MOODY'S
INVESTORS SERVICE

CREDIT OPINION
16 August 2021

Update

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RATINGS

Veolia Environnement S.A.

Domicile	France
Long Term Rating	Baa1
Type	LT Issuer Rating
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Veolia Environnement S.A.

Update following rating affirmation

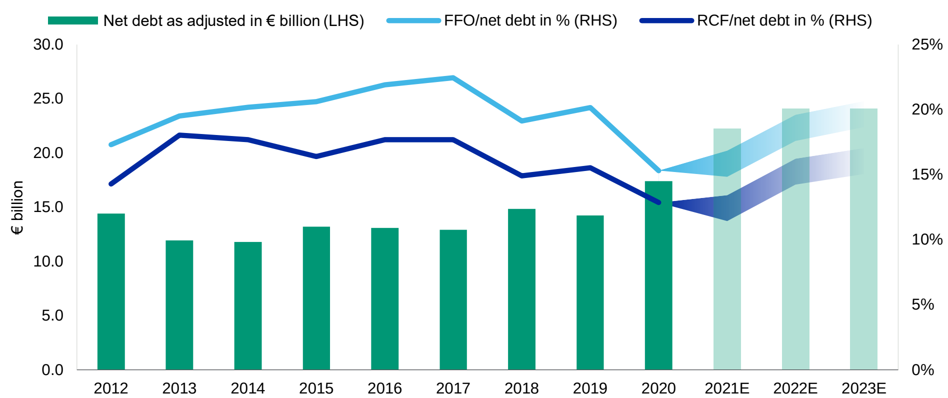
Summary

Veolia Environnement S.A.'s (Veolia) credit quality is underpinned by its scale and position as one of the largest groups in global environmental services, a sector supported by positive structural dynamics; the diversification of its revenue base by business, contract type and geography; and the relatively low risk profile of its water business, which will account for around 45% of EBITDA upon acquisition of SUEZ (Baa1 stable).

These factors are offset by Veolia's exposure to the macroeconomic cycle through its waste business, which will account for 37% of EBITDA following the SUEZ acquisition; and the increasing proportion of short-term contracts with industrial clients in its revenue mix.

Exhibit 1

Veolia's pro forma financial profile is likely to improve after the closing of the SUEZ transaction, which is likely to close in December 2021



The 2021-23 estimates represent Moody's forward view, and not the view of the issuer.
For 2021, metrics are affected by the timing of SUEZ acquisition likely to close in December 2021.
Sources: Company reports and Moody's Investors Service

On 30 August 2020, Veolia announced its intention to buy 100% of SUEZ, with the acquisition of a first block representing 29.9% of SUEZ capital held by ENGIE SA (ENGIE, Baa1 stable) for €18/share, completed on 6 October 2020. Following months of discussions, Veolia's management and SUEZ's board of directors concluded an in-principle agreement on 11 April 2021, framing the merger between the two groups. The agreement includes an increased offer price at €20.50/share (coupon attached) and the concomitant disposal of SUEZ's French assets, complemented with SUEZ's non-regulated municipal water positions in some countries outside France, as well as global digital and environmental activities, generating around €7 billion revenue attributable to a new entity, New SUEZ. On 29 June 2021, SUEZ's board recommended the acceptance of Veolia's offer. The transactions are likely to close in December 2021.

The July 9 affirmation of Veolia's Baa1 rating took into account management's stated commitment to maintaining credit quality. We expect Veolia to bolster credit quality and measures, including a capital increase and disposals, to be sufficient to buffer the strain on financial metrics from the acquisition of SUEZ.

Credit strengths

» Large scale and diversification, which support cash flow stability

» Low-risk water activities, with a recovery in price indexation in Europe (notably in France), which has been slightly above inflation since 2019

» Integration of regulated water activities following the SUEZ acquisition will boost cash flow predictability

» Supportive long-term industry dynamics

» Track record of a sound financial profile, primarily driven by the cost-saving programme

Credit challenges

» Execution risks in successfully integrating SUEZ and measures to maintain credit quality

» Exposure of the waste business to the cyclical macroeconomic environment in Europe, although the correlation between volume and industrial production is slowly decreasing

» Increasing share of the industrial sector in the company's client mix, which increases volatility in earnings

» Growing presence in riskier emerging markets, although mitigated by a balanced approach to capital deployment

» Increasing competition, in particular from Chinese groups, although this risk is mitigated by the company's more sophisticated environmental solutions, such as for hazardous waste, which increase the barriers to entry

Rating outlook

The stable outlook reflects our expectation that Veolia's management will act to restore financial flexibility at the current rating level upon the SUEZ acquisition. It also factors in our assumption that any potential deterioration in the company's business risk profile because of increased exposure to industrial clients could be offset by a further improvement in its credit metrics.

Factors that could lead to an upgrade

A rating upgrade is unlikely in the next two years because of the negative impact on credit metrics of the SUEZ acquisition. In the longer term, upward pressure on the ratings could develop if Veolia were to achieve retained cash flow (RCF)/net debt approaching the high teens in percentage terms on a sustained basis.

