

# Rubis

France | Oil services | MCAP EUR 4.8bn

01 August 2017

## Buy

|                     |                     |
|---------------------|---------------------|
| <b>Target Price</b> | <b>EUR 60.00</b>    |
| Current Price       | EUR 53.76           |
| Up/downside         | 11.6%               |
| Change in TP        | none                |
| Change in EPS       | 0.6% 17E / 1.2% 18E |

## Strengthens its leadership in Portugal

Rubis announced the acquisition of certain LPG assets of Repsol in Portugal, including 30,000 CuM of products a year and a piped network located in Portugal mainland. These assets: 1) generate EUR6m of EBITDA on a FY basis and lift our EPS 2018 by 1%; and 2) further strengthen Rubis' leadership in Portugal, its largest LPG subsidiary. Buy reiterated with TP of EUR60. Rubis is pursuing its smart and value-accretive M&A strategy.

### Rubis acquires certain LPG assets of Repsol in Portugal

Yesterday Rubis announced the takeover of the LPG distribution assets of Repsol in the islands of Madeira and Azores (Portugal) as well as the piped network located on Portugal's mainland. The deal represents additional annual volumes of c. 15,000 tonnes (i.e. 30,000 CuM), i.e. 12% of volumes distributed in Portugal and less than 4% of total volumes distributed by Rubis in Europe. These assets generate an annual EBITDA close to EUR6m according to the group, i.e. an accretive impact of c. 1% on a FY basis. The piped network activities have been consolidated within Rubis' accounts since July 1 (H2) but the Madeira and Azores transaction is still subject to the greenlight of Portuguese anti-trust authorities.

### Critical size in Portugal, group's leading LPG subsidiary

Since 2014 and the acquisition of BP's LPG business in Portugal, Rubis Energia Portugal is the group's leading LPG subsidiary with 135,000 tonnes (270,000 CuM) of LPG marketed in 2016. Before this acquisition, Rubis was the second-largest operator on the market with a market share estimated at c. 26%. The deal allows Rubis: 1) to include a piped distribution business into its portfolio; and 2) to reach a critical mass for its existing activities in Madeira and the Azores. The assets comprise packed, bulk and piped activities. We assume an acquisition price at 6x EBITDA (EUR36m), higher than the 4.8x multiple paid for BP's Portuguese LPG assets in July due to the recent inflation. The deal boosts our EPS 2018 by 1%.

### Buy rating reiterated: Rubis pursues its targeted M&As

After Dinasa in Haiti in February, Galana in Madagascar in July, Rubis is pursuing its value accretive targeted acquisition strategy. The consolidation of Repsol's Portuguese assets brings the total EBITDA acquired on a FY basis to EUR90m, i.e. boosting 2016 published EBITDA figures by 17%. We confirm our Buy rating with a target price unchanged at EUR60 per share (following the stock split last week, two new shares for one old share). Post-deal, Rubis's leverage ratio stands at 1.4x net debt to EBITDA, which still leaves room for a bolt-on transaction in the EUR250m range in our view without the need to raise fresh capital. However, beyond this threshold, a deal would require a capital increase in our view and Rubis has already secured equity lines allowing it to raise up to EUR210m of cash.

### Charles-Louis Scotti

Equity Research Analyst

cscotti@keplercheuvreux.com

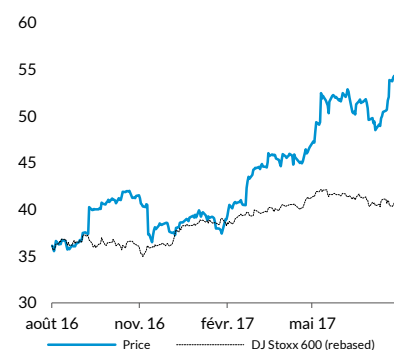
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#### Market data

|                               |                  |
|-------------------------------|------------------|
| Bloomberg: RUI FP             | Reuters: RUBF.PA |
| Market cap (EURm)             | 4,830            |
| Free float                    | 86%              |
| No. of shares outstanding (m) | 90               |
| Avg. daily volume (EURm)      | 17.2             |
| YTD abs performance           | 37.3%            |
| 52-week high/low (EUR)        | 55.24/35.52      |

