



End of year update confirms the recovery

Latest - 17/12/2018

Analysis

In oil & gas, Dietswell echoes in its end of year update what bigger players are seeing: after the downturn that started in 2014, oil exploration & production companies are now much more resilient and ready for a “lower forever” oil price. Therefore, both exploration and production capex spending are likely to be stable with oil at \$55-75/b. This should particularly benefit the engineering sector, which does not have the overcapacity issues experienced by other sectors in the oil services field.

The outlook has been confirmed for H2 18, with a backlog above €10m at the end of November, up by c.€0.6m since August. Dietswell sees a sharp recovery in its oil & gas activities, especially in the audit and inspection division. The audit and inspection division operates in a niche market, with a recurring activity and EBIT margins that can be above 20%. Higher activity will lead margins to increase with a breakeven for Q4. This momentum bodes well for the company that could see a positive net result in 2019 for its traditional businesses.

Management noted that discussions have re-emerged on the possible sale of the Sedlar Rig 160. As a reminder, the unit was heavily depreciated in 2014 and has a book value of €1.1m. Although, we remain conservative and do not take it into account in our estimate, there is value remaining in it and a sale could bring extra cash flow to the company.

Dietswell also sees encouraging developments in the new energies activities. The company has been awarded a commercial contract for the preliminary design of a floater for three units in the North Sea. This is positive news as it shows the potential of the semi-submersible floater, if it can successfully host wind turbines in the North Sea. The company has issued €0.9m of convertible bonds to pre-fund the EOLFOAT project which won financing from the PIA-ADEME (French Investment for the Future).

Finally, management is upbeat about Dietswell's future, aiming at a rapid return to a €1m monthly turnover, in line with our estimated 2019 revenues at €12.50m for the oil & gas activities. Management also targets €100m of revenue within five years, by being the European leader in drilling rig inspection and a significant player in the floater offshore wind market. This is in line with our view, which considers a first pilot project of a 4MW design in 2019, followed by an order of six 6MW units in 2020. The 2022+ designs should all be 12MW turbines. We estimate the revenue for the three designs to be €7.5m, €10m and €12m, respectively.

Impact

We will integrate the pre-funding of the EOLFLOAT project in our model.



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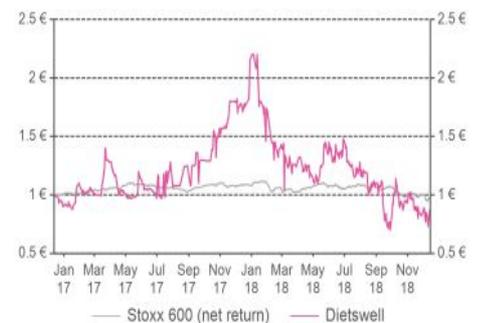
AlphaValue is contracted by Dietswell to provide equity research on Dietswell, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy	Upside: 185%
Target Price (6 months)	€ 2.48
Share Price	€ 0.87
Market Cap. €M	5.54
Price Momentum	UNFAVORABLE
Extremes 12Months	0.70 ▶ 2.20
Bloomberg	ALDIE FP Equity
Reuters	ALDIE.PA



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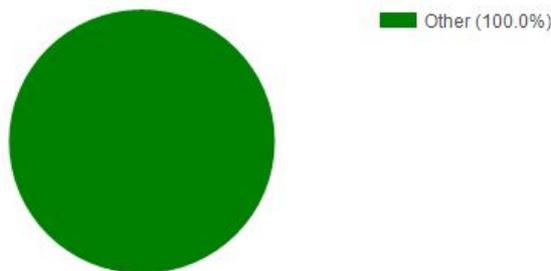


PERF	1w	1m	3m	12m
Dietswell	2.35%	-1.14%	-5.43%	-51.1%
Capital Goods	1.53%	-2.41%	-12.0%	-13.0%
STOXX 600	0.51%	-4.16%	-8.11%	-10.7%

Last updated: 24/10/2018	12/16A	12/17A	12/18E	12/19E
Adjusted P/E (x)	-7.65	-5.73	-6.16	-5.60
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	39.2	-13.0	25.9	11.8
Adjusted EPS (€)	-0.20	-0.21	-0.14	-0.16
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	12,491	6,774	6,550	13,625
EBIT margin (%)	-21.8	-2.55	-18.6	-0.59
Attributable net profit (€th)	-4,525	-1,210	-823	-989
ROE (after tax) (%)	-66.8	-31.0	-23.2	-28.7
Gearing (%)	-9.29	-1.11	13.4	112

[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	%	3.34	-43.6	-38.1
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	1,067	6,382
Change in cash position	€th	-918	768	769
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	€ 0.00	20%	● Elecnor
P/E	€ 0.44	10%	■ Ecoslops
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.44	5%	
TARGET PRICE	€ 2.48	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	-6.16	-5.60
Free cash flow yield	%	-32.7	-6.40	-28.2
P/Book	x	1.92	1.45	1.80
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/17A	12/18E	12/19E
Market cap	€th	6,321	5,537	5,537
+ 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	6,101	12,663
EV/EBITDA(R)	x	-13.0	25.9	11.8
EV/Sales	x	1.08	0.93	0.93

Analyst : Kevin Vo, Changes to Forecasts : 24/10/2018.