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Veolia Environnement S.A.

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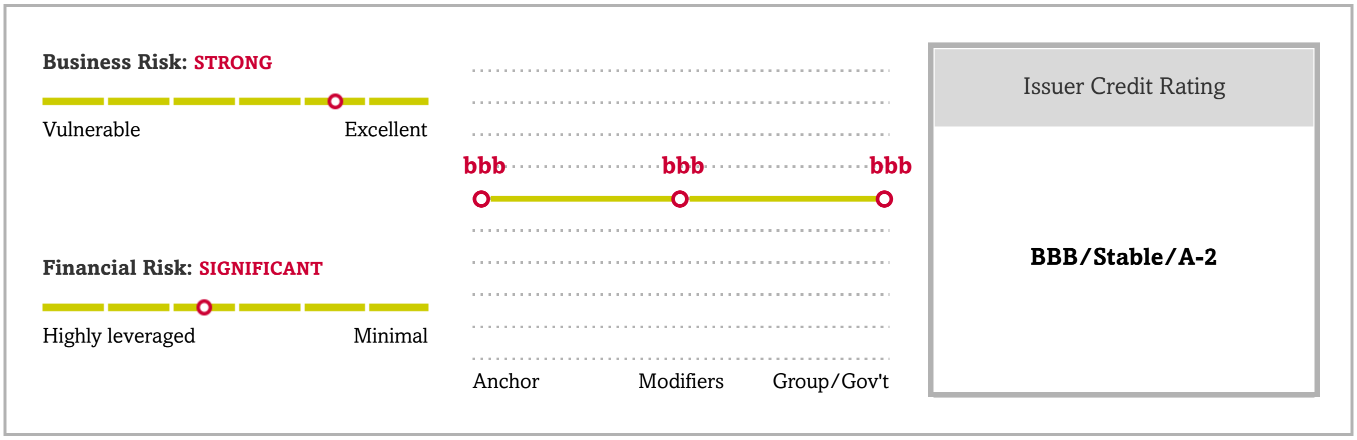
Veolia Environnement S.A.



Credit Highlights

Overview

Key strengths	Key risks
Leading worldwide position in water concession (44% of 2019 EBITDA) and waste solution (36%) businesses.	Pressure on remuneration at contract renewal times, notably on water concessions but also industrial contracts.
Predictable cash flows supported by long-term diversified environmental services, benefiting from positive secular market trends.	Cash flow volatility in the waste solutions business, stemming notably from dependence on industrial output and price volatility of recycled products.
Significant profitability improvement from successful implementation of cost-efficiency measures over 2012-2019, which we expect to continue until 2023 at least.	Exposure to the COVID-19 pandemic and associated economic downturn, which could lead to operating underperformance, particularly in the waste division, and to a lesser extent the energy business (20% of 2019 EBITDA).
Rating headroom, with adjusted funds from operations (FFO) to debt at 22.6% at year-end 2019, well above the 20% threshold for the rating.	Exposure to country risk, given presence in emerging markets, which represent about one-third of the group's EBITDA.

COVID-19 will have a severe impact on Veolia, which has taken remedy measures to maintain credit headroom. Veolia is exposed to the COVID-19 pandemic and associated economic downturn, which could lead to operating underperformance, notably in its waste (36% of 2019 EBITDA) division, and to a lesser extent its energy (20%) business. Following the spread of COVID-19 in Europe, Veolia suspended its EBITDA guidance for 2020, and then announced, among others, the following remedy measures, which we expect will allow the company to maintain adjusted FFO to debt close to 20% in 2020:

- The ordinary dividend for the year was reduced by 50%.
- €200 million of additional cost cutting for the year on top of the €250 million already planned (€64 million already achieved in first quarter).
- €500 million reduction in capital expenditure (capex). Veolia expects overall capex, including acquisitions, to decline to €2.0 billion from its previous expectation of €2.5 billion.

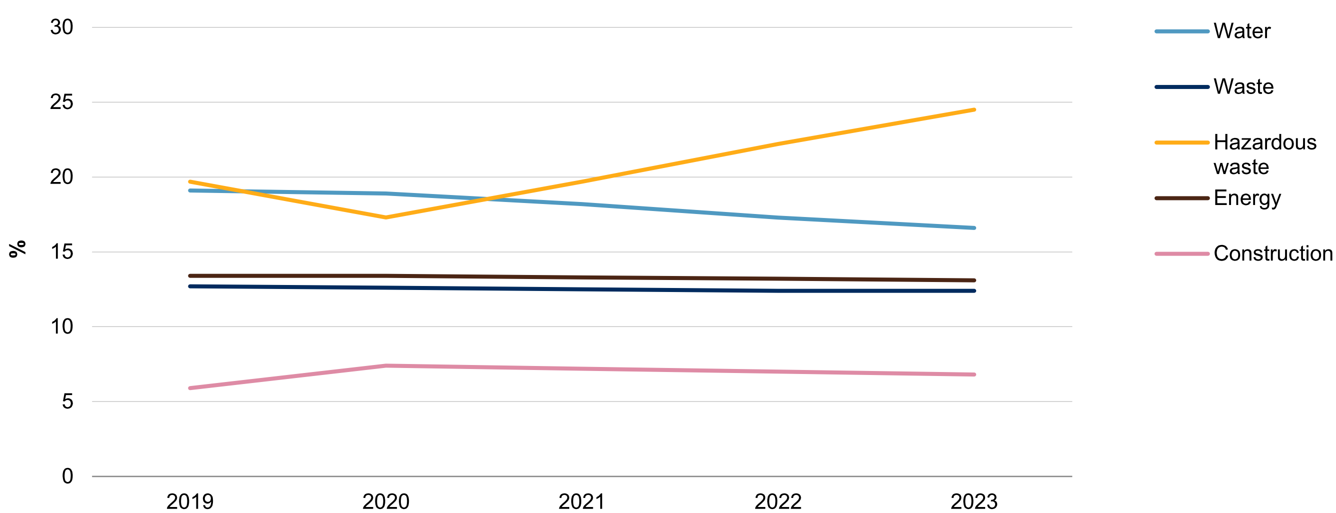
Veolia's strong diversification in waste and water businesses provide it with cash flow predictability. Veolia's water business (44% of 2019 EBITDA) benefits from monopolistic positions for the long-term concessions, broadly stable water volumes distributed, and modest but sustainable earnings growth from indexation. The group notably has a leading position in France and strong footprint in China. Although the group faces pressure on remuneration at concession renewal times and for shorter contracts, we note Veolia has a strong track record in contract renewal and margin reductions were already made in previous tenders, limiting further material downside risk in the coming years. Veolia's waste solutions activities (36% of 2019 EBITDA) tend to be more cyclical and generally based on shorter-term contracts (typically less than one year). That said, Veolia has a global presence and is increasing its focus on higher-value-added services, which benefit from higher growth and profitability, notably hazardous waste management for industrial customers.

