



Drone Volt

Aerosp. & Defence Equipt. / France

Decent Q3 results

Earnings/sales releases - 17/10/2024

Drone Volt released a rather good Q3 trading update, more than doubling its top line and posting a significant improvement in gross margins, despite being affected by a more unfavourable product mix. The outlook remains unchanged for 2024 and 2025, despite the desire to reduce the distribution share in the revenue mix going forward, marking confidence in the new activities. We thus reiterate our positive stance on the stock.

Fact

Sales grew by 139% compared to last year, from €3.1m to €7.3m.

DRONE VOLT FACTORY, SERVICES & ACADEMY was very dynamic with a 163% increase yoy, from €0.51m to €1.35m.

Distribution increased by 134% from €2.5m to €5.9m.

The gross margin only increased by 53% from €0.71m to €1.1m, implying a 15% gross margin (Q3 23: 23%).

The company reaffirmed its outlook for 2024 and 2025.

Analysis

Favourable base effect for revenues

The high growth figure was notably due to a favourable base as well as dynamic commercial traction in all the divisions. Indeed, in the Q3 23, Drone Volt experienced a 23% decline in sales, suffering from geopolitical side effects with Chinese restrictions on commercial drone selling to Europe. This was not the case this year with a huge contract for an important European customer.

Product mix unfavourable for margins

However, the gross margin slide was notably due to an unfavourable product mix leading to a rather disappointing 11pp decrease in the Drone Volt Factory, Services & Academy gross margin to €665k (Q3 23: €313k).

The group communicated more granularly on this division which was very welcome and we thus know that the fall in margins is linked to the commercial success of the Hercules 20 notably (42 units sold) following a significant order (40 units) in July 2024. This resulted in the high-margin services representing only 1/3 of the division's sales but still half of gross profits, which were in addition suffering from a seasonal effect with a usual drop in activity in sacred August.

Still on track for positive EBITDA generation

Against this decent backdrop, the company reaffirmed its objective of markedly increasing its gross margin for 2024 (which is already higher than the 2023 level) and to be EBITDA positive in 2025. However, the company mentioned that its distribution activity should slow starting in the Q4 24 due to the focus on high-margin business, which should thus not be interpreted as negative in our view and instead translate the management's confidence. It is underpinned by the success of a new type of contracts wherein Drone Volt personalizes existing drones for demanding customers and effectively outsources the R&D, as witnessed by a new Linedrone contract in October 2024. The desire to initiate a new phase was also visible this morning with the announcement of a reverse split (100 old shares for 1 new) that will be effective at the beginning of December 2024.

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This research has been commissioned and paid for by the company and does therefore not constitute an inducement caught by the prohibition under MiFID II

Buy Upside: 154%

Target Price (6 months)	€ 0.01
Share Price	€ 0.00
Market Cap. €M	10.7
Price Momentum	NEGATIVE
Extremes 12 Months	0.00 ▶ 0.01
Sustainability score	4.9 / 10
Credit Risk	DDD ↗
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

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PERF	1w	1m	3m	12m
Drone Volt	5.00%	-14.3%	-37.3%	-56.3
Aerospace-Defence	3.47%	3.90%	4.46%	38.1
STOXX 600	-0.09%	0.87%	0.44%	15.4

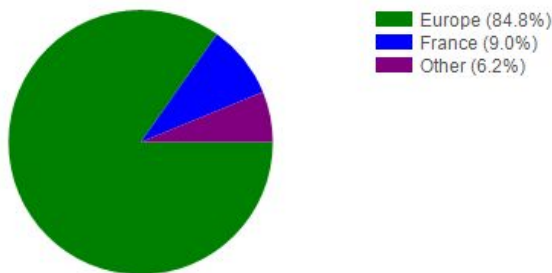
Last updated: 24/09/2024	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	-2.55	-1.62	-4.91	10.2
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.0	-12.5	12.6	3.41
Adjusted EPS (€)	-0.01	0.00	0.00	0.00
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	23,993	42,327	47,380	52,835
Other margin (%)	15.3	11.8	17.7	23.3
Attributable net profit (€th)	-5,329	-5,245	-2,309	1,174
ROE (after tax) (%)	-26.3	-22.4	-9.62	4.65
Gearing (%)	16.1	18.3	21.6	15.2

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

■ Impact

We will integrate the new figures into our model as well as the lower revenue stemming from distribution going forward, which will probably reduce our target price but should not change our positive recommendation on the stock due to the seemingly successful development of new revenue streams.

Sales by Geography



Consolidated P&L Accounts

		12/23A	12/24E	12/25E
Sales	€th	23,993	42,327	47,380
Change in sales	%	74.7	76.4	11.9
Change in staff costs	%	29.6	18.0	12.2
EBITDA	€th	-2,245	-1,489	1,613
EBITDA(R) margin	%	-9.36	-3.52	3.41
Depreciation	€th			
Underlying operating profit	€th	-4,816	-4,452	-1,703
Operating profit (EBIT)	€th	-5,286	-5,252	-2,538
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	-540	-279
Equity associates	€th			
Minority interests	€th	712	748	785
Adjusted attributable net profit	€th	-5,329	-5,245	-2,309
NOPAT	€th	-3,612	-3,339	-1,277

Cashflow Statement

		12/23A	12/24E	12/25E
EBITDA	€th	-2,245	-1,489	1,613
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	-540	-279
Exceptional items	€th			
Other operating cash flows	€th	-844	100	100
Total operating cash flows	€th	-4,347	-3,860	2,103
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	1,006	1,801
Free cash flow (pre div.)	€th	-8,909	-7,977	-1,699

Per Share Data

		12/23A	12/24E	12/25E
No. of shares net of treas. stock (year...)	Th	1,501,676	2,551,866	2,851,866
Number of diluted shares (average)	Th	999,287	2,026,771	2,701,866
Benchmark EPS	€	-0.01	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	€ 0.02	35%	
NAV/SOTP per share	€ 0.01	20%	
EV/Ebitda	€ 0.00	20%	
P/E	€ 0.00	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.01	5%	
TARGET PRICE	€ 0.01	100%	

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
Ordinary shareholders' equity	€th	22,706	24,070	23,956
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
Net debt (cash)	€th	3,728	5,080	5,279
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
ROE (after tax)	%	-26.3	-22.4	-9.62
ROCE	%	-27.8	-21.5	-8.27
Gearing (at book value)	%	16.1	18.3	21.6
Adj. Net debt/EBITDA(R)	x	-1.82	-3.64	3.51
Interest cover (x)	x	-22.8	-22.1	-6.14

Valuation Ratios

		12/23A	12/24E	12/25E
Reference P/E (benchmark)	x	-2.55	-1.62	-4.91
Free cash flow yield	%	-43.7	-74.4	-14.2
P/Book	x	0.90	0.45	0.50
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/23A	12/24E	12/25E
Market cap	€th	20,394	10,718	11,978
+ Provisions	€th	355	336	386
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,676	5,025	5,221
+ 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	26,921	18,606	20,289
EV/EBITDA(R)	x	-12.0	-12.5	12.6
EV/Sales	x	1.12	0.44	0.43

Analyst : Alexandre Desprez, Changes to Forecasts : 24/09/2024.