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Engineering-Heavy Constr. / France

FY18: strong acceleration in H2 18, led by the audit & inspection division

Earnings/sales releases - 30/04/2019

The audit & inspection division (i.e. Factorig) is driving the performance of the group with offshore drilling restarting. Note that the activity picked up in Q4 18 (revenue was up 63% qoq), despite the drop in Brent prices (-8% qoq) and this is encouraging as it shows the resilience of the contractor with oil above \$60/bbl.

Fact

FY18 revenues: €7.1m (+4 % yoy)

- Factorig (Audit & Inspection): €4.2m (+61% yoy)
- Services (Technical Assistance): €2.7m (-34% yoy)
- Solutions (Engineering): €0.2m (€0.1m FY17)

EBITDA: €0.02m (vs. €-0.55m in 2017)

Net income: €-0.28m (vs. €-1.21m in 2017)

Net debt: €0.44m (vs. €0.41m in 2017)

Analysis

As indicated by the trading update earlier this month, the **Oil & Gas** activities are recovering, with an acceleration seen in H2 18. It seems that the business reached rock-bottom between Q4 17 and Q1 18 with H2 revenues up by 27% yoy at €4.2m, compared to €2.9m in H1 18. The **audit & inspection division** (i.e. Factorig) is the biggest contributor for Dietswell, accounting for 59% of the group's revenue, supported by demand in offshore drilling.

The activity picked up in Q4 18 with revenues of €2.6m (vs. €1.6m in Q3 18), even though Brent prices averaged \$69/bbl in this quarter, compared to \$75/bbl in Q3 18. This confirms our view that capex spending in oil & gas is steady with an oil above \$60/bbl.

Group margins improved in H2 18, once again driven by the Factorig division with an EBITDA margin of 10% at €0.4m and a net income at €0.32m. The full-year EBITDA is back in positive territory thanks to the cost reduction programme started three years ago, while net income is still negative, due to the investments in New Energies (i.e. EOLFLOAT project) in H1 18.

The backlog stands at €7.9m (+10% yoy) and is down 20% since November 2018, yet management commented on potential contracts that could be awarded by the end of H1 19.

In **New Energies**, as mentioned previously, Dietswell has been awarded a contract for the preliminary design of three Energy Harvesting Units. The purpose of these floating units is to provide green power (i.e. the unit will be equipped with a wind turbine) to an offshore oil & gas platform. This is a promising project as oil & gas integrated companies are under pressure to reduce their carbon footprint, and equipping oil platforms with alternative sources of power would contribute to lower scope 1 greenhouse gas emissions in exploration & production activities.

Lastly, Dietswell will hold a strategy update on 12 June.



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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: 136%
Target Price (6 months)	€ 2.59
Share Price	€ 1.10
Market Cap. €M	6.97
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	0.00%	2.34%	3.30%	-7.98%
Capital Goods	0.36%	10.5%	14.8%	4.60%
STOXX 600	0.22%	3.23%	9.54%	1.74%

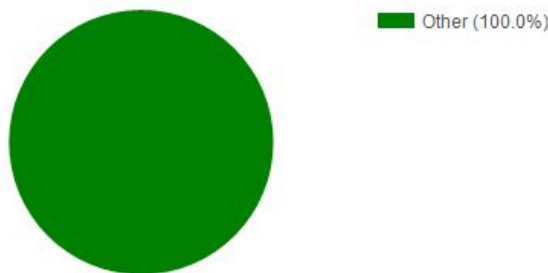
Last updated: 02/04/2019	12/17A	12/18E	12/19E	12/20E
Adjusted P/E (x)	-5.73	-8.33	-7.04	33.3
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-13.0	34.1	13.1	7.05
Adjusted EPS (€)	-0.21	-0.14	-0.16	0.03
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	6,774	6,550	13,625	31,875
EBIT margin (%)	-2.55	-18.6	-0.59	6.12
Attributable net profit (€th)	-1,210	-823	-989	209
ROE (after tax) (%)	-31.0	-23.2	-28.7	6.70
Gearing (%)	-1.11	13.4	112	213

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

■ Impact

We will update our model with the FY18 figures. Buy recommendation is maintained.