Factors that could lead to a downgrade

Veolia's ratings could be downgraded if credit metrics appear likely to remain persistently below our guidance for the Baa1 rating, which includes funds from operations (FFO)/net debt in the high teens in percentage terms, RCF/net debt comfortably in the low teens in percentage terms and FFO interest cover above 4x, because, for example, of weaker-than-expected operating performance, issues in integrating SUEZ's teams or increased investments.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Key indicators

Exhibit 2
Veolia Environnement S.A.

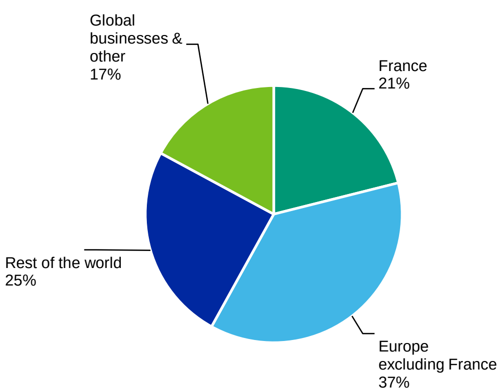
	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Moody's 12-18 Month Forward View
(FFO + Interest Expense) / Interest Expense	5.5x	6.0x	6.1x	6.2x	6.5x	6.6x	7.0x - 8.0x
FFO / Net Debt	20.6%	21.9%	22.4%	19.1%	20.2%	15.3%	16% - 19%
RCF / Net Debt	16.4%	17.7%	17.7%	14.9%	15.5%	12.9%	13% - 16%
FCF / Net Debt	0.3%	0.7%	-1.2%	-3.0%	-2.6%	-0.8%	-30% - 0%

All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. The 2015, 2016, 2017, 2018, 2019 and 2020 key indicators are adjusted for IFRIC 12. Free cash flow excludes divestments. For definitions of our most common ratio terms, please see the accompanying User's Guide.
Source: Moody's Investors Service

Profile

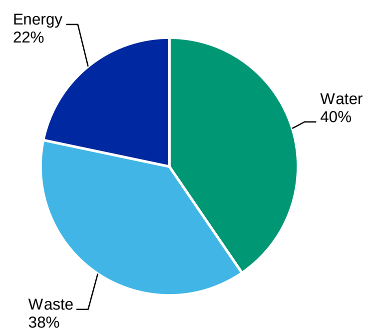
Headquartered in Aubervilliers, France, Veolia Environnement S.A. (Veolia) is one of the world's largest providers of environmental services, with revenue of €26.0 billion and EBITDA of €3.6 billion in 2020. As of March 2021, it provided drinking water to 98 million people, wastewater treatment services to 67 million people and waste management services to 42 million people. Veolia is listed on the Paris Stock Exchange, with a market capitalisation of around €16.3 billion as of mid August 2021.

Exhibit 3
Revenue breakdown by geography (for the 12 months ended June 2021)



Source: Company reports

Exhibit 4
Revenue breakdown by activity (for the 12 months ended June 2021)



Source: Company reports

Detailed credit considerations

SUEZ acquisition will reinforce Veolia's international presence

In October 2020, Veolia purchased ENGIE's 29.9% stake in SUEZ for €18/share, or €3.4 billion. Upon the completion of the cash purchase, Veolia reaffirmed its intention to launch a takeover offer for SUEZ's remaining capital at €18/share but subject to conditions, including approval from SUEZ's board of directors and the European Commission with regard to antitrust concerns. On 7 February 2021, Veolia officially submitted a takeover offer at €18/share despite persistent disagreement from SUEZ's board and several pending legal actions initiated from both sides.

Before proposing to buy 29.9% of SUEZ from ENGIE, Veolia partnered with the French infrastructure fund Meridiam intending to dispose of SUEZ's French water business (€2.15 billion revenue in 2019) and address the associated antitrust issue. Meridiam formally committed to this acquisition by submitting an offer to Veolia that remains valid until 31 December 2022. This partnership was extended to SUEZ's French waste activities in March 2021 to keep the scope of SUEZ French activities in a single entity, and address SUEZ's management' concerns about a potential company breakup in France.

On 21 March 2021, SUEZ made a counterproposal to Veolia. The proposal included the acquisition by two funds, Ardian and Global Infrastructure Partners (GIP), of SUEZ's French activities and some international water assets, totalling €9.1 billion of revenue in 2019, for a cash consideration of €11.9 billion or €15.8 billion enterprise value, leading to an implicit valuation of €20/share.

Following months of discussion, Veolia and SUEZ announced principles of agreement to merge the two groups on 12 April 2021. Veolia increased the offer price to €20.5/share and committed inter alia to dispose of SUEZ assets representing around €7 billion of revenue into a new SUEZ entity. On 29 June 2021, SUEZ's board recommended acceptance of Veolia's offer. On 20 July 2021, the French Market Authority approved Veolia's draft offer and formally opened the offer on 29 July 2021.

