

**dsw**

Engineering-Heavy Constr. / France

2018 trading update: strong growth in Audit & Inspection

Earnings/sales releases - 02/04/2019

Trading update from Dietswell : FY18 revenues are up 4% yoy, driven by a strong H2 in the Factorig division (Audit & Inspection).

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)

Analysis

The key pieces from this release are the confirmation of the recovery and the resilience of the oil & gas activities. Despite the oil price slide seen in Q4, the group has recorded a strong H2 (+45% vs H1) and beats our estimate of FY18 revenues of €7.1m (estimated: €6.5m). Growth is coming from the Factorig division (Audit & Inspection), with revenues accelerating fast (i.e. Q4 18 revenues of €1.5m against H1 18 of €1.54m), due to the restart of drilling activity worldwide (i.e. international rig count is up c.9% yoy).

In New Energies, Dolfines has recorded an engineering contract for an offshore installation attached to a wind farm.

With Brent back up above \$60/bbl, we remain confident on the recovery of the engineering services in oil & gas. Maintained drilling activity should benefit Dietswell, supported by the renewal of the API Q2 certification announced in January. FY results are scheduled for the 26 April (after market) and will provide details on profitability and margins.

Impact

No change in our recommendation.

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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: 139%**

Target Price (6 months) € 2.58

Share Price € 1.08

Market Cap. €M 6.87

Price Momentum **GOOD**

Extremes 12Months 0.70 ▶ 1.48

Bloomberg ALDIE FP Equity

Reuters ALDIE.PA

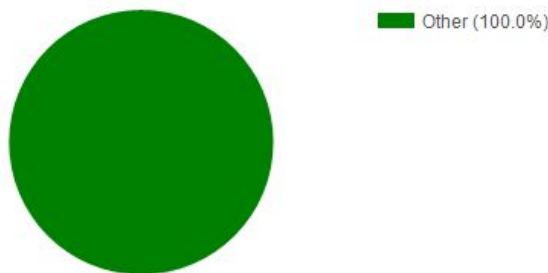
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PERF	1w	1m	3m	12m
Dietswell	5.88%	1.89%	31.7%	-12.9%
Capital Goods	4.12%	1.63%	12.5%	-1.29%
STOXX 600	2.50%	2.52%	13.6%	3.45%

Last updated: 02/04/2019	12/17A	12/18E	12/19E	12/20E
Adjusted P/E (x)	-5.73	-8.33	-6.95	32.9
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-13.0	34.1	13.0	7.01
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](#)

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

		12/17A	12/18E	12/19E
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

		12/17A	12/18E	12/19E
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	€ 0.41	20%	■ Elecnor
P/E	€ 0.54	10%	● Ecoslops
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.54	5%	
TARGET PRICE	€ 2.58	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

		12/17A	12/18E	12/19E
Capital employed after depreciation	€th	5,078	5,216	6,235

Profits & Risks Ratios

		12/17A	12/18E	12/19E
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

		12/17A	12/18E	12/19E
Reference P/E (benchmark)	x	-5.73	-8.33	-6.95
Free cash flow yield	%	-32.7	-4.74	-22.8
P/Book	x	1.92	1.96	2.23
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/17A	12/18E	12/19E
Market cap	€th	6,321	7,479	6,873
+ 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	14,000
EV/EBITDA(R)	x	-13.0	34.1	13.0
EV/Sales	x	1.08	1.23	1.03

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