Although Veolia has a balanced global presence, it has relatively high exposure to emerging markets. International diversification provides Veolia with stronger cash flow resilience and a greater ability to seize growth opportunities in different markets. That said, it also exposes the company to risks. Veolia has increased its exposure to emerging markets to about one-third of the group's EBITDA. This includes operations in Eastern European economies, Asia, Africa, and Latin America, where market volatility, currency swings, and political risks are higher.

Profitability has improved significantly because of the company's cost-cutting program and higher-margin services. Veolia has set a strong track record in improving profitability by continuously reaching its cost-savings targets and improving its return on capital employed (ROCE). Over 2012-2019, Veolia's cost saving program reached €1.8 billion and it is aiming to reach €2.8 billion by 2023. In addition, the group aims for the ROCE to be above 9% from 2023, compared with 8% in 2019 after the impact of International Financial Reporting Standard 16 (IFRS16). We believe Veolia will continue its efforts to enhance the group's profitability, which we view as credit positive. At the same time, the growth of its new, higher-value-added activities support margin improvement.

Chart 1

EBITDA Margin Evolution By Segment



Source: S&P Global Ratings.

EBITDA growth and improving debt stability are strengthening Veolia's credit metrics post COVID-19. As a result of continued EBITDA growth and debt stabilization, we expect Veolia will maintain its reported leverage below 3.0x and adjusted FFO to debt above 20% over 2020-2023. At this stage, we view the group's strategy as prudent, since it aims to complete small to midsize acquisitions to gradually strengthen its portfolio while continuously divesting mature and low margin businesses. However, the acceleration of the external growth strategy is a key risk to credit metrics, in our view.

Outlook: Stable

The outlook reflects our anticipation that Veolia will use strong remedy measures to offset potential operational underperformance related to the COVID-19 lockdown in Europe and consequent recession, which is our current assumption based on a European lockdown of four-to-six weeks. We currently project that Veolia will post credit metrics commensurate with a 'BBB' rating on a sustainable basis, including adjusted FFO to debt above 20% on average over 2020-2023 (22.6% at year-end 2019 and back to about 20% from 2020).

Downside scenario

A negative rating action could result from greater disruptions to current market conditions than we expect, such that the company's remedy measures might not be enough to offset them. Larger debt-financed acquisitions, without FFO to debt reverting to 20%; less supportive financial policies; or expansion into more volatile markets beyond currently announced plans could also negatively affect the rating.

Upside scenario

We could upgrade Veolia if the group continues to generate strong free operating cash flow before dividends, with adjusted FFO to debt sustainably above 25% and debt to EBITDA below 3x. We could also raise the rating if we consider its business risk profile to have strengthened on the back of improved profitability, business flexibility, and market conditions. Veolia's business performance during the lockdown period in Europe will be fundamental for us to consider an upgrade.

Ultimately, any upgrade potential would also hinge on management's financial policy, especially since we believe that the group may use its financial headroom to further accelerate growth rather than materially strengthen its balance sheet.

Our Base-Case Scenario

Assumptions

- Our base-case scenario is under constant revision as we continue to assess the effects of current market conditions.
- Revenue growth of about 2.2% over 2020-2023, supported by investments made in international activities and new contracts with industrial customers. We expect a slowdown in business activity following COVID-19 lockdown measures in 2020, but this shouldn't affect 2021 performance.
- A stable EBITDA margin post International Financial Reporting Interpretations Committee 12 and principal payments on operating financial assets at about 13%, before increasing at the end of the current strategic plan, in 2022-2023.
- Annual cost-cutting efforts of €250 million with a 40% retention rate. For 2020, we expect Veolia to increase its cost-cutting effort by €200 million, as publicly announced.

- Lower capex then previously assumed to compensate for lower EBITDA contributions from waste and energy.
- Ordinary dividends increasing in line with net income.

Key Metrics

Veolia Environnement S.A.--Key Metrics					
(Bil. €)	**2019A**	**2020E**	**2021E**	**2022E**	**2023E**
EBITDA reported	4.0	3.6-3.8	3.8-4.0	4.0-4.2	4.2-4.4
EBITDA	3.7	3.3-3.6	3.7-4.0	3.8-4.0	4.0-4.3
Debt	13.0	13.0-14.0	14.0-15.0	14.0-15.0	14.0-15.0
Capex	1.9	1.9-2.3	2.2-2.7	1.7-2.3	1.7-2.3
Dividends	0.7	0.4-0.5	0.7-0.8	0.8-0.9	0.8-0.9
FFO to debt (%)	22.6	19.0-21.0	20.0-21.0	20.0-22.0	20.0-22.0
Debt to EBITDA (x)	3.5	3.5-4.0	3.5-4.0	3.5-4.0	3.5-4.0

Capex--Capital expenditure. FFO--Funds from operations. A--Actual. E--Estimate.