| FY to 31/12 (EUR)       | 12/17E  | 12/18E  | 12/19E  |
|-------------------------|---------|---------|---------|
| Sales (m)               | 3,810.3 | 4,240.6 | 4,367.8 |
| EBITDA adj (m)          | 505.0   | 562.2   | 581.8   |
| EBIT adj (m)            | 358.8   | 399.2   | 413.2   |
| Net profit adj (m)      | 241.7   | 273.7   | 288.9   |
| Net fin. debt (m)       | 720.1   | 614.6   | 481.4   |
| FCF (m)                 | 161.4   | 238.7   | 284.1   |
| EPS adj. and fully dil. | 2.69    | 3.05    | 3.22    |
| Consensus EPS           | 2.70    | 3.03    | 3.27    |
| Net dividend            | 1.48    | 1.68    | 1.77    |

| FY to 31/12 (EUR)     | 12/17E | 12/18E | 12/19E |
|-----------------------|--------|--------|--------|
| P/E adj and ful. dil. | 20.0   | 17.6   | 16.7   |
| EV/EBITDA             | 10.9   | 9.6    | 9.1    |
| EV/EBIT               | 15.3   | 13.5   | 12.8   |
| FCF yield             | 3.3%   | 4.9%   | 5.9%   |
| Dividend yield        | 2.8%   | 3.1%   | 3.3%   |
| Net fin.debt/EBITDA   | 1.4    | 1.1    | 0.8    |
| Gearing               | 33.8%  | 26.8%  | 19.7%  |
| ROIC                  | 10.6%  | 10.4%  | 10.8%  |
| EV/IC                 | 1.9    | 1.8    | 1.8    |



