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Engineering-Heavy Constr. / France

H1: volatile crude prices impact results

Earnings/sales releases - 14/10/2019

While the renewables division pursues its development, the volatility in the oil markets has affected the oil & gas activities. H1 sales increased by 3% year on year, with management mentioning a wait-and-see stance from oil & gas operators. H2 looks more positive though, with Dietswell carrying out rig inspection work contracts awarded in H1.

Fact

Turnover: €3m (+3% yoy)
EBITDA: €-0.3m (+25% yoy)
Net result: €-0.5m (+17% yoy)

Analysis

Oil & Gas

Of note, the group has reactivated its subsidiary in Brazil and has been awarded five contracts for rig inspection work starting in H2. Dietswell has also signed its first contracts for the re-certification of Shenkai's blow-out prevention equipment (BOP) in Germany and Thailand and signed a partnership agreement in Nigeria for the rehabilitation and management of offshore drilling rigs.

The press release mentioned the wait-and-see stance by operators, postponing campaigns, and suspending development projects until H2. Management expects the maintenance of ageing fields and/or the slowdown in US shale to sustain the recovery (of conventional oil & gas investments). We reckon the maintenance and rig inspection activities are likely to persist as the international rig count is showing signs of robustness. The latter is up c.20% yoy at 1,131 rigs (source: Baker Hughes), against a 20% decline for US rigs. We see this as positive and shows that the industry has adjusted its break-even levels during the previous downturn to withstand lower prices.

Renewables

Development continues in the renewables division (Dolfines), with the hiring of a senior commercial manager with an international profile. This is wise as it should increase the reach of the floater to the, more dynamic, global scene.

Impact

We will revise our forecasts to account for the slower growth in oil and gas.



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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: 172%
Target Price (6 months)	€ 2.23
Share Price	€ 0.82
Market Cap. €M	5.21
Price Momentum	UNFAVORABLE
Extremes 12Months	0.73 ▶ 1.38
Bloomberg	ALDIE FP Equity
Reuters	ALDIE.PA

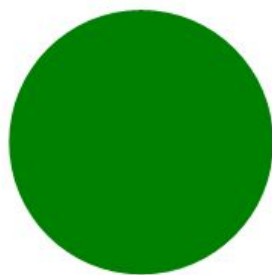
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PERF	1w	1m	3m	12m
Dietswell	-18.2%	-19.0%	-23.6%	-21.3%
Capital Goods	2.45%	-2.84%	0.39%	9.96%
STOXX 600	1.77%	-0.54%	0.73%	8.56%

Last updated: 04/07/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	-18.8	-9.81	-8.04	33.4
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	ns	-59.7	8.92	6.92
Adjusted EPS (€)	-0.05	-0.08	-0.10	0.02
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	-92.3	-10.7
Gearing (%)	25.8	52.8		

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

Sales by Geography



Other (100.0%)

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

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	250
Total financial flows	€th	1,743	213	6,130
Change in cash position	€th	377	-661	1,609
Free cash flow (pre div.)	€th	-1,260	-925	-469

Per Share Data

No. of shares net of treas. stock (year...	Th	6,364	6,364	6,614
Number of diluted shares (average)	Th	5,834	6,364	6,614
Benchmark EPS	€	-0.05	-0.08	-0.10
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 3.71	35%	● TechnipFMC
NAV/SOTP per share	€ 4.34	20%	■ Saipem
EV/Ebitda	€ 0.00	20%	■ Elecnor
P/E	€ 0.41	10%	● Ecoslops
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.41	5%	
TARGET PRICE	€ 2.23	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	-1,759
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	7,370
Total liab. and shareholders' equity	€th	6,655	7,044	7,284

Capital Employed

Capital employed after depreciation	€th	6,269	6,664	6,903
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Profits & Risks Ratios

ROE (after tax)	%	-7.64	-14.5	-92.3
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	4.98
Interest cover (x)	x	-9.34	-10.7	1.16

Valuation Ratios

Reference P/E (benchmark)	x	-18.8	-9.81	-8.04
Free cash flow yield	%	-21.8	-17.8	-8.66
P/Book	x	1.42	1.62	-3.08
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	€th	5,784	5,206	5,410
+ 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	7,370
+ 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	7,775	13,197
EV/EBITDA(R)	x	ns	-59.7	8.92
EV/Sales	x	0.99	0.74	0.87

Analyst : Kevin Vo, Changes to Forecasts : 04/07/2019.