COVID-19 will have a severe impact on Veolia's performance in 2020. Veolia is exposed to the COVID-19 pandemic and associated economic downturn, which could lead to operating underperformance, notably in its waste (36% of 2019 EBITDA) division, and to a lesser extent its energy (20%) business. Because of lower volumes and declining industrial activity, we expect 2020 reported EBITDA to decline by at least 7% compared with €4,022 million reported in 2019. We note Veolia has currently suspended its EBITDA guidance for 2020.

Strong remedy measures announced should maintain debt under control. To react to the COVID-19 economic slowdown Veolia has announced, amongst other, the following remedy measures, which we expect will allow the company to maintain an adjusted FFO to debt close to 20% in 2020:

- Ordinary dividend for the year reduced by 50%.
- €200 million additional cost cutting for the year on top of the €250 million already planned (€64 million already achieved in first quarter).
- €500 million capex reduction, Veolia expects overall capex (including acquisitions) to decline from €2.5 billion expected to €2.0 billion.

Despite the aforementioned decline in EBITDA and the expected working capital outflow of maximum €500 million, these measures should allow Veolia to keep its reported debt under control, with an increase of maximum €1.0 billion expected, versus 2019 reported net debt of €10.7 billion.

We expect Veolia's operating performance to normalize in 2021. In our base-case scenario, we expect a slowdown in business activity following COVID-19 lockdown measures in 2020, but no impact on 2021 performance. In particular, we expect improving macroeconomic conditions and improving volumes, coupled with EBITDA additions from acquisitions in late 2019 and 2020, to lead to reported EBITDA in 2021 returning to at least the level reported in 2019, at €4.0 billion.

Credit metrics are set to remain in line with rating requirements. With the remedy measures announced to counter the COVID-19-related performance decline and the normalization of business activity in 2021, we expect adjusted FFO to debt to remain above the threshold for the current rating (20%) over 2020-2023, with rating headroom increasing toward the end of the current strategic plan, in 2022-2023.

Company Description

Veolia operates worldwide within three main businesses: water services, waste services, and energy. Water services has been the core business since inception in 1853, but the group has also increased its projects in waste (especially hazardous waste in Asia) since 2003.

In 2019, water services represented 44% of EBITDA, waste 36%, and energy 20%. Geographically, 38% of EBITDA came from Europe (excluding France), 29% from the rest of the world (excluding Europe), and 23% from France.

The water business integrates drinking water and wastewater activities, such as water distribution, water and wastewater treatment, industrial process water, and manufacturing of water treatment equipment and technologies.

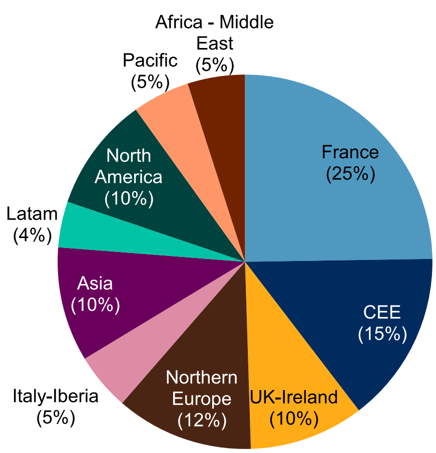
The waste solutions business collects, processes, and disposes of household, commercial, and industrial waste. It also includes waste sorting, recycling, and recovery.

The energy business produces renewable energy, comprising heat and electricity generated primarily from waste. Additionally, it develops a range of energy-management activities, including heating and cooling networks, thermal, and multi-technical services.

At year-end 2019, Veolia reported revenue of €27.2 billion, EBITDA of €4 billion, and net debt including IFRS16 of €10.7 billion.

Chart 2

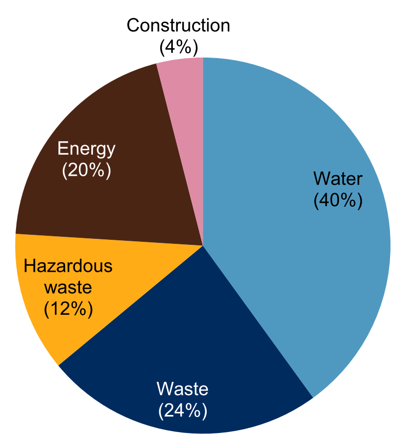
2019 Revenue Split By Geography



Source: S&P Global Ratings.

Chart 3

2019 EBITDA Split By Businesses



Source: S&P Global Ratings.

Peer comparison

Table 1

Veolia Environnement S.A.--Peer Comparison

Industry sector: Energy

	Veolia Environnement S.A.	ENGIE SA	American States Water Co.
Ratings as of June 4, 2020	BBB/Stable/A-2	BBB+/Stable/A-2	A+/Stable/--
	--Fiscal year ended Dec. 31, 2019--		
(Mil. €)			
Revenue	27,527	60,058	422
EBITDA	3,697	10,299	152
Funds from operations (FFO)	2,950	8,844	109
Interest expense	475	1,499	23
Cash interest paid	482	940	23
Cash flow from operations	2,817	7,415	109
Capital expenditure	1,887	6,418	137
Free operating cash flow (FOCF)	930	997	(29)
Discretionary cash flow (DCF)	126	(2,801)	(67)
Cash and short-term investments	5,937	10,433	1
Debt	13,043	46,866	488
Equity	7,078	36,081	536
Adjusted ratios			
EBITDA margin (%)	13.4	17.1	36.0
Return on capital (%)	7.3	7.3	12.2
EBITDA interest coverage (x)	7.8	6.9	6.7
FFO cash interest coverage (x)	7.1	10.4	5.7
Debt/EBITDA (x)	3.5	4.6	3.2
FFO/debt (%)	22.6	18.9	22.4
Cash flow from operations/debt (%)	21.6	15.8	22.3
FOCF/debt (%)	7.1	2.1	(5.9)
DCF/debt (%)	1.0	(6.0)	(13.7)

