



Dolfines

Engineering-Heavy Constr. / France

Can Dolfines' shareholders survive its financing hurricane?

Financing issue - 26/09/2022

In a recent round of equity line financing with convertible bonds, Dolfines was able to bring €4,135k to finance a new acquisition, pay debts and invest in research and development projects. But this came at a grave cost for the shareholders as the share price nose-dived. At this point, the company and the shareholders could only hope for this precarious form of financing to do its job and facilitate cash generation from investments.

Fact

The title of this note is no allusion to the hurricane season on the Western shores of the Atlantic.

It is a painful metaphor for the financing efforts of a very small company here at home.

The board of Dolfines, the small-cap French engineering company offering services in the O&G services, embarked upon a gargantuan task to restructure the company's balance sheet and put the company back on its feet financially. What made this undertaking a notably challenging task was the method that was chosen for financing — equity lines (OCABSA: obligations convertibles en actions assorties de bons de souscription d'actions).

For an equity line corresponding to €4,135k, the company had drawn 1,654 notes, each with a par value of €2,500. Out of 1,654 convertible notes, 1,252 were converted into shares immediately. The notes are converted into shares as soon as the company uses the financing. From this last equity line tranche, the outstanding balance to convert is therefore 402 notes, which can be used only after 26 October 2022. This conversion resulted in the creation of 70.8 million



Elif BINICI

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

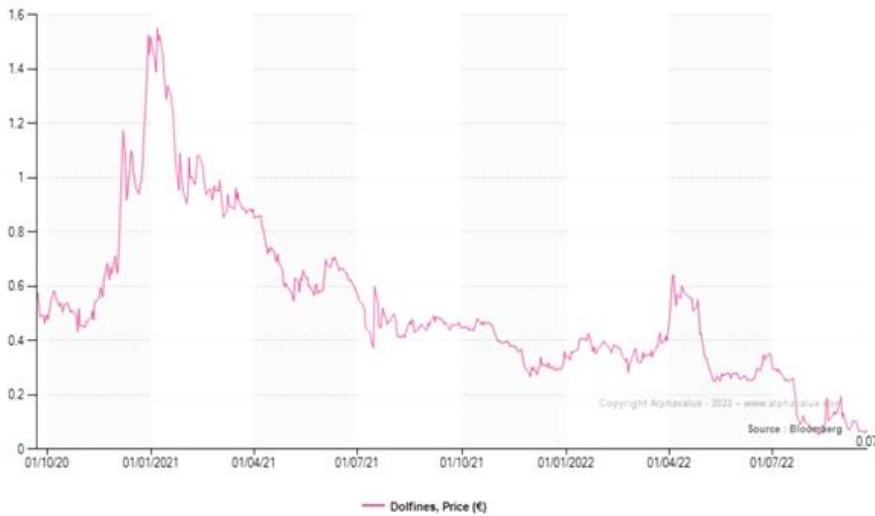
Buy	Upside: 618%
Target Price (6 months)	€ 0.41
Share Price	€ 0.06
Market Cap. €M	1.08
Price Momentum	NEGATIVE
Extremes 12Months	0.05 ▶ 0.64
Sustainability score	5.5 /10
Credit Risk	DDD →
Bloomberg	ALDOL FP Equity
Reuters	ALDOL.PA

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PERF	1w	1m	3m	12m
Dolfines	-19.4%	-59.6%	-83.9%	-87.7%
Capital Goods	-4.51%	-11.5%	-3.59%	-31.9%
STOXX 600	-4.37%	-9.64%	-2.98%	-16.5%

shares. A massive dilution. A heavy blow to the shareholders, a heavier blow to the market cap.

The conversion discount is the 92% of the price share in the 15 trading days preceding the conversion date. Based on 19/09/2022, the lowest share price in the last 15 trading days was €0.07, giving a conversion price of €0.064. At the time of writing on 23/09/2022, the stock was trading at €0.055.



■ Analysis

Equity line investors — convertible bond holders — usually dump the shares on the market, they are not equity investors.