Both the SUEZ acquisition and the concomitant asset disposals of New SUEZ are likely to close in December 2021. The new group will benefit from a markedly increased scale and geographical diversification. With the somewhat complementary geographies of the two groups, the acquisition will enlarge Veolia's international presence, in particular in the context of increasing competition in a highly fragmented market, and leverage the ongoing shift towards offering more sophisticated environmental solutions (focus on hazardous waste) and efforts to increase barriers to entry for potential newcomers. There will be an unchanged focus on water, waste and energy services businesses. The combination will create the leading group in waste and water activities worldwide, with revenue more than €37 billion (after the proposed disposals of New SUEZ and a few additional assets to address remaining competition issues, notably in Australia) and EBITDA close to €6 billion. More than 80% of revenue will be derived from outside France.

Veolia's management committed to maintain credit quality, and we expect mitigating measures, including capital increase and the disposal to New SUEZ, to be sufficient to buffer the strain on financial metrics from the acquisition of SUEZ's capital. We expect Veolia to restore financial flexibility commensurate with guidance for a Baa1 rating, which includes FFO/net debt in the high teens in percentage terms, RCF/net debt comfortably in the low teens in percentage terms and FFO interest cover above 4x.

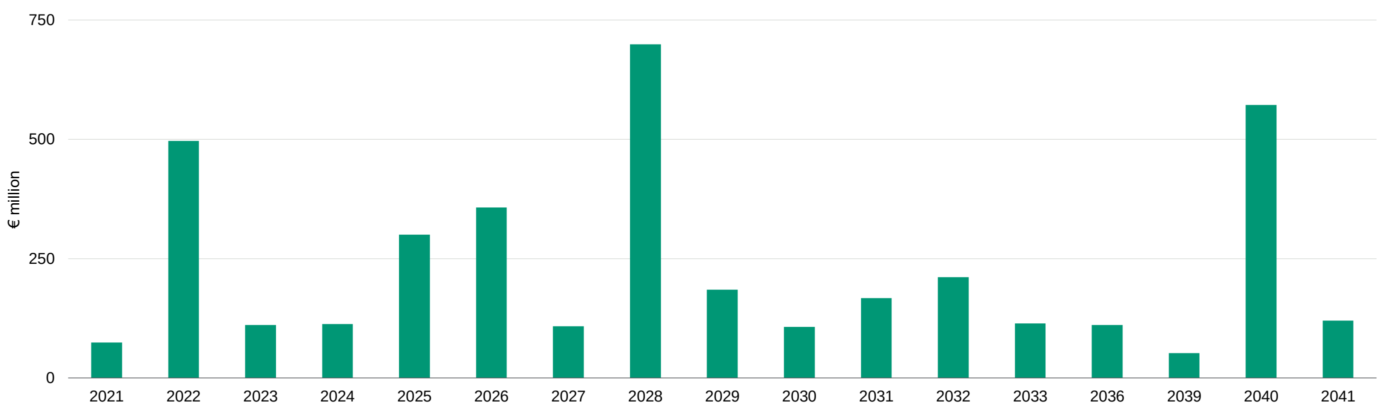
Scale and diversification support cash flow stability

Veolia's credit quality is underpinned by its large scale and diversification, which have contributed to its leading market positions in different geographies across its three businesses: water, environmental and energy services. The diversification of the company's revenue base by business, contract type and geography (see Exhibits 3 and 4) helps mitigate the negative effect on earnings from a deterioration in any one activity or region, and supports the relative stability of its cash flow. In addition, the granularity of Veolia's portfolio of contracts means that it has limited exposure to the risk of nonrenewal of any single contract. However, in 2022, the group will face a relatively high number of renewals compared with earlier years.

Exhibit 5

Veolia's portfolio of contracts has limited concentration

Expiration of contracts of more than €50 million in annual revenue



Sources: Company reports and Moody's Investors Service

Growing share of industrial clients in revenue mix will increase cash flow volatility

Veolia's revenue comes from a portfolio of thousands of multiyear contracts, which range from long-term concessions with low-risk public-sector counterparties to shorter-term contracts with industrial and commercial (I&C) customers. Contracts vary by market and can be either capital intensive, requiring the group to invest in infrastructure in exchange for the right to provide services on a long-term basis, or structured as operating and maintenance or management contracts, requiring little investment.

Public authorities accounted for 52% of Veolia's turnover in 2020 and I&C customers for the remaining 48%, a proportion that is likely to grow to 50% in 2022 with the SUEZ acquisition. This is because antitrust remedies will mostly concern French activities that are highly exposed to municipalities and reported total revenue of around €4 billion in 2019. Over a longer period, the contribution from I&C customers' will continue to grow, as a result of the group's strategic business plan, with 65% of the investment spending dedicated to industrial clients. To the extent - as seems likely - this shift brings greater reliance on shorter-term, asset-light contracts it will increase Veolia's business risk.

Supportive long-term industry dynamics in an increasingly competitive environment

Veolia operates in sectors that benefit from positive long-term underlying dynamics even if they are not immune to short-term economic pressures. Positive factors include population growth, the trend towards urbanisation and industrialisation, the energy transition and our expectation of rising standards of living in emerging economies.