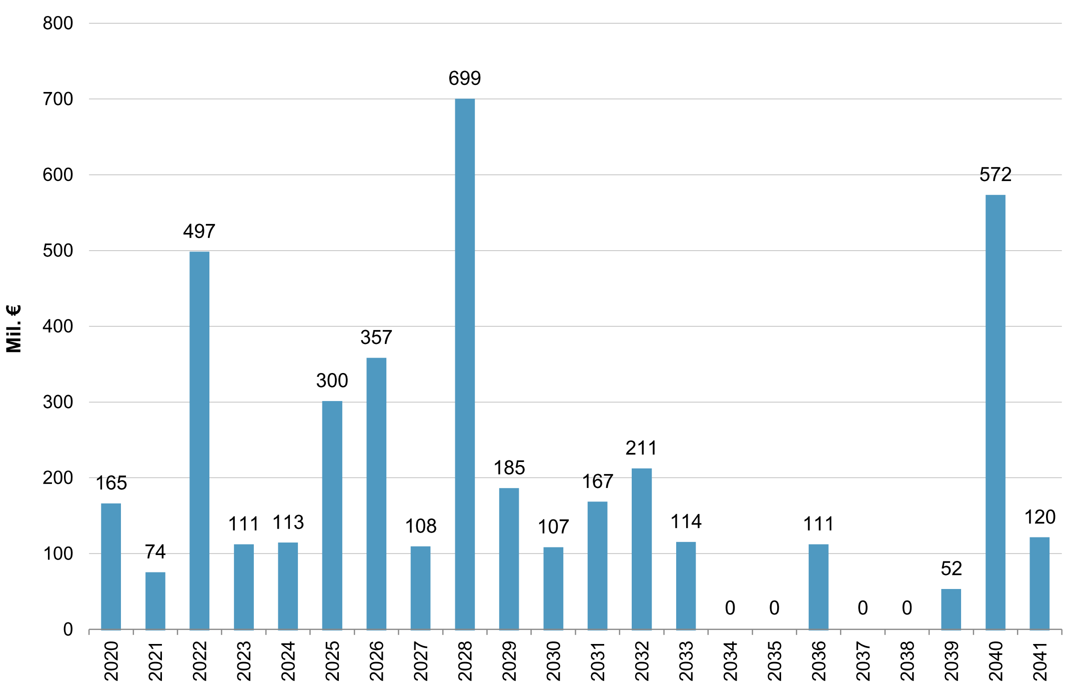
Business Risk: Strong

Leading worldwide positions in water and waste management. Our assessment of Veolia's business risk profile is supported by its leading worldwide positions in water and waste management, based on its strong franchises in local markets across Europe, the U.S., Latin America, and Asia. The group manages thousands of contracts, with a wide range of customers. Veolia notably provides drinking water to over 100 million people worldwide and collects waste for 60 million people through the management of about 3,000 waste-treatment sites. Veolia also manages about 600 heating and cooling networks and, on behalf of its customers, supervises energy management for over 2,000 industrial sites. Within its new strategic plan, Veolia aims at becoming the leader in the ecological transition by increasing its circular economy activities, notably in the energy efficiency and waste-to-energy sectors through long-term contracts with industrials.

Recurring and stable revenue from long-term contracts. Veolia has a high share of recurrent revenue from long-term contracts with local governments, which results in low volume and performance risk, and confers predictability to group earnings. In its core domestic market, Veolia typically operates under long-term operations and maintenance contracts, whereby it operates assets that are owned and financed by local authorities, and collects a tariff from customers. These contracts typically have a maturity of eight to 20 years for municipalities, depending notably on their capital intensity. For industrials, contracts are generally shorter (three to 10 years). Water consumption and demand are not cyclical, but are secularly and gradually declining (by about 1% per year in France) due to improving consumption efficiencies. Veolia's risks are further mitigated by automatic indexation clauses covering the main variable costs. Moreover, heating networks have little sensitivity to economic cycles and most contracts have pass-through arrangements, albeit with some time lag. In addition, the increasing expertise of local authorities, intense competition, and regulatory changes reducing the maximum duration of contracts have translated into significant tariff cuts in renegotiations of water contracts in France.

Chart 4

Veolia's Reported Contract Renewals



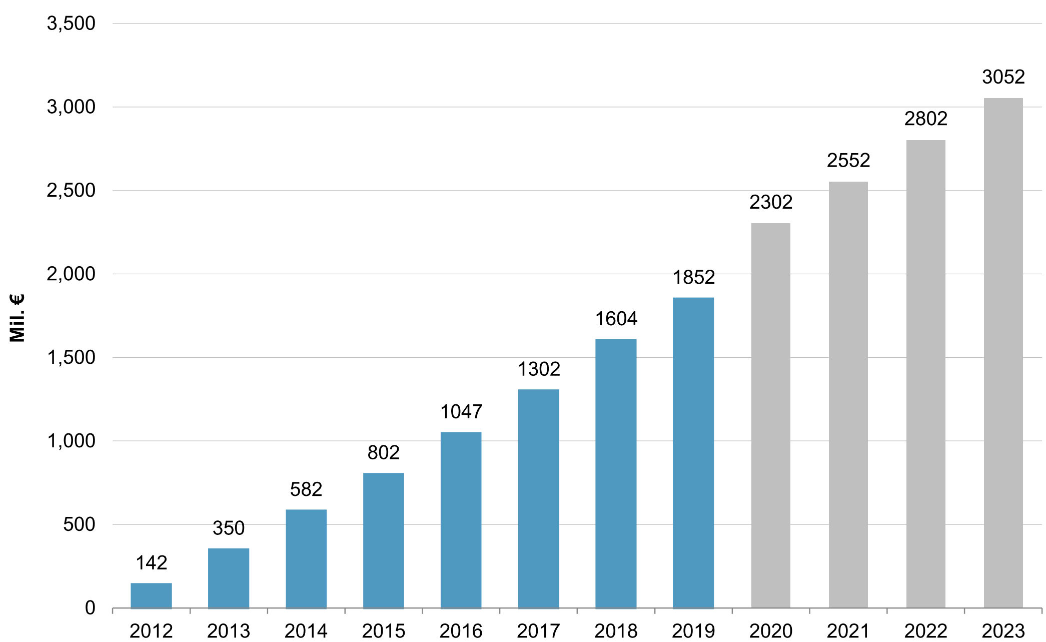
Source: S&P Global Platts.

