

Rubis

France | Oil services | MCAP EUR 3.5bn

10 November 2016

Buy

Target Price	EUR 86.00 (87.00)
Current Price	EUR 80.97
Up/downside	6.2%
Change in TP	-1.1%
Change in EPS	-2.4% 2016E

Mixed Q3 release, TP cut to EUR86

Q3 figures were a mixed bag. The synthetic volumes index was up 5% and 2% LFL but still slightly below our estimates. The good news is that distribution margin remained strong, and stable YOY in Q3. We cut our TP cut from EUR87 to EUR86 on slightly lower volume assumptions. Buy.

Volumes 2% below KECH, reassuring comments on margin

Q3 results were a mixed bag. The synthetic indicator of volumes was up 5% (+2% LFL) with a 2% LFL increase in Rubis Energie volumes and a 1.6% increase in pure storage revenues (incl. JV at 100%). Rubis Energie volumes were 2% shy of our estimates dented by exceptional items with an unexpected 5% LFL drop in Europe (due to a mild winter, +2% LFL restated) and an 11% decline in Africa where it had decided to stop selling fuel oil in Nigeria due to the USD shortage (+3% LFL excl. this one-off). The momentum remained very strong in the Caribbean where volumes jumped by 13% albeit helped by the commissioning of a six-month low-margin fuel oil contract with EDF in the Antilles due to end in January 2017 (+6% otherwise). The unit distribution margin remained at very high level, stable YOY thanks to declining sourcing prices (-9% YOY, -5% QOQ).

Storage: good momentum in France, slowdown in Turkey

Excluding JVs, storage revenues reached EUR34m (+3% YoY), 5% short of our EUR36m estimate. Including JVs, they were up 1.6%. The positive news came from France where revenues were up 2.6% with a noteworthy 2.3% increase in petroleum products and 12.6% increase in fertilizers (Euronext's approved compensator for nitrogenous solution) whereas heavy products, chemicals and edibles oils were stable. In Rotterdam, where the 35K additional CuM will be commissioned soon, revenues were stable whereas in Antwerp, revenues jumped by 17% due to new contract gains. The disappointment came from Ceyhan where revenues were down 10% dented by a traffic slowdown in Iraqi transit, not offset by contango-driven demand. Revenues of the S&S division were down by 18% (lower nominal price) while volumes handled, the key indicator, were up 23%.

Buy rating: resilient margin and strong M&A optionality

After this mixed release, dented by several one-offs, we trimmed our volume estimates for Rubis Energie by 1% following the group's decision to stop selling fuel oil in Nigeria and 1.5% for pure storage revenues amid the unexpected slowdown in Turkey. Overall, we cut our 2016E EPS by 2% and 1% beyond which led us to adjust our TP to EUR86 from EUR87. We stick to our Buy rating supported by: 1) strong M&A optionality, with Rubis having M&A firepower of EUR500m (20% potential accretive impact on EBIT if fully spent) and a reasonable valuation at 8.6x EBITDA 2017E, with the share trading at a 15% discount to peers while offering an attractive and, in our view, secure 4% dividend yield.

Charles-Louis Scotti

Equity Research Analyst

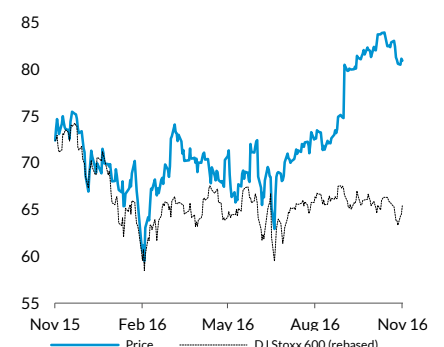
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Market data

Bloomberg: RUI FP	Reuters: RUBF.PA
Market cap (EURm)	3,502
Free float	86%
No. of shares outstanding (m)	43
Avg. daily volume (EURm)	9.6
YTD abs performance	15.8%
52-week high/low (EUR)	83.98/59.50

