



Drone Volt

Electrical Products-Misc / France

Concretisation of the contract with Aquiline Drones

Significant news - 14/10/2020

Drone Volt has announced the signing of the contract with Aquiline Drone for the licensing of Hercules 2 and Altura Zenith along with its camera Pensar in the USA. We view the concretisation of the contract with Aquiline Drones as very positive and encouraging for the next steps and the implementation of the production phase.

Fact

Drone Volt announced the signing of the contract with Aquiline Drone for the licensing of Hercules 2 and Altura Zenith along with its camera Pensar in the USA.

As a reminder, this follows the signing of a Letter of Intent with Aquiline Drones in order to produce the Hercules 2, the Altura Zenith, and its Pensar camera before the end of 2020, at a rate of 1,000 units per month in the early life of the contract. Thereafter, the company targets ambitious volumes and should increase its production line by 3,000 units monthly, to reach a steady 10,000 units per month in total.

Under the revised terms announced with the signing of the contract, Drone Volt would be granted a 10% cut in the revenue from the commercialisation of its drones and cameras over a five-year licensing period. Drone Volt would be entitled to receive a minimum of \$100k per month, to start in October 2020. On an annual basis, this would grant Drone Volt \$1.2m per year, to be revised by +10% annually, which is well above the terms of the LOI that stated \$400k annually (of which \$250k for Altura Zenith and \$150k for the Hercules 2). In addition, Drone Volt should receive an upfront payment of \$450k by the end of this year to compensate for the transfer of know-how.

Furthermore, Drone Volt will have access to Aquiline Drones' facilities in order to produce its own drones for international markets. We see this as a positive addition to the already full production capacity of the company, especially considering the fact that no capex will be spent on it.

Impact

While at this stage, this signature has little impact on our model, except for +\$300k for 2020, we view the concretisation of the contract with Aquiline Drones as very positive and encouraging for the next steps and the implementation of the production phase.



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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: 21.3%
Target Price (6 months)	€ 0.39
Share Price	€ 0.32
Market Cap. €M	50.6
Price Momentum	GOOD
Extremes 12Months	0.06 ▶ 0.37
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

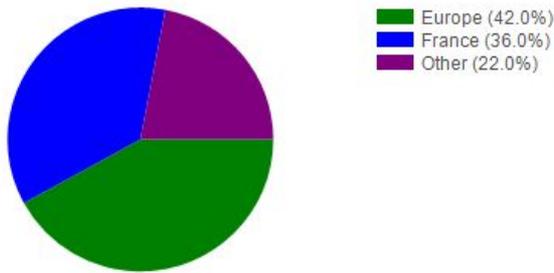

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PERF	1w	1m	3m	12m
Drone Volt	-4.78%	59.5%	352%	113%
Capital Goods	2.27%	3.98%	10.7%	32.4%
STOXX 600	1.39%	0.82%	0.12%	-5.27%

Last updated: 14/10/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	-3.50	-30.3	20.7	9.28
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-10.3	ns	8.35	3.24
Adjusted EPS (€)	-0.05	-0.01	0.02	0.03
Growth in EPS (%)	n/a	n/a	n/a	123
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	7,108	6,767	17,518	24,991
Other margin (%)	34.3	38.6	53.1	58.7
Attributable net profit (€th)	-2,570	-1,234	2,642	5,895
ROE (after tax) (%)	-29.6	-8.26	12.0	22.3
Gearing (%)	41.2	5.99	-13.9	-21.1

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

Sales by Geography



Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€th	7,108	6,767	17,518
Change in sales	%	-4.22	-4.79	159
Change in staff costs	%	-27.5	-5.12	10.9
EBITDA	€th	-1,687	-200	5,373
EBITDA(R) margin	%	-23.7	-2.96	30.7
Depreciation	€th			
Underlying operating profit	€th	-3,143	-1,275	4,041
Operating profit (EBIT)	€th	-3,468	-1,526	3,802
Net financial expense	€th	-423	-350	-298
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	1,069	515	-962
Equity associates	€th			
Minority interests	€th	252	126	101
Adjusted attributable net profit	€th	-2,570	-1,234	2,642
NOPAT	€th	-2,200	-892	2,828

Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€th	-1,687	-200	5,373
Change in WCR	€th	576	77.3	-307
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	-1,069	515	-962
Exceptional items	€th			
Other operating cash flows	€th	545	109	25.4
Total operating cash flows	€th	-1,635	501	4,129
Capital expenditure	€th	-2,762	-2,036	-2,522
Total investment flows	€th	-2,782	-2,036	-2,522
Net interest expense	€th	-423	-350	-298
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	3,660	9,545	0.00
Total financial flows	€th	4,605	8,405	-298
Change in cash position	€th	189	6,870	1,309
Free cash flow (pre div.)	€th	-4,819	-1,885	1,309

Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Th	60,741	170,328	170,328
Number of diluted shares (average)	Th	50,616	117,223	171,445
Benchmark EPS	€	-0.05	-0.01	0.02
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.48	40%	■ KUKA
NAV/SOTP per share	€ 0.34	40%	
P/E	€ 0.34	5%	
EV/Ebitda	€ 0.49	5%	
P/Book	€ 0.31	5%	
Dividend Yield	€ 0.00	5%	
TARGET PRICE	€ 0.39	100%	

NAV/SOTP Calculation

Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€th	151	149	148
Total intangible	€th	6,112	7,321	8,764
Tangible fixed assets	€th	860	1,004	1,183
Financial fixed assets	€th		4,068	4,068
WCR	€th	1,614	1,537	1,844
Other assets	€th	6,006	5,303	4,932
Total assets (net of short term liab.)	€th	15,119	19,787	21,371
Ordinary shareholders' equity	€th	9,212	20,677	23,427
Quasi Equity & Preferred	€th			
Minority interests	€th	-493	-296	-355
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	40.0	60.0	69.0
Total provisions for risks and liabilities	€th	40.0	60.0	69.0
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	1,291	1,937	2,130
Net debt (cash)	€th	5,069	-2,591	-3,900
Total liab. and shareholders' equity	€th	15,119	19,787	21,371

Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€th	8,586	13,930	15,858

Profits & Risks Ratios

		12/19A	12/20E	12/21E
ROE (after tax)	%	-29.6	-8.26	12.0
ROCE	%	-25.6	-6.41	17.8
Gearing (at book value)	%	41.2	5.99	-13.9
Adj. Net debt/EBITDA(R)	x	-3.01	12.9	-0.73
Interest cover (x)	x	-7.43	-3.65	13.5

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	-3.50	-30.3	20.7
Free cash flow yield	%	-44.6	-3.47	2.41
P/Book	x	1.17	2.63	2.32
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€th	10,804	54,335	54,335
+ Provisions	€th	40.0	60.0	69.0
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	5,069	-2,591	-3,900
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th		4,068	6,712
+ Minority interests (fair value)	€th	1,479	887	1,065
= EV	€th	17,392	48,623	44,856
EV/EBITDA(R)	x	-10.3	ns	8.35
EV/Sales	x	2.45	7.19	2.56

Analyst : Hugo Paternoster, Changes to Forecasts : 14/10/2020.