

Rubis

France | Oil services | MCAP EUR 5.0bn

10 November 2017

Buy

Target Price	EUR 62.00
Current Price	EUR 54.14
Up/downside	14.5%
Change in TP	none
Change in EPS	-0.1% 17E / -0.1% 18E

Winner every time

Rubis posted solid Q3 numbers with a volume indicator up 28% YOY (+5% LFL). Above all, upbeat comments on the unit distribution margin (+2-3% YOY in Q3) despite the surging LPG price will ease investors' concerns on the group's ability to dive into a rising oil price environment. We stick to our Buy rating with a TP unchanged at EUR62 (+14% upside).

Rubis Energie Q3 distributed volumes (retail distribution, in '000 m3)

Volumes	Q3 2017	Q3 2016	% change	% LFL	KECH	Δ vs. KECH
Europe	184	178	3%	3%	189	-3%
Caribbean	558	402	39%	3%	560	0%
Africa	301	210	43%	3%	296	2%
Total	1,043	791	32%	3%	1,045	0%

Source: Kepler Cheuvreux, Rubis

Volumes up strongly in Q3 (+28%) of which +5% LFL

Rubis posted solid Q3 figures with an overall volume indicator up 28% (+5% LFL) and sales up 36% to EUR1,008m, 3% above our estimate. Volumes at Rubis Energie surged 32% (+3% LFL) bang in line with our estimate, with market share gains in Europe and the Caribbean (no impact from the hurricanes) and a 16% jump in bitumen volumes in Africa. Sales of S&S soared 73% to EUR253m with a noticeable 60% increase in fuel supply volumes. Lastly, Rubis Terminal storage revenues (excl. JV) were up 30% (+10% LFL) and up 13% including the JV, bolstered by a 34% increase in ARA (expansion plus high capacity utilisation), a 28% jump in Ceyhan (contango plus buoyant business from and into Iraq) and France (+5%) across all products.

Unit distribution margin up 2-3% in Q3 vs. LPG +51%

Beyond solid volume trends, the key positive message was the +2-3 YOY increase in the group's distribution margin in Q3 (+1-2% in 9M) despite a 51% YOY and +22% QOQ surge in the LPG price, which, once again, proved the resiliency of Rubis' pure intermediary business model. While the unit distribution margin in Europe is slightly down, the product mix is improving thanks to double-digit volumes of higher margin bitumen, whereas Rubis is actively passing on price increases to end-customers. The margin in S&S is however a bit under pressure, as in H1 when earnings were flat despite a 59% spike in volumes. The CFO nevertheless guided for a slightly higher gross margin in Q3.

Buy with TP EUR62 – Q3 will ease concerns on margin

We believe the Q3 release and comments on a 2-3% unit distribution margin improvement despite rising raw material price will ease investors' concerns about Rubis' ability to dive into a rising oil price environment. We keep our estimates unchanged at this stage and stick to our Buy rating based on solid fundamentals and strong M&A optionality. Our TP is based on the average of a DCF (6.9% WACC, 2.5% growth) and an SOP (EUR55 FV).

Charles-Louis Scotti

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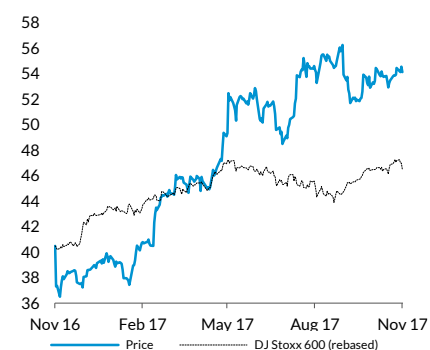
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Market data

Bloomberg: RUI FP	Reuters: RUBF.PA
Market cap (EURm)	4,991
Free float	84%
No. of shares outstanding (m)	92
Avg. daily volume (EURm)	16.6
YTD abs performance	38.2%
52-week high/low (EUR)	56.26/36.50

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
Sales (m)	4,033.2	4,507.3	4,642.5
EBITDA adj (m)	511.6	564.9	584.7
EBIT adj (m)	363.7	401.3	415.3
Net profit adj (m)	249.4	276.5	291.8
Net fin. debt (m)	650.9	560.8	429.9
FCF (m)	116.7	234.3	284.8
EPS adj. and fully dil.	2.71	3.00	3.17
Consensus EPS	2.73	3.05	3.25
Net dividend	1.56	1.67	1.76

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
P/E adj and ful. dil.	20.0	18.0	17.1
EV/EBITDA	10.9	9.8	9.2
EV/EBIT	15.4	13.7	13.0
FCF yield	2.3%	4.7%	5.7%
Dividend yield	2.9%	3.1%	3.3%
Net fin. debt/EBITDA	1.3	1.0	0.7
Gearing	28.7%	23.2%	16.7%
ROIC	10.7%	10.3%	10.6%
EV/IC	1.9	1.8	1.7



