



Drone Volt

Aersp. & Defence Equipt. / France

Could the French government be a new major customer?

Significant news - 18/05/2022

Drone Volt has announced the delivery of 2 Hercules 20 drones to the French Navy. The contract is small but could be the start of an important business relationship. Given the expected steady increase in the French military budget, there is no doubt the French Navy has the cash to make significant orders if it is convinced by Drone Volt's solutions. This contract followed the creation of a JV to improve its hydrogen technology.

Fact

- The French Navy has ordered 2 Hercules 20 drones.
- The objective of this drone will be to drop or deposit material from one location to another. It will be mainly used at sea, where conditions can be harsh, and a drone seems like the most efficient transportation solution.
- It is an experiment which could lead to a mega-contract.
- Drone Volt has created a JV with Pragma Industries to build hydrogen-fuelled drones.
- Hydrogen would enable the Hercules 20 to fly for an hour with a 10kg charge and the Heliplane to fly for 3 hours with a 2kg charge.
- There will be an exchange in capital of 10% with Pragma Industries. To achieve this, Drone Volt will perform a capital increase which could dilute existing shares by 16%.

Analysis

A potential customer with cash

Drone Volt has significantly progressed on its technology, with a broad product portfolio which could answer many needs. Its recent acquisitions are strengthening its technology, with new drones through Aerialtronics, new software/connectivity functions through Viking Drone, new aftermarket services from SkyTools and, most recently, new hydrogen solutions through its JV with Pragma Industries. Though we believe its drones perfectly suit certain niche markets, its main issue is to gain customers. Its largest revenue provider is Aquiline Drones, but the latter is lacking cash as it is investing massively on its drone eco-system. Its planned IPO could soon change the situation but, for the time being, it is a headwind for Drone Volt's cash generation.

If Drone Volt manages to convince the French Navy of the utility of its Hercules 20 drones, it would unlock a massive cash potential. Governments are the most reliable customers, and the increased military spending announced in France could lead to investments in new technologies. A small contract from the Navy could represent a change in dimension for Drone Volt. In addition, it is improving the time of flight of its drones thanks to the hydrogen partnerships, which we believe could be a determining factor for the French government. If Drone Volt reaches the 60 minutes of time to fly with a 10kg charge, it would be significantly better than the performance of existing peers, as the table below indicates.



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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: 202%

Target Price (6 months)	€ 0.08
Share Price	€ 0.03
Market Cap. €M	10.3
Price Momentum	NEGATIVE
Extremes 12Months	0.02 ▶ 0.23
Sustainability score	4.4 /10
Credit Risk	C ↗
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA



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PERF	1w	1m	3m	12m
Drone Volt	9.44%	-30.1%	-55.3%	-89.0%
Aerospace-Defence	3.52%	-1.67%	1.46%	11.4%
STOXX 600	4.44%	-4.53%	-5.51%	-0.75%

Last updated: 24/03/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	ns	-8.77	-16.7	ns
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-82.2	-77.1	2.00	-0.39
Adjusted EPS (€)	0.00	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)	8,617	11,515	14,197	17,052
Other margin (%)	48.9	51.0	57.0	63.8
Attributable net profit (€th)	5,551	-1,118	-613	-11.7
ROE (after tax) (%)	19.5	-2.88	-1.52	-0.03
Gearing (%)	-6.87	-9.11	-13.9	-22.8

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

<i>Drones</i>	<i>Charge (in Kg)</i>	<i>Time of flight (in min)</i>
<i>Drone Volt Hercules 20</i>	10	60
<i>Onyxstar Hydra-12</i>	7	15
<i>Freefly Systems Alta 8</i>	10	22

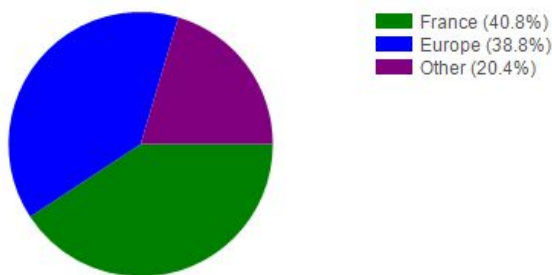
In addition, for sovereignty reasons, it is crucial to select a French company for military missions. The Hercules 20 drone seems like a perfect fit.

Hydrogen technology could cost shareholders

Hydrogen has significant added value in terms of time of flight and carbon emissions. However, the JV with Pragma Industries involves another dilution of profits for current shareholders. Drone Volt will increase the number of shares by 18%, which would lead to a maximum dilution of 16%. According to these estimates, Pragma Industries would own a stake in Drone Volt of 15% over time, as the capital increases are expected to be made progressively from 5 May to 18 November. However, according to French regulations, Pragma Industries does not have the right to hold more than 10% of Drone Volt's capital at a given time. Pragma Industries will be forced to sell shares, which will put pressure on Drone Volt's stock price.

