

Rubis

France | Oil services | MCAP EUR 5.2bn

08 September 2017

Buy

Target Price	EUR 62.00 (60.00)
Current Price	EUR 56.26
Up/downside	10.2%
Change in TP	3.3%
Change in EPS	3.5% 17E / 0.3% 18E

Reassuring H1 results

Rubis posted reassuring H1 results with 10% growth in EBIT (in line) and 20% (clean) growth in net profit (7% above). We lift our TP to EUR62 and confirm our Buy. At 10x EBITDA, the valuation is reasonable.

Net profit 7% above KECH, solid “underlying” cash generation

Rubis posted a solid set of H1 results with a composite index of volumes up 8% LFL and a 25% increase in sales (M&A and higher nominal prices). Adj. EBIT was up 10% YOY and flat LFL, in line with estimates. Restated from one-offs (c. EUR10m), adj. EBIT would have been up 6% LFL. Net profit is up 34% on a reported basis and 8% LFL. Stripping out the +EUR14m coming from the “negative goodwill” on the acquisition of 100% of Rubis Terminal Petrol, net profit would have been up 20% YOY, or 7% our and consensus estimates. The “underlying” cash flow generation is solid at EUR189m (+15%), but a negative EUR80m WCR swing leads to a somewhat disappointing EUR30m FCF (vs. EUR107m last year) despite stable capex. Yet, net debt is lower than expected at EUR489m (7% below estimates), reflecting the increase in capital due to scrip dividends.

Resilient distribution margins, Terminal and S&S a bit softer

Volumes at Rubis Energie were up 8% rep. and 2% LFL (+4% excl. one-offs), which is 3% below KECH due to adverse weather in Europe and the termination of contracts and strikes in the Caribbean. Adj. EBIT is up 13% rep. and 6% LFL (2% above KECH) with strong resilience in the unit distribution margin (+2% LFL) helped by a better product mix (rebound of bitumen volumes) despite pressure in Europe (France). At constant scope (i.e. JV at 100%), storage revenues were up 11% with all depots operating nearly at full capacity. EBIT was up 31%, reflecting the consolidation at 100% of depot in Turkey and 7% at constant scope, which is 7% below our estimates due to the phasing of costs in France. Lastly, despite buoyant volumes at Rubis Support & Services (+59%), EBIT was stable (excl. provisions) and down 6% rep. due to pressure on the unit margins.

Reassuring H1, turnaround of Eres confirmed, Buy rating

Despite margin pressure in Europe (France), H1 results reassured in terms of the company’s ability to protect its unit margin helped by the sharp rebound of bitumen volumes at Eres (EUR21m net profit in H1 2017 vs. EUR13m last year) while the ramp-up of storage capacities at all sites will continue to support earnings at Rubis Terminal. Comments on the potential impact of the Irma hurricane were reassuring with an impact contained to Saint Barthelemy so far (three gas stations). We lift our net profit 2017E by 2% to reflect: 1) a stronger rebound of bitumen volumes, 2) a lower tax rate in Turkey (from 25% to 6%); and 3) fewer financial expenses, but cut our FCF 2017E by 20% on adverse WCR (EPS down on higher shares count). Buy with TP raised to EUR62 based on a DCF (EUR68) and peers valuation (EUR55).

Charles-Louis Scotti

Equity Research Analyst

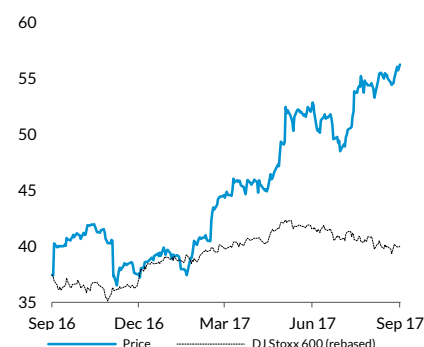
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Market data

Bloomberg: RUI FP	Reuters: RUBF.PA
Market cap (EURm)	5,186
Free float	84%
No. of shares outstanding (m)	92
Avg. daily volume (EURm)	15.0
YTD abs performance	43.6%
52-week high/low (EUR)	56.26/36.50

