

Bulletin:

Wendel's Sale Of A Partial Stake In Bureau Veritas Unlocks Greater Financial Flexibility

April 12, 2024

This report does not constitute a rating action.

PARIS (S&P Global Ratings) April 12, 2024--By selling a 9% stake in Bureau Veritas, an unrated inspection and certification service provider based in France, investment holding company Wendel SE (BBB/Stable/A-2) gained sizable financial flexibility to make new investments. The disposal brought in €1.1 billion. S&P Global Ratings understands that Wendel intends to further develop its third-party asset management business and diversify its fully-owned portfolio by making new private investments.

We estimate that Wendel has a net cash position of about €340 million and an S&P Global Ratings-adjusted loan-to-value (LTV) ratio of -5%, after the transaction. Our calculation is based on the adjusted portfolio value and debt figures as of Dec. 31, 2023, and includes the €1.1 billion from the disposal of the stake in Bureau Veritas and about \$100 million in dividends, which we expect Wendel will receive after the refinancing of Crisis Prevention Institute (B-/Stable/--). It also includes the Constantia Flexibles sale completed in January for €1.1 billion, €383 million for the purchase of the 51% stake in IK Partners (which is expected to close in the second quarter of 2024), €300 million for investment commitments in IK Partners' fundraising, and about €75 million for the share repurchases remaining under Wendel's €100 million program.

Given our 20% LTV ratio ceiling for the 'BBB' rating, we consider that this leaves the holding company with ample headroom for future capital redeployment. Even if it immediately invested €1.5 billion in new assets, causing its LTV ratio to increase to an estimated 14% (all else being equal), it would still have adequate rating leeway, in our view.

The transaction has a broadly neutral impact on Wendel's portfolio because we anticipate that the increase in asset diversification will likely be offset by a reduction in the share of listed assets and a lower average creditworthiness of its investee assets. The transaction reduced asset concentration in the portfolio, with Bureau Veritas now comprising about 36% of Wendel's pro forma portfolio, from 45% before. In addition, we expect Wendel to redeploy its available capital into several assets, rather than making one big investment, which should further support portfolio diversity. That said, the company is likely to continue to prioritize investments in unlisted assets. These are likely to have a lower credit quality than Bureau Veritas, which we assess as having a clear investment-grade credit standing.

Wendel retains a 26.5% stake in Bureau Veritas after the transaction, with 41.2% of the voting rights and four of the board members. It has a €750 million exchangeable bond in Bureau Veritas shares due 2026; we estimate that if Wendel were to make a full share-based repayment of this bond, its stake in Bureau Veritas would be further reduced by about 5 percentage points.

Primary contact

Florent Blot, CFA

Paris
33-1-40-75-25-42
florent.blot
@spglobal.com

Secondary contacts

Marta Bevilacqua

Milan
39-0272111298
marta.bevilacqua
@spglobal.com

Eric Tanguy

Paris
33-14-420-6715
eric.tanguy
@spglobal.com

Related Research

- Tear Sheet: Wendel SE, March 22, 2024
- Safeguard Purchaser LLC (dba Crisis Prevention Institute) Assigned 'B-' Rating; Outlook Stable; Debt Rated 'B-', March 19, 2024

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