



Drone Volt

Aersp. & Defence Equipt. / France

Drone Volt confirms its annual targets after strong Q1-23 growth

Earnings/sales releases - 25/04/2023

Drone Volt has reported its Q1-23 results, which were in line with the Group's targets. Revenue reached €1.57m, a 10% decrease yoy, the latter being mainly related to the end of billing of Aquiline Drones for their use of DV's licenses. In early April, Drone Volt completed its initial deliveries for the + €20m order. The 2023 guidance has been reaffirmed, targeting a doubling in the 2022 revenue figure of €13.7m.

Fact

- The Q1-23 revenue figure amounted to €1.57m, representing a decrease of 10% compared to the Q1-22 revenue figure of €1.74m.
- The revenue generated by Drone Volt's Factory, Services & Academy segment in Q1-23 reached €291k, a YoY decline of 63%, primarily due to the adverse impact of Aquiline Drone.
- Distribution revenue reached €1.3m, reflecting a YoY growth rate of 34%, driven by the initial delivery worth €1m in April for the €20m order.
- The gross margin stood at 21%, which is a 15-point decrease from Q1-22. This was mainly attributed to the absence of licensing revenue from Aquiline Drone.
- The success of the Hercules 20 model in the United States market continued, with 6 units delivered, billed and paid for in Q1-23, compared to 4 units in Q1-22."

Analysis

Q1-23 at a glance

The last time we talked about Drone Volt was for the release of the FY22 revenue figures. The losses associated with Aquiline Drone seemed to overshadow the 2022 result, although this is all now behind Drone Volt and it is powering ahead for 2023.

While the headline revenue figure was down by 10% yoy at €1.57m, Drone Volt is poised for a healthy recovery, with its large distribution contract. The gross margin of the Drone Volt Factory segment decreased by 74% to €132k in Q1-23, mainly due to the end of the Aquiline Drone billing, while the gross margin of the distribution segment increased by 63% to €195k in Q1-23. The gross margin for Drone Volt Factory fell to 45%, down 19 points yoy, while the gross margin for distribution increased by 2 points to 15%.

The coming months

The first step is to deliver and invoice the rest of the €20m order. More intriguing is the fact that the Hercule 20 seems to have a market in the USA. Despite a rocky start, the slimmed down Aquiline Drone has proven to be an effective distributor for this model. During Q1-23, six Hercule 20 were delivered and paid for. Since the beginning of April, an additional four have been delivered and paid for, putting Drone Volt on track to exceed the 22 units sold in 2022.

Drone Volt is set to commercially launch two new offerings that will further expand

**Mickael DAPONTE**

aerospacedefence@alphavalue.eu

+33 (0) 1 70 61 10 50

corporate.alphavalue.com

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Add	Upside: 18.6%
Target Price (6 months)	€ 0.02
Share Price	€ 0.02
Market Cap. €M	22.5
Price Momentum	UNFAVORABLE
Extremes 12Months	0.01 ▶ 0.05
Sustainability score	5.8 /10
Credit Risk	C ↗
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

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PERF	1w	1m	3m	12m
Drone Volt	15.3%	-20.7%	174%	-41.7%
Aerospace-Defence	0.80%	7.32%	11.8%	28.3%
STOXX 600	0.46%	6.56%	3.44%	3.45%

Last updated: 24/04/2023	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	ns	-0.72	-6.45	-28.9
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-86.6	-9.54	-25.2	30.8
Adjusted EPS (€)	0.00	-0.05	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	13,736	29,500	33,016
Other margin (%)	48.9	20.1	16.2	20.5
Attributable net profit (€th)	5,551	-	-2,511	-776
ROE (after tax) (%)	19.5	-102	-17.8	-5.24
Gearing (%)	-6.87	16.1	28.3	11.9

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

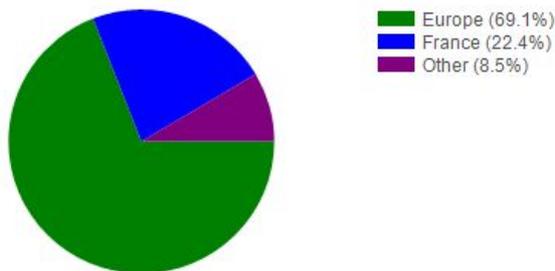
its customer base: the Linedrone and the Drone as a Service offering. Developed in collaboration with HYDRO-QUEBEC, the Linedrone was designed for the inspection of high-voltage power transmission lines and the first units will finally be delivered during Q2-23, with a one-year delay. Additionally, the Drone as a Service offering will also make its debut. We are optimistic about this niche service which is expected to generate €500k in revenue in 2023 with an estimated profit margin of 85%.

