



# Drone Volt

Aersp. & Defence Equipt. / France

## H1 21: strong growth in revenues, promising H2 ahead

Earnings/sales releases - 19/07/2021

**Drone Volt has published solid H1 results, driven by its major contracts with Aquiline Drones and Central Europe starting to generate revenues. The ramp-up of production to fulfill these contracts will accelerate from this month and should lead to a record H2.**

### Fact

- H1 revenues increased by 86% yoy to €3,655k (slightly higher than in H1 19 which was €3.5m).
- Drone Volt Factory increased 142% yoy and now represents 46.4% of revenues (vs 36% in H1 20).
- Gross margin increased by 10bp yoy to 39%.
- Promising H2 ahead.

### Analysis

#### Aquiline Drones, a profitable partnership

Drone Volt was very active during H1 through its partnership with the American company Aquiline Drones. First, in April 2021, Drone Volt signed an agreement to sell 600 Hercules 2 drones to its partner Aquiline Drones for a total value of €3m. This ramp-up would be achieved by a transfer of know-how from Drone Volt to Aquiline Drones, which would help it to build 50% of its drones at its plant in Connecticut.

Secondly, Drone Volt signed another major contract concerning up to 500 Hercules 20 drones and 200 Hercules 10 for a total value of €15m spread over 2021 and 2022. However, it is not a fixed contract, we believe 60% of this revenue will be received by Drone Volt.

Finally, Drone Volt agreed on a price to sell 50% of Aerialtronics for an added value of €6m. This would give Aquiline Drones access to all of Drone Volt's technology by adding the Altura Zenith drone and the Pensar camera with the Hercules family to its product portfolio. This exceptional result will be accounted for over the next 36 months. The previously mentioned contracts have barely started to be fulfilled, only €700k out of an estimated €4.6m has been received. The ramp-up of production is starting this month, July 2021, and H2 is expected to witness strong growth.

#### New financial structure

Drone Volt has adopted a strategy to reduce its debt through the emission of new stocks to improve its financial structure. It has achieved the repayment of an expensive 12% interest rate bond of €800k and other convertible bonds and loans for a total value of €4.3m. This has strengthened its balance sheet, enabling it access further financing more easily, and has reduced the interest expense for FY21. Drone Volt also says it could be looking to acquire new technologies, as it did with Aerialtronics.



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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: 68.7%

Target Price (6 months)	€ 0.30
Share Price	€ 0.18
Market Cap. €M	46.9
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	0.07 ▶ 0.39
Sustainability score	3.9 /10
Credit Risk	BB →
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA



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PERF	1w	1m	3m	12m
Drone Volt	-6.74%	-8.29%	-31.1%	161%
Aerospace-Defence	-3.18%	-5.26%	0.42%	35.2%
STOXX 600	-0.64%	-1.11%	2.77%	22.2%

Last updated: 12/07/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	-3.14	92.6	26.2	12.3
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.1	1.43	-0.95	-0.26
Adjusted EPS (€)	-0.05	0.00	0.01	0.01
Growth in EPS (%)	n/a	n/a	253	113
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	5,836	13,607	16,585	20,744
Other margin (%)	29.3	45.6	50.4	59.7
Attributable net profit (€th)	-6,393	6,441	1,776	3,855
ROE (after tax) (%)	-47.6	30.8	7.14	13.9
Gearing (%)	8.95	-35.5	-62.9	-63.0

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### **Central Europe contract**

This contract contains 50 Hercules 20 for 2021. So far, only five have been delivered. We are optimistic that H2 will be the year when it delivers most of the remaining ones. If the contract is fulfilled, we have estimated an additional €660k of revenues for Drone Volt.

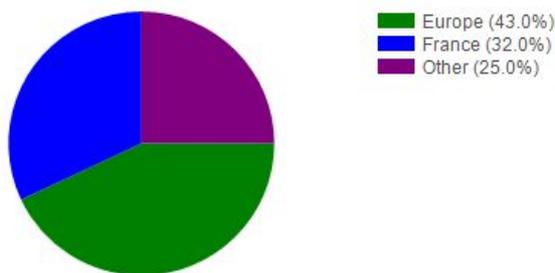
### **An improving margin**

The gross margin has strongly benefited from the better product mix with a larger part of the revenue coming from the Drone Volt Factory, which has higher added value. In addition, the gross margin from the Drone Volt Factory itself has improved compared to last year, gaining 12bp to reach 63%. The execution of the contracts with Aquiline Drones will accelerate in H2 and also be a catalyst for the margins, as the licence contract is pure profit for Drone Volt.