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
Sales (m)	3,778.7	4,208.0	4,334.3
EBITDA adj (m)	510.9	560.5	580.1
EBIT adj (m)	363.2	398.0	411.9
Net profit adj (m)	250.0	274.6	289.8
Net fin. debt (m)	639.2	548.5	416.0
FCF (m)	128.3	235.3	283.9
EPS adj. and fully dil.	2.72	2.98	3.15
Consensus EPS	2.71	3.05	3.27
Net dividend	1.57	1.64	1.73

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
P/E adj and ful. dil.	20.7	18.9	17.9
EV/EBITDA	11.3	10.2	9.6
EV/EBIT	15.9	14.3	13.6
FCF yield	2.5%	4.5%	5.5%
Dividend yield	2.8%	2.9%	3.1%
Net fin.debt/EBITDA	1.3	1.0	0.7
Gearing	28.2%	22.7%	16.2%
ROIC	10.8%	10.3%	10.6%
EV/IC	2.0	1.9	1.8



Rubis Energie distributed volumes in H1 and Q2 versus KECH

Table 1: Rubis Energie distributed volumes in H1 2017 versus KECH

Volumes (retail distribution, in '000 m3)	H1 2017	H1 2016	% change	% LFL	KECH	% change	% LFL	% Dev
Europe	426	425	0%	1%	441	4%	4%	-3%
Caribbean	908	818	11%	-3%	938	15%	2%	-3%
Africa	496	451	10%	10%	503	12%	12%	-1%
Total	1,830	1,694	8%	2%	1,882	11%	5%	-3%

Source: Kepler Cheuvreux, Rubis

Table 2: Rubis Energie distributed volumes in Q2 2017 versus KECH

Volumes (retail distribution, in '000 m3)	Q2 2017	Q2 2016	% change	% LFL	KECH	% change	% LFL	% Dev
Europe	185	193	-4%	-4%	200	4%	3%	-8%
Caribbean	498	415	20%	-6%	528	27%	2%	-6%
Africa	242	234	3%	3%	248	6%	6%	-2%
Total	926	842	10%	-3%	976	16%	3%	-5%

Source: Kepler Cheuvreux, RUBIS

Rubis' H1 results versus Kepler Cheuvreux and consensus

Table 3: Rubis' H1 2017 results vs. Kepler Cheuvreux and consensus

FY-end Dec (EURm)	H1 2017	H1 2016	% change	KECH	Dev vs. KECH	Cons.	Dev vs. Cons
Revenues	1,815	1,453	25%	1,791	1%	1,825	-1%
EBITDA, adj.	238	213	12%	241	-1%		
EBIT, adj.	177	160	11%	180	-2%	177	0%
...o/w Rubis Energie	126	112	13%	124	2%		
...o/w Rubis Support & Services	31	33	-6%	35	-11%		
...o/w Rubis Terminal	31	24	29%	34	-7%		
...o/w Eliminations	-11	-9	22%	-12			
Net rep. (group's share)	139	104	34%	117	19%*	118	18%*
EPS, reported (fully diluted)	1.52	1.19	27%	1.30	17%		
Cash flow	189	165	15%	188	1%		
Capex	-80	76	-205%	-106	-25%		
Free cash flow	30	107	-72%	114	-74%		
Net debt	489	282	73%	526	-7%		

Source: Kepler Cheuvreux, Rubis, *7% above our estimate excluding the negative goodwill on the acquisition of Rubis Terminal Petrol at 100%

