



# Drone Volt

Aersp. &amp; Defence Equipt. / France

## Ambivalent Q3 results

Earnings/sales releases - 20/10/2023

Drone Volt released a mixed Q3 trading update with sales below expectations due to supply tensions in the distribution business although a favourable revenue mix allowed the company to post a significant improvement in profitability. The company looks well on the way to achieving its doubling of sales objective for FY23 underpinned by strong dynamism for its new Drone Volt Expert offer.

### Fact

- Sales declined by 23% compared to last year from €3.9m to €3.1m.
- DRONE VOLT FACTORY, SERVICES & ACADEMY was very dynamic with a 5-fold sales increase yoy from €0.09m to €0.51m. Distribution declined by 34% from €3.9m to €2.5m.
- The gross margin result increased by 27% from €0.56m to €0.71m, implying a 23% gross margin (Q3 22: 14%).
- Outlook confirmed for FY23

### Analysis

#### Geopolitical side effects

Sales seem to be being affected by Chinese restrictions on commercial drone selling to Europe (DJI is the number one player in commercial drones with 70-90% market share depending on the studies) to avoid use on the Ukrainian battlefield. The tensions seem uneven, as the company had already logged sales of €1m during the first two weeks of October. However, the new Drone Volt Expert offer is very dynamic, supporting the firm's target of doubling its revenue for the first nine months to €19m (9M 22: €8m).

#### Impressive profit margins

This higher proportion of value-added services in the revenue mix led to an improvement in profitability, with chunky gross margins for the new Drone Volt Expert offer, the whole DRONE VOLT FACTORY, SERVICES & ACADEMY division thus seeing a 61% gross margin compared to only 17% a year ago. The gross margin also improved slightly in the distribution activity from 14% to 15%, allowing the firm to report a 29% increase in gross profit to €2.5m (9M 22: €1.9m).

#### Good prospects for Q4 23 and beyond

The company is still aiming to double its sales in FY23 (already achieved in the first 9 months) despite the likely non-completion of its historical €20m distribution contract (still €7m to complete). Indeed, the company is present in many exhibitions to showcase its products and will notably present a new innovation for safety purposes called Drone Volt Kobra in November, representing a new growth opportunity for 2024.

### Impact

We will adjust slightly our estimates for 2023 to take into account the new trend in sales and profitability.

**Alexandre DESPREZ**

aerospacedefence@alphavalue.eu

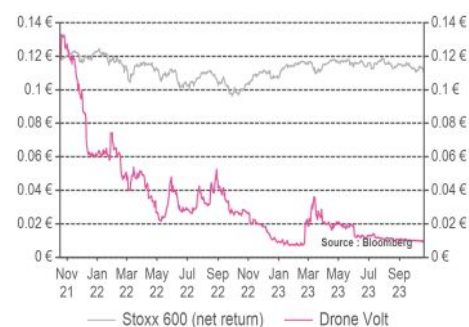
+33 (0) 1 70 61 10 50

corporate.alphavalue.com

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: 85.3%

Target Price (6 months)	€ 0.02
Share Price	€ 0.01
Market Cap. €M	13.5
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	0.01 ▶ 0.04
Sustainability score	5.1 / 10
Credit Risk	C ↗
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

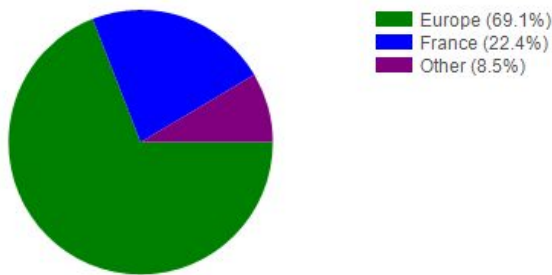
[Download Full Analysis](#)[Company Page](#)

PERF	1w	1m	3m	12m
Drone Volt	-7.22%	-9.09%	-24.4%	-65.5%
Aerospace-Defence	-2.10%	-2.83%	1.40%	36.4%
STOXX 600	-3.06%	-3.68%	-4.81%	10.6%

Last updated: 18/09/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-0.76	-5.00	ns	3.91
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.95	-16.6	19.6	2.76
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	-107	3,460
ROE (after tax) (%)	-89.5	-8.48	-0.45	15.4
Gearing (%)	0.36	0.41	-11.4	-10.1

[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
<b>EBITDA(R) margin</b>	%	<b>-20.4</b>	<b>-3.13</b>	<b>2.65</b>
Depreciation	€th			
Underlying operating profit	€th	-4,960	-3,302	-1,410
<b>Operating profit (EBIT)</b>	<b>€th</b>	<b>-22,039</b>	<b>-3,088</b>	<b>-1,171</b>
Net financial expense	€th	-108	-215	-202
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	-4,174	623	343
Equity associates	€th			
Minority interests	€th	837	879	923
<b>Adjusted attributable net profit</b>	<b>€th</b>	<b>-21,284</b>	<b>-1,802</b>	<b>-107</b>
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	343
Exceptional items	€th			
Other operating cash flows	€th	3,188	100	100
Total operating cash flows	€th	-4,286	-1,092	2,480
Capital expenditure	€th	-3,350	-4,000	-3,960
Total investment flows	€th	-5,087	-3,800	-3,960
Net interest expense	€th	-108	-215	-202
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	0.00	12,100	0.00
Total financial flows	€th	3,737	12,037	598
Change in cash position	€th	-5,636	7,145	-882
<b>Free cash flow (pre div.)</b>	<b>€th</b>	<b>-7,744</b>	<b>-5,307</b>	<b>-1,682</b>

## Per Share Data

		12/22A	12/23E	12/24E
No. of shares net of treas. stock (year...)	Th	495,781	1,502,259	1,502,259
Number of diluted shares (average)	Th	431,887	1,000,137	1,503,376
<b>Benchmark EPS</b>	<b>€</b>	<b>-0.05</b>	<b>0.00</b>	<b>0.00</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	€ 0.02	35%	
NAV/SOTP per share	€ 0.03	20%	
EV/Ebitda	€ 0.01	20%	
P/E	€ 0.00	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
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>17,818</b>	<b>24,669</b>	<b>22,452</b>
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	0.00
Other liabilities	€th	182	200	220
<b>Net debt (cash)</b>	<b>€th</b>	<b>3,597</b>	<b>-3,396</b>	<b>-1,714</b>
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
<b>ROE (after tax)</b>	%	<b>-89.5</b>	<b>-8.48</b>	<b>-0.45</b>
ROCE	%	-34.6	-20.7	-9.33
<b>Gearing (at book value)</b>	%	<b>0.36</b>	<b>0.41</b>	<b>-11.4</b>
Adj. Net debt/EBITDA(R)	x	-1.29	3.56	-1.91
Interest cover (x)	x	-45.9	-15.4	-6.99

## Valuation Ratios

		12/22A	12/23E	12/24E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-0.76</b>	<b>-5.00</b>	<b>ns</b>
Free cash flow yield	%	-41.9	-39.3	-12.4
P/Book	x	1.04	0.55	0.60
<b>Dividend yield</b>	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

		12/22A	12/23E	12/24E
Market cap	€th	18,473	13,520	13,520
+ Provisions	€th	157	106	122
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,475	-3,524	-1,849
+ 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	15,870	17,593
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-9.95</b>	<b>-16.6</b>	<b>19.6</b>
EV/Sales	x	2.03	0.52	0.52

Analyst : Alexandre DESPREZ, Changes to Forecasts : 18/09/2023.