### **■ Impact**

H1 has been a success in terms of contracts signed and partnerships created. However, the fulfillment of these contracts has barely started. Therefore, if Drone Volt manages to ramp up its production and deliver what it announced it could, H2 should be the start of a new stage in Drone Volt's development. We maintain our positive opinion on the stock.

## Sales by Geography



## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€th	5,836	13,607	16,585
Change in sales	%	-17.9	133	21.9
Change in staff costs	%	-5.12	5.40	17.0
EBITDA	€th	-2,065	1,913	3,548
<b>EBITDA(R) margin</b>	%	<b>-35.4</b>	<b>14.1</b>	<b>21.4</b>
Depreciation	€th			
Underlying operating profit	€th	-4,189	360	2,115
<b>Operating profit (EBIT)</b>	<b>€th</b>	<b>-8,181</b>	<b>60.7</b>	<b>1,810</b>
Net financial expense	€th	-673	-232	-310
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th		6,000	
Corporate tax	€th	2,209	42.6	-374
Equity associates	€th			
Minority interests	€th	252	569	650
<b>Adjusted attributable net profit</b>	<b>€th</b>	<b>-6,393</b>	<b>441</b>	<b>1,776</b>
NOPAT	€th	-2,932	252	1,481

## Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€th	-2,065	1,913	3,548
Change in WCR	€th	1,685	245	-62.0
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	2,209	42.6	-374
Exceptional items	€th			
Other operating cash flows	€th	-991	-286	-225
Total operating cash flows	€th	838	1,914	2,886
Capital expenditure	€th	-1,810	-1,995	-1,955
Total investment flows	€th	-8,992	5,505	-1,955
Net interest expense	€th	-673	-232	-310
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	8,590	6,178	1,000
Total financial flows	€th	13,967	2,646	2,690
Change in cash position	€th	5,812	10,066	3,621
<b>Free cash flow (pre div.)</b>	<b>€th</b>	<b>-1,645</b>	<b>-312</b>	<b>621</b>

## Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...	Th	198,523	259,963	264,509
Number of diluted shares (average)	Th	131,321	230,360	263,353
<b>Benchmark EPS</b>	<b>€</b>	<b>-0.05</b>	<b>0.00</b>	<b>0.01</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.42	35%	* KUKA
NAV/SOTP per share	€ 0.29	20%	
EV/Ebitda	€ 0.35	20%	
P/E	€ 0.09	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.29	5%	
TARGET PRICE	€ 0.30	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	€th	152	150	149
Total intangible	€th	5,477	5,376	5,554
Tangible fixed assets	€th	743	1,130	1,268
Financial fixed assets	€th			
WCR	€th	1,360	1,115	1,177
Other assets	€th	7,656	7,120	6,622
Total assets (net of short term liab.)	€th	19,985	20,849	21,035
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>17,640</b>	<b>24,191</b>	<b>25,589</b>
Quasi Equity & Preferred	€th			
Minority interests	€th	-129	7,100	7,010
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	244	281	323
Total provisions for risks and liabilities	€th	244	281	323
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	4,141	4,555	5,011
<b>Net debt (cash)</b>	<b>€th</b>	<b>-1,911</b>	<b>-15,277</b>	<b>-16,898</b>
Total liab. and shareholders' equity	€th	19,985	20,849	21,035

## Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€th	7,580	7,621	7,999

## Profits & Risks Ratios

		12/20A	12/21E	12/22E
<b>ROE (after tax)</b>	%	<b>-47.6</b>	<b>30.8</b>	<b>7.14</b>
ROCE	%	-38.7	3.31	18.5
<b>Gearing (at book value)</b>	%	<b>8.95</b>	<b>-35.5</b>	<b>-62.9</b>
Adj. Net debt/EBITDA(R)	x	0.93	-7.99	-4.76
Interest cover (x)	x	-6.22	1.56	6.83

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-3.14</b>	<b>92.6</b>	<b>26.2</b>
Free cash flow yield	%	-5.41	-0.68	1.33
P/Book	x	1.72	1.90	1.83
<b>Dividend yield</b>	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

		12/20A	12/21E	12/22E
Market cap	€th	30,389	46,014	46,818
+ Provisions	€th	244	281	323
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-2,172	-15,551	-17,186
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	3,898	6,712	12,305
+ Minority interests (fair value)	€th	387	-21,300	-21,030
= EV	€th	24,949	2,731	-3,380
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-12.1</b>	<b>1.43</b>	<b>-0.95</b>
EV/Sales	x	4.28	0.20	-0.20

Analyst : Romain Pierredon, Changes to Forecasts : 12/07/2021.