



# Drone Volt

Aersp. & Defence Equipt. / France

## Q4 20: sharper COVID-19 impact though the dynamic is improving rapidly

Earnings/sales releases - 22/01/2021

Drone Volt has released its sales and margin figures for FY20 and Q4 20, which were somewhat disappointing on a FY basis compared to our estimates but demonstrated a promising momentum at both sales and the gross margin in Q4 20, boding well for 2021. On the commercial side, the momentum remained well oriented and the ramp-up of partnerships should strengthen this dynamic further.

### Fact

Q4 sales were €2.4m, up 28% yoy and + 82% qoq; this was especially due a solid recovery at DVF (up 32% qoq to €907k) and Distribution (up 26% to €1.5m).

On a full-year basis, revenues were €5.7m, down 20% yoy and below our estimates of €6.7m. The FY20 gross margin reached €1.7m, down 30%, below our estimates due to lower sales and a product mix effect with less training. However, we are pleased to see a strong recovery in the gross margin in Q4, which reached 35% thanks to cross-selling with Aquiline Drones (potentially replicable in subsequent quarters).

Going forward, Drone Volt sees a promising fiscal year 2021 which will be driven by: 1) the strong order pipeline; 2) the Aquiline Drone partnership ramp-up; and 3) the implementation of the partnership with Hydro Quebec.

Drone Volt also intends to sell 50% of its subsidiary Aerialtronics to Aquiline Drones, on a €15m valuation (vs €7m currently in our valuation).

### Analysis

#### Good recovery in Q4, but not enough to offset the impact of COVID-19

During Q4, sales momentum accelerated sharply, led by a good performance in Consumers sales and sustained activity at DVF. However, on a full-year basis, revenue fell short of our estimates on the back of a sharper COVID-19 impact on DVF sales (less training mainly due to social distancing) as well as to the delay of the upfront payment with respect to the transfer of know-how to Aquiline Drones. The upfront payment is \$450k to be paid in 2021 and is linked to the training of Aquiline Drones' teams which has been hampered by the sanitary constraints. We therefore estimate the Royalties business to have generated c. €254k (vs €660k in our model), as the DVF activities of selling drones and training would have fallen by 30% yoy to €1.9m (vs. €2.6m in our estimates), while Consumer sales stood in line with our estimates. This lower level of sales, coupled with the product mix at DVF, justifies a lower gross result, while the margin proved to be resilient and improved strongly in Q4 20 on the back of better operating efficiency at DVF. Therefore, a replicable performance going forward.

#### Good commercial dynamics and encouraging prospects for 2021

Despite the pandemic, the commercial activity remained buoyant, with promising prospects for the Hercules 2. In addition, the ramp-up of Aquiline Drones should strengthen this dynamic and trigger cross-selling since production delays in the US encourage Aquiline Drones to order directly from Drone Volt. Lastly, the Hydro Quebec partnership should kick-off in 2021 and we estimate sales of c.



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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: 39.6%

Target Price (6 months)	€ 0.37
Share Price	€ 0.27
Market Cap. €M	52.6
Price Momentum	<b>GOOD</b>
Extremes 12Months	0.06 ▶ 0.39
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA



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PERF	1w	1m	3m	12m
Drone Volt	-3.28%	-6.36%	-9.83%	137%
Aerospace-Defence	-3.46%	-0.54%	28.2%	-30.5%
STOXX 600	-0.27%	5.02%	13.9%	-2.95%

Last updated: 14/12/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	-3.44	-16.0	20.3	9.02
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.99	ns	7.20	2.62
Adjusted EPS (€)	-0.05	-0.01	0.01	0.03
Growth in EPS (%)	n/a	n/a	n/a	125
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	7,108	6,767	17,518	24,991
Other margin (%)	34.3	38.6	53.1	58.7
Attributable net profit (€th)	-2,570	-1,255	2,610	5,863
ROE (after tax) (%)	-29.6	-7.39	10.0	19.3
Gearing (%)	41.2	-3.17	-26.5	-30.5

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€2.1m from this (should sanitary constraints not be re-inforced in Canada).

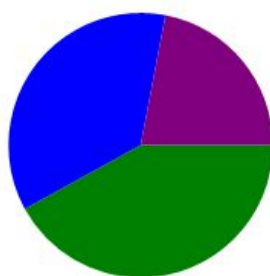
### **Enhancement of the Aerialtronics valuation**

The relationship with Aquiline Drones could be further re-inforced through the acquisition of a 50% stake in it, with a €15m valuation. As a reminder, we currently value Aerialtronics at €7m in our NAV, which could have (all things being equal) an impact of +€0.03 per share should the transaction take place.

### **■ Impact**

We will revise downwards our figures for 2020. This lower basis in 2020 would mean slight lower sales in both 2021 and 2022 though we expect an upward push on the margin in subsequent years thanks to the volume effect and cross-selling synergies. We maintain our Buy rating on the stock.

