



Dolfines

Engineering-Heavy Constr. / France

Tapping into the HSE market with new equity-financed acquisition

M&A /Corp. Action - 02/03/2023

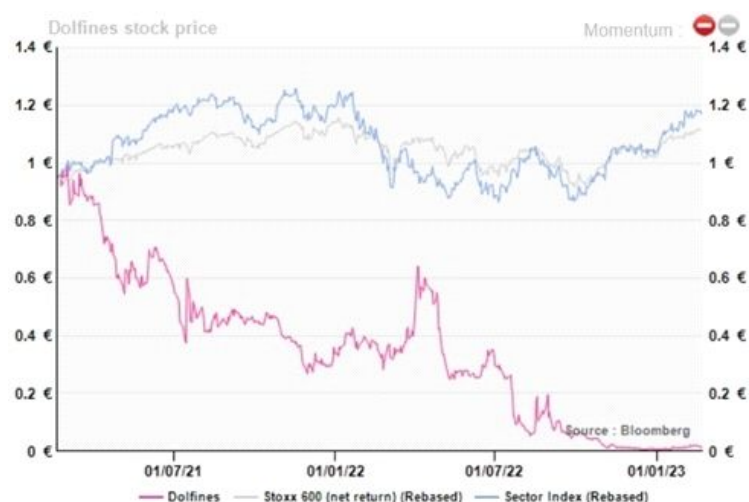
Dolfines has executed an equity financing programme to prop up its balance sheet and finance an acquisition in FY22. The result was a year-long downhill trend on the share price at a stupefying level of 98%. Committed to the strategy to generate more revenues and expand market share, Dolfines embarked on another cash-accretive acquisition opportunity this year, again with equity line financing that will sustain downward pressure on the stock for at least until the end of Q1.

Fact

2022 was a splendid year for oil and gas service companies as they benefited from a “quasi-renaissance” in investments. Not for all, though. Dolfines had a challenging year with a massively dilutive financing to raise €6.1m (€4.1m in cash and €2m in transaction fees).

Due to the surmounting difficulties in accessing financing options such as bonds, loans to share issues, Dolfines resorted to convertible bonds with warrants (OCABSA: obligations convertibles en actions assorties de bons de souscription d'actions).

The conversion of 2,454 bonds drawn by Dolfines created c.246m new shares in FY22, increasing the total number of shares by c.13x. Negma, the financial intermediary institution which had subscribed to the convertible bonds, sold the shares on the market immediately. OCAs were converted by Negma, at a conversion ratio of 92% of the lowest volume-weighted average share price of 15 trading days on the conversion day. The cost of this financing was a 98% drop in Dolfines' share price in 2022.



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Buy Upside: 611%

Target Price (6 months)	€ 0.06
Share Price	€ 0.01
Market Cap. €M	2.21
Price Momentum	UNFAVORABLE
Extremes 12Months	0.01 ▶ 0.64
Sustainability score	5.5 /10
Credit Risk	DDD ↗
Bloomberg	ALDOL FP Equity
Reuters	ALDOL.PA

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PERF	1w	1m	3m	12m
Dolfines	4.00%	-34.5%	-32.2%	-97.8%
Capital Goods	0.85%	2.52%	8.97%	8.54%
STOXX 600	-0.98%	0.72%	3.09%	3.46%

Last updated: 01/02/2023	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	-7.65	-43.7	-3.05	5.52
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-11.2	ns	-15.8	2.55
Adjusted EPS (€)	-0.08	-0.01	0.00	0.00
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	4,392	7,600	9,279	10,754
EBIT margin (%)	-29.5	-4.89	-3.51	9.88
Attributable net profit (€th)	-1,558	-672	-680	404
ROE (after tax) (%)	-81.8	-21.7	-13.8	7.66
Gearing (%)	168	50.2	18.3	14.7

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

The market was prepared to welcome the news of another accretive acquisition after 8.2 France, which accounted for 40% of the company's revenues in FY22. Dolfines did, however, not go forward with the acquisition of Maintcontrol due to increasing costs for the company. With a view to tapping into the growing HSE (health, safety and environment) market, it announced the acquisition of another international company. The transaction will include the acquisition of 100% of the

voting rights in the company.

The deal was again financed by equity line financing, allowing Dolfines to draw convertible bonds subscribed by Negma. A total of 800 OCAs were issued, accompanied by warrants.

■ Analysis

Out of 800 OCAs that were issued as part of the financing for the new acquisition, Negma converted 60 convertible bonds into shares and sold them on the market on 21/02/2023. This transaction increased the number of outstanding shares by 15m, exacerbating the downward pressure on the share. Over the past week, Dolfines has seen a 60% decline in the share price since the deal was announced on 16/02/2023. The number of corresponding shares per bond did not change from the last tranche in December 2022. **The current number of shares for the market cap stands close to 299m.**

Negma will most likely continue to sell more shares in the market, which will amplify the severe downward pressure on the share. **It should, however, be strictly noted that Negma could keep some of the shares as a minority stake owner in the company.** This decision will depend on the value that the acquisition will bring and will be highly supportive for Dolfines' market performance.