FY to 31/12 (EUR)	12/16E	12/17E	12/18E
Sales (m)	3,039.4	3,152.0	3,236.3
EBITDA adj (m)	409.5	423.3	437.8
EBIT adj (m)	286.6	295.0	303.2
Net profit adj (m)	195.3	204.2	212.3
Net fin. debt (m)	245.3	173.7	128.4
FCF (m)	157.2	198.0	177.6
EPS adj. and fully dil.	4.45	4.66	4.84
Consensus EPS	4.66	4.93	5.14
Net dividend	2.93	3.01	3.13

FY to 31/12 (EUR)	12/16E	12/17E	12/18E
P/E adj and ful. dil.	18.2	17.4	16.7
EV/EBITDA	8.9	8.6	8.1
EV/EBIT	12.7	12.3	11.8
FCF yield	4.5%	5.6%	5.0%
Dividend yield	3.6%	3.7%	3.9%
Net fin. debt/EBITDA	0.6	0.4	0.3
Gearing	13.1%	8.8%	6.2%
ROIC	9.8%	9.8%	10.0%
EV/IC	1.6	1.6	1.6



Rubis Energie distributed volumes versus KECH:

Table 1: Rubis Energie distributed volumes in Q3 versus KECH estimates

Volumes (retail distribution, in '000 m3)	Q3 2016	Q3 2015	% change	% LFL	KECH	% change	% LFL	% Dev
Europe	178	187	-5%	-5%	189	1%	1%	-6%
Caribbean	402	356	13%	13%	372	4%	4%	8%
Africa	210	203	3%	-11%	244	20%	2%	-14%
Total	791	747	6%	2%	805	8%	3%	-2%

Source: Kepler Cheuvreux, Rubis

Rubis detailed revenue breakdown vs. KECH:

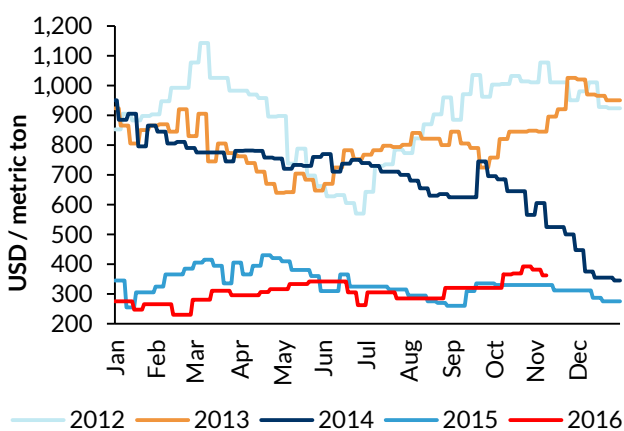
Table 2: Rubis detailed revenue breakdown versus KECH estimates

FY-end Dec (EUR m)	Q3 2016	Q3 2015	% change	KECH	% change	% Dev
...o/w Europe	121	127	-5%	107	-16%	13%
...o/w Caribbean	293	307	-4%	290	-6%	1%
...o/w Africa	117	129	-10%	154	19%	-24%
Total Rubis Energie	530	563	-5%	551	-2%	-4%
Total Rubis Support & Services	146	175	-18%	150	-14%	-3%
...o/w Bulk liquid storage	34	33	3%	36	9%	-5%
...o/w Trading business	31	42	-27%	43	2%	-28%
Total Rubis Terminal	65	75	-14%	79	5%	-18%
Total Rubis group	741	814	-9%	780	-4%	-5%

