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Engineering-Heavy Constr. / France

Reassuring end of year update

Significant news - 26/11/2019

Dietswell released a positive end of year update. While the environment remains positive in offshore wind, the group has also signed several significant contracts in oil & gas. It seems that the wait-and-see attitude impacting the H1 results did not extend into Q4 and the company now expects a significant improvement in its profitability.

Fact

- Expects a significant improvement in its profitability
- Factorig: contracts awarded in Algeria, Brazil, and the UAE

Analysis

In **Renewables**, the press release mentions several technical and commercial contracts coming under the company's expertise. Note that the company already designed three energy harvesting units last year, showing the group's capabilities in the floating renewables space.

The company now expects a significant improvement in its profitability. This is supported by a reinforcement of the backlog in **Oil & Gas**. Despite stable oil prices, operators seem to be taking a more dynamic stance at the end of this year. The Factorig division (rig audit & inspection) received several significant contracts in Algeria (onshore) and Brazil (offshore). This follows the last update which mentioned commercial activity in Brazil.

Furthermore, the company has signed a high value added long-term contract in the UAE. Dietswell will perform optimisation work on complex drilling rigs. Being involved throughout the whole lifespan of a rig, Factorig has all the tools to perform such activities. If successful, this would add to Dietswell's track record and allow the group to prospect further in this area.

The group also sees increased commercial activity for the Services division (technical assistance), with various offers being analysed. Lastly, the group also launched a set of training programmes in the well-rigs sector with QHSE specialist Aegide International.

Impact

No change to our recommendation.



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: 191%

Target Price (6 months) € 2.06

Share Price € 0.71

Market Cap. €M 4.52

Price Momentum **NEGATIVE**

Extremes 12Months 0.71 ▶ 1.38

Bloomberg ALDIE FP Equity

Reuters ALDIE.PA

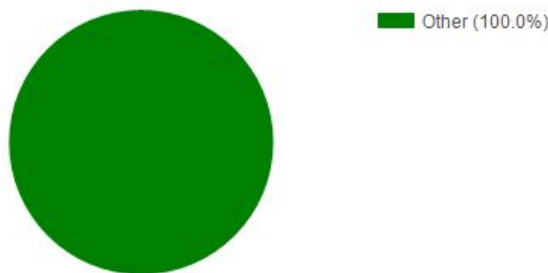
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PERF	1w	1m	3m	12m
Dietswell	-1.39%	-5.33%	-29.0%	-15.5%
Capital Goods	0.58%	6.51%	21.1%	27.5%
STOXX 600	0.52%	2.53%	9.89%	15.3%

Last updated: 17/10/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	-18.8	-5.92	-4.66	-20.4
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	ns	-17.3	11.3	8.79
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	€ 0.36	10%	■ Ecoslops
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.36	5%	
TARGET PRICE	€ 2.06	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	-5.92	-4.66
Free cash flow yield	%	-21.8	-2.87	-1.89
P/Book	x	1.42	1.51	-2.02
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€th	5,784	4,519	4,696
+ 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	6,293	11,307
EV/EBITDA(R)	x	ns	-17.3	11.3
EV/Sales	x	0.99	0.87	1.27

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