

# MORNING NEWS MIDCAPS

EQUITY RESEARCH

01/09/2010

Oil & Gas downstream

## Rubis

RUBF.PA / RUI@FP

### Buy

#### H1 10 earnings

### H1 in line, growth prospects maintained

Rubis reported restated H1 earnings that were up 7%, in line with our expectations. The company expects 2010 net profit to be at the top of the 5 to 10% range. With an investment capacity of €250/300m, Rubis can seize opportunities in an environment undergoing restructuring.

- **We maintain our Buy rating on Rubis which continues to deliver regular earnings growth. We maintain our target price of €77** based on an average between a DCF and peer comparison approach. With an investment capacity of €250 to 300m, the opportunities for profitable acquisitions in a restructuring European downstream oil market should be a catalyst for the share which benefits from a yield of over 5%.
- **The report, in line with our expectations after restatements, does not prompt us to revise our estimates.** Management expects 2010 net profit to be at the top of the 5 to 10% range. We expect an increase in 2010 EPS limited to 5% on account of the increase in the number of shares.
- **Rubis reported H1 10 ROC that was up 8% at €49m and in line with our expectations.** The contribution of LPG distribution, down 3% to €29m, is not as good as expected due to margins which were penalised by increased supply costs which weighed on the contribution from Europe in particular. The levelling-off of crude prices in H2 10 suggests that improved margins are possible. Moreover, the almost 10-fold increase in the number of new LPG vehicles registered in France in 2010 will underpin volumes in this segment where the company enjoys a market share of 20% at approximately 20,000t/annum. The decline is more than offset by the excellent growth of 29% in Terminaling's contribution at €24m. This business is driven by the increase in flows in France (+10%) and by the ramp up of the Rotterdam terminal. Attributable net profit was up 7% after restating for various non-recurring items, including negative goodwill of €9m from the acquisition of 50% of BP in Frangaz (LPG distribution under distributor brands) whose operational contribution is positive this year after three years of starting up.
- **Operating cash-flow** over the half-year covers capex of €49m, of which half corresponds to business extensions. **Net debt** of €199m corresponds to stable gearing of 36% which leaves the company headroom of over €250m to seize opportunities in a favourable environment.

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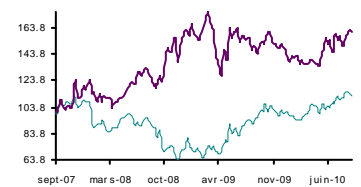
Price	08/31/2010	€69.60
Target		€77.00
Upside		10.6%

Performance	1m	12m	1 Jan
Absolute	3.3%	20.9%	12.8%
Sector	-2.4%	-3.9%	-12.8%
DJS Small200	-2.0%	12.4%	3.6%

Market capitalisation	€818.5m
Free float	82.0%
Orfim	5.9%
Daily volume	€733k

on 31/12	2010e	2011e	2012e
EPS (€)	4.71	5.27	5.67
Revision	-	-	-
Change	4.9%	11.9%	7.5%

P/E (x)	14.8	13.2	12.3
P/CF (x)	8.7	7.9	7.3
EV/EBIT (x)	12.2	10.9	10.1
EV/EBITDA (x)	8.9	8.1	7.3
Net yield	4.2%	4.3%	4.5%
FCF yield	-1.3%	4.2%	5.7%



