



Delta Drone

Aersp. & Defence Equipt. / France

Delta Drone acquires Weesure and becomes world leader in drone security services

Strategic Plan - 26/04/2021

Delta Drone has come to an agreement to acquire the security company Weesure to use drones the industry. This is in line with its strategy of proposing a drone as part of the security team, which adds significant value to customers in terms of price and efficiency.

Fact

Through this acquisition, Delta Drone could reach €35m in sales in FY21 (with €20m corresponding to the consolidation of Weesure Securities) and expects to reach €50m in sales in FY22, by joining the big European players of the security industry. The group aims a positive EBITDA in 2021 and a positive EBIT by 2022, if the sanitary restrictions lessen in the near future. Weesure Group has over 1,400 employees (700 in France and 700 in Africa). Delta Drone plans to acquire 100% of Weesure Securities and Weesure Services and 25% of Euro Protec and Weesure Africa.

Analysis

The Weesure Group

The Weesure Group is split in four main companies:

- Weesure Securities: (Delta Drone plans on obtaining a 100% stake) This is a traditional security company which has clients such as Veolia, Siemens, Vinci and the French Ministry of Justice. Most of its contracts have a duration of 3-4 years, which gives high sales visibility in the long term. It is expected to generate €20m in 2021.
- Weesure Services: (Delta Drone plans on obtaining a 100% stake) This specialises in the complementary services of private security at cultural and sporting events.
- Euro Protec: (Delta Drone plans on obtaining a 25% stake) This is a newly -acquired company by the Weesure Group and specialises in security solutions (cameras, alarms, etc.) and generates €1m in revenues.
- Weesure Africa: (Delta Drone plans on obtaining a 25% stake) This specialises in security services in Africa and generates €1.5m in revenues.

Drones within the team to propose unique added value

The security industry will always need human employees, as some tasks are inaccessible to machines. However, having a drone agent to assist them in their duties has numerous advantages. The ISS Spotter is a security drone that is autonomous as, once the path or alarm systems are implemented, the drone does not need human assistance. It will perform its tasks and will recharge automatically. Therefore, the drone works 24/7 and will be faster and more precise than any person. It is also more convenient to send a drone than a person into dangerous situations or hard to access locations. There is also a possibility for the drone to be controlled by a user, enabling the person to access the cameras of the drones manually.

ISS Spotter



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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: 108%**

Target Price (6 months) € 0.05

Share Price € 0.02

Market Cap. €M 20.3

Price Momentum **NEGATIVE**

Extremes 12Months 0.02 ▶ 0.04

Sustainability score 5.9 /10

Credit Risk **BB** →

Bloomberg **ALDR FP Equity**

Reuters **ALDR.PA**



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| PERF | 1w | 1m | 3m | 12m |
|-------------------|--------|--------|--------|--------|
| Delta Drone | -0.90% | -20.6% | -23.6% | -47.1% |
| Aerospace-Defence | -3.01% | 2.26% | 8.64% | 48.0% |
| STOXX 600 | -0.78% | 3.70% | 7.47% | 31.7% |

| Last updated: 20/04/2021 | 12/20A | 12/21E | 12/22E | 12/23E |
|-------------------------------|--------|--------|--------|--------|
| Adjusted P/E (x) | -2.30 | -16.8 | 9.34 | 5.57 |
| Dividend yield (%) | 0.00 | 0.00 | 0.00 | 0.00 |
| EV/EBITDA(R) (x) | -5.30 | 7.12 | 1.23 | -0.36 |
| Adjusted EPS (€) | -0.01 | 0.00 | 0.00 | 0.00 |
| Growth in EPS (%) | n/a | n/a | n/a | 67.8 |
| Dividend (€) | 0.00 | 0.00 | 0.00 | 0.00 |
| Sales (€th) | 13,417 | 22,987 | 28,797 | 32,283 |
| Other margin (%) | 63.8 | 63.5 | 62.9 | 63.1 |
| Attributable net profit (€th) | 10,819 | -2,431 | 2,106 | 4,682 |
| ROE (after tax) (%) | -90.5 | -21.5 | 16.9 | 23.8 |
| Gearing (%) | 0.61 | -29.0 | -61.5 | -75.4 |

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



Source: Delta Drone website

It also has significant cost reduction implications for customers. On average, a security agent's salary, working 24/7 for a year would be the equivalent of around €200,000 a year. The same service on the ISS Spotter drone would cost €80,000 a year, a 60% cost cut.

More contract wins to be expected

The implementation process of using drones in security services is relatively straight forward. Delta Drone's technology is easily adaptable to any existing system. The training of the employees to manage a team with a drone can take between one afternoon, for the security guards working with it, to a couple of weeks, for the engineers designing the paths that the ISS Spotter will follow. It is therefore a quick process to upgrade an existing security service with new drone solutions.

