



Drone Volt

Aersp. & Defence Equipt. / France

Q3-22: massive momentum in distribution

Earnings/sales releases - 24/10/2022

Drone Volt has published strong revenue figures despite the loss of its licensing contract from Aquiline Drones. Its Distribution activity strongly outperformed our expectations, more than offsetting this headwind. Drone Volt looks well set to reach the €10m milestone, as the costs of participation in various shows are starting to pay off.

Fact

- 9M-22 sales stood at €7,972k, a 26% increase yoy.
- Distribution grew by 86% yoy while Drone Volt Factory sales dropped by 48%.
- The 9M gross margin dropped by 11 points yoy to 24%.
- LineDrone is expected to start generating revenues in FY23.
- Strong distribution volumes will enable Drone Volt to obtain more supplier discounts.
- Q3-22 SKYTOOLS sales amounted to €243k.

Analysis

While Aquiline Drone is on standby...

Drone Volt performed surprisingly well during this quarter. As a reminder, the group saw its licensing revenue from Aquiline Drone suspended last quarter, with no dates of resumption. Aquiline Drone is currently trying to fund its growth (through an IPO or other financing) and will not continue the partnership with Drone Volt until it has sufficient funds. The licensing contract alone represented 16% of H1-22 revenues and is 100% profit. Alone, this caused a 5-point decrease in the sales growth and cost 3 points of gross margin in the 9M results.

This left a significant dent in Drone Volt Factory activity which decreased by 48% yoy. The lower mix of Drone Volt Factory in total sales has logically resulted in a reduced gross margin, as the Distribution activity is less profitable. However, the positive surprise comes from the fact that Drone Volt has managed to grow its Drone Volt Factory gross margin without the licensing contract. It has managed to offset this headwind thanks to increased lucrative activities such as training and educating customers.

...Drone Volt has managed to find alternative customers

Drone Volt's participation in various shows is starting to pay-off. This has given the company the opportunity to meet new prospects and establish new business partnerships. Thanks to its strong execution history and positive commercial dynamic, Drone Volt has managed to sign a significant win in its Distribution business which resulted in this spectacular growth in Q3. Not only did this save the financial performance of the quarter, but it also opens up a new role for Drone Volt as a drone distributor. This suggests that it will have additional discounts from drone suppliers in the future (the largest one being DJI), which will enable the French company to compete in bids to which it has never before had access. Even though the Distribution activity is less lucrative than the Drone Volt Factory business, it is accretive for the gross profit and should not be disregarded.



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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: 33.5%

Target Price (6 months) € 0.04

Share Price € 0.03

Market Cap. €M 12.9

Price Momentum **UNFAVORABLE**

Extremes 12Months 0.02 ▶ 0.14

Sustainability score 5.7 /10

Credit Risk C →

Bloomberg ALDRV FP Equity

Reuters ALDRV.PA

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PERF	1w	1m	3m	12m
Drone Volt	8.89%	-15.3%	-20.8%	-78.6%
Aerospace-Defence	5.24%	5.88%	-2.28%	3.42%
STOXX 600	1.27%	-2.64%	-6.62%	-15.6%

Last updated: 12/10/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	ns	-3.46	-4.94	-6.76
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-86.6	-8.17	-35.7	11.4
Adjusted EPS (€)	0.00	-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)	8,617	10,111	12,478	14,213
Other margin (%)	48.9	36.9	47.9	52.7
Attributable net profit (€th)	5,551	-3,413	-2,596	-1,897
ROE (after tax) (%)	19.5	-8.66	-6.38	-4.57
Gearing (%)	-6.87	-6.58	-7.13	-10.3

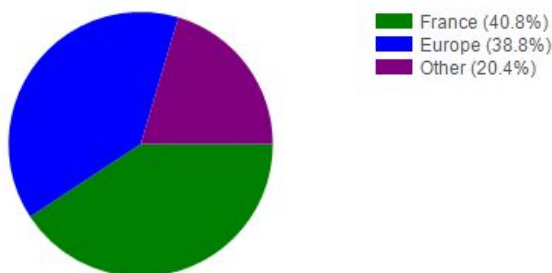
[Company Valuation](#) - [Company Financials](#)

In addition, distributing third party drones also enables Drone Volt to develop customer relationships. It will give Drone Volt the opportunity to propose its proprietary drone solutions, which are far more lucrative. It is thus a gateway to further commercial successes.

