11/06/2010

Oil & Gas downstream

Rubis

RUBF.PA / RUI@FP

Buy

Target price change

Growth is still there

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At its AGM, the management announced that 2010 results should show growth of 5-10%, with stability in H1 and an acceleration in H2. Acquisitions are still expected in a downstream environment undergoing restructuring.

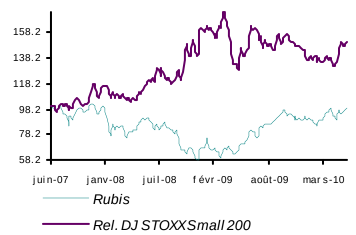
- **Plateau in 2010**. At the annual general meeting, the management announced that, given the still uncertain economic environment and a still strong phase of capex, 2010 is likely to be a plateau. Earnings are expected to grow 5% to 10%, after 11% in 2009.
- **We are bolstered in our expectations regarding future growth and have increased our estimates by an average of 2%.** Marketing volumes will be buoyed by the good momentum in bottled LPG for distributors (Frangaz) and LPG fuel in France and Germany. The new capacities in Rotterdam and Antwerp will rapidly reach breakeven and organic investments can then be reduced. We also factor in the issue of 216,000 new shares (i.e. 2%) via the capital line opened since the start of the year, representing around €12m in funds raised. The group recently became eligible for the SRD deferred settlement system and is aiming to be included in the SBF 120 by increasing the stock's liquidity. **We have updated our target price to €77 vs. €69,** based on the average of a DCF valuation and a peer comparison.
- **Rubis will continue its growth in niche downstream oil markets and has investment capacity that we estimate at around €300m.** For the first time, the management mentioned the possibility of acquiring a position in Asia. In storage, the restructuring undertaken in refining and the strengthening of safety standards, which are resulting in the smallest players being evinced, will offer opportunities. In marketing, the big oil groups are continuing to pull out of niche markets, where Rubis can inject fresh entrepreneurial growth momentum. Competition in acquisitions with investment funds is likely to decline as the conditions for access to credit become tougher. The negotiations on the new regulations for margins at the SARA refinery, in Martinique, are continuing with the government. In this respect, the company pointed out that it is one of the biggest employers on the island.
- **A dividend of €2.85 for 2009** was approved, giving a yield of 4.4%. It will be paid on 9 July. The shareholders can opt for payment in shares at €55.17.

Price	06/10/2010	€66.00
Target	↗	€77.00
Upside		16.7%

Performance	1m	12m	1 Jan
Absolute	4.8%	18.4%	7.0%
Sector	-10.4%	-5.9%	-12.8%
DJS Small200	-3.5%	26.9%	3.1%

Market capitalisation	€728.5m
Free float	82.0%
Orfim	5.9%
Daily volume	€2m

On 31/12	2010e	2011e	2012e
EPS (€)	4.71	5.27	5.67
Revision	1.9%	2.7%	2.2%
Change	4.9%	11.9%	7.5%
P/E (x)	14.0	12.5	11.6
P/CF (x)	8.3	7.5	7.0
EV/EBIT (x)	11.1	9.9	9.2
EV/EBITDA (x)	8.1	7.4	6.7
Net yield	4.4%	4.5%	4.8%
FCF yield	-1.5%	4.8%	6.4%



Source: Natixis

Equity Markets equity.natixis.com
Bloomberg access NXSE

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Financial Data on 31/12 — Rubis

Breakdown by activity (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
Turnover	1,192.3	952.0	1,081.2	1,165.6	1,250.1	9.5%
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%
Adjusted operating profit	72.1	76.5	84.8	93.8	98.5	8.8%
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%
Adjusted operating margin	6.0%	8.0%	7.8%	8.0%	7.9%	
Rubis Energie	4.8%	6.2%	5.5%	5.7%	5.7%	
Rubis Terminal	11.6%	20.0%	21.5%	22.0%	21.8%	

Profit & loss statement (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
Turnover	1,192.3	951.9	1,081.2	1,165.6	1,250.1	9.5%
Change	*40.0%*	*-20.2%*	*13.6%*	*7.8%*	*7.2%*	
Organic growth	-	-	-	-	-	
EBITDA	97.5	111.8	116.5	126.2	135.5	6.6%
Change	*22.1%*	*14.7%*	*4.2%*	*8.4%*	*7.3%*	
EBIT	72.1	76.5	84.8	93.8	98.5	8.8%
Change	*34.3%*	*6.1%*	*10.9%*	*10.6%*	*5.0%*	
Adjusted EBIT	72.1	76.5	84.8	93.8	98.5	8.8%
Change	*34.3%*	*6.1%*	*10.9%*	*10.6%*	*5.0%*	
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	-	-	-	-	-	
Reported net profit	42.7	47.2	50.5	56.6	60.8	8.8%
Change	*13.8%*	*10.6%*	*7.0%*	*11.9%*	*7.5%*	
Adjusted net profit	42.7	47.2	50.5	56.6	60.8	8.8%
Change	*13.8%*	*10.6%*	*7.0%*	*11.9%*	*7.5%*	

Cash flow statement (€m)	2008	2009	2010e	2011e	2012e	CAGR 09/12
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	
Net debt	174.9	181.1	214.8	200.9	175.6	
Gearing	38.2%	35.8%	39.2%	33.0%	26.1%	

* see the methodology applied to ratings before 05/01/2010 and indicated in the disclosure below

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 06/11/2010, 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	53.7%	2.3%
Neutral	24.9%	0.6%
Reduce	17.7%	0.3%

Reference prices are based on closing prices.

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