

Rubis

France | Oil services | MCAP EUR 5.0bn

18 October 2017

Buy

Target Price	EUR 62.00
Current Price	EUR 53.80
Up/downside	15.2%
Change in TP	none
Change in EPS	-0.2% 17E / 0.8% 18E

Reassuring tone, appealing valuation

Following a contact with the CFO, we reiterate our Buy rating and EUR62 TP on Rubis. The CFO was reassuring on Caribbean volumes one month after Hurricane Irma and the situation in Ceyhan where the business is not affected by local tensions. Although small, the acquisition in Corsica (+1% EPS 2018E) confirms that Rubis's M&A ambitions are intact.

Consolidating its leadership in fuel distribution in Corsica

With the purchase of the fuel distribution business in Corsica of EG Retail early October (35-40K CuM), Rubis consolidates its leadership position in the island with a market share of 50% through a network of 64 fuel stations (vs. 47 before), well ahead of Total (35% share) and Esso (15%). The deal also allows Rubis to bring its shares in the associated logistics depots based in Ajaccio and Bastia from 54% to 75%. The price paid, i.e. c. EUR23m or 11x P/E looks reasonable and in-line with historical acquisition multiples. The deal is expected to be closed by the end of October and once consolidated is expected to generate c. EUR2m of net profit (incl. cost synergies) on a FY basis, with a mere 1% accretive impact on our EPS 2018E.

Any impact of last month's Kurdish independence vote?

Tensions between the Iraqi central government and Iraqi Kurdistan have escalated following last month's independence vote and spread to Turkey which warned to "close the valves" on oil exports through the pipe connecting Kirkuk to Ceyhan where Rubis operates the biggest oil depot of the Mediterranean sea. We believe a closure of the pipe would not have a major impact for Rubis as bulk of the business is done through truck tankers and the CFO confirmed that recent tensions did not affect the strong momentum in the region (storage sales +19% in H1). Conversely, the press reports that border crossings between Iran and Iraqi Kurdistan are closed which could even boost the business with Turkey as a significant share of Iraqi Kurdistan reserves has so far been flowing through Iran.

Buy, TP EUR62: valuation still compelling

Although small, this deal confirms that Rubis's external growth ambitions are intact in light of its deleveraged balance sheet and therefore we expect the group to pursue its active M&A strategy. One month after Hurricane Irma, the CFO was reassuring on the net impact on Caribbean volumes stating that the demand for reconstruction purposes somewhat offset temporary business disruptions in some islands. Meanwhile, the group continues to proactively manage prices to pass on oil price increase to end-customers and protect the unit distribution margin. We stick to our Buy rating and EUR62 TP based on a DCF (6.9% WACC, 2.5% growth rate) and SOP (EUR55). Rubis trades respectively with a 15% and 9% discount to peers on a P/E and EV/EBIT 2018E basis.

Charles-Louis Scotti

Equity Research Analyst

cscotti@keplercheuvreux.com

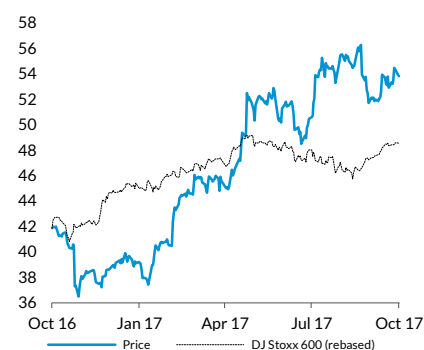
+33 1 70 98 85 16

Market data

Bloomberg: RUI FP	Reuters: RUBF.PA
Market cap (EURm)	4,960
Free float	84%
No. of shares outstanding (m)	92
Avg. daily volume (EURm)	17.7
YTD abs performance	37.4%
52-week high/low (EUR)	56.26/36.50

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
Sales (m)	3,783.2	4,234.9	4,362.0
EBITDA adj (m)	511.6	564.9	584.7
EBIT adj (m)	363.7	401.3	415.3
Net profit adj (m)	249.6	276.7	292.1
Net fin. debt (m)	640.0	548.9	417.5
FCF (m)	127.5	235.4	285.4
EPS adj. and fully dil.	2.71	3.00	3.17
Consensus EPS	2.73	3.06	3.27
Net dividend	1.57	1.67	1.76

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
P/E adj and ful. dil.	19.9	17.9	17.0
EV/EBITDA	10.9	9.7	9.2
EV/EBIT	15.3	13.6	12.9
FCF yield	2.6%	4.7%	5.8%
Dividend yield	2.9%	3.1%	3.3%
Net fin. debt/EBITDA	1.3	1.0	0.7
Gearing	28.3%	22.7%	16.2%
ROIC	10.8%	10.4%	10.7%
EV/IC	1.9	1.8	1.7