Together with the public concern over the effect of climate change on scarce resources and increasingly stricter environmental regulations, these positive dynamics support increased demand for existing technologies for the provision of water, wastewater and waste management services; and new services and technologies that, for example, facilitate water preservation in the context of climate change; and the ongoing shift towards waste recovery, in particular, in the food chain or new energy services.

Against this backdrop, there is intense competition, especially in the lower part of the value chain. Post the SUEZ acquisition, and for the time being, the group will have no global competitors in its sector. However, even if markets remain fragmented, some Chinese competitors are emerging, alongside both global and local specialists (for example, energy companies, equipment manufacturers, companies specialising in energy efficiency or facility management). Veolia's main competitive advantages are its scale and ability to provide a wide range of services and technologies across business lines and geographies.

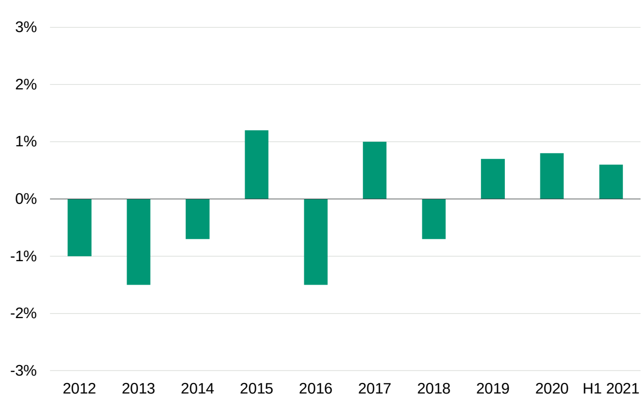
Water activities are low risk, but exposure of the waste business to cyclical macroeconomic conditions is a challenge

Veolia benefits from the low-risk profile of its water business, which provides essential water and wastewater management services to individuals and businesses, often on behalf of local municipalities under long-term concession agreements. Although demand for water continues to experience a slow structural decline in advanced economies, especially in Europe, because of a more resource-aware population, variations in water consumption are mainly driven by weather (see Exhibit 6). Typical contract renewal rates of around 90% in the municipal sector provide revenue visibility and stability.

Exhibit 6

Water volume in mature economies exhibits low volatility and growth...

(Annual percentage change in Veolia's water volume in France)

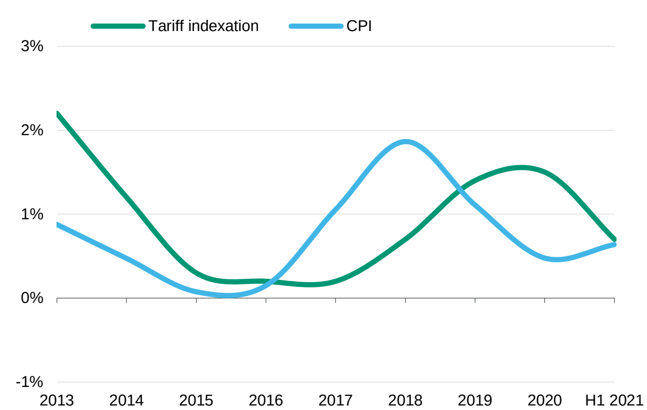


Source: Company reports

Exhibit 7

...while tariff indexation has been recovering since the beginning of 2017, to catch up with the inflation level

(Annual percentage change in Veolia's water tariffs in France versus the Consumer Price Index)



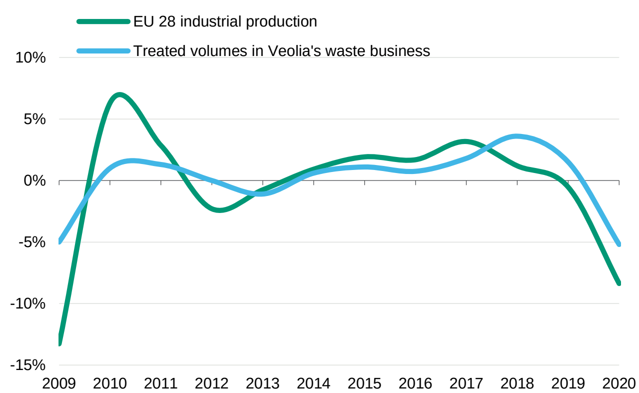
Sources: INSEE, company reports and Moody's Investors Service

The waste management segment is more exposed to cyclical macroeconomic conditions, reflecting the higher proportion of I&C customers; that contract terms are often linked to collected or processed volume, which, in turn, is linked to industrial production (see Exhibit 8); and the exposure, although moderate, of the recycling business to paper and scrap metal prices. The coronavirus pandemic highlights the company's exposure to any economic downturn: Veolia's waste volume fell 5.2% in 2020, driven by the economic fallout linked to the pandemic-related lockdown measures, especially in Europe and the US.

With low entry barriers in the collection and disposal of nonhazardous waste, Veolia continues to invest in higher-value-added activities. These include sorting and processing hazardous materials, which is a core expertise that Veolia wants to further develop to achieve revenue of €4 billion by 2023 (excluding SUEZ's complementary assets) compared with €2.5 billion in 2020; and generating energy from waste, which reduces the correlation between treated volume and industrial production, even though energy from waste might increase the group's exposure to fluctuations in energy prices in some cases (see Exhibit 9).