Kepler Cheuvreux summary of estimate changes 2017-19E

Table 4: Kepler Cheuvreux summary of estimate changes

FY-end Dec (EURm)	FY 2016	FY 2017E			FY 2018E			FY 2019E		
	A	Prev.	KECH	% rev	Prev.	KECH	% rev	Prev.	KECH	% rev
Total revenues	3,004	3,810	3,779	-0.8%	4,241	4,208	-0.8%	4,368	4,334	-0.8%
% change	3.1%	26.8%	25.8%		11.3%	11.4%		3.0%	3.0%	
EBITDA, adj.	411	505	511	1.2%	562	560	-0.3%	582	580	-0.3%
% change	19.4%	22.7%	24.2%		11.3%	9.7%		3.5%	3.5%	
Margin (%)	13.7%	13.3%	13.5%		13.3%	13.3%		13.3%	13.4%	
EBIT, adj.	300	359	363	1.2%	399	398	-0.3%	413	412	-0.3%
% change	24.9%	19.7%	21.2%		11.3%	9.6%		3.5%	3.5%	
Margin (%)	10.0%	9.4%	9.6%		9.4%	9.5%		9.5%	9.5%	
Net profit, adj.	207	242	247	2.1%	274	275	0.3%	289	290	0.3%
% change	24.7%	16.8%	19.3%		13.3%	11.3%		5.6%	5.5%	
Margin (%)	6.9%	6.3%	6.5%		6.5%	6.5%		6.6%	6.7%	
EPS, adj.	2.30	2.69	2.68	-0.5%	3.05	2.98	-2.2%	3.22	3.15	-2.2%
% change	16.3%	16.8%	16.3%		13.3%	11.3%		5.5%	5.5%	
Capex	-163	-212	-215	1.2%	-202	-202	-0.3%	-192	-191	-0.3%
FCF	145	161	128	-20.5%	239	235	-1.4%	284	284	-0.1%
DPS	1.34	1.48	1.57	5.8%	1.68	1.64	-2.2%	1.77	1.73	-2.2%
Net debt	228	720	639	-11.2%	615	548	-10.8%	481	416	-13.6%

