

ISSUER COMMENT

11 January 2022

 Rate this Research

RATINGS

Veolia Environnement S.A.

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

Source: Moody's Investors Service

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Veolia Environnement S.A.

Acquisition of SUEZ is credit positive

On 10 January 2022, [Veolia Environnement S.A.](#) (Veolia, Baa1 stable) announced that the group holds 86.22% of the capital of [SUEZ](#) (Baa1 stable) following its cash tender offer. The acquisition is credit positive because Veolia will benefit from a markedly increased scale and geographical diversification, while a series of measures have been implemented to cushion the strain on financial metrics. Veolia's ratings were affirmed in July 2021 after the SUEZ board recommended acceptance of Veolia's offer¹ and we continue to expect that the group will restore financial flexibility to levels commensurate with a Baa1 rating by year end.

With the somewhat complementary geographies of the two groups, the acquisition enlarges Veolia's international presence, especially in Europe (excluding France) and Americas, in the context of rising competition in a highly fragmented market, and accelerates the ongoing shift towards offering more sophisticated environmental solutions (focus on hazardous waste) and efforts to increase barriers to entry. There is an unchanged primary focus on water and the waste businesses, supplemented with energy services. The combination creates the leading group in waste and water activities globally, with revenue over €37 billion and EBITDA close to €6 billion. Over 80% of revenue is derived outside France. In 2020, Veolia reported €26 billion revenue and €3.6 billion EBITDA.

Since announcing its initial acquisition of 29.9% of SUEZ's capital in October 2020, Veolia's management has acted in accordance with its stated commitment to maintain credit quality. Over 2020-21, the group increased its capital by €2.5 billion and issued €2.5 billion of hybrid bonds to partially fund the transaction. In addition, in October 2021, Veolia signed an agreement with SUEZ and a consortium of financial investors to sell SUEZ's French water and waste assets, some of its unregulated municipal water operations outside France, as well as global digital and environmental activities for a total consideration of €10.4 billion (see Credit Opinion for [Sonate Bidco](#) (Sonate, Baa2 stable)). The transaction is expected to close by the end of February. Veolia's management has also committed to additional disposals, including mostly hazardous waste and industrial water businesses in France, to comply with European Antitrust Authorities' requirements. Finally, Veolia plans additional cost savings building to €500 million in 2025, from operational synergies and savings on general expenses, including procurement.

The European Commission approved the SUEZ acquisition on 14 December 2021, subject to the disposal of SUEZ assets to Sonate Bidco and the above mentioned additional remedies. Veolia also received clearance from all other antitrust authorities without any further required disposal excluding that previously agreed with the Australian company Cleanaway with regards to waste assets (landfills, transfer stations and few other minor assets) in the Sydney area. The sole exception is the UK Competition Market Authority (CMA)'s approval,

expected to occur by the end of the first half of 2022, the authority still investigating to assess necessary remedies, if any.

Veolia intends to reopen its offer from January 12 to January 27, 2022, which will be followed by a squeeze-out of remaining shareholders should Veolia' ownership in SUEZ exceed 90%.

Moody's related publications

Credit Opinions

- » [Veolia Environnement S.A.: Update following rating affirmation](#), 16 August 2021
- » [Veolia Environnement S.A.: Update to credit analysis](#), 15 April 2021

Endnotes

- 1 ["Communiqué de réponse OPA" as of 29 June 2021](#)

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.moody's.com for the most updated credit rating action information and rating history.

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