## Sales by Geography



Europe	(42.0%)
France	(36.0%)
Other	(22.0%)

## Consolidated P&L Accounts

		12/19A	12/20E	12/21E
Sales	€th	7,108	6,767	17,518
Change in sales	%	-4.22	-4.79	159
Change in staff costs	%	-27.5	-5.12	10.9
EBITDA	€th	-1,687	-200	5,373
<b>EBITDA(R) margin</b>	<b>%</b>	<b>-23.7</b>	<b>-2.96</b>	<b>30.7</b>
Depreciation	€th			
Underlying operating profit	€th	-3,143	-1,275	4,041
<b>Operating profit (EBIT)</b>	<b>€th</b>	<b>-3,468</b>	<b>-1,526</b>	<b>3,802</b>
Net financial expense	€th	-423	-378	-343
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	1,069	523	-950
Equity associates	€th			
Minority interests	€th	252	126	101
<b>Adjusted attributable net profit</b>	<b>€th</b>	<b>-2,570</b>	<b>-1,255</b>	<b>2,610</b>
NOPAT	€th	-2,200	-892	2,828

## Cashflow Statement

		12/19A	12/20E	12/21E
EBITDA	€th	-1,687	-200	5,373
Change in WCR	€th	576	77.3	-307
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	-1,069	523	-950
Exceptional items	€th			
Other operating cash flows	€th	545	109	25.4
Total operating cash flows	€th	-1,635	508	4,142
Capital expenditure	€th	-2,762	-2,036	-2,522
Total investment flows	€th	-2,782	-2,036	-2,522
Net interest expense	€th	-423	-378	-343
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	3,660	13,613	0.00
Total financial flows	€th	4,605	13,576	-343
Change in cash position	€th	189	12,049	1,276
<b>Free cash flow (pre div.)</b>	<b>€th</b>	<b>-4,819</b>	<b>-1,905</b>	<b>1,276</b>

## Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Th	60,741	198,523	198,523
Number of diluted shares (average)	Th	50,616	131,321	199,640
<b>Benchmark EPS</b>	<b>€</b>	<b>-0.05</b>	<b>-0.01</b>	<b>0.01</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	€ 0.39	35%	■ KUKA
NAV/SOTP per share	€ 0.31	20%	
EV/Ebitda	€ 0.53	20%	
P/E	€ 0.45	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.36	5%	
TARGET PRICE	€ 0.37	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/19A	12/20E	12/21E
Goodwill	€th	151	149	148
Total intangible	€th	6,112	7,321	8,764
Tangible fixed assets	€th	860	1,004	1,183
Financial fixed assets	€th		4,068	4,068
WCR	€th	1,614	1,537	1,844
Other assets	€th	6,006	5,303	4,932
Total assets (net of short term liab.)	€th	15,119	19,787	21,371
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>9,212</b>	<b>24,724</b>	<b>27,442</b>
Quasi Equity & Preferred	€th			
Minority interests	€th	-493	-296	-355
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	40.0	60.0	69.0
Total provisions for risks and liabilities	€th	40.0	60.0	69.0
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	1,291	1,937	2,130
<b>Net debt (cash)</b>	<b>€th</b>	<b>5,069</b>	<b>-6,638</b>	<b>-7,915</b>
Total liab. and shareholders' equity	€th	15,119	19,787	21,371

## Capital Employed

		12/19A	12/20E	12/21E
Capital employed after depreciation	€th	8,586	13,930	15,858

## Profits & Risks Ratios

		12/19A	12/20E	12/21E
<b>ROE (after tax)</b>	<b>%</b>	<b>-29.6</b>	<b>-7.39</b>	<b>10.0</b>
ROCE	%	-25.6	-6.41	17.8
<b>Gearing (at book value)</b>	<b>%</b>	<b>41.2</b>	<b>-3.17</b>	<b>-26.5</b>
Adj. Net debt/EBITDA(R)	x	-3.01	33.1	-1.47
Interest cover (x)	x	-7.43	-3.37	11.8

## Valuation Ratios

		12/19A	12/20E	12/21E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-3.44</b>	<b>-16.0</b>	<b>20.3</b>
Free cash flow yield	%	-45.4	-6.27	2.43
P/Book	x	1.15	1.23	1.92
<b>Dividend yield</b>	<b>%</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

		12/19A	12/20E	12/21E
Market cap	€th	10,619	30,389	52,609
+ Provisions	€th	40.0	60.0	69.0
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	4,703	-7,023	-8,318
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th		4,068	6,712
+ Minority interests (fair value)	€th	1,479	887	1,065
= EV	€th	16,841	20,245	38,713
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-9.99</b>	<b>ns</b>	<b>7.20</b>
EV/Sales	x	2.37	2.99	2.21

Analyst : Hugo Paternoster, Changes to Forecasts : 14/12/2020.