Source: Kepler Cheuvreux, Rubis

Key financials

FY to 31/12 (EUR)	2012	2013	2014	2015	2016	2017E	2018E	2019E
Income Statement (EURm)								
Sales	2,669.2	2,756.1	2,790.2	2,913.4	3,003.9	3,778.7	4,208.0	4,334.3
% Change	32.9%	3.3%	1.2%	4.4%	3.1%	25.8%	11.4%	3.0%
EBITDA adjusted	198.1	218.4	233.0	344.6	411.5	510.9	560.5	580.1
EBITDA margin (%)	7.4%	7.9%	8.4%	11.8%	13.7%	13.5%	13.3%	13.4%
EBIT adjusted	136.1	162.1	166.7	240.0	299.7	363.2	398.0	411.9
EBIT margin (%)	5.1%	5.9%	6.0%	8.2%	10.0%	9.6%	9.5%	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	-5.3	-5.5
Tax	-42.6	-45.1	-44.2	-59.6	-64.3	-77.4	-85.4	-85.0
Net profit from continuing operations	87.7	110.0	122.4	181.3	226.0	280.8	294.0	310.4
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	280.8	294.0	310.4
Net profit reported	83.0	104.7	118.0	169.0	206.6	259.7	272.0	287.1
Net profit adjusted	78.6	102.5	116.5	164.9	205.4	250.0	274.6	289.8
Cash Flow Statement (EURm)								
Cash flow from operating activities	140.9	96.4	215.2	439.6	306.5	342.9	437.1	475.3
Capex	-111.7	-100.5	-111.2	-143.3	-162.5	-214.6	-201.8	-191.4
Free cash flow	29.2	-4.1	103.9	296.3	143.9	128.3	235.3	283.9
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	-144.6	-151.4
Others	86.3	187.8	54.6	239.7	112.4	114.0	0.0	0.0
Change in net financial debt	-134.2	106.2	-24.8	47.9	96.8	-411.5	90.7	132.5
Balance Sheet (EURm)								
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	1,780.2	1,799.5	1,822.7
Financial & other non-current assets	97.9	145.4	189.1	242.0	235.4	256.7	280.3	282.8
Total shareholders' equity	969.9	1,163.7	1,320.8	1,657.4	1,986.4	2,265.4	2,414.8	2,573.7
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	1,722.6	1,704.0	1,731.0
Net financial debt	389.3	267.2	307.2	336.7	227.7	639.2	548.5	416.0
Working capital requirement	164.4	263.9	238.4	215.5	271.8	381.9	425.3	438.0
Invested Capital	1,435.3	1,454.6	1,656.6	2,140.1	2,260.0	2,958.0	3,020.7	3,056.7
Per share data								
EPS adjusted	2.51	3.01	3.05	4.01	4.64	2.71	2.98	3.14
EPS adj and fully diluted	1.22	1.46	1.50	1.97	2.29	2.72	2.98	3.15
% Change	-7.7%	19.6%	2.6%	31.8%	16.1%	18.6%	9.8%	5.5%
EPS reported	2.66	3.07	3.09	4.11	4.67	2.82	2.95	3.11
Cash flow per share	4.51	2.83	5.64	10.69	6.92	3.72	4.74	5.16
Book value per share	30.32	33.41	33.98	37.87	41.96	22.95	24.33	25.80
Dividend per share	0.92	0.98	1.03	1.21	1.34	1.57	1.64	1.73
Number of shares, YE (m)	31.26	34.09	38.17	41.13	44.27	92.18	92.18	92.18
Ratios								
ROE (%)	8.8%	9.8%	9.6%	11.6%	12.0%	12.6%	12.6%	12.5%
ROIC (%)	6.8%	8.0%	7.9%	9.5%	10.6%	10.8%	10.3%	10.6%
Net fin. debt / EBITDA (x)	2.0	1.2	1.3	1.0	0.6	1.3	1.0	0.7
Gearing (%)	40.1%	23.0%	23.3%	20.3%	11.5%	28.2%	22.7%	16.2%
Valuation								
P/E adjusted	8.4	7.7	7.6	7.9	7.8	20.7	18.9	17.9
P/E adjusted and fully diluted	17.3	16.0	15.6	16.0	15.8	20.7	18.9	17.9
P/BV	0.7	0.7	0.7	0.8	0.9	2.5	2.3	2.2
P/CF	4.7	8.2	4.1	2.9	5.2	15.1	11.9	10.9
Dividend yield (%)	4.4%	4.2%	4.4%	3.8%	3.7%	2.8%	2.9%	3.1%
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%	2.5%	4.5%	5.5%
EV/Sales	0.4	0.3	0.4	0.5	0.6	1.5	1.4	1.3
EV/EBITDA	5.0	4.4	4.6	4.5	4.3	11.3	10.2	9.6
EV/EBIT	7.3	5.9	6.4	6.4	6.0	15.9	14.3	13.6

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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	56.26

Source: Factset closing prices of 07/09/2017

Disclosure checklist - Potential conflict of interests

Company Name	Disclosure
Rubis	nothing to disclose

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Research ratings

Rating ratio Kepler Cheuvreux Q2 2017

Rating Breakdown	A	B
Buy	45%	50%
Hold	35%	35%
Reduce	17%	9%
Not Rated/Under Review/Accept Offer	3%	6%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

B: % of issuers to which material services of investment firms 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)	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

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

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Equity research

Rating system

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Buy: The minimum expected upside is 10% over next 12 months (the minimum required upside could be higher in light of the company's risk profile).

Hold: The expected upside is below 10% (the expected upside could be higher in light of the company's risk profile).

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.

Due to share prices volatility, ratings and target prices may occasionally and temporarily be inconsistent with the above definition.

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Credit research

Rating system (issuer or instrument level)

Buy: The analyst has a positive conviction either in absolute or relative valuation terms and/or expects a tightening of the issuer's debt securities spread over a 6 months period.

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.

Not covered: KEPLER CHEUVREUX' credit research team does not provide formal, continuous coverage of this issuer and has not assigned a rating to the issuer.