Source : Natixis

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EQUITY MARKETS

## Financial Data on 31/12

Rubis

Breakdown by activity (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
<b>Turnover</b>	<b>1,192.3</b>	<b>952.0</b>	<b>1,081.2</b>	<b>1,165.6</b>	<b>1,250.1</b>	<b>9.5%</b>
Rubis Energie	894.4	763.0	886.2	966.3	1,046.2	11.1%
Rubis Terminal	297.9	189.0	195.0	199.3	203.9	2.6%
<b>Adjusted operating profit</b>	<b>72.1</b>	<b>76.5</b>	<b>84.8</b>	<b>93.8</b>	<b>98.5</b>	<b>8.8%</b>
Rubis Energie	42.6	47.3	49.0	54.9	59.2	7.7%
Rubis Terminal	34.7	37.9	41.9	43.9	44.4	5.4%
Corporate	-5.2	-8.7	-6.0	-5.0	-5.0	16.9%
<b>Adjusted operating margin</b>	<b>6.0%</b>	<b>8.0%</b>	<b>7.8%</b>	<b>8.0%</b>	<b>7.9%</b>	
Rubis Energie	4.8%	6.2%	5.5%	5.7%	5.7%	
Rubis Terminal	11.6%	20.0%	21.5%	22.0%	21.8%	
<b>Profit &amp; loss statement (€m)</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>	<b>CAGR 09/12</b>
<b>Turnover</b>	<b>1,192.3</b>	<b>951.9</b>	<b>1,081.2</b>	<b>1,165.6</b>	<b>1,250.1</b>	<b>9.5%</b>
<i>Change</i>	<i>40.0%</i>	<i>-20.2%</i>	<i>13.6%</i>	<i>7.8%</i>	<i>7.2%</i>	
Organic growth	-	-	-	-	-	
<b>EBITDA</b>	<b>97.5</b>	<b>111.8</b>	<b>116.5</b>	<b>126.2</b>	<b>135.5</b>	<b>6.6%</b>
<i>Change</i>	<i>22.1%</i>	<i>14.7%</i>	<i>4.2%</i>	<i>8.4%</i>	<i>7.3%</i>	
<b>EBIT</b>	<b>72.1</b>	<b>76.5</b>	<b>84.8</b>	<b>93.8</b>	<b>98.5</b>	<b>8.8%</b>
<i>Change</i>	<i>34.3%</i>	<i>6.1%</i>	<i>10.9%</i>	<i>10.6%</i>	<i>5.0%</i>	
Adjusted EBIT	72.1	76.5	84.8	93.8	98.5	8.8%
<i>Change</i>	<i>34.3%</i>	<i>6.1%</i>	<i>10.9%</i>	<i>10.6%</i>	<i>5.0%</i>	
Operating margin	6.0%	8.0%	7.8%	8.0%	7.9%	
Financial items	-8.6	-6.9	-11.9	-12.5	-11.3	
Pre-tax profit on ordinary activities	63.5	69.6	73.0	81.3	87.2	7.8%
Exceptional items	0.0	0.0	0.0	0.0	0.0	
Corporate tax	-18.5	-19.7	-20.4	-22.8	-24.4	
Goodwill amortisation/ impairment	-	-	-	-	-	
Equity associates	0.0	0.0	0.0	0.0	0.0	
Minority interests	-2.3	-2.7	-2.0	-2.0	-2.0	
Net profit on divested activities	-	-	-	-	-	
<b>Reported net profit</b>	<b>42.7</b>	<b>47.2</b>	<b>50.5</b>	<b>56.6</b>	<b>60.8</b>	<b>8.8%</b>
<i>Change</i>	<i>13.8%</i>	<i>10.6%</i>	<i>7.0%</i>	<i>11.9%</i>	<i>7.5%</i>	
Adjusted net profit	42.7	47.2	50.5	56.6	60.8	8.8%
<i>Change</i>	<i>13.8%</i>	<i>10.6%</i>	<i>7.0%</i>	<i>11.9%</i>	<i>7.5%</i>	
<b>Cash flow statement (€m)</b>	<b>2008</b>	<b>2009</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>	<b>CAGR 09/12</b>
Cash flow from operations	71.0	87.0	85.7	94.7	101.7	5.3%
Nets Investments	-99.2	-88.6	-87.0	-55.0	-55.0	-14.7%
Decrease (Increase) in WCR	-23.8	3.6	-9.4	-5.0	0.0	
Free cash flow	-52.0	2.1	-10.8	34.7	46.7	na
Acquisitions	-32.2	-3.9	-15.0	0.0	0.0	
Dividend	-26.6	-29.5	-30.0	-31.1	-32.2	2.9%
Capital increase	18.5	21.7	12.0	0.0	0.0	
Divestments	0.9	0.8	0.0	0.0	0.0	
Miscellaneous	9.4	2.8	10.0	10.4	10.7	
Increase (Decrease) in cash	-81.9	-6.2	-33.7	13.9	25.2	
<b>Net debt</b>	<b>174.9</b>	<b>181.1</b>	<b>214.8</b>	<b>200.9</b>	<b>175.6</b>	
<b>Gearing</b>	<b>38.2%</b>	<b>35.8%</b>	<b>39.2%</b>	<b>33.0%</b>	<b>26.1%</b>	

This document may mention valuation methods, which are defined as follows:

1/ Peer comparison method: valuation multiples for the company in question are compared with those of a sample of companies in the same sector, or with a similar financial profile. The sample average acts as a valuation benchmark, to which the analyst can, where necessary, apply discounts or premiums resulting from his/her perception of the company's specific features (legal status, growth outlook, profitability, etc.).

2/ NAV method: Net asset value is an assessment of the market value of the assets on a company's balance sheet using the method that the analyst deems most relevant.

3/ Sum of the parts method: this method involves valuing each of the company's businesses separately using the most appropriate valuation methods for each, and then adding them together.

4/ DCF method: the discounted cash flow method involves assessing the current value of cash that a company will generate in the future. The analyst draws up cash flow projections based on his/her assumptions and models. The discount rate used is the average weighted cost of capital, which equates to the company's cost of debt and the theoretical cost of equity as estimated by the analyst, and weighted by the proportion of each of these two components in the company's financing.

5/ Method based on transaction multiples: with this valuation method, the company's multiples are compared with those seen in transactions involving groups with a similar business profile.

6/ Dividend discount method: with this method, the analyst establishes the present value of dividends to be paid to shareholders by the company, using a projection of dividend payments and an appropriate discount rate (generally the economic cost of equity).

7/ EVA method: with the Economic Value Added method, the analyst determines the additional level of profitability generated annually by a company on its assets relative to its cost of capital (difference also known as value creation). This additional profitability can then be discounted over the coming years using a rate corresponding to the weighted average cost of capital, and the resulting amount is added to the net asset value.

\* Up to 04/30/2010, Natixis ratings covered the next six months and were as follows:

Buy	upside of 15% to market and high-quality fundamentals.
Add	upside of 0-15% and/or high risk.
Reduce	downside of 0-15%.
Sell	downside of more than 15% and/or high risks on business and financial fundamentals.

From 05/01/2010, Natixis ratings cover the next six months and are as follows:

Buy	upside over 10%
Neutral	upside between +10% and -10%
Reduce	downside of more than -10% and/or high risks on business and financial fundamentals.

At 09/01/2010, Natixis ratings and the proportion of total stocks for which its parent company Natixis has provided investment services over the past 12 months break down as follows:

	Companies covered	Corporate companies
Buy	51.8%	2.0%
Neutral	30.1%	0.3%
Reduce	14.6%	0.3%

Reference prices are based on closing prices.

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