



Drone Volt

Aersp. & Defence Equipt. / France

FY22: Take-off to double turnover

Earnings/sales releases - 11/04/2023

The 2022 earnings were hurt by Drone Volt's troubled US partner, Aquiline. This led Drone Volt to write down of the related activities and its shareholding for a combined €16m and book a whopping €26m loss. The balance sheet nonetheless remains healthy and the outlook for 2023 is encouraging, with a trading type order of €20m with decent margins. Opportunistic 2022 acquisitions and the launch of new products also bode well.

Fact

- FY22 sales stood at €13.7m, a 59% increase yoy and 93% increase vs the pre-COVID-19 levels
- The FY22 gross result stood at €2.9m (21% of sales), 5% above the preliminary release in January 23 and a 3% erosion yoy
- FY22 EBIT collapsed to €-22m, vs €-2.7m a year earlier
- The FY22 net result plunged to €-26.3m (mainly due to the 100% provisioning of the various exposures to Aquiline Drones) vs €-1.2m in FY21
- Shareholders' equity stood at €15.8m
- SKYTOOLS, acquired in early 2022 and more focused on training, contributed c.€1.1m to total sales

Analysis

The final 2022 results published on 15 March posted a disappointing net result at €-26.3m owing to the provisioning of doubtful receivables on royalty income (€15.1m) and 2/3rd of the c.15% of AQUILINE DRONE (€1.7m). AQUILINE DRONE, a US partner seen, back in 2020, as an ambitious start up in the US drone market failed to deliver on its promises. Drone Volt suspended the billing of production licenses to ACQUILINE DRONE and focused instead on the distribution of its HERCULES 20 in the USA, which seems to be more successful with 4 HERCULES 20 having been sold (invoiced and paid in full before delivery). The ambitious partnership mixing IP access and cross shareholding has now been unravelled and transformed, at a limited cash cost, into a de facto commercial agreement.

This aside and despite the Aquiline opportunity cost to the the top line, Drone Volt's revenue growth of 59% nevertheless came in above expectations.

Opex significantly increased to -€5.7m versus last year's -€3.8m, due to a rising wage bill (investment in development). However, Opex as a % of sales dropped to 42% from 44% in FY21. We expect costs to rise further, due to the acceleration in future investment, including increased participation to major international trade exhibitions (€400k already in 2022).

With postponed profit expectations, DRONE VOLT wisely wrote off a large part of the tax loss carry-forwards, generating a one-off tax charge of €4.2m.

Balance Sheet situation

Despite the negative net income in FY22, Drone Volt's balance sheet remained healthy enough with €15.8m of shareholders equity and net debt of €3.9m vs a net



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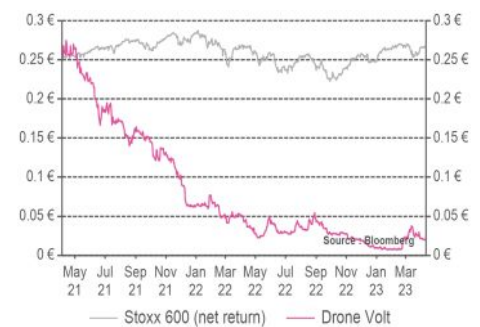
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Add Upside: 27.6%

Target Price (6 months)	€ 0.03
Share Price	€ 0.02
Market Cap. €M	12.6
Price Momentum	GOOD
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	-6.02%	-27.0%	116%	-57.4%
Aerospace-Defence	1.73%	2.68%	14.2%	29.6%
STOXX 600	0.90%	-0.36%	3.27%	0.65%

Last updated: 05/04/2023	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	ns	-0.72	-4.49	-15.8
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-86.6	-8.53	-17.1	23.0
Adjusted EPS (€)	0.00	-0.05	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)	8,617	13,736	29,000	31,516
Other margin (%)	48.9	20.1	16.5	21.2
Attributable net profit (€th)	5,551	-	-2,511	-794
ROE (after tax) (%)	19.5	-96.7	-16.7	-5.83
Gearing (%)	-6.87	2.98	24.0	22.5

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

cash position of c. €3.5m in FY21. In early 2023, through to its equity line contract with Atlas Special Opportunities (which ended in March 2023), Drone Volt raised a further €3m. As 2023 looks to be on a good footing, the group expects to access more traditional (and much less expensive) funding and improve its financial situation.

FY23 dominated by a large order.

2023 has started well with an order worth over €20m that could be raised to €25m if the first legs are well deployed which seems to be the case. This low-margin (distribution) order will enable Drone Volt to double its revenues and strengthen its financial position. This news has been echoed in the industry which is good to have on the marketing front. Details about the deal include the fact that a 10% deposit was paid and no penalties for delays. DroneVolt foresees no supply bottlenecks, with the parts coming from both China and Europe, and a smooth execution. While the margins are presumably modest (less than 10%), it nonetheless adds to the nominal weight of the group.

In December 2022, Hydro-Québec at last gave the thumbs up for the Linedrone deliveries (3 units) after concluding tests in real-life conditions. This is good news, although a year later than the initial planning. The Linedrone will allow the anticipation of power line disruptions (savings on otherwise missed power sales), cut human exposure to risk and reduce ecological costs (normally a helicopter is needed for this mission).