Rubis Energie Q3 distributed volumes vs. Kepler Cheuvreux

Table 1: Rubis Energie Q3 distributed volumes vs. Kepler Cheuvreux

Volumes (retail distribution, in '000 m3)	Q3 2017	Q3 2016	% change	% LFL	KECH	Δ vs. KECH
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Source: Kepler Cheuvreux, Rubis

Rubis Q3 revenues by divisions vs. Kepler Cheuvreux

Table 2: Rubis' Q3 revenues by division vs. Kepler Cheuvreux

FY end-Dec (EURm)	Q3 2017	Q3 2016	% change	KECH	% change	Δ vs. KECH
...o/w Europe	130	120	8%	117	-3%	11%
...o/w Caribbean	374	292	28%	436	49%	-14%
...o/w Africa	176	117	51%	186	60%	-5%
Total Rubis Energie	680	529	28%	739	40%	-8%
Total Rubis Support & Services	253	146	73%	158	8%	60%
...o/w Bulk liquid storage	44	34	30%	46	36%	-4%
...o/w Trading business	30	30	-1%	40	32%	-25%
Total Rubis Terminal	74	64	15%	86	34%	-14%
Total Rubis group	1,008	740	36%	983	33%	3%

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	4,033.2	4,507.3	4,642.5
% Change	32.9%	3.3%	1.2%	4.4%	3.1%	34.3%	11.8%	3.0%
EBITDA adjusted	198.1	218.4	233.0	344.6	411.5	511.6	564.9	584.7
EBITDA margin (%)	7.4%	7.9%	8.4%	11.8%	13.7%	12.7%	12.5%	12.6%
EBIT adjusted	136.1	162.1	166.7	240.0	299.7	363.7	401.3	415.3
EBIT margin (%)	5.1%	5.9%	6.0%	8.2%	10.0%	9.0%	8.9%	8.9%
Net financial items & associates	-13.2	-7.9	-7.2	-6.6	-6.4	-13.9	-9.8	-7.5
Others	0.7	-2.1	5.1	3.1	-3.2	-5.1	-5.7	-5.9
Tax	-42.6	-45.1	-44.2	-59.6	-64.3	-77.1	-86.8	-86.4
Net profit from continuing operations	87.7	110.0	122.4	181.3	226.0	279.9	298.9	315.5
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	279.9	298.9	315.5
Net profit reported	83.0	104.7	118.0	169.0	206.6	258.9	276.5	291.8
Net profit adjusted	78.6	102.5	116.5	164.9	205.4	249.4	276.5	291.8
Cash Flow Statement (EURm)								
Cash flow from operating activities	140.9	96.4	215.2	439.6	306.5	331.5	437.7	477.8
Capex	-111.7	-100.5	-111.2	-143.3	-162.5	-214.9	-203.4	-192.9
Free cash flow	29.2	-4.1	103.9	296.3	143.9	116.7	234.3	284.8
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	-144.2	-154.0
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	-423.2	90.1	130.9
Balance Sheet (EURm)								
Intangible assets	448.6	464.1	576.5	791.5	795.9	808.3	808.3	808.3
Tangible assets	822.2	726.5	841.7	1,133.2	1,192.3	1,780.3	1,800.0	1,823.6
Financial & other non-current assets	97.9	145.4	189.1	242.0	235.4	257.8	281.6	284.1
Total shareholders' equity	969.9	1,163.7	1,320.8	1,657.4	1,986.4	2,264.6	2,419.3	2,580.8
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	1,768.5	1,758.0	1,786.6
Net financial debt	389.3	267.2	307.2	336.7	227.7	650.9	560.8	429.9
Working capital requirement	164.4	263.9	238.4	215.5	271.8	404.9	452.5	466.1
Invested Capital	1,435.3	1,454.6	1,656.6	2,140.1	2,260.0	2,993.5	3,060.8	3,098.0
Per share data								
EPS adjusted	2.51	3.01	3.05	4.01	4.64	2.70	3.00	3.17
EPS adj and fully diluted	1.22	1.46	1.50	1.97	2.29	2.71	3.00	3.17
% Change	-7.7%	19.6%	2.6%	31.8%	16.1%	18.3%	10.9%	5.5%
EPS reported	2.66	3.07	3.09	4.11	4.67	2.81	3.00	3.17
Cash flow per share	4.51	2.83	5.64	10.69	6.92	3.60	4.75	5.18
Book value per share	30.32	33.41	33.98	37.87	41.96	22.94	24.37	25.87
Dividend per share	0.92	0.98	1.03	1.21	1.34	1.56	1.67	1.76
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%	12.7%	12.6%
ROIC (%)	6.8%	8.0%	7.9%	9.5%	10.6%	10.7%	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%	28.7%	23.2%	16.7%
Valuation								
P/E adjusted	8.4	7.7	7.6	7.9	7.8	20.0	18.0	17.1
P/E adjusted and fully diluted	17.3	16.0	15.6	16.0	15.8	20.0	18.0	17.1
P/BV	0.7	0.7	0.7	0.8	0.9	2.4	2.2	2.1
P/CF	4.7	8.2	4.1	2.9	5.2	15.1	11.4	10.4
Dividend yield (%)	4.4%	4.2%	4.4%	3.8%	3.7%	2.9%	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%	2.3%	4.7%	5.7%
EV/Sales	0.4	0.3	0.4	0.5	0.6	1.4	1.2	1.2
EV/EBITDA	5.0	4.4	4.6	4.5	4.3	10.9	9.8	9.2
EV/EBIT	7.3	5.9	6.4	6.4	6.0	15.4	13.7	13.0

