Drone Volt

Aerosp. & Defence Equipt. / France

Ambivalent Q3 results

Earnings/sales releases - 20/10/2023

Drone Volt released a mixed Q3 trading update with sales below expectations due to supply tensions in the distribution business although a favourable revenue mix allowed the company to post a significant improvement in profitability. The company looks well on the way to achieving its doubling of sales objective for FY23 underpinned by strong dynamism for its new Drone Volt Expert offer.

Fact

Sales declined by 23% compared to last year from €3.9m to €3.1m.

• DRONE VOLT FACTORY, SERVICES & ACADEMY was very dynamic with a 5fold sales increase yoy from €0.09m to €0.51m. Distribution declined by 34% from €3.9m to €2.5m.

• The gross margin result increased by 27% from €0.56m to €0.71m, implying a 23% gross margin (Q3 22: 14%).

• Outlook confirmed for FY23

Analysis

Geopolitical side effects

Sales seem to be being affected by Chinese restrictions on commercial drone selling to Europe (DJI is the number one player in commercial drones with 70-90% market share depending on the studies) to avoid use on the Ukrainian battlefield. The tensions seem uneven, as the company had already logged sales of $\in 1$ m during the first two weeks of October. However, the new Drone Volt Expert offer is very dynamic, supporting the firm's target of doubling its revenue for the first nine months to $\in 19m$ (9M 22: $\in 8m$).

Impressive profit margins

This higher proportion of value-added services in the revenue mix led to an improvement in profitability, with chunky gross margins for the new Drone Volt Expert offer, the whole DRONE VOLT FACTORY, SERVICES & ACADEMY division thus seeing a 61% gross margin compared to only 17% a year ago. The gross margin also improved slightly in the distribution activity from 14% to 15%, allowing the firm to report a 29% increase in gross profit to €2.5m (9M 22: €1.9m).

Good prospects for Q4 23 and beyond

The company is still aiming to double its sales in FY23 (already achieved in the first 9 months) despite the likely non-completion of its historical €20m distribution contract (still €7m to complete). Indeed, the company is present in many exhibitions to showcase its products and will notably present a new innovation for safety purposes called Drone Volt Kobra in November, representing a new growth opportunity for 2024.

Impact

We will adjust slightly our estimates for 2023 to take into account the new trend in sales and profitability.



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Company Page

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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: 85.3%
Target Price (6 months)	€ 0.02
Share Price	€ 0.01
Market Cap. €M	13.5
Price Momentum	NEGATIVE
Extremes 12Months	0.01 🕨 0.04
Sustainability score	5.1 /10
Credit Risk	Сл
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA



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PERF	1 w	1m	3m	12m
Drone Volt	-7.22%	-9.09%	-24.4%	-65.5%
Aerospace-Defence	-2.10%	-2.83%	1.40%	36.4%
STOXX 600	-3.06%	-3.68%	-4.81%	10.6%

Last updated: 18/09/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-0.76	-5.00	ns	3.91
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.95	-16.6	19.6	2.76
Adjusted EPS (€)	-0.05	0.00	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)	13,736	30,500	33,931	42,146
Other margin (%)	21.1	15.8	20.1	28.3
Attributable net profit (€th)	- 25,484	-1,802	-107	3,460
ROE (after tax) (%)	-89.5	-8.48	-0.45	15.4
Gearing (%)	0.36	0.41	-11.4	-10.1
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Company Valuation - Company Financials