Price and new technology are important criteria when customers choose their security provider. Using drones could be an essential competitive advantage, as no other companies possesses such an advanced drone technology in security services. In addition, its newly-acquired size is also an advantage. Having greater sales figures and company size allows Delta Drone to accept bigger contracts that may not have been accessible to it before, hence broadening its addressable market.

Margins are tight in the security sector; drones could loosen this

The security industry has historically always had low margins of between 1% and 2%. Therefore, the most lucrative strategy of the industry is to grow and use economies of scale to increase margins. These synergies are part of Delta Drones' strategy, which has already centralised its formation centre with Weesure. In the mid-term, these synergies could reach an additional 1-2% of margins.

Drone Agents can also help boost profits. On top of being a competitive advantage that helps signing new contracts, one drone does the working hours of 5.5 "classic employees" for 40% of the price. They can now afford to be cost competitive, while generating more margin. There is no licensing plan needed with the merger of the historical security service with the new drone technology. However, there might be less need for human staff in the long run as the technology improves, meaning that excess staff can be used for new contracts without having to augment the number of employees.

COVID-19...still a major brake

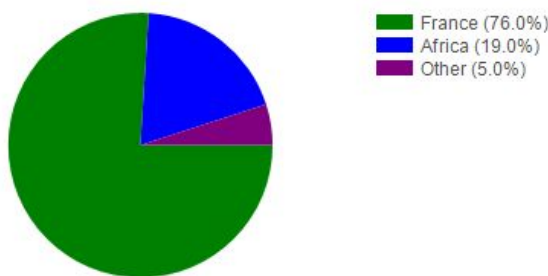
The historical contracts of Weesure are split between permanent missions and particular events. The permanent segment has shown resilience through the pandemic, but sporting and cultural events have strongly declined and have not recovered yet. The sanitary restrictions that prevent major events from taking place will negatively impact the security business. Most of the previously

mentioned positive perspectives depend on a return to a normalised environment in the mid-term.

■ Impact

The increase of sales and the positive guidance of the company will lead us to review our target price. 2021 might still not show the margins promised through this new acquisition, as the COVID-19 presence is still a concern and restructuring will have to take place before we can see the synergies between the two groups. We will review our sales perspective for 2021 and readjust upwards the margins for 2022.

Sales by Geography



Consolidated P&L Accounts

| | 12/20A | 12/21E | 12/22E |
|---|-------------------|---------------|--------------|
| Sales | €th 13,417 | 22,987 | 28,797 |
| Change in sales | % -16.1 | 71.3 | 25.3 |
| Change in staff costs | % -8.20 | -3.10 | 5.06 |
| EBITDA | €th -4,270 | 1,726 | 5,014 |
| EBITDA(R) margin | % -31.8 | 7.51 | 17.4 |
| Depreciation | €th -1,479 | -1,410 | -1,157 |
| Underlying operating profit | €th -5,748 | 315 | 3,857 |
| Operating profit (EBIT) | €th -7,557 | -722 | 3,198 |
| Net financial expense | €th -583 | -86.5 | -86.5 |
| of which related to pensions | €th 0.00 | 0.00 | 0.00 |
| Exceptional items & other | €th -2,093 | -1,988 | -855 |
| Corporate tax | €th -150 | -14.8 | -712 |
| Equity associates | €th -479 | -95.8 | -9.58 |
| Minority interests | €th 43.3 | 476 | 571 |
| Adjusted attributable net profit | €th -9,039 | -1,423 | 2,736 |
| NOPAT | €th -4,503 | 125 | 2,690 |

Cashflow Statement

| | 12/20A | 12/21E | 12/22E |
|---|-------------------|------------|--------------|
| EBITDA | €th -4,270 | 1,726 | 5,014 |
| Change in WCR | €th 0.00 | 1,388 | -35.8 |
| Actual div. received from equity holdi... | €th 0.00 | 0.00 | 0.00 |
| Paid taxes | €th | -14.8 | -712 |
| Exceptional items | €th -2,093 | -1,988 | -855 |
| Other operating cash flows | €th 500 | 500 | 500 |
| Total operating cash flows | €th -5,863 | 1,610 | 3,911 |
| Capital expenditure | €th -600 | -588 | -591 |
| Total investment flows | €th -3,981 | -5,067 | -3,808 |
| Net interest expense | €th -583 | -86.5 | -86.5 |
| Dividends (parent company) | €th | | |
| Dividends to minorities interests | €th 0.00 | 0.00 | 0.00 |
| New shareholders' equity | €th 9,830 | 8,000 | 8,000 |
| Total financial flows | €th 8,588 | 7,914 | 7,914 |
| Change in cash position | €th -1,255 | 4,457 | 8,017 |
| Free cash flow (pre div.) | €th -7,045 | 936 | 3,234 |