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

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KEPLER CHEUVREUX research and distribution

Regulators

Location	Regulator	Abbreviation
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KEPLER CHEUVREUX, Sucursal en España	Comisión Nacional del Mercado de Valores	CNMV
KEPLER CHEUVREUX, Frankfurt branch	Bundesanstalt für Finanzdienstleistungsaufsicht	BaFin
KEPLER CHEUVREUX, Milan branch	Commissione Nazionale per le Società e la Borsa	CONSOB
KEPLER CHEUVREUX, Amsterdam branch	Autoriteit Financiële Markten	AFM
Kepler Capital Markets SA, Zurich branch	Swiss Financial Market Supervisory Authority	FINMA
Kepler Capital Markets, Inc.	Financial Industry Regulatory Authority	FINRA
KEPLER CHEUVREUX, London branch	Financial Conduct Authority	FCA
KEPLER CHEUVREUX, Vienna branch	Austrian Financial Services Authority	FMA
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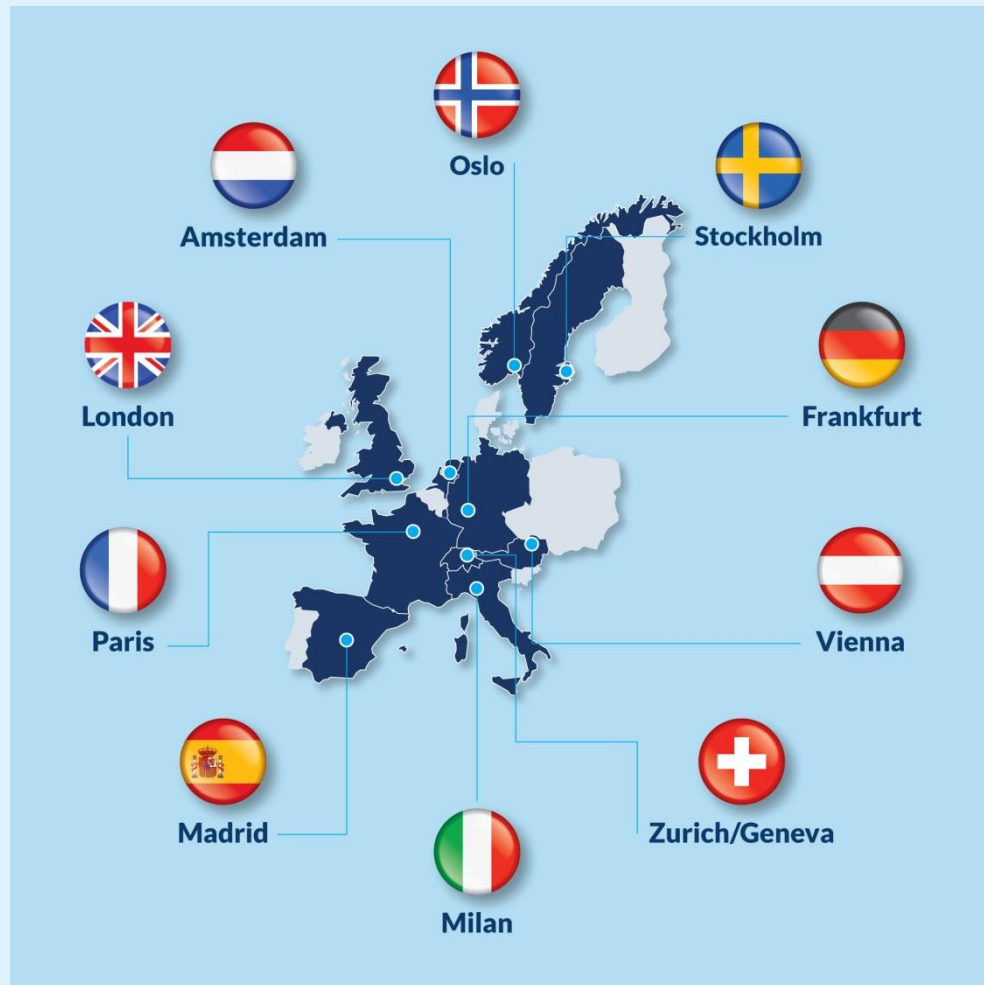
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