The acquired company booked €2.75m in revenues in FY22, up 17% compared to the previous year. With a strong EBITDA margin of 9.2%, the company enjoys a net positive cash position. **The new accretive acquisition could potentially increase the FY24 revenues by 25-30%.**

The due diligence of the deal is scheduled to complete by early March 2023 and the details could be revealed later in the month. In case the consolidation happens, Dolfines could begin seeing the benefits of the deal as soon as Q2 or Q3 at the latest.

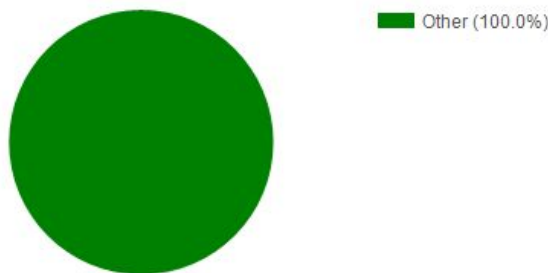
Dolfines already has experience in the HSE market with rig audits on O&G platforms and the new company will further expand its footprint in this growing market. **Until the market hears more details on the deal, the share price will nevertheless be impacted by the bond conversions and Negma's sale of the shares.**

■ Impact

Upon the disclosure of the deal, we will integrate the potential cash generation by the acquisition.

The impact on the share is more than 5% dilution.

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€th	4,392	7,600	9,279
Change in sales	%	73.9	73.0	22.1
Change in staff costs	%	39.5	112	13.9
EBITDA	€th	-1,423	-219	-197
EBITDA(R) margin	%	-32.4	-2.89	-2.13
Depreciation	€th			
Underlying operating profit	€th	-1,486	-536	-544
Operating profit (EBIT)	€th	-1,492	-536	-544
Net financial expense	€th	-136	-136	-136
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th	70.9	0.00	0.00
Corporate tax	€th	-0.15	0.00	0.00
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	-1,552	-672	-680
NOPAT	€th	-1,114	-402	-408

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€th	-1,423	-219	-197
Change in WCR	€th	0.00	-200	0.00
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th		0.00	0.00
Exceptional items	€th			
Other operating cash flows	€th			
Total operating cash flows	€th	-1,423	-419	-197
Capital expenditure	€th	-600	-600	-600
Total investment flows	€th	-1,600	-600	-600
Net interest expense	€th	-136	-136	-136
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	660	4,000	1,000
Total financial flows	€th	524	3,121	864
Change in cash position	€th	-2,500	2,102	66.1
Free cash flow (pre div.)	€th	-2,160	-1,156	-934

Per Share Data

		12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...	Th	19,146	245,779	283,871
Number of diluted shares (average)	Th	18,846	132,462	265,825
Benchmark EPS	€	-0.08	-0.01	0.00
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.09	35%	• Nordex SE
NAV/SOTP per share	€ 0.10	20%	• Elecnor
EV/Ebitda	€ 0.01	20%	
P/E	€ 0.00	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.02	5%	
TARGET PRICE	€ 0.06	100%	

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	€th			
Total intangible	€th	3,576	3,860	4,114
Tangible fixed assets	€th	24.3	24.3	24.3
Financial fixed assets	€th			
WCR	€th	1,277	1,477	1,477
Other assets	€th	70.4	67.1	67.1
Total assets (net of short term liab.)	€th	6,215	6,696	6,950
Ordinary shareholders' equity	€th	1,434	4,754	5,074
Quasi Equity & Preferred	€th			
Minority interests	€th	0.00	0.00	0.00
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	3.34	3.34	3.34
Total provisions for risks and liabilities	€th	3.34	3.34	3.34
Tax liabilities	€th	936	936	936
Other liabilities	€th	40.0	40.0	40.0
Net debt (cash)	€th	3,807	963	897
Total liab. and shareholders' equity	€th	6,220	6,696	6,950

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€th	4,878	5,362	5,616

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	-81.8	-21.7	-13.8
ROCE	%	-22.8	-7.49	-7.26
Gearing (at book value)	%	168	50.2	18.3
Adj. Net debt/EBITDA(R)	x	-2.67	-4.39	-4.54
Interest cover (x)	x	-10.9	-3.93	-3.98

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	-7.65	-43.7	-3.05
Free cash flow yield	%	-17.9	-2.12	-42.2
P/Book	x	8.41	11.5	0.44
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€th	12,061	54,499	2,214
+ Provisions	€th	3.34	3.34	3.34
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,807	963	897
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	15,871	55,465	3,114
EV/EBITDA(R)	x	-11.2	ns	-15.8
EV/Sales	x	3.61	7.30	0.34

Analyst : Elif Binici, Changes to Forecasts : 01/02/2023.