

# Rubis

France | Oil services | MCAP EUR 3.0bn

10 March 2016

**Buy** (Buy)

**Target Price** EUR 82.00  
**Current Price** EUR 69.6  
**Up/downside** 17.7%  
**Change in TP** 3.80%  
**Change in EPS** none 2015E

## Strong FY results, upbeat outlook

In a favourable environment, Rubis posted record-high FY results (6% above consensus). FCF generation also largely beat expectations helped by a EUR180m reduction in WCR and will lead to a faster-than expected deleveraging (<1x ND/EBITDA). With all conditions in place for another year of strong growth, a compelling valuation (15% discount) and room for further M&A, we confirm our Buy rating and raise our TP from EUR79 to EUR82.

### Solid results, strong cash generation, fast deleveraging

Rubis posted record-high results, driven by organic growth and via M&A. EBIT jumped 44% to EUR240m (+15% LFL, vs. KECH EUR231m) whereas net profit was up 44% to EUR170m beating consensus by 6%. FCF was particularly strong at EUR295m, topping largely consensus estimates (EUR106m) owing to high cash generation (EUR261m, +44%) combined with a EUR180m reduction in WCR mainly due to lower oil prices. Altogether, this is leading to a faster-than-expected deleveraging, with a net debt almost unchanged (EUR337m vs. EUR307m last year) despite EUR580m of capex and M&A investments this year. DPS is EUR2.42, a touch light of expectations, but still up 18% YOY (3.5% yield).

### Key takeaways: margin improvement and Eres resiliency

By divisions, Rubis Energie was the main contributor to earnings growth (EBIT +58%, +31% LFL) due to the combined effect of volumes growth and margin expansion (unit margin +15% YOY). The newly created Support & Services division posted a 126% increase in EBIT (+25% LFL) with a noticeable and reassuring resiliency of Eres (trailing 12m net profit of USD37m vs. a theoretical USD43m net profit at acquisition time) helped by international trading and shipping activities which partly offset the fall in bitumen volumes in Nigeria (-50%). Lastly, results at Rubis Terminal were a bit disappointing (EUR58m, -7%) dented by a gloomy chemical business in France whereas international sites delivered solid results.

### More growth ahead -TP raised from EUR79 to EUR82, Buy

After a record year in 2015, the outlook for 2016 is upbeat with the management feeling comfortable with double-digit earnings growth (KECH: +23%) this year. Although mild temperatures in Europe will impact volumes, the recent fall in raw material prices continues to support margin at Rubis Energie whereas the commissioning on new storage capacities in the ARA zone, Ceyhan and France will support storage revenues and accelerate the repositioning of Rubis Terminal towards fast-growing areas. With all conditions in place for another year of strong earnings growth in 2016, and low indebtedness (<1.0x EBITDA) leaving room for new acquisitions, and a compelling valuation at 8.4x EBITDA 2016E (15% discount to peers), we confirm our Buy rating and lift our TP to EUR82.

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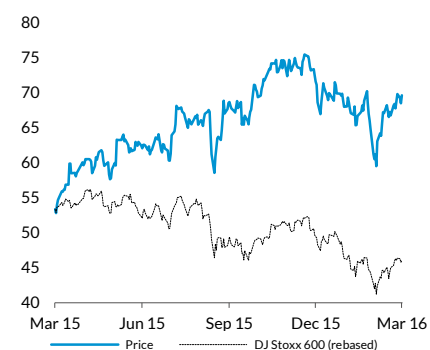
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#### Market data

Bloomberg: RUI FP	Reuters: RUBF.PA
Market cap (EURm)	3,010
Free float	87%
No. of shares outstanding (m)	43
Avg. daily volume('000)	93
YTD abs performance	-0.4%
52-week high/low (EUR)	75.50/52.80

FY to 31/12 (EUR)	12/16E	12/17E	12/18E
Sales (m)	3,254.8	3,364.5	3,441.5
EBITDA adj (m)	407.1	412.9	420.4
EBIT adj (m)	285.2	289.3	295.5
Net profit adj (m)	191.5	197.8	214.9
Net fin. debt (m)	316.9	307.5	380.6
FCF (m)	143.9	198.4	219.9
EPS adj. and fully dil.	4.38	4.53	4.91
Consensus EPS	4.36	4.64	5.20
Net dividend	2.90	2.95	3.20

FY to 31/12 (EUR)	12/16E	12/17E	12/18E
P/E adj and ful. dil.	15.9	15.4	14.2
EV/EBITDA	8.0	7.8	7.8
EV/EBIT	11.4	11.2	11.1
FCF yield	4.7%	6.5%	7.2%
Dividend yield	4.2%	4.2%	4.6%
Net fin. debt/EBITDA	0.8	0.7	0.9
Gearing	18.2%	16.7%	19.6%
ROIC	9.8%	9.5%	9.2%
EV/IC	1.4	1.4	1.3



