12 (Swiss Franc)	2002	2003	2004	2005	2006	2007	2008E	2009E	2010E
Per Share Data (at 21/7/2008)									
EPS before goodwill	15.11	30.60	38.28	48.38	58.25	65.31	77.47	90.69	104.93
% Change	NS	102.6%	25.1%	26.4%	20.4%	12.1%	18.6%	17.1%	15.7%
EPS, reported	13.99	29.41	36.45	48.98	58.97	66.12	78.43	91.82	106.25
% Change	NS	110.2%	23.9%	34.4%	20.4%	12.1%	18.6%	17.1%	15.7%
Goodwill per share	1.12	1.29	2.08	0.00	0.00	0.00	0.00	0.00	0.00
Dividend per share	7.30	9.00	12.00	50.00	20.00	35.00	26.00	30.50	35.10
Cash flow per share	28.06	51.00	50.95	90.89	72.85	81.63	109.91	126.94	144.61
% Change	3.9%	81.8%	-0.1%	78.4%	-19.8%	12.1%	34.6%	15.5%	13.9%
Book value per share	108.0	130.9	148.8	143.1	188.1	223.7	278.9	343.7	414.8
No. of shares, adjusted	7.773	7.662	7.645	7.504	7.505	7.619	7.540	7.461	7.461
Av. number of shares, adjusted	7.798	7.718	7.654	7.575	7.505	7.562	7.580	7.500	7.461
Treasury stock, adjusted	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Share Price [Adjusted]									
Latest price	416.00	776.00	796.50	1108.00	1358.00	1349.00	1540.00	1540.00	1540.00
High	530.00	798.00	803.00	1115.00	1395.00	1628.00	1607.00	-	-
Low	257.50	409.00	633.00	785.00	1037.00	1290.00	1199.00	-	-
Average price	406.51	582.47	717.38	926.18	1210.62	1445.15	1424.71	-	-
Market capitalisation	3,233.7	5,945.6	6,089.4	8,466.4	10,186.6	10,245.9	11,611.6	11,489.3	11,489.3
Enterprise value	2,992.1	5,647.9	5,841.7	8,226.2	10,225.5	10,141.0	11,297.6	10,795.2	10,356.7
Valuation									
P/E	29.7	26.5	22.0	22.9	23.3	20.7	19.9	17.0	14.7
P/E before goodwill	27.5	25.4	20.8	22.9	23.3	20.7	19.9	17.0	14.7
P/CF	14.8	15.2	15.6	12.2	18.6	16.5	14.0	12.1	10.6
Attrib. FCF yield [%]	4.0	3.7	1.2	2.8	0.5	2.6	4.3	5.0	5.8
P/BV	3.9	5.9	5.4	7.7	7.2	6.0	5.5	4.5	3.7
Enterprise value / Op CE	3.8	6.4	5.5	6.0	6.0	5.4	5.5	4.9	4.4
Yield [%]	1.8	1.2	1.5	4.5	1.5	2.6	1.7	2.0	2.3
EV/EBITDA, restated	12.9	14.2	11.5	12.8	12.9	11.4	11.0	9.2	7.8
EV/EBITA, restated	22.0	18.6	14.8	16.4	16.4	14.7	13.9	11.6	9.7
EV/Sales	1.25	2.30	2.03	2.49	2.68	2.3	2.4	2.0	1.7
EV/Debt-adjusted cash flow	14.1	14.3	14.7	11.6	18.1	15.9	13.1	11.0	9.4
Financial Ratios									
Interest cover	NS	NS	NS	NS	NS	NS	NS	NS	NS
Net debt/Cash flow	NS	NS	NS	NS	NS	NS	NS	NS	NS
EBITDA margin [%]	9.7	16.3	17.6	19.4	20.8	20.3	21.5	21.8	22.1
EBITA margin [%]	5.7	12.3	13.7	15.2	16.3	15.8	17.0	17.4	17.8
Net margin [%]	4.7	9.6	10.2	11.7	12.2	11.9	12.9	13.3	13.7
Capital turn [Sales/ Op. CE]	3.1	2.8	2.7	2.4	2.2	2.3	2.4	2.5	2.6
Gearing [%]	NS	NS	NS	NS	NS	NS	NS	NS	NS
Payout ratio [%]	52.2	30.6	32.9	102.1	33.9	52.9	33.1	33.2	33.0
Return [%]									
Pre-tax RoCE	17.4	34.6	37.0	36.5	36.5	37.0	41.1	44.0	46.7
RoCE after tax	15.2	26.7	28.3	27.9	27.4	27.8	31.1	33.3	35.4
ROE [%]	13.0	23.7	25.6	29.4	33.0	29.1	29.7	28.1	26.8
Return on equity, restated	13.0	23.7	25.6	29.4	33.0	29.1	29.7	28.1	26.8

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