While Linedrone is a Hydro Quebec specific product, Drone Volt has also deployed a new line of wing-based drones (Heliplane) with long distance surveillance capabilities that may gain traction. Government agency orders are a possibility (not military) but this is unlikely to tip the balance in the near term.

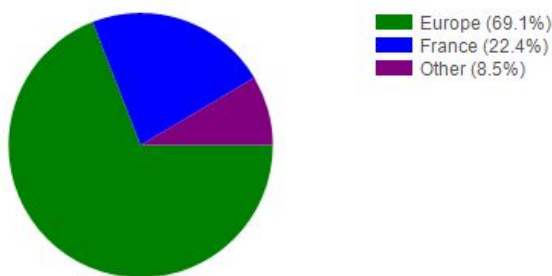
Among the new products expected to attract interest in 2023 is a hydrogen fuel cell-powered drone with a charging station for long flights. This project is the result of the collaboration with Roth2. This drone will be used for agricultural spraying, which is energy hungry and requires several recharges. An H2 recharge only takes a few minutes and flight time will be twice as long. Still H2 driven drones are work in progress as hydrogen tanks are heavy at the expense of the payload.

Drone Volt guides for the following revenues: €500k for Drone as a Service, between €4m-€5m for the Drone Volt Factory and €23m for distribution type sales. Positive surprises on the order front cannot be ruled out.

■ Impact

The unexpected €20m+ order is most welcome as it may generate an Ebit of €1m to €1.5m. The guidance from the manufacturing side with margins at c. 62% also gives hope that breakeven is not too far away. Having Drone Volt on a firm footing after so many years of strenuous efforts would open a new era, including on the funding side. We have adjusted our sales expectations and now expect 2023 turnover of €29m, vs c.€13m previously. Regarding net profit in 2023, our forecast remains unchanged at -€2.5m however, in 2024, we expect an improvement and have therefore adjusted our estimate from -€1.9m to -€0.7m.

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€th	8,617	13,736	29,000
Change in sales	%	47.7	59.4	111
Change in staff costs	%	-9.54	61.1	2.00
EBITDA	€th	-808	-3,023	-1,072
EBITDA(R) margin	%	-9.38	-22.0	-3.70
Depreciation	€th			
Underlying operating profit	€th	-3,115	-5,184	-3,344
Operating profit (EBIT)	€th	-2,705	-22,263	-3,130
Net financial expense	€th	172	-108	-201
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th	6,630		
Corporate tax	€th	1,276	-4,174	624
Equity associates	€th			
Minority interests	€th	178	187	196
Adjusted attributable net profit	€th	-1,079	-22,158	-2,511
NOPAT	€th	-2,336	-3,888	-2,508

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€th	-808	-3,023	-1,072
Change in WCR	€th	-5,747	712	1,039
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	1,532	-4,174	624
Exceptional items	€th			
Other operating cash flows	€th	-763	100	100
Total operating cash flows	€th	-5,786	-6,385	691
Capital expenditure	€th	-3,067	-3,159	-2,527
Total investment flows	€th	-7,359	-1,359	1,223
Net interest expense	€th	172	-108	-201
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	13,206	0.00	0.00
Total financial flows	€th	13,311	856	199
Change in cash position	€th	167	-6,888	2,112
Free cash flow (pre div.)	€th	-8,681	-9,652	-2,038

Per Share Data

		12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...	Th	365,758	491,308	616,465
Number of diluted shares (average)	Th	283,258	429,650	555,004
Benchmark EPS	€	0.00	-0.05	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	€ 0.07	20%	
EV/Ebitda	€ 0.00	20%	
P/E	€ 0.01	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.04	5%	
TARGET PRICE	€ 0.03	100%	

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	€th	152	166	164
Total intangible	€th	6,371	6,913	7,143
Tangible fixed assets	€th	923	1,006	1,036
Financial fixed assets	€th			
WCR	€th	4,085	3,373	2,334
Other assets	€th	7,850	2,497	2,572
Total assets (net of short term liab.)	€th	35,751	20,621	18,427
Ordinary shareholders' equity	€th	39,151	15,375	14,676
Quasi Equity & Preferred	€th			
Minority interests	€th	-1,155	-1,143	-1,132
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	101	105	121
Total provisions for risks and liabilities	€th	101	105	121
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	1,122	1,900	2,090
Net debt (cash)	€th	-3,468	4,384	2,672
Total liab. and shareholders' equity	€th	35,751	20,621	18,427

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€th	11,379	11,292	10,513

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	19.5	-96.7	-16.7
ROCE	%	-20.5	-34.4	-23.9
Gearing (at book value)	%	-6.87	2.98	24.0
Adj. Net debt/EBITDA(R)	x	4.29	-1.45	-2.49
Interest cover (x)	x	18.1	-48.0	-16.6

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	ns	-0.72	-4.49
Free cash flow yield	%	-12.4	-52.7	-16.3
P/Book	x	1.79	1.19	0.85
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€th	70,109	18,306	12,514
+ Provisions	€th	101	105	121
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-3,659	4,183	2,461
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	44.0	242	208
+ Minority interests (fair value)	€th	3,465	3,430	3,430
= EV	€th	69,972	25,783	18,318
EV/EBITDA(R)	x	-86.6	-8.53	-17.1
EV/Sales	x	8.12	1.88	0.63

Analyst : Mickael Daponte, Changes to Forecasts : 05/04/2023.