## Key financials

| FY to 31/12 (EUR)                        | 2012    | 2013    | 2014    | 2015    | 2016    | 2017E   | 2018E   | 2019E   |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Income Statement (EURm)</b>           |         |         |         |         |         |         |         |         |
| Sales                                    | 2,669.2 | 2,756.1 | 2,790.2 | 2,913.4 | 3,003.9 | 3,810.3 | 4,240.6 | 4,367.8 |
| % Change                                 | 32.9%   | 3.3%    | 1.2%    | 4.4%    | 3.1%    | 26.8%   | 11.3%   | 3.0%    |
| EBITDA adjusted                          | 198.1   | 218.4   | 233.0   | 344.6   | 411.5   | 505.0   | 562.2   | 581.8   |
| EBITDA margin (%)                        | 7.4%    | 7.9%    | 8.4%    | 11.8%   | 13.7%   | 13.3%   | 13.3%   | 13.3%   |
| EBIT adjusted                            | 136.1   | 162.1   | 166.7   | 240.0   | 299.7   | 358.8   | 399.2   | 413.2   |
| EBIT margin (%)                          | 5.1%    | 5.9%    | 6.0%    | 8.2%    | 10.0%   | 9.4%    | 9.4%    | 9.5%    |
| Net financial items & associates         | -13.2   | -7.9    | -7.2    | -6.6    | -6.4    | -12.8   | -9.8    | -7.5    |
| Others                                   | 0.7     | -2.1    | 5.1     | 3.1     | -3.2    | -4.8    | -5.4    | -5.5    |
| Tax                                      | -42.6   | -45.1   | -44.2   | -59.6   | -64.3   | -79.5   | -87.5   | -87.2   |
| Net profit from continuing operations    | 87.7    | 110.0   | 122.4   | 181.3   | 226.0   | 258.7   | 293.0   | 309.3   |
| 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             | 87.7    | 110.0   | 122.4   | 181.3   | 226.0   | 258.7   | 293.0   | 309.3   |
| Net profit reported                      | 83.0    | 104.7   | 118.0   | 169.0   | 206.6   | 239.3   | 271.1   | 286.1   |
| Net profit adjusted                      | 78.6    | 102.5   | 116.5   | 164.9   | 205.4   | 241.7   | 273.7   | 288.9   |
| <b>Cash Flow Statement (EURm)</b>        |         |         |         |         |         |         |         |         |
| Cash flow from operating activities      | 140.9   | 96.4    | 215.2   | 439.6   | 306.5   | 373.5   | 441.1   | 476.1   |
| Capex                                    | -111.7  | -100.5  | -111.2  | -143.3  | -162.5  | -212.1  | -202.4  | -192.0  |
| Free cash flow                           | 29.2    | -4.1    | 103.9   | 296.3   | 143.9   | 161.4   | 238.7   | 284.1   |
| Acquisitions & Divestments               | -190.8  | -2.8    | -104.9  | -400.0  | -23.6   | -538.0  | 0.0     | 0.0     |
| Dividend paid                            | -58.8   | -74.7   | -78.4   | -88.1   | -135.9  | -115.8  | -133.2  | -150.9  |
| Others                                   | 86.3    | 187.8   | 54.6    | 239.7   | 112.4   | 0.0     | 0.0     | 0.0     |
| Change in net financial debt             | -134.2  | 106.2   | -24.8   | 47.9    | 96.8    | -492.4  | 105.5   | 133.2   |
| <b>Balance Sheet (EURm)</b>              |         |         |         |         |         |         |         |         |
| Intangible assets                        | 448.6   | 464.1   | 576.5   | 791.5   | 795.9   | 795.9   | 795.9   | 795.9   |
| Tangible assets                          | 822.2   | 726.5   | 841.7   | 1,133.2 | 1,192.3 | 1,779.3 | 1,798.7 | 1,822.1 |
| Financial & other non-current assets     | 97.9    | 145.4   | 189.1   | 242.0   | 235.4   | 256.8   | 280.4   | 282.9   |
| Total shareholders' equity               | 969.9   | 1,163.7 | 1,320.8 | 1,657.4 | 1,986.4 | 2,129.3 | 2,289.1 | 2,447.5 |
| Pension provisions                       | 22.0    | 15.8    | 33.0    | 44.2    | 47.7    | 48.7    | 49.6    | 50.6    |
| Liabilities and provisions               | 1,102.6 | 998.9   | 1,130.0 | 1,824.8 | 1,680.5 | 1,728.3 | 1,709.9 | 1,737.0 |
| Net financial debt                       | 389.3   | 267.2   | 307.2   | 336.7   | 227.7   | 720.1   | 614.6   | 481.4   |
| Working capital requirement              | 164.4   | 263.9   | 238.4   | 215.5   | 271.8   | 344.7   | 383.7   | 395.2   |
| Invested Capital                         | 1,435.3 | 1,454.6 | 1,656.6 | 2,140.1 | 2,260.0 | 2,919.9 | 2,978.3 | 3,013.2 |
| <b>Per share data</b>                    |         |         |         |         |         |         |         |         |
| EPS adjusted                             | 2.51    | 3.01    | 3.05    | 4.01    | 4.64    | 2.69    | 3.05    | 3.22    |
| EPS adj and fully diluted                | 1.22    | 1.46    | 1.50    | 1.97    | 2.29    | 2.69    | 3.05    | 3.22    |
| % Change                                 | -7.7%   | 19.6%   | 2.6%    | 31.8%   | 16.1%   | 17.6%   | 13.3%   | 5.5%    |
| EPS reported                             | 2.66    | 3.07    | 3.09    | 4.11    | 4.67    | 2.66    | 3.02    | 3.18    |
| Cash flow per share                      | 4.51    | 2.83    | 5.64    | 10.69   | 6.92    | 4.16    | 4.91    | 5.30    |
| Book value per share                     | 30.32   | 33.41   | 33.98   | 37.87   | 41.96   | 22.05   | 23.58   | 25.09   |
| Dividend per share                       | 0.92    | 0.98    | 1.03    | 1.21    | 1.34    | 1.48    | 1.68    | 1.77    |
| Number of shares, YE (m)                 | 31.26   | 34.09   | 38.17   | 41.13   | 44.27   | 89.84   | 89.84   | 89.84   |
| <b>Ratios</b>                            |         |         |         |         |         |         |         |         |
| ROE (%)                                  | 8.8%    | 9.8%    | 9.6%    | 11.6%   | 12.0%   | 12.6%   | 13.4%   | 13.2%   |
| ROIC (%)                                 | 6.8%    | 8.0%    | 7.9%    | 9.5%    | 10.6%   | 10.6%   | 10.4%   | 10.8%   |
| Net fin. debt / EBITDA (x)               | 2.0     | 1.2     | 1.3     | 1.0     | 0.6     | 1.4     | 1.1     | 0.8     |
| Gearing (%)                              | 40.1%   | 23.0%   | 23.3%   | 20.3%   | 11.5%   | 33.8%   | 26.8%   | 19.7%   |
| <b>Valuation</b>                         |         |         |         |         |         |         |         |         |
| P/E adjusted                             | 8.4     | 7.7     | 7.6     | 7.9     | 7.8     | 20.0    | 17.6    | 16.7    |
| P/E adjusted and fully diluted           | 17.3    | 16.0    | 15.6    | 16.0    | 15.8    | 20.0    | 17.6    | 16.7    |
| P/BV                                     | 0.7     | 0.7     | 0.7     | 0.8     | 0.9     | 2.4     | 2.3     | 2.1     |
| P/CF                                     | 4.7     | 8.2     | 4.1     | 2.9     | 5.2     | 12.9    | 11.0    | 10.1    |
| Dividend yield (%)                       | 4.4%    | 4.2%    | 4.4%    | 3.8%    | 3.7%    | 2.8%    | 3.1%    | 3.3%    |
| Dividend yield preference shares (%)     | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    | 0.0%    |
| FCF yield (%)                            | 4.4%    | -0.5%   | 11.7%   | 22.9%   | 9.0%    | 3.3%    | 4.9%    | 5.9%    |
| EV/Sales                                 | 0.4     | 0.3     | 0.4     | 0.5     | 0.6     | 1.4     | 1.3     | 1.2     |
| EV/EBITDA                                | 5.0     | 4.4     | 4.6     | 4.5     | 4.3     | 10.9    | 9.6     | 9.1     |
| EV/EBIT                                  | 7.3     | 5.9     | 6.4     | 6.4     | 6.0     | 15.3    | 13.5    | 12.8    |