Exhibit 8

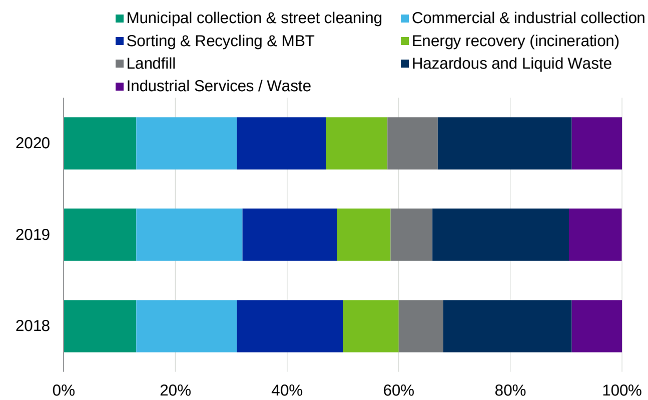
Veolia's waste business is exposed to the macroeconomic cycle
Annual percentage change



In 2010, waste volume was from industrial clients only.
Sources: Company reports and Moody's Investors Service

Exhibit 9

Shift from collection and landfill to recycling and hazardous waste treatment continues
Waste revenue breakdown by activity



Sources: Company reports and Moody's Investors Service

In Veolia's energy business, more than 60% of revenue comes from the management of district heating and cooling networks under long-term contracts. These contracts include indexation and pass-through clauses covering variations in energy prices, although they can be subject to some regulatory risk. These features underpin a relatively predictable cash flow. However, cash flow is exposed to weather conditions and the seasonal demand for heating and cooling. In addition to managing networks, the group acts as a subcontractor for public and private customers to manage or maintain various energy installations (including decentralised electricity generation, such as biomass), which, in turn, can expose it to fluctuations in energy prices.

Growing focus on specialised services and growth markets outside Europe, mitigated by a balanced approach towards capital deployment

In February 2020, Veolia unveiled its new four-year strategic plan focused on accelerating growth in sectors that require specialist expertise, in particular, hazardous waste treatment, where the group aims to double its existing platforms, targeting €4 billion in revenue by 2023, excluding the contribution of SUEZ's assets. Veolia expects industrial customers' needs for greater expertise to increase barriers to entry, profitability and cash flow predictability. The strategy also seeks to improve the profitability of noncyclical activities, such as municipal water, I&C waste collection, and water treatment technologies and services, which are the foundations of the group. In parallel, Veolia's strategy focuses on shifting progressively from mature economies to growth markets outside Europe.

We expect the strategy rollout to slow following the SUEZ acquisition because the focus will be on the integration of assets and teams as well as on the disposal programme as a result of measures Veolia's management wants to implement to maintain credit quality. On a longer term, we expect the group to gradually reduce businesses that are deemed mature or commoditised, which mainly consist of construction, municipal waste collection (if isolated) and facility management.

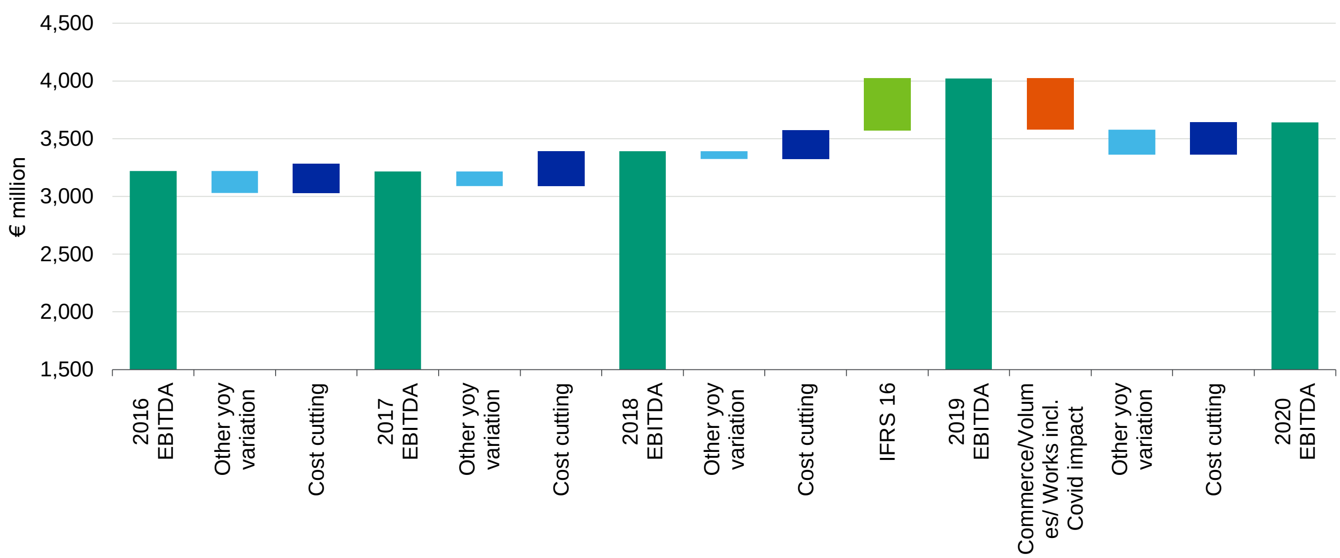
Cost reduction programme supports operating profitability

The group's profitability is mostly predicated on continued successful execution of its cost-saving programme, which has, in earlier years, more than offset strain from weak price indexation and subdued industrial production in Europe. The successful execution of this programme was the main driver behind Veolia's profitability in recent years (see Exhibit 10).