## FY 2015 results versus KECH and consensus:

**Table 1: Rubis: FY 2015 results versus KECH and consensus**

FY-end Dec (EUR m)	FY 2015	FY 2014	% change	KECH	% change	cons.	% dev.
Revenues	2,913	2,790	4%	2,913	4%	2,913	0%
EBITDA, adj.	345	233	48%	329	41%	333	4%
EBIT, adj.	240	167	44%	231	38%	242	-1%
Net income, group's share	170	118	44%	157	33%	161	6%
EPS, rep. (diluted)	4.06	3.03	34%	3.65	20%	3.77	8%
Dividend per share	2.42	2.05	18%	2.61	27%	2.54	-5%
Cash-flow	261	177	47%	264	49%		
Capex	143	111	29%	161	45%	148	-3%
Free cash flow	295	91	224%	113	24%	106	177%
Net debt	337	307	10%	572	86%	551	-39%
Net debt / EBITDA	1.0x	1.3x		1.7x		1.7x	

Source: Kepler Cheuvreux, Rubis

# Key financials

FY to 31/12 (EUR)	2011	2012	2013	2014	2015E	2016E	2017E	2018E
<b>Per share data</b>								
EPS adjusted	2.72	2.51	3.01	3.05	3.60	4.37	4.51	4.90
EPS adj and fully diluted	2.64	2.44	2.92	2.99	3.62	4.38	4.53	4.91
% Change	29.7%	-7.7%	19.6%	2.6%	20.9%	21.2%	3.3%	8.6%
EPS reported	2.76	2.66	3.07	3.09	3.64	4.41	4.56	4.95
Cash flow per share	3.02	4.51	2.83	5.64	10.21	6.57	7.65	7.92
Book value per share	28.41	30.32	33.41	33.98	36.29	38.61	40.31	42.30
Dividend per share	1.67	1.84	1.95	2.05	2.61	2.90	2.95	3.20
Number of shares, YE (m)	29.53	31.26	34.09	38.17	43.22	43.82	43.82	43.82
<b>Valuation</b>								
P/E adjusted	14.5	16.7	15.5	15.2	19.3	15.9	15.4	14.2
P/E adjusted and fully diluted	14.9	17.3	16.0	15.6	19.3	15.9	15.4	14.2
P/BV	1.4	1.4	1.4	1.4	1.9	1.8	1.7	1.6
P/CF	13.0	9.3	16.5	8.3	6.8	10.6	9.1	8.8
Dividend yield (%)	4.2%	4.4%	4.2%	4.4%	3.7%	4.2%	4.2%	4.6%
Dividend yield preference shares (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-0.3%	2.2%	-0.3%	5.1%	9.9%	4.7%	6.5%	7.2%
EV/Sales	0.7	0.6	0.6	0.7	1.2	1.0	1.0	1.0
EV/EBITDA	8.1	8.4	8.0	8.4	9.8	8.0	7.8	7.8
EV/EBIT	10.9	12.2	10.8	11.7	14.0	11.4	11.2	11.1
<b>Income Statement (EURm)</b>								
Sales	2,007.9	2,669.2	2,756.1	2,790.2	2,724.5	3,254.8	3,364.5	3,441.5
% Change	38.5%	32.9%	3.3%	1.2%	-2.4%	19.5%	3.4%	2.3%
EBITDA adjusted	175.6	198.1	218.4	233.0	328.7	407.1	412.9	420.4
EBITDA margin (%)	8.7%	7.4%	7.9%	8.4%	12.1%	12.5%	12.3%	12.2%
EBIT adjusted	130.2	136.1	162.1	166.7	230.7	285.2	289.3	295.5
EBIT margin (%)	6.5%	5.1%	5.9%	6.0%	8.5%	8.8%	8.6%	8.6%
Net financial items & associates	-11.9	-13.2	-7.9	-9.3	-5.7	-5.1	0.0	5.4
Others	-2.1	0.7	-2.1	7.2	0.0	0.0	0.0	0.0
Tax	-32.1	-42.6	-45.1	-44.2	-58.8	-70.1	-72.4	-75.2
Net profit from continuing operations	85.8	87.7	110.0	122.4	168.2	212.4	219.4	228.2
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	85.8	87.7	110.0	122.4	168.2	212.4	219.4	228.2
Net profit reported	81.6	83.0	104.7	118.0	157.3	193.3	199.7	216.8
Net profit adjusted	80.4	78.6	102.5	116.5	155.8	191.5	197.8	214.9
<b>Cash Flow Statement (EURm)</b>								
Cash flow from operating activities	89.2	140.9	96.4	215.2	441.2	287.9	335.4	346.9
Capex	-93.1	-111.7	-100.5	-124.0	-143.0	-144.0	-137.0	-127.0
Free cash flow	-3.9	29.2	-4.1	91.2	298.2	143.9	198.4	219.9
Acquisitions & Divestments	-165.1	-190.8	-2.8	-104.9	-432.0	-35.7	-35.7	-130.7
Dividend paid	-53.3	-58.8	-74.7	-78.4	-88.0	-101.9	-125.2	-129.3
Others	119.4	86.3	187.8	54.6	196.0	32.0	0.0	0.0
Change in net financial debt	-102.8	-134.2	106.2	-37.6	-25.8	38.3	37.4	-40.1
<b>Balance Sheet (EURm)</b>								
Intangible assets	381.3	448.6	464.1	576.5	584.5	586.9	589.4	591.9
Tangible assets	694.7	822.2	726.5	841.7	1,318.8	1,376.6	1,425.7	1,558.5
Financial & other non-current assets	35.6	97.9	145.4	189.1	190.1	212.5	242.7	279.4
Total shareholders' equity	857.3	969.9	1,163.7	1,320.8	1,603.0	1,745.6	1,839.8	1,938.6
Pension provisions	19.0	22.0	15.8	33.0	33.7	34.4	35.1	35.8
Liabilities and provisions	880.7	1,102.6	998.9	1,130.0	1,179.9	1,320.1	1,285.1	1,306.9
Net debt	271.0	411.3	283.0	340.3	369.9	351.3	342.5	416.4
Working capital requirement	164.2	164.4	263.9	238.4	219.0	307.5	317.8	325.1
Invested Capital	1,240.2	1,435.3	1,454.6	1,656.6	2,122.3	2,271.0	2,332.9	2,475.5
<b>Ratios</b>								
ROE (%)	10.3%	8.8%	9.8%	9.6%	10.9%	11.7%	11.4%	11.9%
ROIC (%)	8.8%	6.8%	8.0%	7.9%	9.0%	9.8%	9.5%	9.2%
Net fin. debt / EBITDA (x)	1.4	2.0	1.2	1.3	1.0	0.8	0.7	0.9
Gearing (%)	29.4%	40.1%	23.0%	23.3%	21.0%	18.2%	16.7%	19.6%