■ Impact

Drone Volt looks well set to achieve the €10m milestone, which would be its historical record. This is in-line with our expectations which stand at €10.1m. Though the Q4 is not expected to be as strong as Q3, there is a possibility for Drone Volt to beat our expectations. Overall, these sound results should restore confidence in the stock. We reiterate our Buy recommendation.

Sales by Geography



Consolidated P&L Accounts

	12/21A	12/22E	12/23E
Sales	€th 8,617	10,111	12,478
Change in sales	% 47.7	17.3	23.4
Change in staff costs	% -9.54	40.0	2.00
EBITDA	€th -808	-1,729	-328
EBITDA(R) margin	% -9.38	-17.1	-2.63
Depreciation	€th		
Underlying operating profit	€th -3,115	-4,560	-3,447
Operating profit (EBIT)	€th -2,705	-4,644	-3,533
Net financial expense	€th 172	-180	-209
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th 6,630		
Corporate tax	€th 1,276	1,224	949
Equity associates	€th		
Minority interests	€th 178	187	196
Adjusted attributable net profit	€th -1,079	-3,413	-2,596
NOPAT	€th -2,181	-3,192	-2,413

Cashflow Statement

EBITDA	€th -808	-1,729	-328
Change in WCR	€th -5,747	225	723
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th 1,532	1,224	949
Exceptional items	€th		
Other operating cash flows	€th -763	100	100
Total operating cash flows	€th -5,786	-180	1,445
Capital expenditure	€th -3,067	-3,159	-2,527
Total investment flows	€th -7,359	-1,359	1,223
Net interest expense	€th 172	-180	-209
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	784	191
Change in cash position	€th 167	-755	2,859
Free cash flow (pre div.)	€th -8,681	-3,519	-1,291

Per Share Data

No. of shares net of treas. stock (year...	Th 365,758	435,100	435,100
Number of diluted shares (average)	Th 283,258	401,546	436,217
Benchmark EPS	€ 0.00	-0.01	-0.01
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%	● KUKA
NAV/SOTP per share	€ 0.12	20%	
EV/Ebitda	€ 0.00	20%	
P/E	€ 0.01	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.06	5%	
TARGET PRICE	€ 0.04	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	3,860	3,136
Other assets	€th 7,850	8,557	8,813
Total assets (net of short term liab.)	€th 35,751	39,867	39,864
Ordinary shareholders' equity	€th 39,151	39,654	41,783
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	3,000	3,300
Net debt (cash)	€th -3,468	-1,749	-4,208
Total liab. and shareholders' equity	€th 35,751	39,867	39,864

Capital Employed

Capital employed after depreciation	€th 11,379	11,779	11,316
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Profits & Risks Ratios

ROE (after tax)	%	19.5	-8.66	-6.38
ROCE	%	-19.2	-27.1	-21.3
Gearing (at book value)	%	-6.87	-6.58	-7.13
Adj. Net debt/EBITDA(R)	x	4.29	1.01	12.8
Interest cover (x)	x	18.1	-25.4	-16.5

Valuation Ratios

Reference P/E (benchmark)	x	ns	-3.46	-4.94
Free cash flow yield	%	-12.4	-27.5	-10.1
P/Book	x	1.79	0.32	0.31
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	€th 70,109	12,792	12,792	
+ Provisions	€th 101	105	121	
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00	
+ Net debt at year end	€th -3,659	-1,950	-4,418	
+ 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	14,136	11,716	
EV/EBITDA(R)	x	-86.6	-8.17	-35.7
EV/Sales	x	8.12	1.40	0.94

Analyst : Romain Pierredon, Changes to Forecasts : 12/10/2022.