



Dolfines

Engineering-Heavy Constr. / France

Battered Dolfines illuminates a future path with the HSE acquisition

Earnings/sales releases - 29/05/2023

After a long period of searching for another profitable acquisition, Dolfines decided to expand its footprint in the Health, Safety and Environment market and buy out AEGIDE International, which has more than 200 clients across the world. In FY22, the acquired company generated turnover of €2.75m, and had averaged 15% annual growth over the last three years. In our view, the acquisition enhances Dolfines' opportunities and sheds some light on the future path of the company.

Fact

- Dolfines, the French micro-cap oil field and renewable energy service company, has completed the acquisition of **AEGIDE International** — the Health, Safety and Environment (HSE) services company with more than 200 clients in several industries.
- The independent consultancy valued AI at **€1.901m**.
- **Dolfines will pay 70% of the acquisition with cash and the rest will be financed by the issuance of 110.3m shares.**
- AEGIDE Chairman Adrien-Bourdon-Feniou, who is also the son of Dolfines Chairman Jean-Claude Bourdon, will have an 18% stake in Dolfines.
- In FY22, AEGIDE International booked €2.75 in revenues – representing an average 15% annual growth rate over the last 3 years. The EBITDA margin was 9% over the same period.
- As part of a previous financing scheme for acquisitions, Dolfines raised €2m by issuing 800 convertible bonds with warrants (OCABSA: obligations convertibles en actions assorties de bons de souscription d'actions).
- The conversion of the bonds during February – March led to the creation of an additional **200m shares**.

Analysis

Business diversification with profitable acquisitions continues at a cost

Following the successful acquisition of France 8.2, which now regroups the renewable energy business of Dolfines and accounted for 40% of FY22 turnover (€3.1m in revenues), Dolfines had targeted business areas with significant growth potential. An acquisition in the Health, Safety and Environment (HSE) market seemed ideal as the sector is enjoying diversification with the accelerating energy transition.

AEGIDE International, a leading expert in the HSE market with a 30-year track record, emerged as an attractive opportunity given that the acquisition would be cash accretive and align with Dolfines' strategy.

Dolfines already has experience of the HSE market with rig audits on O&G platforms and the new company will further expand its footprint in this growing market.

The HSE market is estimated to have been worth around \$6.7 billion in 2022 and is expected to grow at an average annual rate of 7.5% over the next few years, propelled by the growing importance of ESG criteria, investor pressure and



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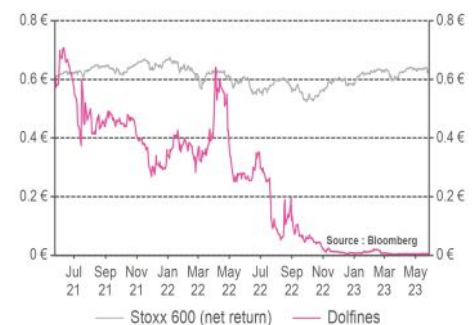
This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 995%
Target Price (6 months)	€ 0.06
Share Price	€ 0.01
Market Cap. €M	1.45
Price Momentum	GOOD
Extremes 12Months	0.00 ▶ 0.35
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	-16.4%	10.9%	-32.9%	-98.1%
Capital Goods	-1.31%	6.46%	8.06%	24.5%
STOXX 600	-1.59%	-0.39%	0.81%	5.41%

Last updated: 01/02/2023	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	-7.65	-43.7	-1.99	3.61
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-11.2	ns	-11.9	1.89
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

