



# Drone Volt

Aerosp. &amp; Defence Equipt. / France

## Q4 21: getting closer to break-even

Earnings/sales releases - 22/03/2022

Through a record year in sales and strong cost containment, Drone Volt has published its best annual net results since 2015. The coming fiscal year is expected to be the milestone of major technological innovations for the group, which should strengthen its existing partnerships and could lead to new contracts. Strategic acquisitions have also broadened its product and service portfolio, which should lead to robust growth in FY22.

### Fact

- FY21 sales stood at €8,617k, a 48% increase yoy and a 21% increase vs pre-COVID-19 levels.
- FY21 gross result stood at €2,986k, 2% above the initial release in January 2022 and a 75% increase yoy.
- FY21 EBIT stood at €-2,705k, €5.5m above FY20 levels and €800k above pre-COVID-19 levels.
- FY21 net result stood at €-1,257m (excluding the added value generated by the 50% sales of Aerialtronics), €5.4m above FY20 levels and €1.5m above pre-COVID-19 levels.
- Strong balance sheet position, with net cash position of c. €3.5m allowing for external growth.
- Drone Volt acquired Skytools and Viking Drone, and launched the Heliplane. New acquisitions are expected in FY22.
- Stock warrants and stock options have been distributed to employees and partners, which could dilute the value of existing stocks by an additional 7%.

### Analysis

#### Strong profitability

In January, Drone Volt had already released preliminary figures including the sales figure and the gross profit. The recent results published on 16 March included the remaining lines to the net result, which appeared far stronger than what we had expected. Opex was roughly flat yoy, despite the tremendous growth in sales. Wages, which account for a third of the total opex, even decreased yoy. This suggests that Drone Volt has the right structure to expand its sales without increasing its costs significantly. In the following years, the wage structure is expected to increase in absolute terms, linked to Drone Volt's recent/potential future acquisitions and the related additional employees. In addition, now that restrictions are less of a burden, Drone Volt is planning on travelling to exhibitions (like the IEEE in the US), which is expected to increase expenses. Whether opex increases relative to sales in FY22 will depend on Drone Volt's capacity to execute its contracts and take on board new customers.

There were also several one-offs which significantly increased profitability in FY21. A €900k exceptional income linked to the loss of Drone Volt's previous CEO, a low interest expense due to its successful deleveraging and tax income that made up nearly 50% of the negative EBIT. D&A also stood below our



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<b>Buy</b>	<b>Upside: 98.2%</b>
Target Price (6 months)	€ 0.10
Share Price	€ 0.05
Market Cap. €M	18.7
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	0.04 ▶ 0.27
Sustainability score	4.4 /10
Credit Risk	C ↗
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

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PERF	1w	1m	3m	12m
Drone Volt	-3.77%	-6.73%	-24.7%	-81.7%
Aerospace-Defence	1.49%	1.47%	11.4%	11.8%
STOXX 600	4.23%	-1.31%	-4.05%	7.43%

Last updated: 01/02/2022	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	-3.14	-20.9	-7.42	-10.7
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-13.0	-39.3	47.1	-3.66
Adjusted EPS (€)	-0.05	-0.01	-0.01	0.00
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	5,836	8,723	12,273	16,227
Other margin (%)	33.2	50.0	58.9	68.2
Attributable net profit (€th)	-6,393	3,839	-2,494	-1,733
ROE (after tax) (%)	-47.6	14.9	-7.26	-4.98
Gearing (%)	8.95	-26.2	-47.9	-50.9

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expectations, as the H2 figure amounted to 50% of the figure recognised in H1. All these factors have led to a strong net result of €-1,257m.

This result does not incorporate the added value linked to the sale of 50% of Aerialtronics at a valuation of €15m. It has added €6.6m of profit in FY21, which can't be recognised in the P&L according to IFRS norms. However, considering this highly profitable operation, Drone Volt has reached a theoretical net result of €5.4m.

### **FY22 full of innovation**

Drone Volt has ambitious targets for this year. First, it is planning to sell the first series of its Linedrone. This has been a long time coming, but Drone Volt and Hydro-Quebec have obtained strong performances of their current prototype. They are performing final tests to ensure that the drone can fly through harsh environments and will be ready soon for commercialisation. We see significant advantages of using this drone, which will replace helicopter interventions on high voltage lines as it is cheaper to manoeuvre and more precise in its inspection. Hydro-Quebec has already stated it would be interested in acquiring three drones.

Secondly, Drone Volt is working on developing its hydrogen fuel cell which will be implemented on all its larger-sized drones (namely the Hercules 10 and 20 and the Heliplane). On top of the positive environmental impact of flying zero-emission drones, it would also increase the time of flight of these drones. This is a crucial aspect for agriculture spraying and for surveillance missions, which are the two end-markets to which the Hercules 20 and the Heliplane are exposed to.

Finally, through the acquisition of Viking Drone, Drone Volt has acquired intellectual property on technology that it is willing to extend to all its drones. It has acquired an anti-collision software and the technology which could enable its drones to be connected to the cloud. The latter has sparked the interest of Aquiline Drones which seems keen on having connected drones in its catalogue. Hence, the development of this technology could be a catalyst that encourages Aquiline Drones to restart the execution of the Hercules 2 contract, currently on hold.

### **Aquiline Drones, still looking for cash**

As we had discussed in our previous publication, the Aquiline Drone sales in Q4 had been disappointing with only seven Hercules 2 drones sold. So far, the execution of the contract has not advanced, as the US partner is lacking cash for expansion. However, the licensing contract with Drone Volt is still expected to reach USD1,350k in FY22, and the rest will depend on Aquiline Drone's capacity to sell its products. There could be potential upside, as Aquiline Drone is working towards an IPO which could provide the firm with the cash it needs to complete the Hercules 2 contract execution.