Some volatility to group earnings and cash flow generation. We see the group's waste activity as exposed to economic cycles, fuel, and prices of recyclates, and the energy business as exposed to weather conditions and energy prices. This volatility was seen during the COVID-19 crisis. In addition, a regulatory push by EU countries to develop environmentally friendly sorting and recycling solutions--rather than opting for burning or landfill, which traditionally have higher margins--has also reduced Veolia's margins in the past years. Under the new plan, Veolia aims at focusing its waste activities on industrials and circular economies rather than on collecting municipal waste, which has a low margin. We therefore expect growth on the waste businesses backed by the high investments in hazardous waste (notably in China) and by the focus on waste-to-energy solutions for industrials.

Successful implementation of the cost-cutting program drives improvement in profitability and EBITDA growth. Veolia has materially improved its financial position, cost base, and group structure over recent years, thanks to significant asset disposals and about €1.8 billion of cost-cutting over 2012-2019. The group continues to have a strong focus on operating efficiency for the coming years with a new plan to cut costs by €250 million per year from until 2023. As part of the remedy measures to counter the COVID-19 crisis, Veolia announced an increase of €200 million to the cost cutting program for 2020. We view favorably management's track record in carrying out such plans. By 2023, the group aims to increase its ROCE to above 9%, from 8% in 2019 post IFRS16 impact.

Chart 5

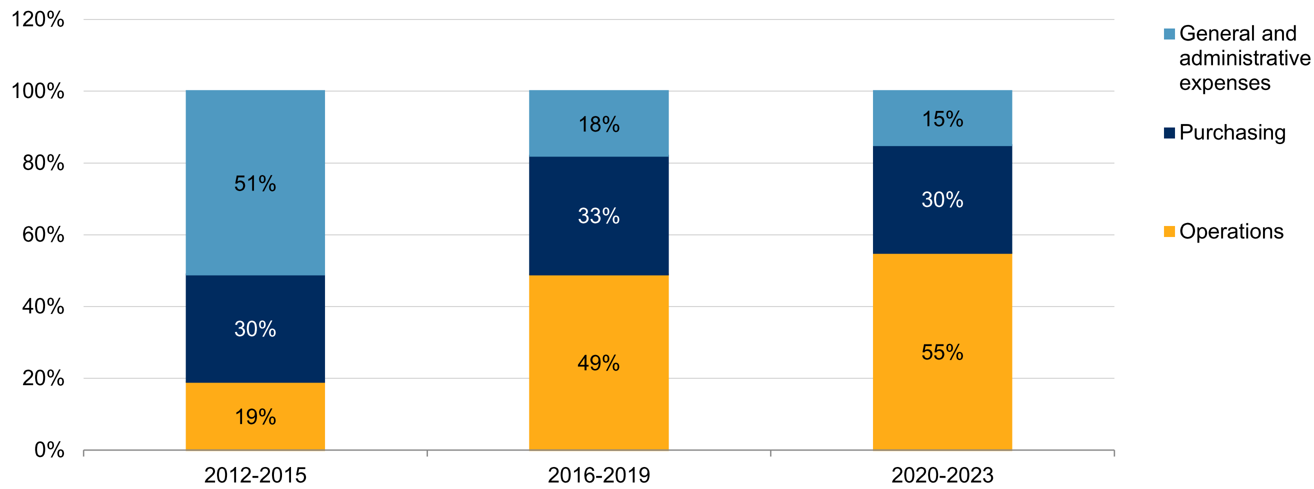
Veolia's Cumulated Cost Savings Announced As Part Of 2019-2023 Strategic Update



Source: S&P Global Ratings.

Chart 6

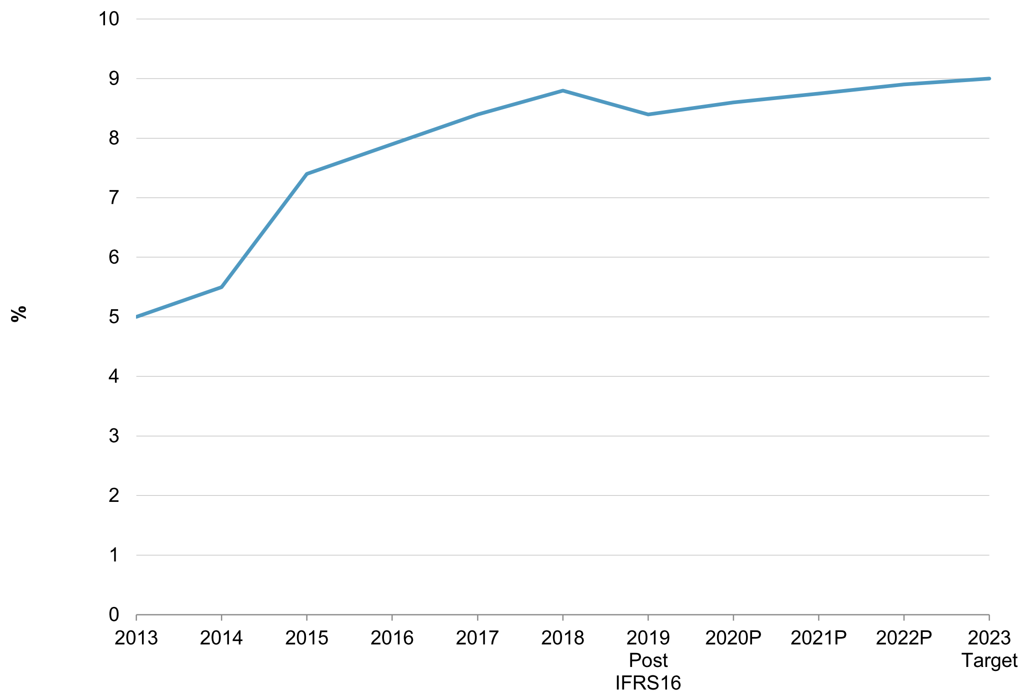
Cost Savings Programs By Type



Source: S&P Global Ratings.

