



Drone Volt

Aersp. & Defence Equipt. / France

A capital increase to support a high-growth phase

M&A /Corp. Action - 07/06/2023

Drone Volt has announced a €4.9m capital increase, a substantial amount in relation to pre money market cap (€13m). This capital increase went down badly with the market which seems to be missing the point that Drone Volt is entering a convincing growth phase.

Fact

Drone Volt last Friday (02-06) announced a rights issue of 442.7m shares worth €4.9m up to 509.1m shares worth €5.6m from currently 1,106m shares.

The subscription price is offered at a discount of 42.4%, at 0.011€ per share.

Drone Volt disclosed on that occasion that 60% of a €20m drone distribution contract had already been paid, underpinning increased confidence in near-term cash generation.

Analysis

The market reacted negatively to this announcement by focusing on the significant dilution aspect. In our view, this fails to capture the positive signal regarding the health of the company. By securing the support of the existing shareholders at a level of 77%, Drone Volt shows that it is able to attract capital via conventional financing. The recourse to unconventional dilutive financing should be history by now. This capital increase is meant to offer an attractive entry point for long-term shareholders according to the management.

From a business perspective, this announcement is happening at a key moment of the life of the company. Indeed, the company is entering a phase of renewed growth with the execution of a €20m contract throughout this year (already paid at 60%) and all three segments are commercially dynamic.

As a reminder Drone Volt 1) manufactures specialist heavy drones, 2) trains users and provides drone as a service and, finally, 3) distributes third party drones.

Drone Volt may use the fresh funding strategically while other important players are experiencing difficulties. Drone Volt is notably exhibiting confidence for its Drone as a Service offer by recruiting 12 people from the late Air Marine, which should significantly improve margins while making revenues more recurrent.

Impact

The dilution effect of this capital increase will lower our target price estimate by negatively impacting our DCF and NAV estimates, pending positive business developments as the firm is likely to be on the offensive. Indeed, we are more confident concerning the company's commercial outlook, hence we will revise up our estimates for 2023.

**Alexandre DESPREZ**

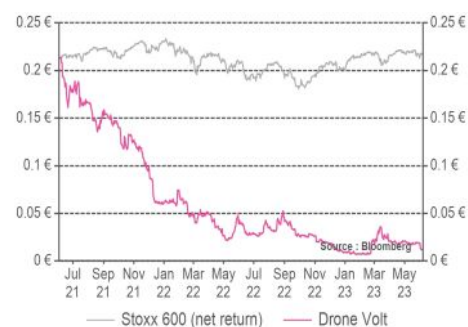
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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 59.5%
Target Price (6 months)	€ 0.02
Share Price	€ 0.01
Market Cap. €M	19.1
Price Momentum	UNFAVORABLE
Extremes 12Months	0.01 ▶ 0.05
Sustainability score	5.8 /10
Credit Risk	C →
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

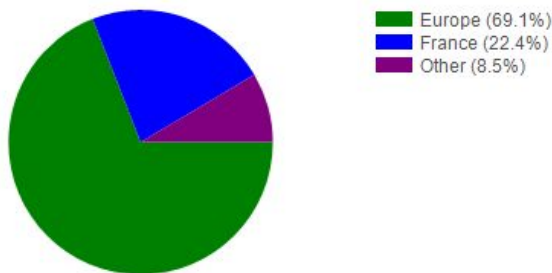
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PERF	1w	1m	3m	12m
Drone Volt	-37.2%	-39.5%	-44.6%	-70.1%
Aerospace-Defence	0.59%	0.08%	1.99%	23.2%
STOXX 600	1.11%	-0.78%	-0.54%	3.95%

Last updated: 07/06/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-0.76	-6.92	ns	5.49
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.95	-19.9	21.8	2.90
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	-104	3,475
ROE (after tax) (%)	-89.5	-8.03	-0.40	13.3
Gearing (%)	0.36	-4.06	-22.1	-23.5

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

Sales by Geography



Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€th 13,736	30,500	33,931
Change in sales	% 59.4	122	11.2
Change in staff costs	% 61.1	20.0	4.68
EBITDA	€th -2,799	-954	898
EBITDA(R) margin	% -20.4	-3.13	2.65
Depreciation	€th		
Underlying operating profit	€th -4,960	-3,302	-1,410
Operating profit (EBIT)	€th -22,039	-3,088	-1,171
Net financial expense	€th -108	-215	-199
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th -4,174	623	342
Equity associates	€th		
Minority interests	€th 837	879	923
Adjusted attributable net profit	€th -21,284	-1,802	-104
NOPAT	€th -3,720	-2,477	-1,057

Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€th -2,799	-954	898
Change in WCR	€th -508	-861	1,139
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th -4,167	623	342
Exceptional items	€th		
Other operating cash flows	€th 3,188	100	100
Total operating cash flows	€th -4,286	-1,092	2,479
Capital expenditure	€th -3,350	-2,848	-2,819
Total investment flows	€th -5,087	-2,648	-2,819
Net interest expense	€th -108	-215	-199
Dividends (parent company)	€th		
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 0.00	13,347	0.00
Total financial flows	€th 3,737	13,284	601
Change in cash position	€th -5,636	9,544	262
Free cash flow (pre div.)	€th -7,744	-4,155	-538

Per Share Data

	12/22A	12/23E	12/24E
No. of shares net of treas. stock (year...)	Th 495,781	1,615,597	1,615,597
Number of diluted shares (average)	Th 431,887	1,056,806	1,616,714
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	Largest comparables
DCF	€ 0.03	35%	
NAV/SOTP per share	€ 0.02	20%	
EV/Ebitda	€ 0.00	20%	
P/E	€ 0.01	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.02	5%	
TARGET PRICE	€ 0.02	100%	

NAV/SOTP Calculation

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	27,069	24,994
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	1,000
Other liabilities	€th 182	200	220
Net debt (cash)	€th 3,597	-5,795	-5,257
Total liab. and shareholders' equity	€th 19,762	19,608	19,127

Capital Employed

	12/22A	12/23E	12/24E
Capital employed after depreciation	€th 10,758	11,979	11,335

Profits & Risks Ratios

	12/22A	12/23E	12/24E
ROE (after tax)	% -89.5	-8.03	-0.40
ROCE	% -34.6	-20.7	-9.33
Gearing (at book value)	% 0.36	-4.06	-22.1
Adj. Net debt/EBITDA(R)	x -1.29	6.07	-5.86
Interest cover (x)	x -45.9	-15.4	-7.09

Valuation Ratios

	12/22A	12/23E	12/24E
Reference P/E (benchmark)	x -0.76	-6.92	ns
Free cash flow yield	% -41.9	-21.8	-2.82
P/Book	x 1.04	0.70	0.76
Dividend yield	% 0.00	0.00	0.00

EV Calculation

	12/22A	12/23E	12/24E
Market cap	€th 18,473	19,064	19,064
+ Provisions	€th 157	106	122
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00
+ Net debt at year end	€th 3,475	-5,923	-5,391
+ Leases debt equivalent	€th 0.00	0.00	0.00
- Financial fixed assets (fair value)	€th 242	208	177
+ Minority interests (fair value)	€th 5,976	5,976	5,976
= EV	€th 27,839	19,014	19,594
EV/EBITDA(R)	x -9.95	-19.9	21.8
EV/Sales	x 2.03	0.62	0.58

Analyst : Alexandre DESPREZ, Changes to Forecasts : 07/06/2023.