On the positive side, Drone Volt is also expected to get 10% of Pragma Industries which is preparing its IPO on Euronext. Depending on the course of the stock price and on the timing of when Drone Volt acquires the 10% of capital, there could be some gains. This could partially offset the impact of the dilution for shareholders.

Sales by Geography



Consolidated P&L Accounts

	12/21A	12/22E	12/23E
Sales	€th 8,617	11,515	14,197
Change in sales	% 47.7	33.6	23.3
Change in staff costs	% -9.54	7.89	10.2
EBITDA	€th -808	-66.1	1,213
EBITDA(R) margin	% -9.38	-0.57	8.54
Depreciation	€th		
Underlying operating profit	€th -3,115	-2,369	-1,342
Operating profit (EBIT)	€th -2,705	-2,453	-1,428
Net financial expense	€th 172	-176	-203
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th 6,630		
Corporate tax	€th 1,276	1,324	822
Equity associates	€th		
Minority interests	€th 178	187	196
Adjusted attributable net profit	€th -1,079	-1,118	-613
NOPAT	€th -2,181	-1,658	-940

Cashflow Statement

	12/21A	12/22E	12/23E
EBITDA	€th -808	-66.1	1,213
Change in WCR	€th -5,747	447	702
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th 1,532	1,324	822
Exceptional items	€th		
Other operating cash flows	€th -763	-100	-100
Total operating cash flows	€th -5,786	1,605	2,637
Capital expenditure	€th -3,067	-3,159	-2,527
Total investment flows	€th -7,359	-1,359	1,223
Net interest expense	€th 172	-176	-203
Dividends (parent company)	€th		
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 13,206	0.00	1,000
Total financial flows	€th 13,311	588	1,297
Change in cash position	€th 167	834	5,156
Free cash flow (pre div.)	€th -8,681	-1,730	-93.7

Per Share Data

	Th	365,758	400,980	400,980
No. of shares net of treas. stock (year...				
Number of diluted shares (average)	Th	283,258	384,486	402,097
Benchmark EPS	€	0.00	0.00	0.00
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.10	35%	• KUKA
NAV/SOTP per share	€ 0.15	20%	
EV/Ebitda	€ 0.04	20%	
P/E	€ 0.01	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.05	5%	
TARGET PRICE	€ 0.08	100%	

NAV/SOTP Calculation

Balance Sheet

	12/21A	12/22E	12/23E
Goodwill	€th 152	150	149
Total intangible	€th 6,371	6,494	6,714
Tangible fixed assets	€th 923	951	979
Financial fixed assets	€th		
WCR	€th 4,085	3,638	2,936
Other assets	€th 7,850	7,458	7,085
Total assets (net of short term liab.)	€th 35,751	35,104	34,452
Ordinary shareholders' equity	€th 39,151	38,446	42,300
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	1,234	1,358
Net debt (cash)	€th -3,468	-3,538	-8,195
Total liab. and shareholders' equity	€th 35,751	35,104	34,452

Capital Employed

	12/21A	12/22E	12/23E
Capital employed after depreciation	€th 11,379	11,082	10,629

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	19.5	-2.88	-1.52
ROCE	%	-19.2	-15.0	-8.84
Gearing (at book value)	%	-6.87	-9.11	-13.9
Adj. Net debt/EBITDA(R)	x	4.29	53.5	-6.76
Interest cover (x)	x	18.1	-13.5	-6.61

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	ns	-8.77	-16.7
Free cash flow yield	%	-12.4	-16.9	-0.92
P/Book	x	1.79	0.27	0.24
Dividend yield	%	0.00	0.00	0.00

EV Calculation

	12/21A	12/22E	12/23E	
Market cap	€th 70,109	10,225	10,225	
+ Provisions	€th 101	105	121	
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00	
+ Net debt at year end	€th -3,659	-3,739	-8,405	
+ Leases debt equivalent	€th 0.00	0.00	0.00	
- Financial fixed assets (fair value)	€th 3,580	4,922	2,947	
+ Minority interests (fair value)	€th 3,465	3,430	3,430	
= EV	€th 66,436	5,099	2,424	
EV/EBITDA(R)	x	-82.2	-77.1	2.00
EV/Sales	x	7.71	0.44	0.17

Analyst : Romain Pierredon, Changes to Forecasts : 24/03/2022.