Chart 7

Evolution Of Veolia's Return On Capital Employed



IFRS--International Financial Reporting Standards. P--Projected. Source: S&P Global Ratings.

The growth strategy targets high-value services and products, and a rebalancing of the customer base toward industrials. A global trend we see is that industrials in all business sectors are seeking to outsource environmental services that are not part of their core businesses. Veolia's strategy is to increase the contribution of its industrial customers and to move toward more high-value services and products, while prioritizing asset-light models in certain circumstances to preserve cash flows and better share risks. We expect the share of industrial customers will represent about 52% of revenue going forward, compared with 48% in 2019.

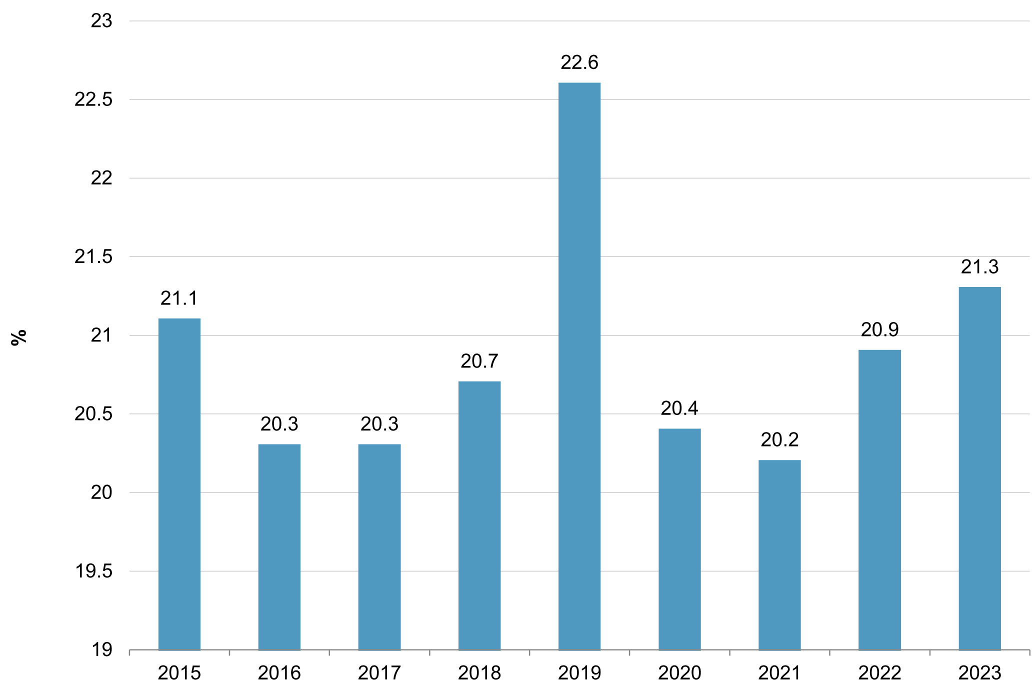
The move to more complex services enables improved margins, better resource allocation, and less competition. Veolia's numerous commercial successes, notably in strategic growth markets (oil and gas, circular economy, hazardous pollution, dismantling, and innovative solutions for cities) underpin the company's growth strategy and pipelines and support our expectations of low-single-digit organic revenue growth annually. At the same time, we also see Veolia's strategic adjustment toward emerging markets and industrial clients as somewhat dilutive of its business risk profile. This is notably because it exposes the group to more commercial, contractual, and country risks.

Financial Risk: Significant

Credit metrics should remain in line with rating requirement over 2020-2023. Under the new strategic plan presented in February 2020, Veolia aims to expand its reported EBITDA to €4.7 billion-€4.9 billion by 2023 from €4 billion at end-2019, efficiently increasing its reported FFO to debt to about 22% at the end of the strategic plan and maintaining reported debt to EBITDA below 3.0x over the plan. Despite a setback in 2020, we believe that Veolia will be able to return to its 2019 level from 2021, on the back of resilient businesses, heavy investment in high growth businesses, and ongoing implementation of the cost saving program, amounting to €250 million annually (and an additional €200 million in 2020). We therefore base our assessment of Veolia's financial risk profile on our assumption that the company will maintain its adjusted FFO to debt above 20% over 2020-2023.

