

FLASH VALEUR

Half-year earnings

Price (31/08/2010) : 69.60 EUR

Target : 76.00 EUR vs 65.00 ↗

Upside : 9%

Sector Recommendation : Overweight

Corporate Governance : Strong opportunity (1)

Capital	
Market Cap (MEUR)	753
Enterprise value (MEUR)	1040.5
Free Fbat(%)	76.1%
Extrema 12 months	55.75 - 70.90

Performance (%)	1m	3m	12m
Absolute	3.3	8.7	20.9
Relative "sector"	-3.2	-8.3	84.1
Relative "market"	13.4	12.1	4.6

Data per share	2008	2009	2010e	2011e
Restated EPS (EUR)	4.15	4.36	4.60	5.13
% change	9.9%	5.1%	5.3%	11.5%
Reported EPS (EUR)	4.15	4.36	4.60	5.13
Dividende (EUR)	2.65	2.85	3.08	3.44

Valuation	2008	2009	2010e	2011e
P/E (x)	12.8	12.1	15.1	13.6
Net Yield (%)	5.0%	5.4%	4.4%	4.9%
FCF yield (%)	-7.0%	2.2%	-2.3%	2.6%
P/B (x)	1.24	1.17	1.48	1.42
EV/Sales (x)	0.65	0.84	0.83	0.79
EV/EBITDA (x)	7.9	7.2	8.5	7.7
EV/EBIT (x)	10.6	10.3	12.5	11.4
EV/CE (x)	1.08	1.03	1.22	1.18

P&L	2008	2009	2010e	2011e
Sales (MEUR)	1 192	952	1 257	1 340
Und. Op profit (MEUR)	72.1	76.5	82.3	91.2
Attr. net profit (MEUR)	42.7	47.2	49.7	55.5
Adj. attrib. net profit (MEUR)	42.7	47.2	49.7	55.5

Profitability	2008	2009	2010e	2011e
ROCE before tax (%)	10.9%	10.4%	10.2%	10.6%
ROCE after tax (%)	7.6%	7.3%	7.2%	7.4%
ROE (%)	9.9%	10.1%	9.9%	10.7%

Risk Ratios	2008	2009	2010e	2011e
Net Debt (MEUR)	175	181	238	251
Gearing (%)	38.2%	35.8%	45.1%	45.6%
Net Debt / EBITDA (x)	1.8	1.6	1.9	1.8

Impressive H1 performance - Add (2) recommendation confirmed - Target price raised from € 65 to € 76

Much stronger than expected H1 earnings (net profit up 30% at € 35m vs. our estimate of € 25.6m) thanks to brisk volume growth (organic growth of 14%), strong resistance to rising procurement costs (excellent pricing power), the quality of investments made (Corsica, ARA region, Frangaz etc.) and non-recurring items (+€ 4-5m net). Add (2) recommendation confirmed - Target price raised from € 65 to € 76 - 2010-12 operating profit estimates under positive review (average of +2-5%).

Impressive H1 performance

Rubis yesterday evening reported very a satisfactory operating performance (operating profit up 8% at € 48.9m vs. our estimate of € 42m), confirming:

- strong business momentum, with volume growth of 10% on a like-for-like basis (cold winter, developer of LPG fuel, ramp-up of Rotterdam terminal etc.);
- excellent pricing power, in particular with deterioration in unit gross margin of just 9% in LPG activities despite a 54% surge in propane supply costs;
- the beneficial effects of heavy investments made (capex + acquisitions of over € 50m), in particular with triple the level of operating profit generated by the Rotterdam terminal, a positive contribution from assets acquired in Corsica and breakeven reached at Frangaz.

The company's remarkable net profit growth of 30% to € 35m vs. our estimate of € 25.6m should be put into context with the recognition of positive non-recurring items of +€ 4-5m net (including +€ 8.4m in goodwill relating to Frangaz and -€ 4m in provisions for legal disputes with competition authorities).

Main H1 2010 results

(€m)	Reported	Oddo Midcap	Prior period	% change
Sales	682.8	629.2	456.9	+49%
Op. profit	48.9	42.0	45.1	+8%
Op. margin (%)	7.2%	6.7%	9.9%	
Net profit	35.0	25.6	27.0	+30%

Source: company – Oddo Midcap estimates

In terms of the balance sheet, we would note that the company maintained a gearing of 36% at end-June thanks to strong cash flow generation (financing capex) and an increase in equity (dividends paid in shares + activation of PACEO step-up equity programme).

Add (2) recommendation confirmed - Target price raised from € 65 to € 76

This impressive H1 performance, achieved under difficult market conditions, further highlights the quality of Rubis's strategy of developing its presence in niche markets with limited exposure to economic conditions, with tight control of upstream logistics and strong competitive positions.

It now remains for management not to commit itself to risky acquisitions - with a number currently under review and available credit facilities of over € 200m - and to protect the company's image (notification from competition authorities of a collective dominant position established with other bottled LPG distributors in France - hearing scheduled for September).

We reiterate our Add (2) recommendation and have placed our 2010-12 estimates under positive review (+2-5% to begin with in terms of operating profit) - Target price revised from € 65 to € 76.

Next event: Q3 sales on 10 November (after market close)



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