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Engineering-Heavy Constr. / France

Positive outlook, moving forward in new energies

Investor day - 14/06/2019

One of the key takeaways of the strategy update is in New Energies, where Dietswell reported being contacted by several companies interested in bidding on the upcoming commercial tenders. By 2025, the company also intends to partner with an industrial group to offer an integrated system, consisting of a floater and a wind turbine.

Analysis

In oil & gas, the audit & inspection division (factorig) remains the driving force, in a market likely to be more open with Lloyd's Register focusing on renewables and moving away from rig inspection. Management indicated that turnover was above €1m for the first four-months of 2019, against €0.8m in 2018. This is expected to increase further in H2 with several upcoming rig acceptance works (e.g. for Total in LatAm, drillship for Reliance, jack-up in Nigeria). Capitalising on its API Q2 certification and the stringent safety regulations in drilling, the company will offer a new service related to the audit and inspection of blowout preventers.

Lastly, the Rig Sedlar 250 has renewed interests from the market. Being in discussions with a potential acquirer, Dietswell could also operate the rig on behalf of the buyer. This would be a favourable outcome for the group, which has technical expertise on the rig.

In new energies, as confirmed, Dietswell's subsidiary (Dolfines) will now host all non-oil & gas matters. Aside from working on the proprietary floater (TrussFloat), the subsidiary has designed three energy harvesting units for an EPCI company as well as made a comparative study on an electrical offshore substation in the North Sea. Note, the latter is rather close to studies performed by the company in the past and highlights that the expertise gained on offshore oil & gas activities translates well in offshore renewables.

The focus remains on the TrussFloat floater, on which management provided a positive outlook. The company is in contact with several companies (i.e. seven) to bid on the commercial tenders launched in France and Europe in the coming years, representing a total of 130 floaters and a market above €150m. Moreover, Dietswell also intends to offer an integrated system (i.e. wind turbine and floater) by 2025 and is in contact with an industrial company that would then be in charge of the wind turbine. As explained by management, the rationale behind this integrated approach is to respond better to customer needs, simplifying the project planning (i.e. assessment of the levelised cost of energy).

Impact

No change to our recommendation.



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AlphaValue is contracted by Dietswell to provide equity research on Dietswell, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy	Upside: 141%
Target Price (6 months)	€ 2.45
Share Price	€ 1.02
Market Cap. €M	6.46
Price Momentum	GOOD
Extremes 12Months	0.70 ▶ 1.48
Bloomberg	ALDIE FP Equity
Reuters	ALDIE.PA

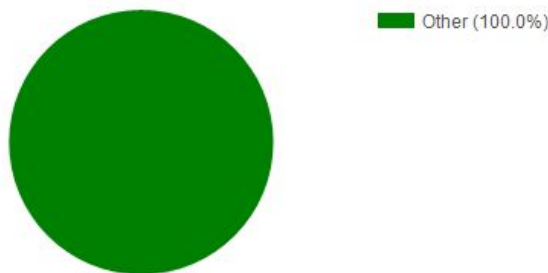
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PERF	1w	1m	3m	12m
Dietswell	-16.5%	-22.5%	-1.46%	-29.0%
Capital Goods	1.37%	0.65%	6.29%	-5.07%
STOXX 600	0.35%	0.20%	0.08%	-3.62%

Last updated: 27/05/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	-24.3	-12.2	-9.59	37.7
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	ns	-69.3	9.80	7.62
Adjusted EPS (€)	-0.05	-0.08	-0.11	0.03
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	7,149	10,500	15,125	28,775
EBIT margin (%)	10.7	-3.05	7.98	9.51
Attributable net profit (€th)	-282	-531	-673	171
ROE (after tax) (%)	-7.64	-14.5	-111	-8.65
Gearing (%)	25.8	52.8		

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€th	7,149	10,500	15,125
Change in sales	%	5.54	46.9	44.0
Change in staff costs	%	4.85	20.8	33.3
EBITDA	€th	21.3	-130	1,480
EBITDA(R) margin	%	0.30	-1.24	9.78
Depreciation	€th			
Underlying operating profit	€th	-273	-480	1,095
Operating profit (EBIT)	€th	-250	-480	651
Net financial expense	€th	-29.3	-50.5	-948
of which related to pensions	€th		-5.70	-7.02
Exceptional items & other	€th	0.00	0.00	0.00
Corporate tax	€th	-2.45	0.00	-377
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	-282	-531	-673
NOPAT	€th	-175	-332	461

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€th	21.3	-130	1,480
Change in WCR	€th	-144	-244	-124
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	-2.45	0.00	-377
Exceptional items	€th			
Other operating cash flows	€th	207		
Total operating cash flows	€th	82.0	-374	979
Capital expenditure	€th	-1,313	-500	-500
Total investment flows	€th	-1,449	-500	-5,500
Net interest expense	€th	-29.3	-50.5	-948
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	1,061	0.00	0.00
Total financial flows	€th	1,743	213	5,880
Change in cash position	€th	377	-661	1,359
Free cash flow (pre div.)	€th	-1,260	-925	-469

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Th	6,364	6,364	6,364
Number of diluted shares (average)	Th	5,834	6,364	6,364
Benchmark EPS	€	-0.05	-0.08	-0.11
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 4.07	35%	● TechnipFMC
NAV/SOTP per share	€ 4.72	20%	■ Saipem
EV/Ebitda	€ 0.00	20%	■ Elecnor
P/E	€ 0.51	10%	● Ecoslops
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.51	5%	
TARGET PRICE	€ 2.45	100%	

NAV/SOTP Calculation

Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€th			
Total intangible	€th	2,942	3,092	3,207
Tangible fixed assets	€th	1,136	1,136	1,136
Financial fixed assets	€th			
WCR	€th	2,192	2,436	2,560
Other assets	€th	188	182	182
Total assets (net of short term liab.)	€th	6,655	7,044	7,284
Ordinary shareholders' equity	€th	4,076	3,218	-2,009
Quasi Equity & Preferred	€th			
Minority interests	€th		0.00	0.00
Provisions for pensions	€th		328	333
Other provisions for risks and liabilities	€th	83.4	83.4	83.4
Total provisions for risks and liabilities	€th	83.4	411	416
Tax liabilities	€th	1,225	1,225	1,225
Other liabilities	€th	31.2	31.2	31.2
Net debt (cash)	€th	1,239	2,159	7,620
Total liab. and shareholders' equity	€th	6,655	7,044	7,284

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€th	6,269	6,664	6,903

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	-7.64	-14.5	-111
ROCE	%	-2.79	-4.98	6.68
Gearing (at book value)	%	25.8	52.8	
Adj. Net debt/EBITDA(R)	x	58.3	-16.6	5.15
Interest cover (x)	x	-9.34	-10.7	1.16

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	-24.3	-12.2	-9.59
Free cash flow yield	%	-16.8	-14.3	-7.26
P/Book	x	1.83	2.01	-3.22
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€th	7,479	6,460	6,460
+ Provisions	€th	83.4	411	416
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	1,239	2,159	7,620
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	8,802	9,029	14,496
EV/EBITDA(R)	x	ns	-69.3	9.80
EV/Sales	x	1.23	0.86	0.96

Analyst : Kevin Vo, Changes to Forecasts : 27/05/2019.