### **Strong balance sheet enables acquisitions**

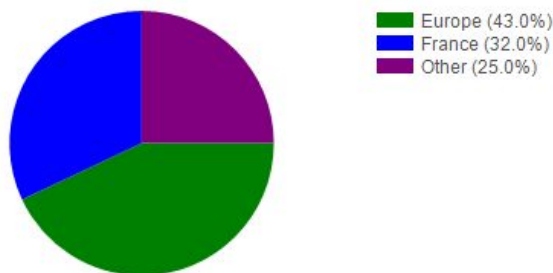
Through its deleveraging and the heavy capital increase in December, Drone Volt now has a strong net cash position of c. €3.5m which will enable it to grow externally. It has already acquired SkyTools and Viking Drone to expand its services and technological assets. Future acquisitions are expected in the coming quarters, which we believe is a positive given Drone Volt's prior profit realised through M&A.

### **■ Impact**

Due to the stronger than expected profitability, we will have to revise our estimates upwards for the coming years, as the cost structure has been over-estimated. The diversification of its customer base linked to its recent acquisitions is also a

positive given that Aquiline Drone sales are uncertain in the short term. We believe Drone Volt has successfully managed to improve its proprietary drone portfolio and is well set for growth in FY22. We will revise our estimates upwards.

## Sales by Geography



## Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€th	5,836	8,723	12,273
Change in sales	%	-17.9	49.5	40.7
Change in staff costs	%	-5.12	5.40	17.0
EBITDA	€th	-2,065	-1,321	-152
<b>EBITDA(R) margin</b>	<b>%</b>	<b>-35.4</b>	<b>-15.1</b>	<b>-1.24</b>
Depreciation	€th			
Underlying operating profit	€th	-4,189	-4,663	-3,629
<b>Operating profit (EBIT)</b>	<b>€th</b>	<b>-8,181</b>	<b>-3,963</b>	<b>-3,923</b>
Net financial expense	€th	-673	-341	-266
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th		6,500	
Corporate tax	€th	2,209	1,074	1,045
Equity associates	€th			
Minority interests	€th	252	569	650
<b>Adjusted attributable net profit</b>	<b>€th</b>	<b>-6,393</b>	<b>-2,661</b>	<b>-2,494</b>
NOPAT	€th	-2,932	-3,264	-2,541

## Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€th	-2,065	-1,321	-152
Change in WCR	€th	1,685	-138	397
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	2,209	1,074	1,045
Exceptional items	€th			
Other operating cash flows	€th	-991	-286	-302
Total operating cash flows	€th	838	-670	988
Capital expenditure	€th	-1,810	-1,995	-1,955
Total investment flows	€th	-8,992	1,055	545
Net interest expense	€th	-673	-341	-266
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	8,590	13,995	0.00
Total financial flows	€th	13,967	10,354	1,734
Change in cash position	€th	5,812	10,740	3,267
<b>Free cash flow (pre div.)</b>	<b>€th</b>	<b>-1,645</b>	<b>-3,006</b>	<b>-1,233</b>

## Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...)	Th	198,523	380,228	380,228
Number of diluted shares (average)	Th	131,321	290,492	381,345
<b>Benchmark EPS</b>	<b>€</b>	<b>-0.05</b>	<b>-0.01</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	€ 0.10	35%	● KUKA
NAV/SOTP per share	€ 0.18	20%	
EV/Ebitda	€ 0.08	20%	
P/E	€ 0.02	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.10	5%	
TARGET PRICE	€ 0.10	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	€th	152	150	149
Total intangible	€th	5,477	5,591	5,763
Tangible fixed assets	€th	743	773	804
Financial fixed assets	€th			
WCR	€th	1,360	1,498	1,101
Other assets	€th	7,656	7,120	6,622
Total assets (net of short term liab.)	€th	19,985	21,090	20,703
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>17,640</b>	<b>34,047</b>	<b>34,628</b>
Quasi Equity & Preferred	€th			
Minority interests	€th	-129	-100	-99.0
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	244	195	203
Total provisions for risks and liabilities	€th	244	195	203
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	4,141	2,899	3,189
<b>Net debt (cash)</b>	<b>€th</b>	<b>-1,911</b>	<b>-15,951</b>	<b>-17,217</b>
Total liab. and shareholders' equity	€th	19,985	21,090	20,703

## Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€th	7,580	7,862	7,667

## Profits & Risks Ratios

		12/20A	12/21E	12/22E
<b>ROE (after tax)</b>	<b>%</b>	<b>-47.6</b>	<b>14.9</b>	<b>-7.26</b>
ROCE	%	-38.7	-41.5	-33.1
<b>Gearing (at book value)</b>	<b>%</b>	<b>8.95</b>	<b>-26.2</b>	<b>-47.9</b>
Adj. Net debt/EBITDA(R)	x	0.93	12.1	113
Interest cover (x)	x	-6.22	-13.7	-13.6

## Valuation Ratios

		12/20A	12/21E	12/22E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-3.14</b>	<b>-20.9</b>	<b>-7.42</b>
Free cash flow yield	%	-5.41	-4.12	-6.69
P/Book	x	1.72	2.14	0.53
<b>Dividend yield</b>	<b>%</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	72,882	18,441
+ Provisions	€th	244	195	203
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-2,172	-16,225	-17,505
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	2,034	5,220	8,614
+ Minority interests (fair value)	€th	387	300	297
= EV	€th	26,814	51,933	-7,178
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-13.0</b>	<b>-39.3</b>	<b>47.1</b>
EV/Sales	x	4.59	5.95	-0.58

Analyst : Romain Pierredon, Changes to Forecasts : 01/02/2022.