Sales by Geography



Consolidated P&L Accounts	S	12/2	2A	12/23	E 1	2/24E
Sales	€th	13,7	736	30,50	03	3,931
Change in sales	%	5	9.4	12	2	11.2
Change in staff costs	%	6	1.1	20.	0	4.68
EBITDA	€th	-2,7	799	-95	4	898
EBITDA(R) margin	%	-2	0.4	-3.1	3	2.65
Depreciation	€th					
Underlying operating profit	€th	-4,9	960	-3,30	2 -	1,410
Operating profit (EBIT)	€th	-22,0)39	-3,08	8 -	1,171
Net financial expense	€th	-1	08	-21	5	-202
of which related to pensions	€th			0.0	0	0.00
Exceptional items & other	€th					
Corporate tax	€th	-4,1	74	62	3	343
Equity associates	€th					
Minority interests	€th	٤	337	87	9	923
Adjusted attributable net profit	€th	-21,2	284	-1,80	2	-107
NOPAT	€th	-3,7	20	-2,47	7 -	1,057
Cashflow Statement						
EBITDA	€th	-2,7	799	-95	4	898
Change in WCR	€th	-5	508	-86	1	1,139
Actual div. received from equity holdi	€th	0	.00	0.0	0	0.00
Paid taxes	€th	-4,1	67	62	3	343
Exceptional items	€th					
Other operating cash flows	€th	3,1	88	10	0	100
Total operating cash flows	€th	-4,2	286	-1,09	2	2,480
Capital expenditure	€th	-3,3	350	-4,00	0 -	3,960
Total investment flows	€th	-5,0	087	-3,80	0 -	3,960
Net interest expense	€th	-1	08	-21	5	-202
Dividends (parent company)	€th					
Dividends to minorities interests	€th	0	.00	0.0	0	0.00
New shareholders' equity	€th	0	.00	12,10	0	0.00
Total financial flows	€th	3,7	737	12,03	7	598
Change in cash position	€th	-5,6	636	7,14	5	-882
Free cash flow (pre div.)	€th	-7,7	744	-5,30	7 -	1,682
Per Share Data						
No. of shares net of treas. stock (year	Th	495,781	1,5	02,259	1,50	2,259
Number of diluted shares (average)	Th	431.887	1.0	00.137	1.50	3.376

(year				
Number of diluted shares (average)	Th	431,887	1,000,137	1,503,376
Benchmark EPS	€	-0.05	0.00	0.00
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight
DCF	€ 0.02	35%
NAV/SOTP per share	€ 0.03	20%
EV/Ebitda	€ 0.01	20%
P/E	€ 0.00	10%
Dividend Yield	€ 0.00	10%
P/Book	€ 0.02	5%
TARGET PRICE	€ 0.02	100%

