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Engineering-Heavy Constr. / France

Shell acquires a French offshore wind developer

Significant news - 08/11/2019

Shell is acquiring the French offshore wind developer Eolfi. The Anglo-Dutch oil major, which wants to be on the “right side of history”, is increasing its investments in renewables. Having such a committed player now in France is positive for the domestic supply chain. With the ambition of reducing its net carbon footprint by half by 2050, this acquisition is further evidence of the potential of offshore wind in light of the energy transition.

Fact

Shell continues to progress on the energy transition with the acquisition of Eolfi. The major has strong ambitions in renewables as it wants to reduce its Net Carbon Footprint (NCF) by half by 2050. The NCF is the volume of CO2 emitted divided by the amount of energy sold. While relative (absolute CO2 emissions could grow within this scheme), the NCF includes scope 3 emissions. Scope 3 emissions are indirect (i.e. emitted by the end users), yet represent the vast majority of the oil & gas sector (i.e. CO2 emitted by the refined oil products). Shell faces the choice of winding down its oil & gas activities (and decreasing the CO2 emitted) or investing in renewables power capacity (and increasing the amount of energy sold). This is, in our view, important to understand, as Shell is not likely to curtail its oil & gas (lucrative) activities. Thus renewables are the perfect vehicles to achieve this strategy. The group plans to invest \$2bn to \$3bn per year in its New Energies division by 2025 with the desire of becoming the world's largest electricity company.

This implies sustaining investments into offshore wind, which oil & gas majors seem to favour. Along with Shell, Equinor, BP, Eni and Total are also committing into the sector. The IEA recently found that global offshore wind capacity may increase 15-fold by 2040. Europe has a major role in offshore wind farm development, with the potential to become the region's largest source of energy. For France, this move is positive for the domestic supply chain, where Shell sees “opportunity to grow the offshore wind business”. The acquisition of Eolfi will bring expertise in the technology, boosted to Shell's stated ambitions. Eolfi and partners are developing a pilot floating wind project in France (three turbines) set for 2022, off the coast of Brittany (Groix & Belle-Île). The floaters are semi-submersible and designed by Naval Energies. The wind turbines have a 9.5MW capacity and provided by MHI Vestas.



Kevin VO

capitalgoods@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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: 178%**

Target Price (6 months) € 2.07

Share Price € 0.74

Market Cap. €M 4.73

Price Momentum **NEGATIVE**

Extremes 12Months 0.73 ▶ 1.38

Bloomberg ALDIE FP Equity

Reuters ALDIE.PA

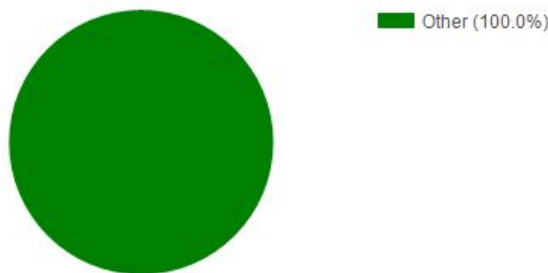

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PERF	1w	1m	3m	12m
Dietswell	-1.59%	-23.0%	-27.8%	-26.3%
Capital Goods	5.00%	16.5%	19.6%	20.2%
STOXX 600	2.47%	7.35%	10.3%	11.0%

Last updated: 17/10/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	-18.8	-6.20	-4.89	-21.3
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	ns	-17.9	11.5	8.97
Adjusted EPS (€)	-0.05	-0.12	-0.15	-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	7,200	8,875	21,875
EBIT margin (%)	10.7	-7.68	8.24	9.79
Attributable net profit (€th)	-282	-764	-1,007	-244
ROE (after tax) (%)	-7.64	-21.6	-305	10.2
Gearing (%)	25.8	43.6		

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

Sales by Geography



Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€th	7,149	7,200	8,875
Change in sales	%	5.54	0.71	23.3
Change in staff costs	%	4.85	-9.98	4.27
EBITDA	€th	21.3	-363	1,003
EBITDA(R) margin	%	0.30	-5.05	11.3
Depreciation	€th			
Underlying operating profit	€th	-273	-713	619
Operating profit (EBIT)	€th	-250	-713	175
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	-234
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	-282	-764	-1,007
NOPAT	€th	-175	-495	127

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€th	21.3	-363	1,003
Change in WCR	€th	-144	784	590
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	-2.45	0.00	-234
Exceptional items	€th			
Other operating cash flows	€th	207		
Total operating cash flows	€th	82.0	421	1,359
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	134	1,989
Free cash flow (pre div.)	€th	-1,260	-130	-88.6

Per Share Data

		12/18A	12/19E	12/20E
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	-0.12	-0.15
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 3.38	35%	● TechnipFMC
NAV/SOTP per share	€ 4.13	20%	■ Saipem
EV/Ebitda	€ 0.00	20%	■ Elecnor
P/E	€ 0.37	10%	■ Ecoslops
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.37	5%	
TARGET PRICE	€ 2.07	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	1,408	818
Other assets	€th	188	182	182
Total assets (net of short term liab.)	€th	6,655	6,016	5,542
Ordinary shareholders' equity	€th	4,076	2,985	-2,326
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	1,363	6,195
Total liab. and shareholders' equity	€th	6,655	6,016	5,542

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€th	6,269	5,636	5,161

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	-7.64	-21.6	-305
ROCE	%	-2.79	-8.79	2.47
Gearing (at book value)	%	25.8	43.6	
Adj. Net debt/EBITDA(R)	x	58.3	-3.75	6.18
Interest cover (x)	x	-9.34	-15.9	0.66

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	-18.8	-6.20	-4.89
Free cash flow yield	%	-21.8	-2.74	-1.80
P/Book	x	1.42	1.59	-2.12
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€th	5,784	4,735	4,921
+ 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	1,363	6,195
+ 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	6,509	11,532
EV/EBITDA(R)	x	ns	-17.9	11.5
EV/Sales	x	0.99	0.90	1.30

Analyst : Kevin Vo, Changes to Forecasts : 17/10/2019.