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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	54.14

Source: Factset closing prices of 09/11/2017

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Company Name	Disclosure
Rubis	nothing to disclose

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Rating ratio Kepler Cheuvreux Q3 2017

Rating Breakdown	A	B
Buy	45%	49%
Hold	36%	35%
Reduce	16%	11%
Not Rated/Under Review/Accept Offer	3%	5%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
Rubis (EUR)	10/11/2016 07:07	Equity Research	Buy	43.00	40.48
	09/01/2017 08:28	Equity Research	Buy	44.00	39.70
	21/02/2017 08:30	Equity Research	Buy	48.50	40.48
	10/05/2017 07:46	Equity Research	Buy	55.00	49.34
	21/07/2017 06:36	Equity Research	Buy	60.00	52.05
	08/09/2017 07:12	Equity Research	Buy	62.00	56.26

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

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KEPLER CHEUVREUX research and distribution

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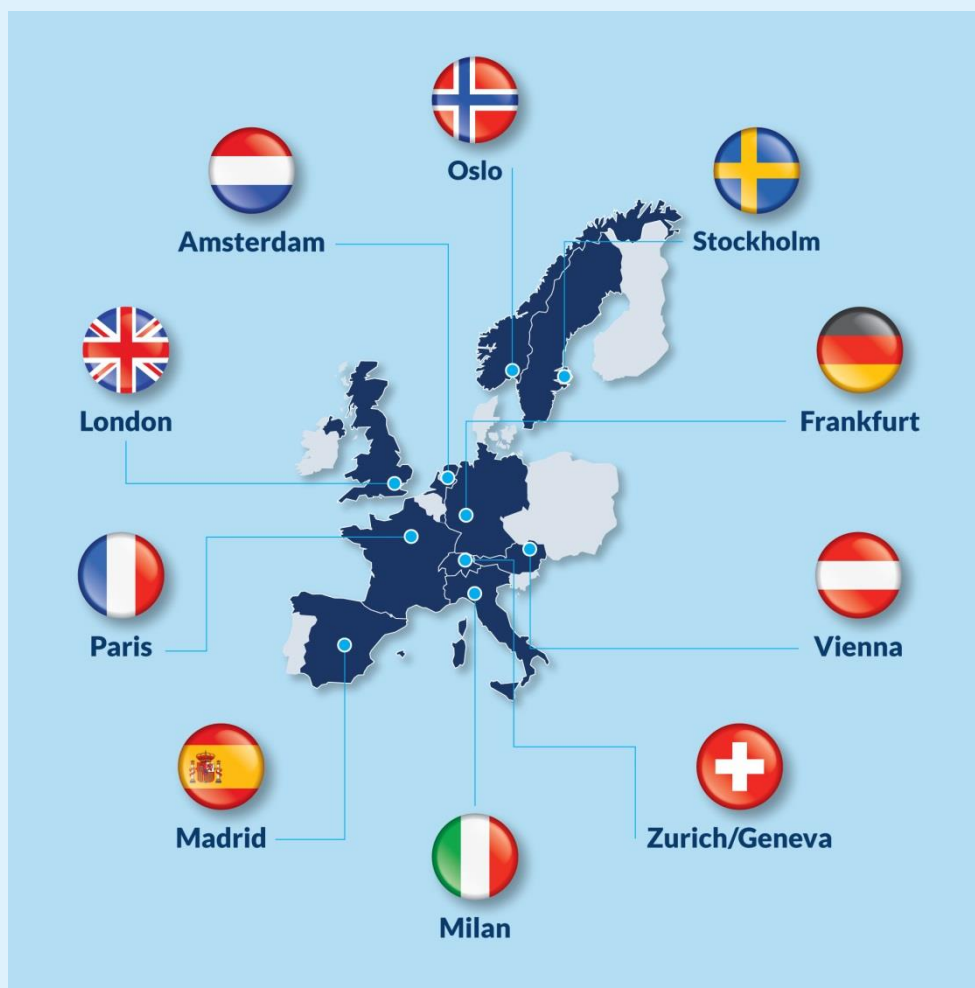
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