



Drone Volt

Aersp. & Defence Equipt. / France

H1 24: Encouraging trajectory

Earnings/sales releases - 12/07/2024

Drone Volt has announced its H1 24 sales and gross margin figures, which have come in higher than expected, especially on the top line, thanks to a €12m distribution contract. However, the company has announced a new capital increase to contend with this huge growth phase. We are confident that Drone Volt will achieve its guidance for 2024 and reiterate our Buy recommendation.

Fact

Sales grew by 49% to €23.6m thanks to a 45% increase in Distribution sales to €22.1m, notably (which is almost the same figure as in the full-year 2023).

The gross result grew by 43% to €2.5m, resulting in a gross margin decline yoy from 10% to 7%.

New capital increase of €1.28-2.15m, potentially diluting shareholders by 13-19%.

The group is confident that it will achieve its guidance of growing the gross margin and its recurrence.

Analysis

A surprising €12m distribution contract completed

Sales grew by 49% to €23.6m, thanks to a 45% increase in Distribution sales to €22.1m. This is almost the same figure as in the full-year 2023, thanks to "excellent relations" with the customer that generated the large €20m contract last year. Indeed, this customer had already generated €12m of sales for Drone Volt in the Q2 24, a pleasant surprise for us as we were bracing for a more complicated quarter on the top line.

Profitability underpinned by services

However, the gross margin grew by 43% to €2.5m, underpinned by the more-than -3-fold increase in the gross result from Drone Volt Factory, Services and Academy to €920m, offsetting the decrease in the gross margin of distribution from 10% to 7% as the large customer must have negotiated fiercely. This comforts us in our reading that the drone as a service offer is a game changer and where the future earnings growth will come from, whose profitability increased over the quarter thanks to harder missions realized, suggesting a differentiating know-how.

An improved relationship with the State

CEO Marc Courcelle recently met the current Armies Minister, Sébastien Lecornu and Drone Volt is a signatory of the Drone Pact, which streamlines relationships between the drone industry and the State. These two elements are major step-ups, as the company had been struggling to build relations with buyers within the State despite good relations with potential end-users (such as policemen). The good news is that there is a chance that Sébastien Lecornu will remain Minister if a centrist coalition emerges in the wake of general elections which led to no clear majority. Even if this is not the case, we do not think there will be a change in the recognition of the importance of drones in the next government as it seems to be a consensual topic among the different parties.

New capital increase

Drone Volt has announced a new capital increase with subscription rights that

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Buy Upside: 179%

Target Price (6 months) € 0.02

Share Price € 0.01

Market Cap. €M 11.7

Price Momentum **NEGATIVE**

Extremes 12Months 0.01 ▶ 0.01

Sustainability score 5.2 /10

Credit Risk CC ↗

Bloomberg ALDRV FP Equity

Reuters ALDRV.PA

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PERF	1w	1m	3m	12m
Drone Volt	-4.29%	-14.1%	-13.0%	-51.1%
Aerospace-Defence	-1.43%	-5.47%	-3.73%	38.4%
STOXX 600	0.38%	0.43%	2.97%	15.0%

Last updated: 29/01/2024	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-0.76	-4.69	ns	3.84
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.95	-8.67	28.5	2.78
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](#)

could raise net of commission between €1.28m and €2.15m (75-115% completion) with a price of €0.0065, a 15.58% discount compared to yesterday's closing share price (€0.0077). The dilution should be 13-19% for shareholders who do not subscribe to the offer. The company has secured commitments from 10 investors representing 75% of the operation for a commission of €170.7k (representing 6.52-10% of the capital raise depending on the success rate).

The amount raised will be used to finance the working capital requirements after the surprisingly high growth rate unveiled in the H1 results.

Positive outlook for the H2

The good relationship with the large customer is good news as it provides activity that monetizes the fixed cost base even though margins are lower. Moreover, the drone as a service offer only represents a little bit more than 1/3 of the divisional sales at the moment, which suggests there is more potential to increase this activity and profitability at the group level.

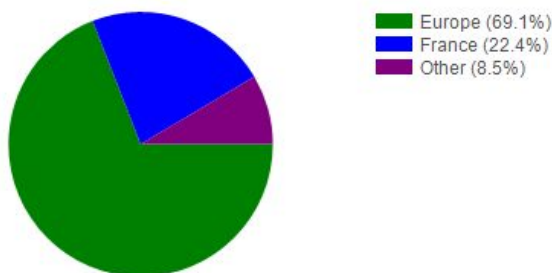
The European-built Kobra should also contribute towards the end of the year and benefit from the expansion in international markets (Middle East and Turkey recently announced), especially after gathering more than 100 prospects during Eurosatory, of which 90% are international.

Finally, the group has reiterated that cost control on the payrolls and R&D front should enable improved earnings and cash flow generation, thus making us confident it will comfortably achieve the guidance for 2024.

■ Impact

We will update our estimates to take into account the higher top-line growth, lower gross margin rate and the new capital increase, which may lead to a reduction in our target price.

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	€ 0.01	20%	
P/E	€ 0.01	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.01	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	-17.4
P/Book	x	1.04	0.88	0.51
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/22A	12/23E	12/24E
Market cap	€th	18,473	20,402	11,724
+ 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	15,277
EV/EBITDA(R)	x	-9.95	-8.67	28.5
EV/Sales	x	2.03	1.02	0.53

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