NAV/SOTP Calculation

Largest comparables

Balance Sheet		12/22A	12/23E	12/24E
Goodwill	€th	685	678	698
Total intangible	€th	7,726	8,039	8,487
Tangible fixed assets	€th	1,549	1,595	1,643
Financial fixed assets	€th			
WCR	€th	1,483	2,344	1,205
Other assets	€th	3,986	4,106	4,229
Total assets (net of short term liab.)	€th	19,761	19,608	19,127
Ordinary shareholders' equity	€th	17,818	24,669	22,452
Quasi Equity & Preferred	€th			
Minority interests	€th	-1,992	-1,972	-1,952
Provisions for pensions	€th	65.0	0.00	0.00
Other provisions for risks and liabilities	€th	92.0	106	122
Total provisions for risks and liabilities	€th	157	106	122
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	182	200	220
Net debt (cash)	€th	3,597	-3,396	-1,714
Total liab. and shareholders' equity	€th	19,762	19,608	19,127
Capital Employed				
Capital employed after depreciation	€th	10,758	11,979	11,335
Profits & Risks Ratios				
BOE (offer tex)	0/	00 F	0.40	0.45
ROE (after tax)	%	-89.5	-8.48	-0.45
ROE (after tax) ROCE	%	-89.5 -34.6	-8.48 -20.7	-0.45 -9.33
ROCE	%	-34.6	-20.7	-9.33
ROCE Gearing (at book value)	% %	-34.6 0.36	-20.7 0.41	-9.33 -11.4
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R)	% % X	-34.6 0.36 -1.29	-20.7 0.41 3.56	-9.33 -11.4 -1.91
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x)	% % X	-34.6 0.36 -1.29	-20.7 0.41 3.56	-9.33 -11.4 -1.91
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios	% % X X	-34.6 0.36 -1.29 -45.9	-20.7 0.41 3.56 -15.4	-9.33 -11.4 -1.91 -6.99
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark)	% % X X X	-34.6 0.36 -1.29 -45.9	-20.7 0.41 3.56 -15.4 -5.00	-9.33 -11.4 -1.91 -6.99 ns
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield	% % X X X X	-34.6 0.36 -1.29 -45.9 -0.76 -41.9	-20.7 0.41 3.56 -15.4 -5.00 -39.3	-9.33 -11.4 -1.91 -6.99 ns -12.4
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book	% % X X X % X	-34.6 0.36 -1.29 -45.9 -0.76 -41.9 1.04	-20.7 0.41 3.56 -15.4 -5.00 -39.3 0.55	-9.33 -11.4 -1.91 -6.99 ns -12.4 0.60
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield	% % X X X % X	-34.6 0.36 -1.29 -45.9 -0.76 -41.9 1.04	-20.7 0.41 3.56 -15.4 -5.00 -39.3 0.55	-9.33 -11.4 -1.91 -6.99 ns -12.4 0.60
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation	% % X X % X %	-34.6 0.36 -1.29 -45.9 -0.76 -41.9 1.04 0.00	-20.7 0.41 3.56 -15.4 -5.00 -39.3 0.55 0.00	-9.33 -11.4 -1.91 -6.99 ns -12.4 0.60 0.00
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap	% % x x % x %	34.6 0.36 -1.29 -45.9 -0.76 -41.9 1.04 0.00 18,473	-20.7 0.41 3.56 -15.4 -5.00 -39.3 0.55 0.00 13,520	-9.33 -11.4 -1.91 -6.99 ns -12.4 0.60 0.00 13,520
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions	% % x x % x % x % €th	34.6 0.36 -1.29 -45.9 -0.76 -41.9 1.04 0.00 18,473 157	-20.7 0.41 3.56 -15.4 -5.00 -39.3 0.55 0.00 13,520 106	-9.33 -11.4 -1.91 -6.99 -12.4 0.60 0.00 13,520 122
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains)	% % x x % x % x % €th €th	34.6 0.36 -1.29 -45.9 -0.76 -41.9 1.04 0.00 18,473 157 0.00	-20.7 0.41 3.56 -15.4 -5.00 -39.3 0.55 0.00 13,520 106 0.00	-9.33 -11.4 -1.91 -6.99 -12.4 0.60 0.00 13,520 122 0.00
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains) + Net debt at year end	% × × × % × % × % €th €th €th	34.6 0.36 -1.29 -45.9 -0.76 -41.9 1.04 0.00 18,473 157 0.00 3,475	-20.7 0.41 3.56 -15.4 -5.00 -39.3 0.55 0.00 13,520 106 0.00 -3,524	-9.33 -11.4 -1.91 -6.99 -12.4 0.60 0.00 13,520 122 0.00 -1,849
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains) + Net debt at year end + Leases debt equivalent	% % x x % x % % €th €th €th €th	34.6 0.36 -1.29 -45.9 -0.76 -41.9 1.04 0.00 18,473 157 0.00 3,475 0.00	-20.7 0.41 3.56 -15.4 -5.00 -39.3 0.55 0.00 13,520 106 0.00 -3,524 0.00	-9.33 -11.4 -1.91 -6.99 -12.4 0.60 0.00 13,520 122 0.00 -1,849 0.00
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains) + Net debt at year end + Leases debt equivalent - Financial fixed assets (fair value)	% % x x % x % % €th €th €th €th €th €th	34.6 0.36 -1.29 -45.9 -45.9 -41.9 1.04 0.00 18,473 157 0.00 3,475 0.00 242	-20.7 0.41 3.56 -15.4 -39.3 0.55 0.00 13,520 106 0.00 -3,524 0.00 208	-9.33 -11.4 -1.91 -6.99
ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains) + Net debt at year end + Leases debt equivalent - Financial fixed assets (fair value) + Minority interests (fair value)	% % x x % x % % €th €th €th €th €th €th	34.6 0.36 -1.29 -45.9 -0.76 -41.9 1.04 0.00 18,473 157 0.00 3,475 0.00 242 5,976	-20.7 0.41 3.56 -15.4 -39.3 0.55 0.00 13,520 13,520 106 0.00 -3,524 0.00 208 5,976	-9.33 -11.4 -1.91 -6.99

Analyst : Alexandre DESPREZ, Changes to Forecasts : 18/09/2023.

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