



Delta Drone

Electrical Products-Misc / France

Ready to unleash its full potential

Initiation cov. - 08/10/2020

Delta Drone is a French company specialised in civilian drones for professional use. It provides a range of professional solutions specifically designed for targeted sectors, as well as related services. The company has just finalised its transformation and now only focuses on profitable growth areas, thanks to the recent commercial launch of Professional Solutions.

We initiate coverage of Delta Drone with a Buy recommendation and 115% upside. Delta Drone is a French small-cap based in Dardilly near Lyon and listed on Euronext Growth Paris. The company operates in the field of civil drones for professional use. It specialises in the development of identified professional solutions, based on both proprietary drone technology as well as partnerships, as part of an offer combining drone sales with all the associated services in order to provide turnkey solutions to its clients.

Delta Drone has always been a player in the drone market in France. However, since Mr Christian Viguié, the current CEO, took over the management responsibilities of the company in 2014, the profile of the business has changed radically. From a model based solely on the manufacturing/marketing of civil drones, which is difficult to maintain economically, the emphasis has been placed on deploying a more integrated offer. While manufacturing is a source of differentiation, the bulk of the value-added is generated through the combination of other services. As of today, the bulk of the loss-making legacy activities has been suspended. Today's group, built around drone solutions has been shaped by strategic acquisitions that have either: 1) allowed Delta Drone to add bolt-on technological expertise to create its own solutions, and 2) create a favourable ecosystem to the deployment of its drone solutions.

The group's activity now revolves exclusively around two divisions, "Professional Solutions" and "Associated Services":

- The **Professional Solutions** division which gathers a range of five systems, of which the new commercial launches (ISS Spotter for security & safety, Countbot for warehouse inventory, Atmos for events and SafeSprayBot for decontamination). It also includes Rocketmine (for mining industry), an asset acquired in 2016.
- The **Associated Services** division which integrates all the support elements of the value chain necessary for the operability of the systems: operator training, regulatory management, installation, after-sales service, maintenance in operational conditions. It also includes a traditional private security activity that accelerates the dronification of the sector.

To achieve its growth, Delta Drone is not only counting on its domestic market and a cross-selling effect from the security activities, but has also formed partnerships for certain solutions, such as the one with Geodis for warehouse inventories. In addition, international development is a key factor, especially in Eastern Europe, Africa, and Australia, where in the last country a subsidiary was recently created to develop the business for mines.

Delta Drone aims to reach revenues of €30m by 2021. This strong growth



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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: 116%
Target Price (6 months)	€ 0.06
Share Price	€ 0.03
Market Cap. €M	17.3
Price Momentum	GOOD
Extremes 12Months	0.02 ▶ 0.07
Bloomberg	ALDR FP Equity
Reuters	ALDR.PA



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PERF	1w	1m	3m	12m
Delta Drone	5.71%	15.2%	3.86%	-54.5%
Capital Goods	1.36%	2.85%	10.8%	33.7%
STOXX 600	1.21%	-0.68%	-0.95%	-4.56%

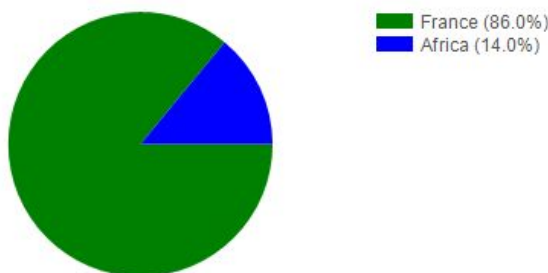
Last updated: 08/10/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	-2.36	-3.15	16.1	5.83
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-3.63	-13.1	3.40	1.58
Adjusted EPS (€)	-0.03	-0.01	0.00	0.01
Growth in EPS (%)	n/a	n/a	n/a	177
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	15,987	18,547	28,048	32,039
Other margin (%)	59.4	63.0	62.6	62.7
Attributable net profit (€th)	-9,540	-6,730	551	3,270
ROE (after tax) (%)	-82.1	-64.5	6.86	43.3
Gearing (%)	4.20	2.47	-29.7	-67.7

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

compared to 2019 (c. €16m) is mainly due to the above-mentioned launch of the five new solutions designed for the professional market. This revenue target is complemented by a profitability target, with an expected operating margin of between 10% and 30%, and the realisation of one third of the business outside France, mainly in Africa. This ambitious target is backed by the pipeline of opportunities for the company, along with an increase in value added, driven by a higher gross margin on drones and services.