For Dolfin, this has surely been an expensive financing. The €2m commission fee will be accounted for in the income statement this year and will be reflected in the balance sheet as conversion costs. However, this was the only funding the company could resort to in order to survive as there are good prospects in the mid-term.

With pending patents in its floating offshore wind technologies, continuous development of this technology and new acquisitions bode well for this business segment, which already make up 37% of the revenues. Indeed, the rosy performance from the renewables segment came in the aftermath of the acquisition of 8.2 France. When it comes to generating value from strategic acquisitions, Dolfin has a good eye. We are expecting the company to retain and improve the performance from this segment with new acquisitions on the horizon.

Strongly diversifying business segments and generating revenues from both traditional oil and gas and the renewables business, Dolfin aims to prove to the market that its projects can generate cash and create profitability.

In our view, Dolfin offers good value in the mid-term thanks to increased prospects for cash generation. New acquisitions and funding will give the company a sigh of relief in the mid-term; however, the equity financing line for this year poses some great challenges.

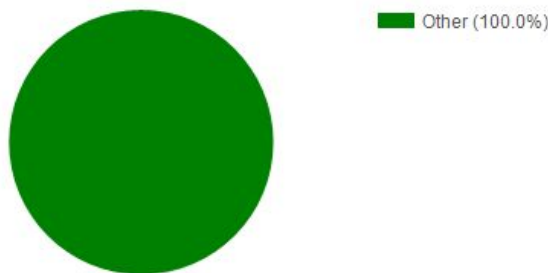
■ Impact

We will update the number of shares and the target price in our model.

Last updated: 10/05/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	-7.65	-2.30	-2.10	7.09
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-11.2	-15.2	-6.99	2.97
Adjusted EPS (€)	-0.08	-0.02	-0.03	0.01
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	4,392	7,340	8,062	9,937
EBIT margin (%)	-29.5	-4.46	-7.06	8.83
Attributable net profit (€th)	-1,558	-634	-900	275
ROE (after tax) (%)	-81.8	-20.4	-18.6	5.46
Gearing (%)	168	49.4	20.5	20.4

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

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€th	4,392	7,340	8,062
Change in sales	%	73.9	67.1	9.84
Change in staff costs	%	39.5	94.1	10.7
EBITDA	€th	-1,423	-181	-417
EBITDA(R) margin	%	-32.4	-2.47	-5.18
Depreciation	€th			
Underlying operating profit	€th	-1,486	-497	-763
Operating profit (EBIT)	€th	-1,492	-497	-763
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	-634	-900
NOPAT	€th	-1,040	-348	-534

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€th	-1,423	-181	-417
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	-381	-417
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	2,140	-154
Free cash flow (pre div.)	€th	-2,160	-1,118	-1,154

Per Share Data

		12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...	Th	19,146	32,479	32,479
Number of diluted shares (average)	Th	18,846	25,812	33,479
Benchmark EPS	€	-0.08	-0.02	-0.03
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.66	35%	● Nordex SE
NAV/SOTP per share	€ 0.83	20%	● Saipem
EV/Ebitda	€ 0.00	20%	● Elecnor
P/E	€ 0.03	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.11	5%	
TARGET PRICE	€ 0.41	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	4,792	4,892
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	925	1,078
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	-20.4	-18.6
ROCE	%	-21.3	-6.49	-9.51
Gearing (at book value)	%	168	49.4	20.5
Adj. Net debt/EBITDA(R)	x	-2.67	-5.10	-2.58
Interest cover (x)	x	-10.9	-3.65	-5.59

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	-7.65	-2.30	-2.10
Free cash flow yield	%	-17.9	-60.9	-62.9
P/Book	x	8.41	0.38	0.38
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€th	12,061	1,835	1,835
+ 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	925	1,078
+ 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	2,763	2,917
EV/EBITDA(R)	x	-11.2	-15.2	-6.99
EV/Sales	x	3.61	0.38	0.36

Analyst : Elif Binici, Changes to Forecasts : 10/05/2022.