Chart 8

FFO-To-Debt Evolution

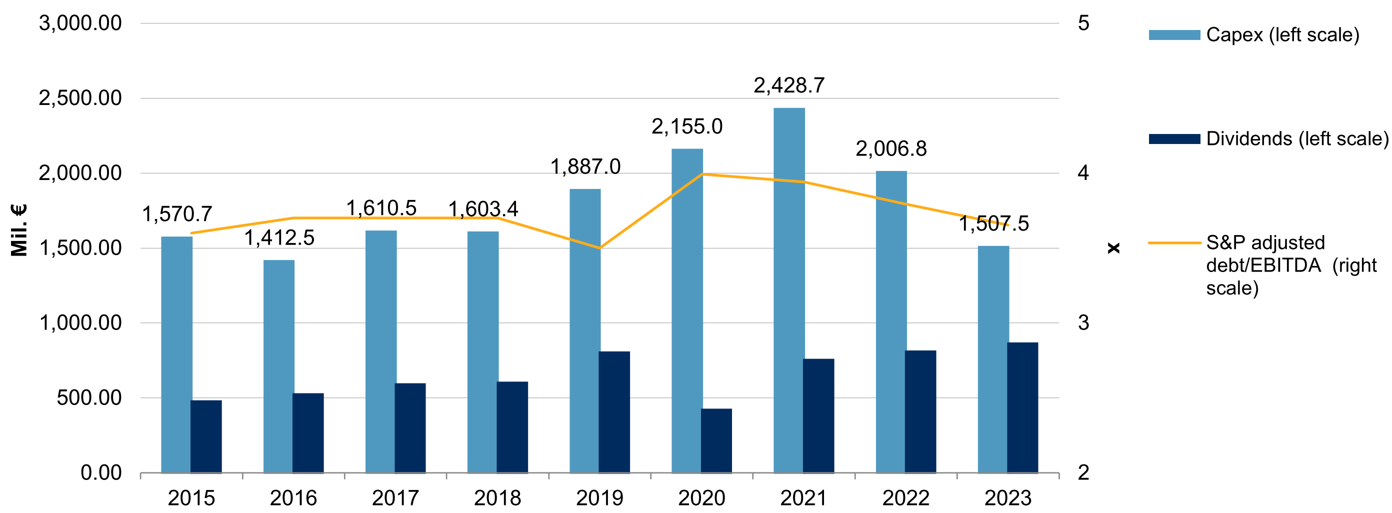


FFO--Funds from operations. Source: S&P Global Ratings.

Control of cash flows after investments and dividends. We anticipate dividends will increase in line with net income and expect an acceleration of capex at the beginning of the plan, leading to strong EBITDA growth toward the end. However, we understand from the group that, although committed, both capex and dividends are flexible to enable it to maintain reported leverage below 3x at all times (S&P Global Ratings-adjusted leverage below 4x). We view this financial discipline, as shown by a 50% cut of the ordinary dividend in 2020, as credit supportive for Veolia.

Chart 9

Capex And Dividend Evolution



Capex--Capital expenditure. Source: S&P Global Ratings

Financial summary

Table 2

Veolia Environnement S.A.--Financial Summary			
Industry sector: Energy			
	--Fiscal year ended Dec. 31--		
	2019	**2018**	**2017**
(Mil. €)			
Revenue	27,526.5	26,203.2	25,437.8
EBITDA	3,697.3	3,486.0	3,298.9
Funds from operations (FFO)	2,950.2	2,701.4	2,467.8
Interest expense	475.3	548.2	642.1
Cash interest paid	482.3	572.9	597.6
Cash flow from operations	2,816.8	2,345.9	2,414.3
Capital expenditure	1,887.0	1,603.4	1,610.5
Free operating cash flow (FOCF)	929.8	742.5	803.8
Discretionary cash flow (DCF)	125.5	140.1	213.3
Cash and short-term investments	5,936.5	4,225.4	5,975.8
Gross available cash	5,936.5	4,418.2	6,150.7
Debt	13,042.6	13,059.2	12,132.9
Equity	7,078.4	7,126.8	7,461.6
Adjusted ratios			
EBITDA margin (%)	13.4	13.3	13.0

Table 2

Veolia Environnement S.A.--Financial Summary (cont.)

Industry sector: Energy			
	--Fiscal year ended Dec. 31--		
	2019	2018	2017
Return on capital (%)	7.3	7.5	7.3
EBITDA interest coverage (x)	7.8	6.4	5.1
FFO cash interest coverage (x)	7.1	5.7	5.1
Debt/EBITDA (x)	3.5	3.7	3.7
FFO/debt (%)	22.6	20.7	20.3
Cash flow from operations/debt (%)	21.6	18.0	19.9
FOCF/debt (%)	7.1	5.7	6.6
DCF/debt (%)	1.0	1.1	1.8

Reconciliation

Table 3

Veolia Environnement S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2019--									
Veolia Environnement S.A. reported amounts										
	Debt	Shareholders' equity	Revenue	EBITDA	Op income	Interest expense	S&P Global Ratings' adjusted EBITDA	Cash flow from ops	Dividends	Capex
Reported	15,113	5,934	27,189	3,415	1,335	389	3,697	3,119	661	1,676
S&P Global Ratings' adjustments										
Cash taxes paid	--	--	--	--	--	--	(242)	--	--	--
Cash interest paid	--	--	--	--	--	--	(468)	--	--	--
Trade receivables securitizations	795	--	--	--	--	--	--	(155)	--	--
Reported lease liabilities	1,884	--	--	--	--	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	483	--	--	(10)	(10)	11	--	--	--	--
Accessible cash and liquid investments	(5,937)	--	--	--	--	--	--	--	--	--
Share-based compensation expense	--	--	--	21	--	--	--	--	--	--
Dividends received from equity investments	--	--	--	95	--	--	--	--	--	--
Deconsolidation/consolidation	237	--	176	176	96	13	(37)	143	10	211
Asset-retirement obligations	445	--	--	--	--	62	--	--	--	--
Nonoperating income (expense)	--	--	--	--	133	--	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	--	(452)	--	--

Table 3

Veolia Environnement S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)

Noncontrolling interest/minority interest	--	1,145	--	--	--	--	--	--	--	--
Debt: Guarantees	23	--	--	--	--	--	--	--	--	--
Revenue: Other	--	--	162	162	162	--	--	--	--	--
EBITDA: Other	--	--	--	(162)	(162)	--	--	--	--	--
Depreciation and amortization: Other	--	--	--	--	(80)	--	--	--	--	--
Operating cash flow: Other	--	--	--	--	--	--	--	162	--	--
Total adjustments	(2,070)	1,145	338	283	139	86	(747)	(302)	10	211