The available resources of €4.7m generated through the capital increase at the end of March 2023, as well as the €3m raised through earlier equity lines, will enable Drone Volt to pursue its internal development by recruiting additional staff and through organic growth. What matters here is the positive signal provided by the successful traditional fund raising as opposed to the destructive impact of equity lines. On April 18, Drone Volt announced the acquisition of Lorenz Technology, a Danish company specialized in drone-based inspection and surveillance solutions, for an amount below €200k. This strategic move will enhance Drone Volt's presence in the European market. According to Statista, the Danish drone market is estimated to be worth \$20m in FY23 and is expected to see annual growth of 3.7% between 2023 and 2028.

■ Impact

Drone Volt is certainly adapting fast to the vagaries of the professional drone markets. One consistent feature has been the massive delays to its ad hoc projects although the efforts of this small firm are eventually paying off. The last refinancing led to a substantial increase in the number of shares but also to more predictability for the next few years. We have allowed for the c.50% increase in the number of shares but also for a stronger outlook as cash flows appear stronger from 2025 onwards. Net net the impact on the target price is limited to a 10% contraction.

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€th	8,617	13,736	29,500
Change in sales	%	47.7	59.4	115
Change in staff costs	%	-9.54	61.1	2.00
EBITDA	€th	-808	-3,023	-1,072
EBITDA(R) margin	%	-9.38	-22.0	-3.64
Depreciation	€th			
Underlying operating profit	€th	-3,115	-5,184	-3,344
Operating profit (EBIT)	€th	-2,705	-22,263	-3,130
Net financial expense	€th	172	-108	-201
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th	6,630		
Corporate tax	€th	1,276	-4,174	624
Equity associates	€th			
Minority interests	€th	178	187	196
Adjusted attributable net profit	€th	-1,079	-22,158	-2,511
NOPAT	€th	-2,336	-3,888	-2,508

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€th	-808	-3,023	-1,072
Change in WCR	€th	-5,747	712	1,039
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	1,532	-4,174	624
Exceptional items	€th			
Other operating cash flows	€th	-763	100	100
Total operating cash flows	€th	-5,786	-6,385	691
Capital expenditure	€th	-3,067	-3,159	-2,527
Total investment flows	€th	-7,359	-4,409	-2,327
Net interest expense	€th	172	-108	-201
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	13,206	0.00	7,746
Total financial flows	€th	13,311	856	7,945
Change in cash position	€th	167	-9,938	6,308
Free cash flow (pre div.)	€th	-8,681	-9,652	-2,038

Per Share Data

		12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...)	Th	365,758	491,308	1,101,974
Number of diluted shares (average)	Th	283,258	429,650	797,758
Benchmark EPS	€	0.00	-0.05	0.00
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.04	35%	
NAV/SOTP per share	€ 0.04	20%	
EV/Ebitda	€ 0.00	20%	
P/E	€ 0.01	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.04	5%	
TARGET PRICE	€ 0.02	100%	

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	€th	152	166	164
Total intangible	€th	6,371	6,913	7,143
Tangible fixed assets	€th	923	1,006	1,036
Financial fixed assets	€th			
WCR	€th	4,085	3,373	2,334
Other assets	€th	7,850	2,497	2,572
Total assets (net of short term liab.)	€th	35,751	20,621	18,427
Ordinary shareholders' equity	€th	39,151	12,325	15,822
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	1,900	2,090
Net debt (cash)	€th	-3,468	7,434	1,526
Total liab. and shareholders' equity	€th	35,751	20,621	18,427

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€th	11,379	11,292	10,513

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	19.5	-102	-17.8
ROCE	%	-20.5	-34.4	-23.9
Gearing (at book value)	%	-6.87	16.1	28.3
Adj. Net debt/EBITDA(R)	x	4.29	-2.46	-1.42
Interest cover (x)	x	18.1	-48.0	-16.6

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	ns	-0.72	-6.45
Free cash flow yield	%	-12.4	-52.7	-9.11
P/Book	x	1.79	1.49	1.41
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€th	70,109	18,306	22,370
+ Provisions	€th	101	105	121
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-3,659	7,233	1,315
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	44.0	242	208
+ Minority interests (fair value)	€th	3,465	3,430	3,430
= EV	€th	69,972	28,833	27,028
EV/EBITDA(R)	x	-86.6	-9.54	-25.2
EV/Sales	x	8.12	2.10	0.92

Analyst : Mickael Daponte, Changes to Forecasts : 24/04/2023.