



Drone Volt

Aersp. & Defence Equipt. / France

Drone Volt ready for new growth phase

Earnings/sales releases - 26/03/2024

Drone Volt announced yesterday its audited FY23 figures, confirming an improvement in profitability despite experiencing several external headwinds.

Fact

Sales had already been announced at €23.993m, a 75% increase compared to last year.

The gross margin was revised slightly upwards to €3.673m, increasing by 27% compared to last year and above the previous estimate of €3.394m

EBIT also improved substantially from €-22.039m to €-5.287m although it came in lower than our estimate of €-4.434m as we had forecast lower depreciation levels notably.

As a result the net result came in lower than our estimate at €-6.042m from €-26.321m (AlphaValue estimate €-2.893m) due to a higher tax charge than we had expected.

Shareholders' equity stood at €20m, following 2 rounds of capital raising in 2023.

For 2024, sales and margins are expected to improve further as the company focuses on the commercial development of its drone as a service offer.

Analysis

A notable improvement in profitability

The improvement in the EBIT margin from -160% to -22% was firstly due to the high increase in sales as well as efforts on external charges that decreased slightly from €-3.8m to €-3.6m, a noticeable performance in this high growth context, mitigating the additional €0.55m personnel charge related to the recent acquisitions of Lorenz and Air Marine. The difference also came from last year's high provisions related to Aquiline drones (€-15.1m) which provided a favourable comparison base.

As a result the net result came in lower than our estimate at €-6.042m from €-26.321m (AlphaValue estimate €-2.893m) stemming from a write off of a small part of the tax loss carry-forwards, generating a one-off tax charge of €0.5m.

Strengthened financial profile

Net debt was stable at €3.7m at end-2023 (FY22: €3.6m), although the balance sheet has been strengthened since then by the €2.5m in capital raised in early 2024, preparing the company for a new phase of sales growth. The negative net income impact was already mitigated in 2023 by two capital raisings, improving shareholder's equity by c. €4.2m yoy.

Upbeat 2024 outlook

The group had already announced a month ago that it expected a doubling in sales (Q1 23: €1.6m) and gross margin (Q1 23: €0.32m) enabled by the delayed completion of the €20m distribution contract and also the good momentum in higher-margin services delivered in the US notably.

In 2024, sales growth should be driven by the geographical expansion of sales, in the Middle East via its new distribution partnership with an actor based there and, in Europe and Canada, for the drone as a service offer. Furthermore, the new European-produced Kobra drone should contribute in H2 24 as it caters to

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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: 149%

Target Price (6 months) € 0.02

Share Price € 0.01

Market Cap. €M 13.3

Price Momentum **NEGATIVE**

Extremes 12Months 0.01 ▶ 0.03

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	-8.43%	-14.6%	-19.1%	-69.4%
Aerospace-Defence	4.60%	13.7%	28.7%	56.1%
STOXX 600	1.17%	2.54%	6.75%	15.8%

Last updated: 29/01/2024	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-0.76	-4.69	ns	4.36
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.95	-8.67	31.4	3.10
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	23,865	29,050	35,736
Other margin (%)	21.1	14.4	19.0	24.0
Attributable net profit (€th)	25,484	-2,893	-129	3,052
ROE (after tax) (%)	-89.5	-14.2	-0.56	13.0
Gearing (%)	0.36	3.91	-8.77	-12.5

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

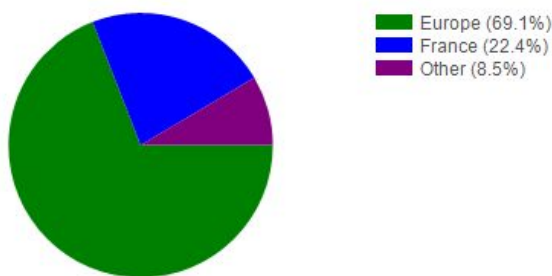
European police and armies' operational needs while meeting data security requirements.

The company stressed its commitment to maintaining cost discipline in 2024, by outsourcing part of the new business generated for its drone as a service offer to "ambassadors" (11 for now), while not sacrificing much the c.60% margin in these cases. At the same time, capex is expected to come down substantially (c. -50%) as the product offering (Linedrone, Hercules and particularly the new Kobra) is now completed. The company will thus exert its operating leverage and should enter into a virtuous circle as these effects continue in 2025, thereby bringing operational profitability ever closer.

■ Impact

Overall, this release shows that the worst is probably behind us for Drone Volt and operational profitability should now be in sight if the higher-margin sales ramp-up goes as planned. We shall nonetheless have to revise our 2023 profitability figures downwards as the actuals came in short of our expectations.

Sales by Geography



Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€th 13,736	23,865	29,050
Change in sales	% 59.4	73.7	21.7
Change in staff costs	% 61.1	20.0	4.68
EBITDA	€th -2,799	-2,810	536
EBITDA(R) margin	% -20.4	-11.8	1.84
Depreciation	€th		
Underlying operating profit	€th -4,960	-4,648	-1,439
Operating profit (EBIT)	€th -22,039	-4,434	-1,200
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	876	351
Equity associates	€th		
Minority interests	€th 837	879	923
Adjusted attributable net profit	€th -21,284	-2,893	-129
NOPAT	€th -3,720	-3,486	-1,080

Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€th -2,799	-2,810	536
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	876	351
Exceptional items	€th		
Other operating cash flows	€th 3,188	100	100
Total operating cash flows	€th -4,286	-2,695	2,126
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	2,476
Total financial flows	€th 3,737	12,037	3,075
Change in cash position	€th -5,636	5,542	1,241
Free cash flow (pre div.)	€th -7,744	-6,910	-2,036

Per Share Data

	12/22A	12/23E	12/24E
No. of shares net of treas. stock (year...)	Th 495,781	1,502,259	1,749,884
Number of diluted shares (average)	Th 431,887	1,000,137	1,627,189
Benchmark EPS	€ -0.05	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	€ 0.03	35%	
NAV/SOTP per share	€ 0.02	20%	
EV/Ebitda	€ 0.02	20%	
P/E	€ 0.02	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
Ordinary shareholders' equity	€th 17,818	23,067	22,971
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
Net debt (cash)	€th 3,597	-1,793	-2,234
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
ROE (after tax)	% -89.5	-14.2	-0.56
ROCE	% -34.6	-29.1	-9.52
Gearing (at book value)	% 0.36	3.91	-8.77
Adj. Net debt/EBITDA(R)	x -1.29	0.64	-4.17
Interest cover (x)	x -45.9	-21.6	-7.14

Valuation Ratios

	12/22A	12/23E	12/24E
Reference P/E (benchmark)	x -0.76	-4.69	ns
Free cash flow yield	% -41.9	-33.9	-15.3
P/Book	x 1.04	0.88	0.58
Dividend yield	% 0.00	0.00	0.00

EV Calculation

	12/22A	12/23E	12/24E
Market cap	€th 18,473	20,402	13,299
+ Provisions	€th 157	106	122
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00
+ Net debt at year end	€th 3,475	-1,921	-2,368
+ 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	24,354	16,852
EV/EBITDA(R)	x -9.95	-8.67	31.4
EV/Sales	x 2.03	1.02	0.58

Analyst : Alexandre DESPREZ, Changes to Forecasts : 29/01/2024.