In addition to its initial cost-saving programme, Veolia implemented an additional “Recover and Adapt” plan to mitigate the effect of the pandemic on the group's profitability. Veolia's total savings amounted to €550 million in 2020, €272 million of which was from its additional plan following the pandemic. Veolia expects to achieve €350 million of cost cutting in 2021, including €250 million of recurring efficiencies and €100 million from its complementary plan. On top of the cost-cutting objectives announced, Veolia intends to gradually implement some additional cost synergies resulting from the SUEZ acquisition for a total consideration of €500 million in 2025. Those savings will be split in €300 million of operational savings and €200 million related to procurements and general expenses.

Exhibit 10

EBITDA growth continues to be driven by cost savings



Sources: Company reports and Moody's Investors Service

In 2020, Veolia's revenue fell 2.9%, at a constant exchange rate, to €26.0 billion. After a sharp decline in H1 2020, mostly because of the halt in construction work in France and reduced hazardous waste volumes, Veolia reported a significant rebound in H2 2020. Revenue grew faster in the fourth quarter than in the third quarter as a result of tariff increases in water and energy activities, recovery in hazardous waste volumes and higher recycled paper prices. These offset the lower volumes resulting from the second wave of the pandemic. Veolia's EBITDA was down 8.0% organically at €3,641 million in 2020. Veolia's Moody's-adjusted net debt increased by around 22% to €17.4 billion as of year-end 2020 as a result of the payment for SUEZ's 29.9% stake, driving FFO/net debt to 15.3% from 20.2% in 2019.

In July 2021, Veolia published its half-year results, with revenue up to €13.6 billion (+11.2% compared with H1 2020) and EBITDA up to €2.1 billion (+31.4%). The increase was mainly driven by a higher-than-expected rebound from the Waste division, with revenue up 14.6% because of volumes returning to normal and positive price momentum. Veolia reported efficiency gains of €204 million in H1 2021, out of the annual objective of €350 million. The Hazardous waste business showed a continuous and higher growth in Q2 2021 because of strong volumes and prices increases.

Veolia raised its 2021 guidance following the robust recovery in the first half. The group still targets revenue above the 2019 level, but increased EBITDA guidance to above €4.1 billion, a €100-million increase from the February 2021 guidance, including cost cutting over €350 million. The dividend paid for 2020 is €0.70/share, while the objective is to return to the pre-crisis dividend policy in 2021, based on an around 70% payout ratio. We expect the SUEZ acquisition, with closing at year-end, to strain Veolia's financial metrics in 2021, which will be close to the 2020 performance. However, through the SUEZ acquisition, Veolia will improve its risk profile through greater geographical diversification and scale. Veolia will increase its revenue from €26 billion in 2020 to more than €37 billion in 2022 and its EBITDA from €3.6 billion in 2020 (€4.1 billion in 2019) to around €5.9 billion in 2022. We expect net debt to reach around €18 billion - €19 billion in 2022 from €13.3 billion in 2020, taking into account measures to limit the transaction's negative pressure on metrics. These measures include the disposal scope agreed with the SUEZ board, additional antitrust remedies and €500 million of cost-cutting in the next four years, as well as a €2.5 billion capital increase. We expect Veolia to deliver financial metrics commensurate with a Baa1 rating from 2022 onwards.

ESG considerations

Because of the essential nature of water treatment and increased environmental awareness among consumers, water, wastewater and waste management are subject to more stringent regulations and strict monitoring. In addition, the collection, transportation and treatment of hazardous waste inherently increases socially driven risks, mostly related to disasters caused by human error. Veolia is well positioned for such challenges with internal processes to coordinate the identification, assessment and control of risks, particularly pollution; and to monitor the efficiency of the implemented action plans covering the risks identified. The group reiterated, in February 2020, its strong commitment to the preservation of natural resources as part of its 2020-23 strategic plan through the promotion of innovative industrial processes. Veolia disclosed quantitative objectives to enhance its circular economy, prevent climate change and restore biodiversity.

