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Engineering-Heavy Constr. / France

FY19: revenues decline, positive environment in renewables

Earnings/sales releases - 28/05/2020

While the dynamic is positive in the renewables activities with the CIMC Raffles partnership and the Marine Energy Alliance collaboration, the low oil & gas prices are taking their toll on the results. 2019 seems to have set the trend for the next two years (i.e. slow activity in oil & gas, dynamic environment in renewables), justifying further Dietswell's strategic move into renewables.

Fact

Turnover: €6m (-15% yoy)

EBITDA: €-1.14m (vs €0.02m in 2018)

Adjusted net income: €-1.53m (vs €-0.25m in 2018)

Net income: €-1.13m (vs €-0.28m in 2018)

Net debt: €1.06m (vs €0.44m in 2018)

Analysis

The share count stands at 7.4m shares, as the group has proceeded with an increase in capital to repay the c. €1m of convertible debt emitted in 2018, as well as the conversion of 50 of the 300 OCABSA issued in January 2020.

In **Oil & Gas**, Dietswell had sales of €3m in H2, flat against H1. For the full year, sales are down 15% yoy, against oil prices down 10% yoy. The audit and inspection division (Factorig) reported sales of €3.2m (-24% yoy) with inspection contracts in Algeria, Brazil, Iraq and the UAE, both onshore and offshore. The ongoing travel restrictions are impacting the business, and the division has performed a rig audit in China with the help of a remote service. The technical assistance division had sales of €2.1m (-22% yoy) and the contracting division (sales of €0.6m) performed work for Enagas on the natural gas storage platform Gaviota in Spain.

Even with oil prices bouncing off their lows, the outlook remains negative for 2020, with oil prices down by 40% yoy, and majors cutting their capex by 25-30% this year. This explains the reasoning behind the write-down of the Sedlar 160 drilling rig to zero, causing a €1.13m loss. For 2021, while some companies already expect to extend their capex cuts (e.g. Shell), others plan to restart their investment programme in 2021 (e.g. Equinor). This shows how uncertain 2021 is, and we expect the sector to increase its investment later rather than earlier. Nonetheless, we expect the oil & gas sector to go back to the pre-crisis investment level, as opposed to 2014-17 when the industry had to adjust to the shale industry.

The environment is more positive in **New Energies**, with investment levels holding up better than in oil & gas. Since the start of the year, Dietswell / Dolfines has signed a Memorandum of Understanding with CIMC Raffles (see our previous Latest for more details, on 6 April), and has announced a collaboration with the Marine Energy Alliance (MEA) partners. The MEA partners will work on the design of a floating wind powered offshore hydrogen production unit. The MEA is a European cooperation project, with a total budget of €6m, the goal of which is to progress on the technical and commercial maturity of marine energy



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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy **Upside: 115%**

Target Price (6 months) € 1.76

Share Price € 0.82

Market Cap. €M 5.21

Price Momentum **STRONG**

Extremes 12Months 0.16 ▶ 1.61

Bloomberg ALDIE FP Equity

Reuters ALDIE.PA


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PERF	1w	1m	3m	12m
Dietswell	-2.15%	-14.4%	70.4%	-30.7%
Capital Goods	4.00%	12.6%	-0.91%	2.79%
STOXX 600	2.02%	4.27%	-10.2%	-7.16%

Last updated: 14/04/2020	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	-18.8	-6.98	-2.55	-16.0
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	ns	-16.8	-6.26	-4.82
Adjusted EPS (€)	-0.05	-0.15	-0.32	-0.05
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	7,149	6,000	5,300	7,325
EBIT margin (%)	10.7	-12.8	5.03	24.6
Attributable net profit (€th)	-282	-986	-2,683	-582
ROE (after tax) (%)	-7.64	-28.8	-48.1	-4.35
Gearing (%)	25.8	65.3	-5.83	-45.9

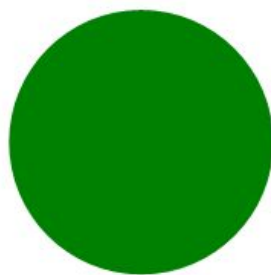
[Company Valuation](#) - [Company Financials](#)

technologies. Both are positive news for Dolfiner, which can showcase its proprietary floater and will gain knowledge by collaborating with other marine energy experts.

■ **Impact**

We will update our model after this update.

Sales by Geography



Other (100.0%)

Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€th	7,149	6,000	5,300
Change in sales	%	5.54	-16.1	-11.7
Change in staff costs	%	4.85	-9.24	-7.40
EBITDA	€th	21.3	-575	-626
EBITDA(R) margin	%	0.30	-9.59	-11.8
Depreciation	€th			
Underlying operating profit	€th	-273	-925	-1,011
Operating profit (EBIT)	€th	-250	-925	-2,182
Net financial expense	€th	-29.3	-60.6	-501
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	0.00
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	-282	-986	-2,683
NOPAT	€th	-175	-644	-1,522

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€th	21.3	-575	-626
Change in WCR	€th	-144	0.00	200
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	-2.45	0.00	0.00
Exceptional items	€th			
Other operating cash flows	€th	207		
Total operating cash flows	€th	82.0	-575	-426
Capital expenditure	€th	-1,313	-500	-500
Total investment flows	€th	-1,449	-500	-2,500
Net interest expense	€th	-29.3	-60.6	-501
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	1,061	0.00	9,137
Total financial flows	€th	1,743	424	7,788
Change in cash position	€th	377	-651	4,862
Free cash flow (pre div.)	€th	-1,260	-1,136	-1,427

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Th	6,364	6,364	8,379
Number of diluted shares (average)	Th	5,834	6,364	8,379
Benchmark EPS	€	-0.05	-0.15	-0.32
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 2.73	35%	● Ecoslops
NAV/SOTP per share	€ 2.90	20%	■ Elecnor
EV/Ebitda	€ 0.82	20%	● Saipem
P/E	€ 0.41	10%	● TechnipFMC
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.41	5%	
TARGET PRICE	€ 1.76	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	2,192	1,992
Other assets	€th	188	182	182
Total assets (net of short term liab.)	€th	6,655	6,800	6,716
Ordinary shareholders' equity	€th	4,076	2,763	8,390
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	2,370	-3,347
Total liab. and shareholders' equity	€th	6,655	6,800	6,716

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€th	6,269	6,420	6,335

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	-7.64	-28.8	-48.1
ROCE	%	-2.79	-10.0	-24.0
Gearing (at book value)	%	25.8	65.3	-5.83
Adj. Net debt/EBITDA(R)	x	58.3	-4.12	5.34
Interest cover (x)	x	-9.34	-16.9	-2.05

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	-18.8	-6.98	-2.55
Free cash flow yield	%	-21.8	-16.5	-20.8
P/Book	x	1.42	2.49	0.82
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€th	5,784	6,881	6,854
+ 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	2,370	-3,347
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	7,107	9,662	3,923
EV/EBITDA(R)	x	ns	-16.8	-6.26
EV/Sales	x	0.99	1.61	0.74

Analyst : Kevin Vo, Changes to Forecasts : 14/04/2020.