Given the early adoption stage of the technology, we believe Delta Drone is well positioned to capture the tailwinds offered by the sector. Indeed, offering high quality turnkey solutions can rapidly materialise into substantial top-line growth, along with a steep increase in value-added thanks to the associated services. We also believe that the full growth potential of the company is not yet computed into its valuation. This assumption is also backed by the high valuation multiples seen for other drone companies.

Sales by Geography



Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€th	15,987	18,547	28,048
Change in sales	%	53.0	16.0	51.2
Change in staff costs	%	50.3	-8.20	-3.10
EBITDA	€th	-4,886	-1,354	4,391
EBITDA(R) margin	%	-30.6	-7.30	15.7
Depreciation	€th	-1,995	-1,578	-1,394
Underlying operating profit	€th	-6,881	-2,932	2,997
Operating profit (EBIT)	€th	-8,580	-4,571	2,094
Net financial expense	€th	513	-86.5	-86.5
of which related to pensions	€th	0.00	0.00	0.00
Exceptional items & other	€th	-1,356	-1,220	-1,159
Corporate tax	€th	-194	-200	-634
Equity associates	€th	-464	-696	-139
Minority interests	€th	541	43.3	476
Adjusted attributable net profit	€th	-7,870	-5,120	1,425
NOPAT	€th	-5,281	-2,748	1,959

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€th	-4,886	-1,354	4,391
Change in WCR	€th	1,773	268	721
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	194	-200	-634
Exceptional items	€th	-1,356	-1,220	-1,159
Other operating cash flows	€th	533	500	500
Total operating cash flows	€th	-3,742	-2,006	3,819
Capital expenditure	€th	-466	-600	-588
Total investment flows	€th	-6,900	-600	-588
Net interest expense	€th	513	-86.5	-86.5
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	10,897	3,900	0.00
Total financial flows	€th	9,951	3,736	-86.5
Change in cash position	€th	-691	1,130	3,145
Free cash flow (pre div.)	€th	-3,695	-2,692	3,145

Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Th	203,162	585,889	585,889
Number of diluted shares (average)	Th	231,612	545,556	777,181
Benchmark EPS	€	-0.03	-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	40%	■ Adecco
NAV/SOTP per share	€ 0.06	40%	
P/E	€ 0.01	5%	
EV/Ebitda	€ 0.06	5%	
P/Book	€ 0.03	5%	
Dividend Yield	€ 0.00	5%	
TARGET PRICE	€ 0.06	100%	

NAV/SOTP Calculation

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€th	4,452	2,841	1,967
Total intangible	€th	6,860	4,512	2,985
Tangible fixed assets	€th	1,584	1,390	1,284
Financial fixed assets	€th			
WCR	€th	1,676	1,408	687
Other assets	€th	4,256	4,682	4,916
Total assets (net of short term liab.)	€th	17,613	15,548	13,783
Ordinary shareholders' equity	€th	11,350	9,527	6,546
Quasi Equity & Preferred	€th			
Minority interests	€th	-1,616	-1,778	-1,600
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	637	739	1,118
Total provisions for risks and liabilities	€th	637	739	1,118
Tax liabilities	€th			
Other liabilities	€th	6,403	7,428	11,233
Net debt (cash)	€th	839	-369	-3,513
Total liab. and shareholders' equity	€th	17,613	15,548	13,783

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€th	10,120	7,310	4,955

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	-82.1	-64.5	6.86
ROCE	%	-52.2	-37.6	39.5
Gearing (at book value)	%	4.20	2.47	-29.7
Adj. Net debt/EBITDA(R)	x	-0.17	0.27	-0.80
Interest cover (x)	x	13.4	-33.9	34.6

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	-2.36	-3.15	16.1
Free cash flow yield	%	-22.7	-15.5	18.1
P/Book	x	1.43	1.82	2.65
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€th	16,267	17,342	17,342
+ Provisions	€th	637	739	1,118
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	839	-369	-3,513
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	17,743	17,713	14,946
EV/EBITDA(R)	x	-3.63	-13.1	3.40
EV/Sales	x	1.11	0.96	0.53

Analyst : Hugo Paternoster, Changes to Forecasts : 08/10/2020.