Source: Kepler Cheuvreux, Rubis

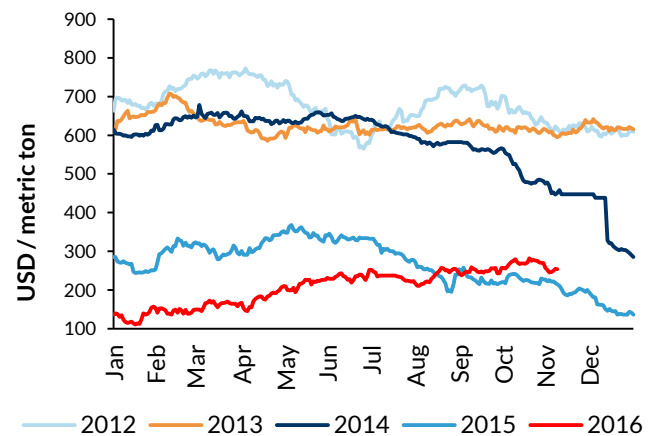
Historical propane and fuel oil price since 2012

Chart 1: Propane price since 2012 (3,000 mt, CIF, NWE)



Source: Kepler Cheuvreux, Datastream

Chart 2: Fuel oil price since 2012 (CIF Cargoes, NWE)



Source: Kepler Cheuvreux, Datastream

Key financials

FY to 31/12 (EUR)	2011	2012	2013	2014	2015	2016E	2017E	2018E
Per share data								
EPS adjusted	2.72	2.51	3.01	3.05	4.01	4.52	4.65	4.83
EPS adj and fully diluted	2.64	2.44	2.92	2.99	3.94	4.45	4.66	4.84
% Change	29.7%	-7.7%	19.6%	2.6%	31.8%	13.0%	4.6%	4.0%
EPS reported	2.76	2.66	3.07	3.09	4.11	4.50	4.63	4.81
Cash flow per share	3.02	4.51	2.83	5.64	10.69	7.31	7.98	7.63
Book value per share	28.41	30.32	33.41	33.98	37.87	40.76	41.88	43.68
Dividend per share	1.67	1.84	1.95	2.05	2.42	2.93	3.01	3.13
Number of shares, YE (m)	29.53	31.26	34.09	38.17	41.13	43.25	43.93	43.93
Valuation								
P/E adjusted	14.5	16.7	15.5	15.2	15.7	17.9	17.4	16.8
P/E adjusted and fully diluted	14.9	17.3	16.0	15.6	16.0	18.2	17.4	16.7
P/BV	1.4	1.4	1.4	1.4	1.7	2.0	1.9	1.9
P/CF	13.0	9.3	16.5	8.3	5.9	11.1	10.2	10.6
Dividend yield (%)	4.2%	4.4%	4.2%	4.4%	3.8%	3.6%	3.7%	3.9%
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%	5.9%	11.4%	4.5%	5.6%	5.0%
EV/Sales	0.7	0.6	0.6	0.7	1.0	1.2	1.2	1.1
EV/EBITDA	8.1	8.4	8.0	8.4	8.2	8.9	8.6	8.1
EV/EBIT	10.9	12.2	10.8	11.7	11.8	12.7	12.3	11.8
Income Statement (EURm)								
Sales	2,007.9	2,669.2	2,756.1	2,790.2	2,913.4	3,039.4	3,152.0	3,236.3
% Change	38.5%	32.9%	3.3%	1.2%	4.4%	4.3%	3.7%	2.7%
EBITDA adjusted	175.6	198.1	218.4	233.0	344.6	409.5	423.3	437.8
EBITDA margin (%)	8.7%	7.4%	7.9%	8.4%	11.8%	13.5%	13.4%	13.5%
EBIT adjusted	130.2	136.1	162.1	166.7	240.0	286.6	295.0	303.2
EBIT margin (%)	6.5%	5.1%	5.9%	6.0%	8.2%	9.4%	9.4%	9.4%
Net financial items & associates	-11.9	-13.2	-7.9	-7.2	-6.6	-6.0	-1.5	2.0
Others	-2.1	0.7	-2.1	5.1	3.1	0.0	0.0	0.0
Tax	-32.1	-42.6	-45.1	-44.2	-59.6	-69.3	-72.5	-75.4
Net profit from continuing operations	85.8	87.7	110.0	122.4	181.3	210.3	219.9	228.6
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	181.3	210.3	219.9	228.6
Net profit reported	81.6	83.0	104.7	118.0	169.0	194.5	203.4	211.5
Net profit adjusted	80.4	78.6	102.5	116.5	164.9	195.3	204.2	212.3
Cash Flow Statement (EURm)								
Cash flow from operating activities	89.2	140.9	96.4	215.2	439.6	316.2	350.3	335.2
Capex	-93.1	-111.7	-100.5	-111.2	-143.3	-159.0	-152.4	-157.6
Free cash flow	-3.9	29.2	-4.1	103.9	296.3	157.2	198.0	177.6
Acquisitions & Divestments	-165.1	-190.8	-2.8	-104.9	-400.0	-76.0	0.0	0.0
Dividend paid	-53.3	-58.8	-74.7	-78.4	-88.1	-94.1	-126.4	-132.2
Others	119.4	86.3	187.8	54.6	239.7	104.3	0.0	0.0
Change in net financial debt	-102.8	-134.2	106.2	-24.8	47.9	91.4	71.5	45.4
Balance Sheet (EURm)								
Intangible assets	381.3	448.6	464.1	576.5	791.5	791.5	791.5	791.5
Tangible assets	694.7	822.2	726.5	841.7	1,133.2	1,228.3	1,225.3	1,214.3
Financial & other non-current assets	35.6	97.9	145.4	189.1	242.0	260.7	290.0	326.8
Total shareholders' equity	857.3	969.9	1,163.7	1,320.8	1,657.4	1,877.9	1,971.3	2,067.8
Pension provisions	19.0	22.0	15.8	33.0	44.2	45.1	46.0	46.9
Liabilities and provisions	880.7	1,102.6	998.9	1,130.0	1,824.8	1,853.4	1,879.9	1,902.0
Net debt	271.0	411.3	283.0	340.3	380.9	290.4	219.8	175.3
Working capital requirement	164.2	164.4	263.9	238.4	215.5	244.8	253.9	290.7
Invested Capital	1,240.2	1,435.3	1,454.6	1,656.6	2,140.1	2,264.6	2,270.7	2,296.5
Ratios								
ROE (%)	10.3%	8.8%	9.8%	9.6%	11.6%	11.8%	11.3%	11.3%
ROIC (%)	8.8%	6.8%	8.0%	7.9%	9.5%	9.8%	9.8%	10.0%
Net fin. debt / EBITDA (x)	1.4	2.0	1.2	1.3	1.0	0.6	0.4	0.3
Gearing (%)	29.4%	40.1%	23.0%	23.3%	20.3%	13.1%	8.8%	6.2%