Per Share Data

| | Th | 868,172 | 923,864 | 1,016,251 |
|---|----|--------------|-------------|-------------|
| No. of shares net of treas. stock (year...) | | | | |
| Number of diluted shares (average) | Th | 686,697 | 1,087,310 | 1,161,349 |
| Benchmark EPS | € | -0.01 | 0.00 | 0.00 |
| Restated NAV per share | € | | | |
| Net dividend per share | € | 0.00 | 0.00 | 0.00 |

Valuation Summary

| Benchmarks | Value | Weight | Largest comparables |
|--------------------|--------|--------|---------------------|
| DCF | € 0.07 | 35% | ● Drone Volt |
| NAV/SOTP per share | € 0.04 | 20% | ■ Adecco |
| EV/Ebitda | € 0.04 | 20% | |
| P/E | € 0.01 | 10% | |
| Dividend Yield | € 0.00 | 10% | |
| P/Book | € 0.04 | 5% | |
| TARGET PRICE | € 0.05 | 100% | |

NAV/SOTP Calculation

Balance Sheet

| | 12/20A | 12/21E | 12/22E |
|--|-------------------|---------------|----------------|
| Goodwill | €th 2,671 | 1,663 | 1,033 |
| Total intangible | €th 4,441 | 2,763 | 1,656 |
| Tangible fixed assets | €th 1,390 | 1,284 | 1,242 |
| Financial fixed assets | €th | | |
| WCR | €th 1,945 | 558 | 594 |
| Other assets | €th 4,682 | 4,916 | 5,161 |
| Total assets (net of short term liab.) | €th 16,015 | 13,433 | 12,956 |
| Ordinary shareholders' equity | €th 12,571 | 10,054 | 14,875 |
| Quasi Equity & Preferred | €th | | |
| Minority interests | €th -1,778 | -1,600 | -1,440 |
| Provisions for pensions | €th | 0.00 | 0.00 |
| Other provisions for risks and liabilities | €th 535 | 916 | 1,147 |
| Total provisions for risks and liabilities | €th 535 | 916 | 1,147 |
| Tax liabilities | €th | | |
| Other liabilities | €th 5,373 | 9,206 | 11,533 |
| Net debt (cash) | €th -686 | -5,143 | -13,160 |
| Total liab. and shareholders' equity | €th 16,015 | 13,433 | 12,956 |

Capital Employed

| | 12/20A | 12/21E | 12/22E |
|-------------------------------------|-----------|--------|--------|
| Capital employed after depreciation | €th 7,777 | 4,605 | 3,492 |

Profits & Risks Ratios

| | | 12/20A | 12/21E | 12/22E |
|--------------------------------|---|--------------|--------------|--------------|
| ROE (after tax) | % | -90.5 | -21.5 | 16.9 |
| ROCE | % | -57.9 | 2.71 | 77.1 |
| Gearing (at book value) | % | 0.61 | -29.0 | -61.5 |
| Adj. Net debt/EBITDA(R) | x | 0.16 | -2.98 | -2.62 |
| Interest cover (x) | x | -9.86 | 3.65 | 44.6 |

Valuation Ratios

| | | 12/20A | 12/21E | 12/22E |
|----------------------------------|----------|--------------|--------------|-------------|
| Reference P/E (benchmark) | x | -2.30 | -16.8 | 9.34 |
| Free cash flow yield | % | -26.9 | 4.61 | 14.5 |
| P/Book | x | 2.09 | 2.02 | 1.50 |
| Dividend yield | % | 0.00 | 0.00 | 0.00 |

EV Calculation

| | 12/20A | 12/21E | 12/22E | |
|---|------------|--------------|-------------|-------------|
| Market cap | €th 26,231 | 20,325 | 22,358 | |
| + Provisions | €th 535 | 916 | 1,147 | |
| + Unrecognised actuarial losses/(gains) | €th 0.00 | 0.00 | 0.00 | |
| + Net debt at year end | €th -4,154 | -8,958 | -17,357 | |
| + Leases debt equivalent | €th 0.00 | 0.00 | 0.00 | |
| - Financial fixed assets (fair value) | €th | | | |
| + Minority interests (fair value) | €th | | | |
| = EV | €th 22,611 | 12,283 | 6,148 | |
| EV/EBITDA(R) | x | -5.30 | 7.12 | 1.23 |
| EV/Sales | x | 1.69 | 0.53 | 0.21 |

Analyst : Romain Pierredon, Changes to Forecasts : 20/04/2021.