



# Drone Volt

Aersp. &amp; Defence Equipt. / France

## FY 24: A rapid strategic change undertaken

Earnings/sales releases - 16/01/2025

**Drone Volt unveiled a mixed FY24 trading update with a new sales record, despite the brake put on distribution sales in Q4, and announced one (potentially two) new dilutive financing operations to fund its production capacity growth. 2025 should be the year of EBITDA profitability, an enticing prospect for shareholders given that it should depend on a more resilient business model.**

### Fact

Sales for FY24 grew by 36% from €24.0m to €32.7m, falling short of our estimate of €39.4m.

The gross margin for FY24 increased by 10% from €3.7m to €4.0m, not meeting our expectations of €4.8m.

The company stated that the focus in 2025 will be to reach the objective of a positive EBITDA.

The company also announced the launch of two financing operations: a potentially dilutive €2m bond issuance and a €2.7m capital raising.

### Analysis

#### An abrupt change of course

The company almost stopped its distribution activities in Q4 (less than €500k of sales) to focus on the higher margin business (c.€1.5m) which was expected but we anticipated a smoother transition. The company managed to double the number of internal drones sold to 105 over the year thanks notably to the success of its best-seller Hercules 20.

The gross margin for FY24 grew by 10% from €3.7m to €4.0m, falling short of our expectations of €4.8m, as the company registered a small loss of c.€200k in distribution in Q4 that we did not foresee following this abrupt stop (explained by the desire to reduce WCR). However, the gross margin in DV factory, services and academy missed our expectations by only €70k, implying a small decline in margin rate over the FY from 55% to 53% when we saw a small increase.

#### All eyes on profitability

The company stated that the focus in 2025 will be to reach the objective of a positive EBITDA, that we expect to be reached thanks to the €400k cost-cutting program (up to €700k) but at the expense of sales growth given the strategic deceleration announced for the distribution activity. The potential mitigating factor on the top-line side could be the new Drone Volt Kobra with sales expected to materialize in 2025. The services business should also benefit from a pick-up in interest for externalized R&D offers.

#### Fresh money to support operations

The company also announced the launch of two financing operations to support the growth of the production capacity of its internal drones, with first a new capital raising (with subscription rights) of €2.7m with a price of €0.3 per share, a 33.33% discount compared to the stock price of €0.45 of yesterday's closure. 75% of the amount would be already secured.

The second financing operation is potentially more dilutive for shareholders, as the company borrowed €2m from Atlas Capital Markets with a 6% + Euribor3M rate, a

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### Buy Upside: 221%

Target Price (6 months) € 1.25

Share Price € 0.39

Market Cap. €M 9.92

Price Momentum **UNFAVORABLE**

Extremes 12 Months 0.33 ▶ 1.21

Sustainability score 5.4 /10

Credit Risk CC ↗

Bloomberg ALDRV FP Equity

Reuters ALDRV.PA

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PERF	1w	1m	3m	12m
Drone Volt	-16.9%	8.38%	-9.77%	-68.0
Aerospace-Defence	-0.42%	0.95%	8.26%	27.5
STOXX 600	0.26%	-0.16%	-1.07%	8.61

Last updated: 03/12/2024	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	-2.48	-2.54	-4.07	6.58
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-11.8	-14.9	14.5	3.03
Adjusted EPS (€)	-0.53	-0.26	-0.10	0.06
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	23,993	39,372	44,395	49,985
Other margin (%)	15.3	12.2	18.1	24.9
Attributable net profit (€th)	-5,329	-5,203	-2,432	1,507
ROE (after tax) (%)	-26.3	-22.3	-10.3	6.07
Gearing (%)	16.1	18.8	23.5	17.0

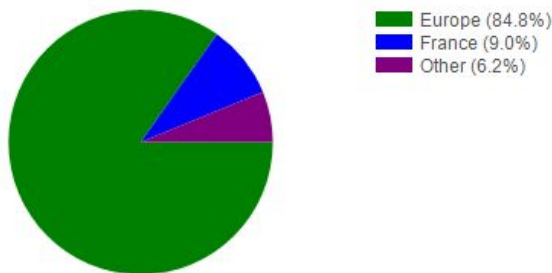
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rather attractive rate but with the possibility to transform the 2.000 bonds forming this debt issuance in bond redeemable in cash and shares if authorized by the AGM before February 28th. Otherwise, this €2m amount could be redeemed immediately, showing that the intention might be to use the bonds as a bridge loan.

#### ■ Impact

We will integrate these figures into our model, which should result in a decrease in our target price given the lower turnover realised and expected on the distribution side compared to our previous estimates and the dilutive financing operations. Nevertheless, our positive stance on the stock should not change as the company is close to EBITDA profitability and its business model should become more resilient with the focus on the high-margin services business, notably.