S&P Global Ratings' adjusted amounts

	Debt	Shareholders' equity	Revenue	EBITDA	Op income	Interest expense	S&P Global Ratings' adjusted EBITDA	Cash flow from ops	Dividends	Capex
Adjusted	13,043	7,078	27,527	3,697	1,474	475	2,950	2,817	671	1,887

Liquidity: Strong

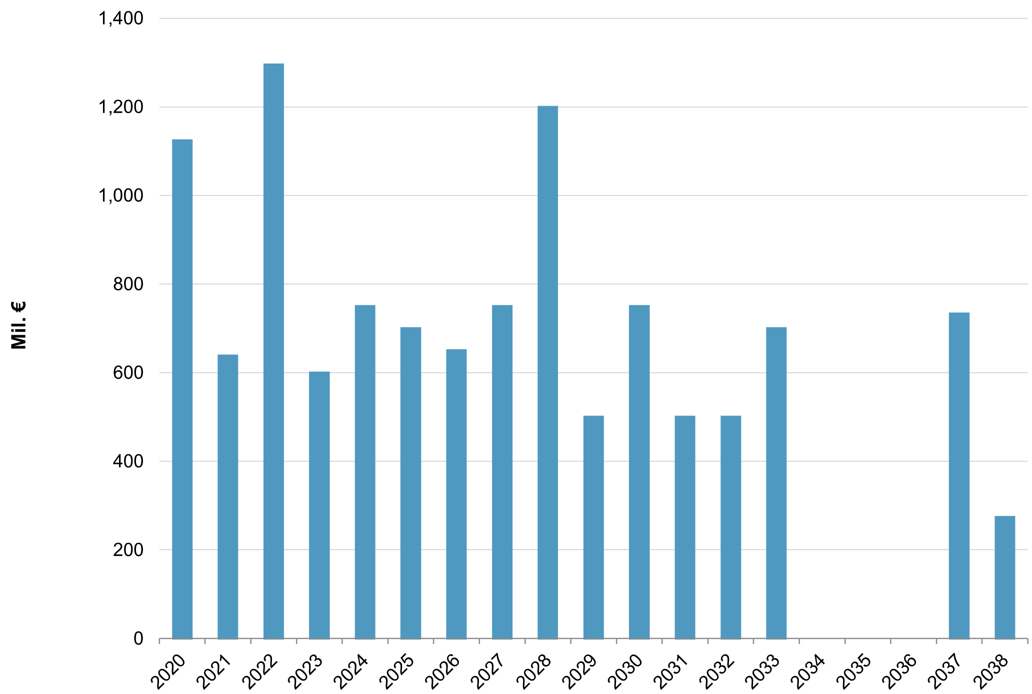
We assess Veolia's liquidity as strong. According to our projections, sources of liquidity will exceed uses by about 1.5x over the next 12 months and by more than 1.0x in the subsequent 12 months. In addition, we believe that the group's good access to capital markets, proactive liability management, and solid relationships with banks support its liquidity position. The group's debt is not subject to financial covenants.

Principal Liquidity Sources	Principal Liquidity Uses
• About €5 billion in available cash or highly liquid money market funds as of March 31, 2020. • Nearly €4.1 billion of available committed credit lines maturing beyond 12 months, including a €3 billion multicurrency syndicated loan maturing in November 2022. • Our forecast of annual cash flow from operations of about €2.6 billion. • Issuance of a €700 million eight-year bond in April 2020 and a €500 million 12-year bond in June 2020.	• Debt repayment of about €2.8 billion and commercial paper standing at about €3.2 billion. • Our estimate of €2 billion in annual capex, including expansion capex. • Dividends of about €500 million to be distributed in 2020.

Debt maturities

Chart 10

Veolia Environnement S.A.--Debt Maturities



Source: S&P Global Ratings.

Environmental, Social, And Governance

Veolia, under its new strategic plan, aims to become the leader in ecological transformation. Through its environmental activities, the group is heavily involved in the development of circular economic activities and waste-to-energy for industrial customers to reduce carbon dioxide intensity, for which it has allocated annual capex of €100 million over 2020-2023.

Water quality and waste management are notably highly scrutinized by consumers and authorities, which could ultimately result in the loss of operating licenses or material fines. Although Veolia has a fairly good track record in managing these risks across its very diverse portfolio, we note the group has faced some litigation in the past.

We also note the significant improvements to internal controls, processes, and reporting achieved by management in recent years, which we believe results in reduced risks for local governance or of mismanagement in the company's widely diversified businesses.

The newly announced executive environmental, social, and governance-linked remuneration emphasizes the sustainable focus of the group throughout its businesses.

Issue Ratings - Subordination Risk Analysis

Capital structure

Veolia's debt comprises solely senior unsecured debt (mostly bonds issued at Veolia's level).

Analytical conclusions

Since there is no marginal debt at subsidiary level, we rate the senior unsecured debt in line with the issuer credit rating.

Ratings Score Snapshot

Issuer Credit Rating

BBB/Stable/A-2

Business risk: Strong

- **Country risk:** Intermediate
- **Industry risk:** Low
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/leverage:** Significant

Anchor: bbb

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : bbb

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria - Corporates - General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- French Utility Veolia Environnement S.A. Affirmed At 'BBB' Despite COVID-19 Operating Uncertainty; Outlook Stable, March 27, 2020
- COVID-19 Macroeconomic Update: The Global Recession Is Here And Now, March 17, 2020
- COVID-19 Credit Update: The Sudden Economic Stop Will Bring Intense Credit Pressure, March 17, 2020
- Veolia Improves Credit Metric Headroom With $1.25 Billion U.S. District Energy Assets Sale And First-Half 2019 Results, Aug. 1, 2019

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	**bbb**	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of June 10, 2020)*

Veolia Environnement S.A.	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured	BBB
Short-Term Debt	A-2
Issuer Credit Ratings History	
06-May-2015	BBB/Stable/A-2
15-Nov-2013	BBB/Negative/A-2
10-Oct-2012	BBB+/Negative/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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