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Prices in this report are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

Disclosure checklist - Potential conflict of interests

Stock	ISIN	Disclosure (See Below)	Currency	Price
Rubis	FR0000121253	nothing to disclose	EUR	80.97

Source: Factset closing prices of 09/11/2016

Companies mentioned

Stock	Disclosure (See Below)
	nothing to disclose

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Name of the Research Analyst(s) : Charles-Louis Scotti

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Kepler Cheuvreux rating distribution – Q3 2016

Rating breakdown	A	B
Buy	50%	53%
Hold	36%	38%
Reduce	13%	6%
Not Rated/Under Review/Accept Offer	1%	3%
Total	100%	100%

Source: Kepler Cheuvreux

A: % of all research recommendations

B: % of issuers to which Investment Banking Services are supplied

12 months rating history

The below table shows the history of recommendations and target prices changes issued by Kepler Cheuvreux research department (Equity and Credit) over a 12 months period.

Company Name	Date	Business Line	Rating	Target Price	Closing Price
Rubis (EUR)	21/01/2016 08:30	Equity Research	Buy	80.00	65.36
	12/02/2016 08:50	Equity Research	Buy	79.00	59.50
	10/03/2016 08:48	Equity Research	Buy	82.00	69.64
	09/09/2016 07:50	Equity Research	Buy	87.00	74.80

Credit research does not issue target prices. Left intentionally blank.

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Equity research

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Reduce: There is an expected downside.

Accept offer: In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offer price is considered to be fairly valuing the shares.