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	3,783.2	4,234.9	4,362.0
% Change	32.9%	3.3%	1.2%	4.4%	3.1%	25.9%	11.9%	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%	13.5%	13.3%	13.4%
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%	9.6%	9.5%	9.5%
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	-4.8	-5.4	-5.5
Tax	-42.6	-45.1	-44.2	-59.6	-64.3	-77.2	-86.9	-86.5
Net profit from continuing operations	87.7	110.0	122.4	181.3	226.0	280.3	299.2	315.8
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	280.3	299.2	315.8
Net profit reported	83.0	104.7	118.0	169.0	206.6	259.3	276.7	292.1
Net profit adjusted	78.6	102.5	116.5	164.9	205.4	249.6	276.7	292.1
Cash Flow Statement (EURm)								
Cash flow from operating activities	140.9	96.4	215.2	439.6	306.5	342.4	438.8	478.4
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	127.5	235.4	285.4
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	-144.4	-154.1
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	-412.3	91.1	131.4
Balance Sheet (EURm)								
Intangible assets	448.6	464.1	576.5	791.5	795.9	808.4	808.4	808.4
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	256.7	280.4	282.9
Total shareholders' equity	969.9	1,163.7	1,320.8	1,657.4	1,986.4	2,264.9	2,419.7	2,581.4
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	1,723.4	1,708.9	1,735.9
Net financial debt	389.3	267.2	307.2	336.7	227.7	640.0	548.9	417.5
Working capital requirement	164.4	263.9	238.4	215.5	271.8	382.3	427.9	440.8
Invested Capital	1,435.3	1,454.6	1,656.6	2,140.1	2,260.0	2,971.0	3,036.4	3,072.8
Per share data								
EPS adjusted	2.51	3.01	3.05	4.01	4.64	2.71	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%	18.4%	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	3.71	4.76	5.19
Book value per share	30.32	33.41	33.98	37.87	41.96	22.94	24.38	25.87
Dividend per share	0.92	0.98	1.03	1.21	1.34	1.57	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%	10.8%	10.4%	10.7%
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%	28.3%	22.7%	16.2%
Valuation								
P/E adjusted	8.4	7.7	7.6	7.9	7.8	19.9	17.9	17.0
P/E adjusted and fully diluted	17.3	16.0	15.6	16.0	15.8	19.9	17.9	17.0
P/BV	0.7	0.7	0.7	0.8	0.9	2.3	2.2	2.1
P/CF	4.7	8.2	4.1	2.9	5.2	14.5	11.3	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%	2.6%	4.7%	5.8%
EV/Sales	0.4	0.3	0.4	0.5	0.6	1.5	1.3	1.2
EV/EBITDA	5.0	4.4	4.6	4.5	4.3	10.9	9.7	9.2
EV/EBIT	7.3	5.9	6.4	6.4	6.0	15.3	13.6	12.9

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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	53.80

Source: Factset closing prices of 17/10/2017

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Company Name	Disclosure
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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 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
	08/09/2017 08:12	Equity Research	Buy	62.00	56.26

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

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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

Oslo

Kepler Cheuvreux Norway
 Filipstad Brygge 1
 Pb. 1671 Vika
 0120 Oslo
 +47 23 13 9080

Paris

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

Stockholm

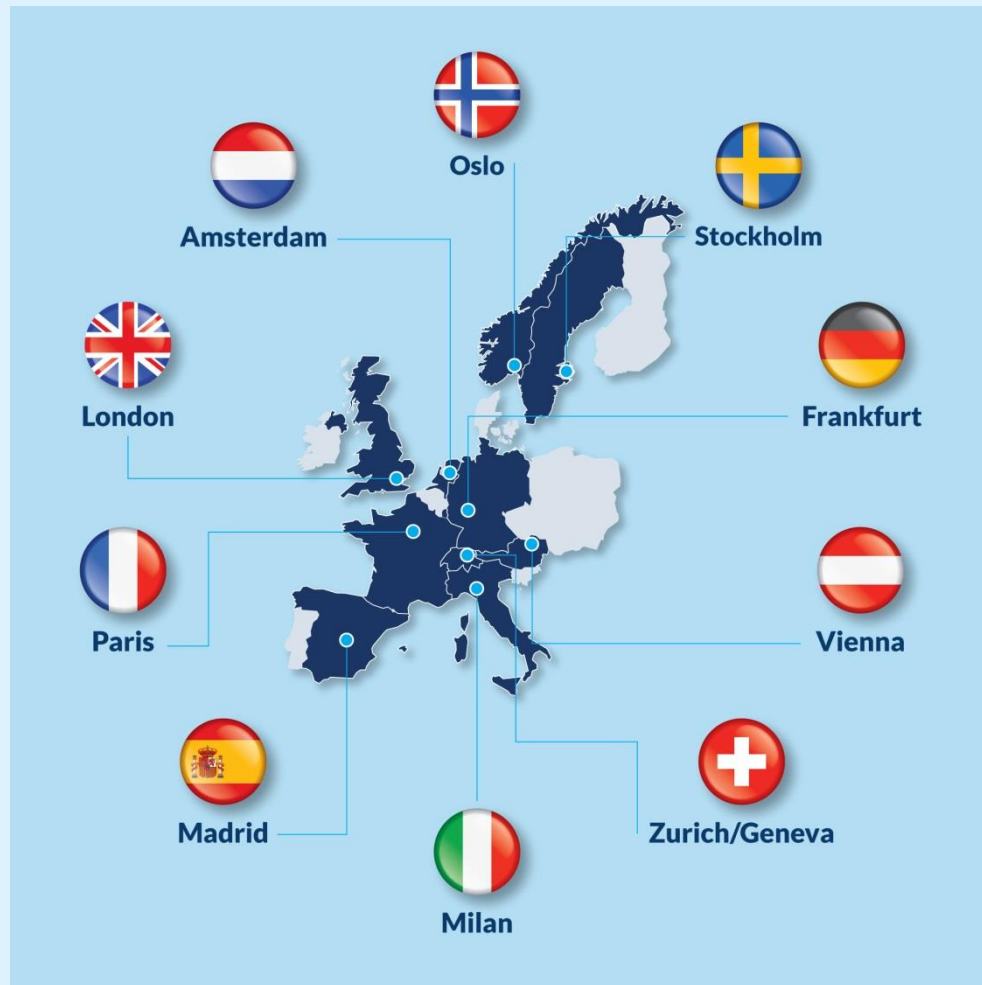
Kepler Cheuvreux Sweden
 Malmkillnadsgatan 23
 11157 Stockholm
 +468 723 51 00

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