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Major drilling order from MTU with signal effect - Buy

Daldrup & Soehne announced a drilling order from MTU Aero Engines. With a total order volume in the lower double-digit EURm range this is the largest single order in recent years. We consider the announcement to be very positive with a significant P&L contribution in the years 2023 and 2024. Taking into account also the fact, that the order comes from a company and not from a local municipal utility illustrates the increasing trend of manufacturing companies to switch their energy-intensive production towards green energy. With upgraded estimates and a new TP of EUR 9.70 (upside potential of 26%), we stick to our Buy rating.

Largest single order in recent years

Daldrup announced a major order from MTU Aero Engines, the German aero engine manufacturer. With a total volume in the lower double-digit EURm range (PAsE: EUR 15m) this is the largest single order in recent years. More importantly, the order comes from a company and not from a municipal utility. According to the press release, the produced geothermal energy will lead to savings of up to 88% of the currently consumed fossil energy at MTU's site in Munich. The drilling is expected to start in spring 2023.

Changes to our estimates

In order to reflect the announced major order, we increase our estimates. We assume that the order will be processed in the next two years, with almost equal distribution of sales and earnings contribution (assumed EBIT margin of 10%). For FY 2023E we increase our revenue estimate by 11% to EUR 38.5m and our EBIT estimate by 26% to EUR 3m. For the current year, Daldrup has not yet announced any guidance. For the FY 2022E, the company expects a total operating output of EUR 42m (PAsE: EUR 43m) and an EBIT margin (of total operating output) of 4% to 6% (PAsE: 4.9%).

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