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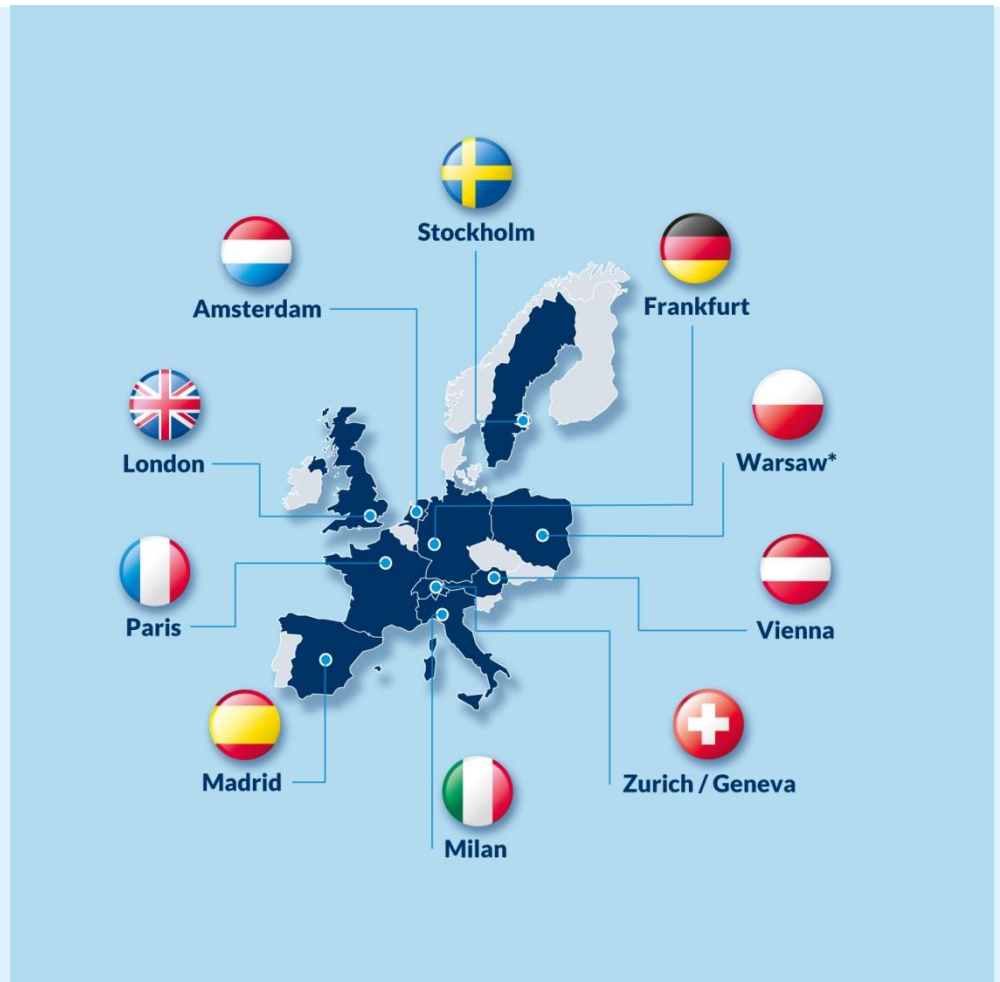
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