Sales by Geography



Consolidated P&L Accounts

		12/17A	12/18E	12/19E
Sales	€th	6,774	6,550	13,625
Change in sales	%	-45.8	-3.30	108
Change in staff costs	%	-38.1	-27.5	87.7
EBITDA	€th	-561	236	1,073
EBITDA(R) margin	%	-8.28	3.60	7.87
Depreciation	€th			
Underlying operating profit	€th	-865	-160	647
Operating profit (EBIT)	€th	-173	-768	203
Net financial expense	€th	-207	-55.5	-951
of which related to pensions	€th		-2.85	-6.36
Exceptional items & other	€th	-828	0.00	0.00
Corporate tax	€th	-1.78	-0.03	-242
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	-1,103	-823	-989
NOPAT	€th	-46.0	-536	147

Cashflow Statement

EBITDA	€th	-561	236	1,073
Change in WCR	€th	53.4	165	-1,144
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	-1.78	-0.03	-242
Exceptional items	€th			
Other operating cash flows	€th	-256		
Total operating cash flows	€th	-765	401	-313
Capital expenditure	€th	-1,094	-700	-300
Total investment flows	€th	-1,042	-700	-5,300
Net interest expense	€th	-207	-55.5	-951
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th		1,061	0.00
Total financial flows	€th	890	1,967	6,788
Change in cash position	€th	-918	1,668	1,175
Free cash flow (pre div.)	€th	-2,067	-354	-1,564

Per Share Data

No. of shares net of treas. stock (year...	Th	5,303	6,364	6,364
Number of diluted shares (average)	Th	5,303	5,834	6,364
Benchmark EPS	€	-0.21	-0.14	-0.16
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 4.15	35%	● TechnipFMC
NAV/SOTP per share	€ 4.81	20%	■ Saipem
EV/Ebitda	€ 0.45	20%	■ Elecnor
P/E	€ 0.55	10%	● Ecoslops
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.55	5%	
TARGET PRICE	€ 2.59	100%	

NAV/SOTP Calculation

Balance Sheet

		12/17A	12/18E	12/19E
Goodwill	€th			
Total intangible	€th	1,969	2,273	2,147
Tangible fixed assets	€th	1,186	1,186	1,186
Financial fixed assets	€th			
WCR	€th	1,922	1,757	2,901
Other assets	€th	234	203	203
Total assets (net of short term liab.)	€th	5,374	5,481	6,500
Ordinary shareholders' equity	€th	3,294	3,818	3,078
Quasi Equity & Preferred	€th			
Minority interests	€th			-4,804
Provisions for pensions	€th		297	301
Other provisions for risks and liabilities	€th	110	110	110
Total provisions for risks and liabilities	€th	110	407	411
Tax liabilities	€th	1,099	1,099	1,099
Other liabilities	€th	3.87	0.00	0.00
Net debt (cash)	€th	867	158	6,715
Total liab. and shareholders' equity	€th	5,374	5,481	6,500

Capital Employed

Capital employed after depreciation	€th	5,078	5,216	6,235
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Profits & Risks Ratios

ROE (after tax)	%	-31.0	-23.2	-28.7
ROCE	%	-0.91	-10.3	2.35
Gearing (at book value)	%	-1.11	13.4	112
Adj. Net debt/EBITDA(R)	x	-1.55	0.67	6.26
Interest cover (x)	x	-4.17	-3.04	0.69

Valuation Ratios

Reference P/E (benchmark)	x	-5.73	-8.33	-7.04
Free cash flow yield	%	-32.7	-4.74	-22.4
P/Book	x	1.92	1.96	2.26
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	€th	6,321	7,479	6,969
+ Provisions	€th	110	407	411
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	867	158	6,715
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	7,298	8,044	14,095
EV/EBITDA(R)	x	-13.0	34.1	13.1
EV/Sales	x	1.08	1.23	1.03

Analyst : Kevin Vo, Changes to Forecasts : 02/04/2019.