## Sales by Geography



## Consolidated P&L Accounts

		12/23A	12/24E	12/25E
Sales	€th	23,993	39,372	44,395
Change in sales	%	74.7	64.1	12.8
Change in staff costs	%	29.6	18.0	12.2
EBITDA	€th	-2,245	-1,657	1,293
<b>EBITDA(R) margin</b>	%	<b>-9.36</b>	<b>-4.21</b>	<b>2.91</b>
Depreciation	€th			
Underlying operating profit	€th	-4,816	-4,413	-1,814
<b>Operating profit (EBIT)</b>	<b>€th</b>	<b>-5,286</b>	<b>-5,213</b>	<b>-2,649</b>
Net financial expense	€th	-211	-201	-277
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	-544	-536	-290
Equity associates	€th			
Minority interests	€th	712	748	785
<b>Adjusted attributable net profit</b>	<b>€th</b>	<b>-5,329</b>	<b>-5,203</b>	<b>-2,432</b>
NOPAT	€th	-3,612	-3,310	-1,361

## Cashflow Statement

		12/23A	12/24E	12/25E
EBITDA	€th	-2,245	-1,657	1,293
Change in WCR	€th	-1,792	-1,931	668
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	534	-536	-290
Exceptional items	€th			
Other operating cash flows	€th	-844	100	100
Total operating cash flows	€th	-4,347	-4,024	1,771
Capital expenditure	€th	-4,351	-3,916	-3,524
Total investment flows	€th	-5,088	-3,916	-3,524
Net interest expense	€th	-211	-201	-277
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	5,889	6,625	1,500
Total financial flows	€th	8,629	8,782	3,223
Change in cash position	€th	-806	842	1,470
<b>Free cash flow (pre div.)</b>	<b>€th</b>	<b>-8,909</b>	<b>-8,141</b>	<b>-2,030</b>

## Per Share Data

		12/23A	12/24E	12/25E
No. of shares net of treas. stock (year...	Th	15,017	25,519	25,549
Number of diluted shares (average)	Th	9,993	20,268	25,534
<b>Benchmark EPS</b>	<b>€</b>	<b>-0.53</b>	<b>-0.26</b>	<b>-0.10</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	€ 2.08	35%	
NAV/SOTP per share	€ 1.53	20%	
EV/Ebitda	€ 0.78	20%	
P/E	€ 0.19	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.78	5%	
<b>TARGET PRICE</b>	<b>€ 1.25</b>	<b>100%</b>	

### NAV/SOTP Calculation

## Balance Sheet

		12/23A	12/24E	12/25E
Goodwill	€th	685	706	727
Total intangible	€th	9,918	10,453	11,017
Tangible fixed assets	€th	1,342	1,382	1,424
Financial fixed assets	€th			
WCR	€th	1,736	3,667	2,999
Other assets	€th	5,403	5,565	5,732
Total assets (net of short term liab.)	€th	24,106	26,834	26,999
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>22,706</b>	<b>23,906</b>	<b>23,461</b>
Quasi Equity & Preferred	€th			
Minority interests	€th	-2,704	-2,677	-2,650
Provisions for pensions	€th	63.0	0.00	0.00
Other provisions for risks and liabilities	€th	292	336	386
Total provisions for risks and liabilities	€th	355	336	386
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	23.0	25.3	27.8
<b>Net debt (cash)</b>	<b>€th</b>	<b>3,728</b>	<b>5,244</b>	<b>5,774</b>
Total liab. and shareholders' equity	€th	24,108	26,834	26,999

## Capital Employed

		12/23A	12/24E	12/25E
Capital employed after depreciation	€th	12,996	15,502	15,440

## Profits & Risks Ratios

		12/23A	12/24E	12/25E
<b>ROE (after tax)</b>	%	<b>-26.3</b>	<b>-22.3</b>	<b>-10.3</b>
ROCE	%	-27.8	-21.4	-8.81
<b>Gearing (at book value)</b>	%	<b>16.1</b>	<b>18.8</b>	<b>23.5</b>
Adj. Net debt/EBITDA(R)	x	-1.82	-3.37	4.76
Interest cover (x)	x	-22.8	-22.0	-6.54

## Valuation Ratios

		12/23A	12/24E	12/25E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-2.48</b>	<b>-2.54</b>	<b>-4.07</b>
Free cash flow yield	%	-44.8	-48.9	-20.5
P/Book	x	0.87	0.70	0.42
<b>Dividend yield</b>	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

		12/23A	12/24E	12/25E
Market cap	€th	19,867	16,647	9,913
+ Provisions	€th	355	336	386
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,676	5,189	5,717
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	208	177	
+ Minority interests (fair value)	€th	2,704	2,704	2,704
= EV	€th	26,394	24,700	18,720
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-11.8</b>	<b>-14.9</b>	<b>14.5</b>
EV/Sales	x	1.10	0.63	0.42

Analyst : Alexandre Desprez, Changes to Forecasts : 03/12/2024.