Reject offer: In the context of a total or partial take-over bid, squeeze-out or similar share purchase proposals, the offered price is considered to be undervaluing the shares.

Under review: An event occurred with an expected significant impact on our target price and we cannot issue a recommendation before having processed that new information and/or without a new share price reference.

Not rated: The stock is not covered.

Restricted: A recommendation, target price and/or financial forecast is not disclosed further to compliance and/or other regulatory considerations.

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Credit research

Rating system (issuer or instrument level)

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Hold: The analyst has a stable credit fundamental opinion on the issuer and/or performances of the debt securities over a 6 months period.

Sell: The analyst expects of a widening of the credit spread to some or all debt securities of the issuer and/or a negative fundamental view over a 6 months period.

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Regulators

Location	Regulator	Abbreviation
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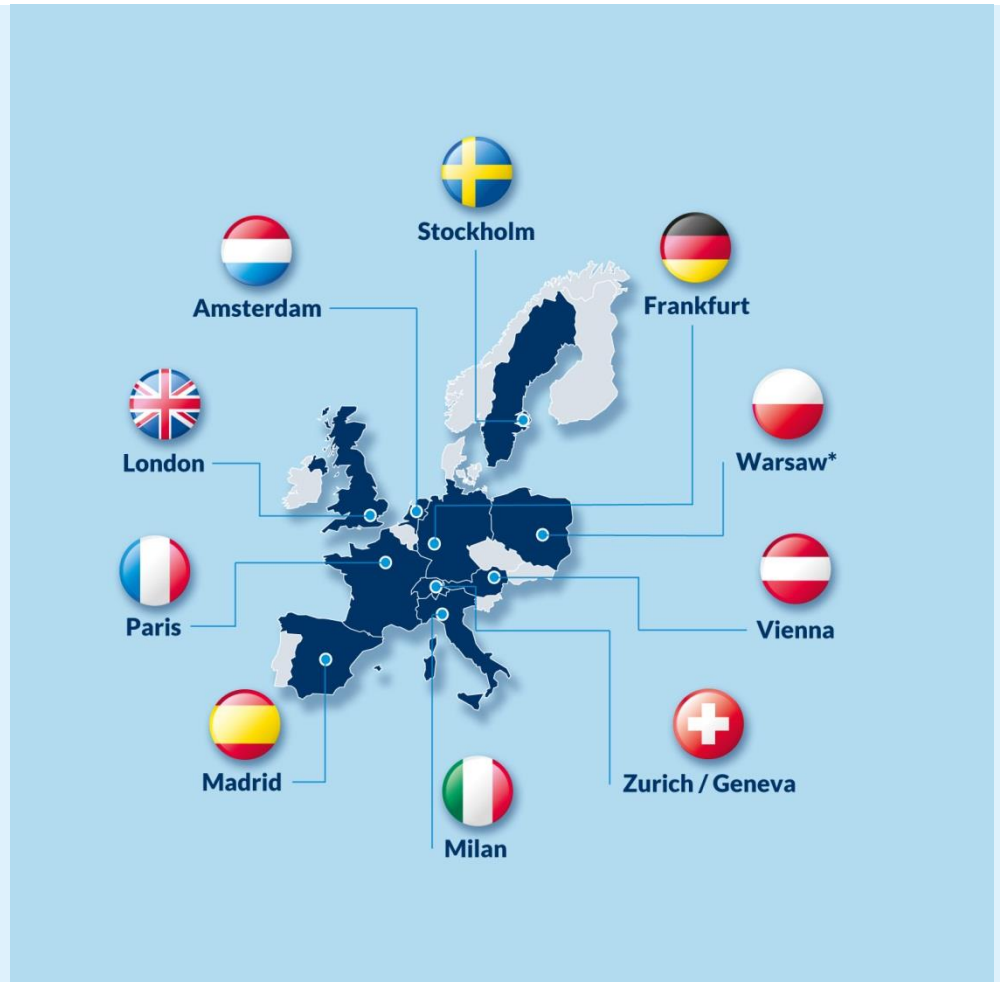
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