Liquidity analysis

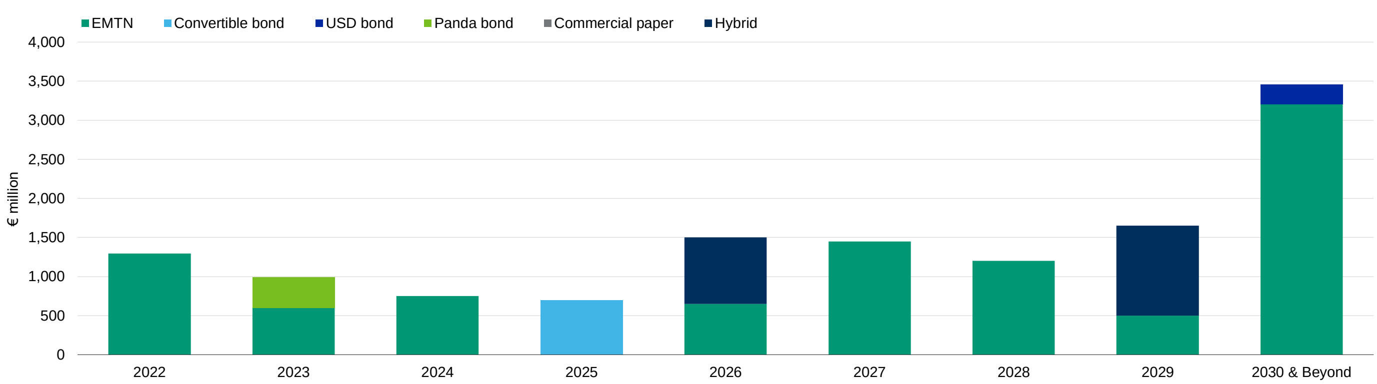
Veolia's liquidity is sound, based on €6.4 billion of cash and cash equivalents (excluding restricted cash) on its balance sheet and undrawn credit lines of €4.0 billion in aggregate as of the end of June 2021. These credit lines mainly consist of a syndicated facility of €3 billion maturing in 2024, and undrawn bilateral facilities of €1.0 billion maturing between 2022 and 2025. These facilities contain no triggers, covenants, material adverse changes or general restrictions.

Veolia's liquidity has also been reinforced by bond issuances of €700 million in April 2020, €500 million in June 2020 and €700 million in January 2021. Veolia also issued a hybrid bond of €2 billion at the beginning of October 2020 to help restore financial flexibility after the €3.4 billion cash payment to buy 29.9% of SUEZ. Over the next 24 months, there are debt maturities of €1.3 billion in H1 2022 and CNY1.5 billion in H1 2023.

We expect the group to be broadly free cash flow neutral after dividend payments over the next 12 months, and the SUEZ acquisition to be mostly financed through the rights issue and the proceeds from SUEZ assets sold to the Meridiam-GIP-CDC consortium.

Exhibit 11

Veolia's debt maturity profile as of the end of June 2021 (excluding CPs)



Sources: Veolia and Moody's Investors Service

Methodology and scorecard

The primary methodology used in rating Veolia was our Environmental Services and Waste Management Companies rating methodology, published in April 2018. The assigned Baa1 rating is one notch higher than the scorecard-indicated outcome of Baa2, which reflects the very broad diversification of its revenue base by sector and geography; and the low-risk profile of its concession-based water business, including its leading position in France, which accounted for 42% of revenue in 2020. The Baa1 rating also takes into account the group's moderate leverage when assessed on a net debt basis, taking into account its substantial cash holdings.

Exhibit 12

Rating factors

Veolia Environnement S.A.

Environmental Services and Waste Management Companies Industry Scorecard [1][2]	Current FY 12/31/2020		Moody's 12-18 Month Forward View As of July 2021 [3]	
Factor 1 : BUSINESS PROFILE (15%)	**Measure**	**Score**	**Measure**	**Score**
a) Business Profile	Aa	Aa	Aa	Aa
Factor 2 : SCALE (20%)				
a) Revenue (USD Billions)	$29.9	Aa	Aaa	Aaa
Factor 3 : PROFITABILITY AND EFFICIENCY (10%)				
a) EBIT Margin %	3.4%	B	5% - 6%	Ba
Factor 4 : LEVERAGE AND COVERAGE (40%)				
a) FFO / Debt	11.1%	B	12.5% - 14.5%	B
b) Debt / EBITDA	7.4x	Ca	5.5x - 6.5x	Caa
c) EBIT / Interest Expense	1.9x	B	3.0x - 4.0x	Baa
Factor 5 : FINANCIAL POLICY (15%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Ba1		Baa2
b) Actual Rating Assigned				Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of 31 December 2020. [3] This represents Moody's forward view and not the view of the issuer.
Sources: Moody's Investors Service and Moody's Financial Metrics™

Appendix

Exhibit 13

Select historical Moody's-adjusted financial data

Veolia Environnement S.A.