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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.

## Companies mentioned

| Stock | ISIN         | Currency | Price |
|-------|--------------|----------|-------|
| Rubis | FR0000121253 | EUR      | 53.76 |

Source: Factset closing prices of 31/07/2017

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| Company Name | Disclosure          |
|--------------|---------------------|
| Rubis        | nothing to disclose |

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

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|-------------------------------------|------|------|
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| Reduce                              | 17%  | 9%   |
| Not Rated/Under Review/Accept Offer | 3%   | 6%   |
| Total                               | 100% | 100% |

Source: KEPLER CHEUVREUX

A: % of all research recommendations

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| Company Name | Date             | Business Line   | Rating | Target Price | Closing Price |
|--------------|------------------|-----------------|--------|--------------|---------------|
| Rubis (EUR)  | 09/09/2016 08:50 | Equity Research | Buy    | 43.50        | 37.40         |
|              | 10/11/2016 08:07 | Equity Research | Buy    | 43.00        | 40.48         |
|              | 09/01/2017 09:28 | Equity Research | Buy    | 44.00        | 39.70         |
|              | 21/02/2017 09:30 | Equity Research | Buy    | 48.50        | 40.48         |
|              | 10/05/2017 08:46 | Equity Research | Buy    | 55.00        | 49.34         |
|              | 21/07/2017 07:36 | Equity Research | Buy    | 60.00        | 52.05         |

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**Amsterdam**

Kepler Cheuvreux Benelux  
Johannes Vermeerstraat 9  
1071 DK Amsterdam  
+31 20 573 06 66

**Frankfurt**

Kepler Cheuvreux Germany  
Taunusanlage 18  
60325 Frankfurt  
+49 69 756 960

**Geneva**

Kepler Cheuvreux SA  
Route de Crassier 11  
1262 - Eysins  
Switzerland  
+41 22361 5151

**London**

Kepler Cheuvreux UK  
5th Floor  
95 Gresham Street  
London EC2V 7NA  
+44 20 7621 5100