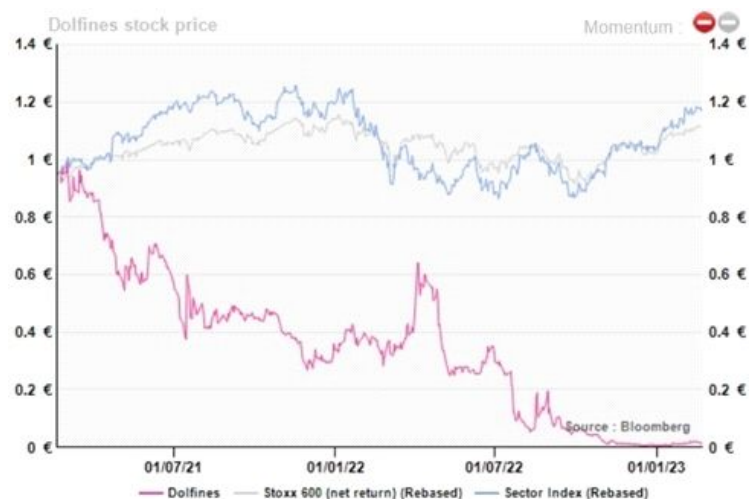
[Company Valuation](#) - [Company Financials](#)

regulatory changes. AEGIDE thus brings fresh air to Dolfinet and will contribute to profitability. **The opportunities are reflected in AEGIDE's 15% revenue CAGR over the last three years – a figure that is impressive for the service and engineering companies. Further, the new accretive acquisition could potentially increase FY24 revenues by 25-30%.**

The acquisition will also bring geographical complementarity across Europe, Africa and the Middle East, and a strong presence in Brazil.

The financial details of the acquisition reveal a €1.901m valuation for the company. Dolfinet will pay 70% in cash and 30% will be financed through the issuance of 110.3m shares. Accordingly, **the total number of shares for the market cap will rise to above 594 million.**

The news should have been welcomed by the market. **The risky equity line financing however increased the downward pressure on the share price, which has tanked by 45% since the announcement of the acquisition in February 2023.** Note that a significant part of the selling pressure was probably triggered by Negma – the debt and equity financing group behind Dolfinet's convertible bonds.



Future path clears

While the recent acquisition targets expansion in growing markets and increases cash flow, it also brings another strategic dimension in terms of determining Dolfinet's future direction.

AEGIDE International Chairman Adrien Bourdon-Feniou is the son of Dolfinet Chairman Jean-Claude Bourdon and will own an **18% stake in Dolfinet** once the acquisition is completed. **This could be a hard sell to investors at the general shareholders meeting in June and they could ask for an independent assessment of the acquisition.** The KPIs and growth trajectory for AEGIDE should however help to assuage short-term investor worries.

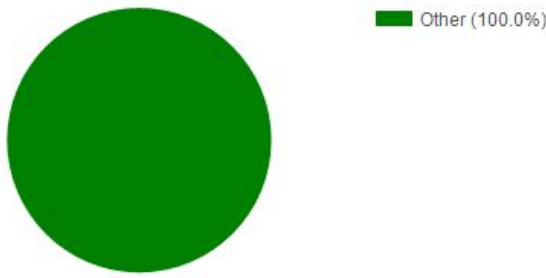
At the June meeting, we expect sweeping changes in the company's governance. A new board could be on the horizon, set to accelerate Dolfinet transformation to a more dynamic service company with discipline.

One thing that does need to be clarified for shareholders: whether Negma has sold all the shares it had through convertible bonds. If not, what is likely to be its strategy regarding Dolfinet? Shareholders have taken a huge hit due to the repercussions of the equity financing since 2022 as Negma dumped a significant number of shares after conversion.

■ Impact

Our model is under review to integrate the new acquisition into the FY24 figures in particular.

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

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

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	€ 0.01	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

Capital employed after depreciation	€th	4,878	5,362	5,616
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Profits & Risks Ratios

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

Reference P/E (benchmark)	x	-7.65	-43.7	-1.99
Free cash flow yield	%	-17.9	-2.12	-64.5
P/Book	x	8.41	11.5	0.29
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	€th	12,061	54,499	1,448
+ 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	2,348
EV/EBITDA(R)	x	-11.2	ns	-11.9
EV/Sales	x	3.61	7.30	0.25

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