(in EUR million)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
INCOME STATEMENT						
Revenue	25,138	24,388	24,978	26,086	27,351	26,209
EBITDA	3,572	3,590	3,520	3,613	3,736	3,251
EBIT	1,408	1,416	1,306	1,350	1,395	894
Interest Expense	609	577	574	550	519	476
BALANCE SHEET						
Cash & Cash Equivalents	3,922	5,314	6,146	4,413	5,932	6,536
Total Debt	17,112	18,404	19,075	19,248	20,164	23,945
Total Liabilities	31,585	32,938	33,576	34,252	36,010	39,845
CASH FLOW						
Funds from Operations (FFO)	2,713	2,871	2,902	2,838	2,870	2,665
Dividends	548	556	614	625	661	426
Retained Cash Flow (RCF)	2,165	2,315	2,288	2,213	2,209	2,239
Cash Flow From Operations (CFO)	2,828	2,919	2,890	2,716	3,077	3,070
Free Cash Flow (FCF)	45	93	(150)	(444)	(369)	(135)
EBITDA margin %	14.2%	14.7%	14.1%	13.9%	13.7%	12.4%
EBIT margin %	5.6%	5.8%	5.2%	5.2%	5.1%	3.4%
INTEREST COVERAGE						
EBITDA / Interest Expense	5.9x	6.2x	6.1x	6.6x	7.2x	6.8x
(FFO + Interest Expense) / Interest Expense	5.5x	6.0x	6.1x	6.2x	6.5x	6.6x
LEVERAGE						
Debt / EBITDA	4.8x	5.1x	5.4x	5.3x	5.4x	7.4x
Net Debt / EBITDA	3.7x	3.6x	3.7x	4.1x	3.8x	5.4x
FFO / Net Debt	20.6%	21.9%	22.4%	19.1%	20.2%	15.3%
RCF / Net Debt	16.4%	17.7%	17.7%	14.9%	15.5%	12.9%
FCF / Net Debt	0.3%	0.7%	-1.2%	-3.0%	-2.6%	-0.8%

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Investors Service

Exhibit 14

Peer comparison

	Veolia Environnement S.A. Baa1 Stable			SUEZ Baa1 Stable			Hera S.p.A. Baa2 Stable			ACEA S.p.A. Baa2 Stable		
(in EUR million)	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-18	FYE Dec-19	FYE Dec-20	FYE Dec-18	FYE Dec-19	FYE Dec-20
Revenue	26,086	27,351	26,209	17,331	18,015	17,209	6,134	6,913	7,079	2,837	3,022	3,205
EBITDA	3,613	3,736	3,251	2,991	2,713	2,107	919	1,081	994	860	893	1,014
Total Debt	19,248	20,164	23,945	15,802	15,750	16,775	3,466	3,799	4,337	3,943	4,285	4,653
Cash & Cash Equivalents	4,413	5,932	6,536	3,438	3,716	5,301	536	364	987	1,068	836	642
EBIT Margin %	5.2%	5.1%	3.4%	6.2%	5.1%	2.0%	8.5%	9.4%	7.6%	17.0%	16.1%	16.1%
EBIT / Interest Expense	2.5x	2.7x	1.9x	2.0x	2.0x	0.8x	4.9x	6.3x	6.3x	5.2x	5.3x	6.0x
Debt / EBITDA	5.3x	5.4x	7.4x	5.3x	5.8x	8.0x	3.8x	3.5x	4.4x	4.6x	4.8x	4.6x
FFO / Net Debt	19.1%	20.2%	15.3%	19.2%	20.3%	16.3%	23.2%	21.7%	22.9%	22.4%	21.8%	22.5%
RCF / Net Debt	14.9%	15.5%	12.9%	13.8%	14.5%	12.0%	18.0%	17.0%	18.1%	17.7%	19.7%	20.2%

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Investors Service

Exhibit 15
Adjusted debt breakdown
Veolia Environnement S.A.

(in EUR million)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported Total Debt	12,341	13,351	14,273	16,308	16,996	19,950
Pensions	701	797	657	644	693	692
Leases	1,339	1,472	1,465	0	0	0
Hybrid Securities	773	734	725	0	0	1,000
Securitization	333	512	568	789	894	698
Non-Standard Public Adjustments	1,626	1,539	1,386	1,507	1,581	1,606
Moody's Adjusted Total Debt	17,112	18,404	19,075	19,248	20,164	23,945
Cash & Cash Equivalents	(3,922)	(5,314)	(6,146)	(4,413)	(5,932)	(6,536)
Moody's Adjusted Net Debt	13,190	13,090	12,928	14,835	14,233	17,409

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Investors Service

Exhibit 16
Adjusted EBITDA breakdown
Veolia Environnement S.A.

(in EUR million)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported EBITDA	2,699	2,648	2,661	3,216	3,671	2,849
Unusual Items - Income Statement	0	0	(8)	(4)	(326)	0
Pensions	9	27	(16)	7	2	(18)
Non-Standard Public Adjustments	447	470	428	394	394	429
Interest Expense - Discounting	(39)	(42)	(35)	(30)	(31)	(24)
Moody's Adjusted EBITDA	3,572	3,590	3,520	3,613	3,736	3,251

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Investors Service

Ratings

Exhibit 17

Category	Moody's Rating
VEOLIA ENVIRONNEMENT S.A.	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured	Baa1
Jr Subordinate -Dom Curr	Baa3
Commercial Paper	P-2

Source: Moody's Investors Service

Moody's related publications

Rating Action:

» Moody's affirms Veolia Environnement's Baa1 ratings; stable outlook, 9 October 2020

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

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