**Madrid**

Kepler Cheuvreux Espana  
Alcala 95  
28009 Madrid  
+34 91 436 5100

**Milan**

Kepler Cheuvreux Italia  
Via C. Cornaggia 10  
20123 Milano  
+39 02 8550 7201

**Paris**

Kepler Cheuvreux France  
112 Avenue Kleber  
75016 Paris  
+33 1 53 65 35 00

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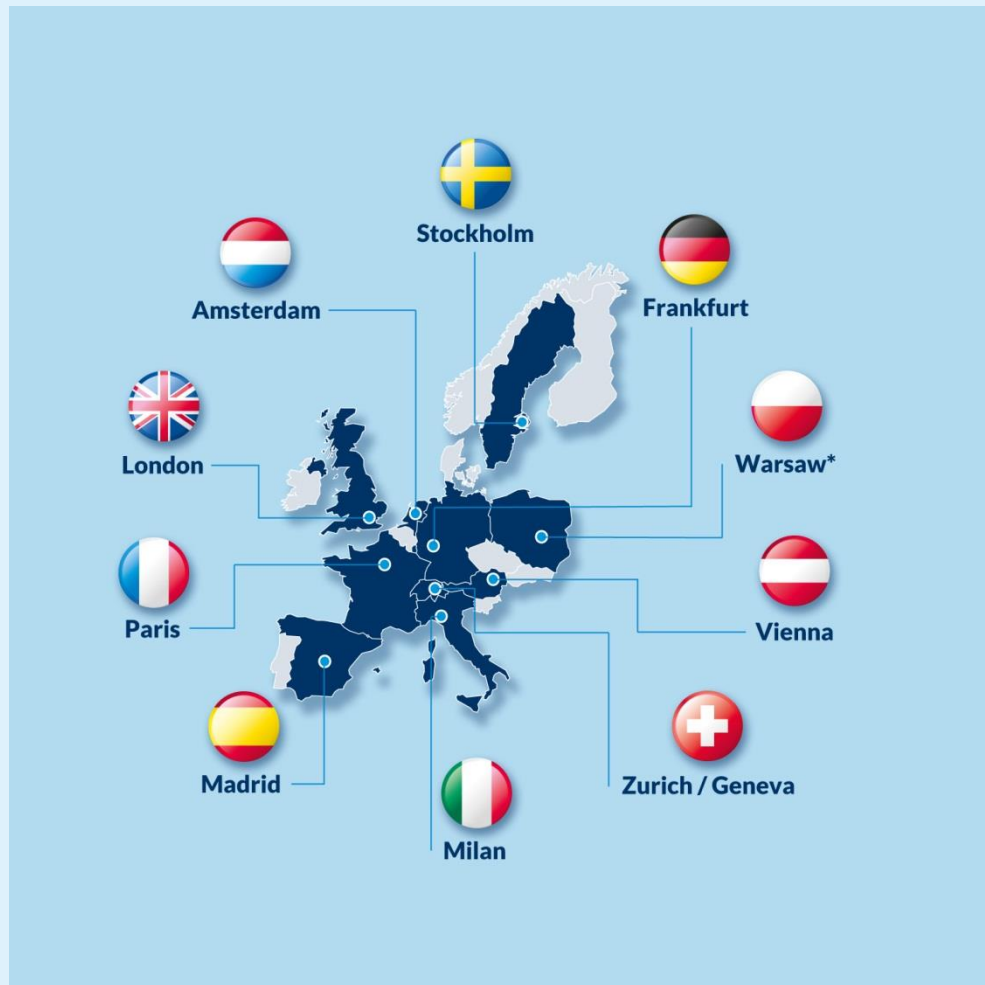
Kepler Cheuvreux Nordic  
Malmskillnadsgatan 23  
11157 Stockholm  
+468 723 51 00

**Vienna**

Kepler Cheuvreux Vienna  
Schottenring 16/2  
Vienna 1010  
+43 1 537 124 147

**Zurich**

Kepler Cheuvreux Switzerland  
Stadelhoferstrasse 22  
Postfach  
8024 Zurich  
+41 43 333 66 66



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**North America**

**Boston**

Kepler Capital Markets, Inc.  
225 Franklin Street, Floor 26  
Boston, MA 02110  
+1 617 217 2615

**New York**

Kepler Capital Markets, Inc.  
Tower 49  
12 East 49th Street, Floor 36,  
10017 New York, NY USA  
+1 212 710 7600

**San Francisco**

Kepler Capital Markets, Inc.  
50 California Street, Suite 1500  
San Francisco, CA 94111  
+1 415 439 5253