



Drone Volt

Aersp. & Defence Equipt. / France

H1 23: Strong growth backed by Drone Volt's operational efficiency

Earnings/sales releases - 17/07/2023

Drone Volt reported strong H1 23 results with a 4-fold increase in sales to €16.2m, underpinned by operational efficiency to deliver the €20m distribution contract. This contract has a dilutive effect on the gross margin, but the gross result still increased by 17% to €1.6m. The outlook for H2 23 is promising with good prospects on higher-margin services offers, leading the company to reiterate its guidance of a doubling in revenues in 2023 compared to 2022.

Fact

- H1 23 revenue growth of 302% yoy to €16.2m compared to €4m a year ago (which is already more than in FY22, when revenues stood at €13.7m)
- The gross result rose by 17% yoy to €1.6m compared to €1.4m a year ago, resulting in a gross margin decline from 34% in H1 22 to 10% in H1 23
- The guidance for 2023 reaffirmed that the target is to double FY22 revenues

Analysis

Materialization of the €20m contract

The whopping growth in revenue was driven by the distribution segment, which grew by 486% to €15.5m compared to €2.6m. This big difference is explained by the €20m contract signed last February, of which €12m was executed in the first semester. The Drone Volt Factory, Services & Academy division was penalized by the end of the Aquiline Drone billing but limited the decrease in revenue to 48% in H1 23 compared to 63% in Q1 23 thanks to buoyant sales for its Hercules 20 (19 drones sold in H1 23), on track to beat its FY22 billings (22 drones sold).

This growth in turnover did not translated into the gross result, which rose by only by 17% yoy to €1.6m compared to €1.4m a year ago. This was expected as the growth relies on the €20m distribution contract with low margins. The distribution segment gross margin was thus down to 9% from 17% a year ago. The gross result also suffered in the Drone Volt Factory segment from the absence of licensing revenue from Aquiline Drone, being down to €0.9m from €0.3m.

Outlook for H2

Now that the company's financial health has been restored by 2 capital increases, the focus will be on finishing the execution of the remaining €8m of the big distribution contract as well as stimulating sales in the higher-added-value services segment. The firm has already announced a contract worth several hundred thousand euros a few weeks ago for its "drone as a service" offer. Furthermore, the first LINEDRONES developed with HYDRO-QUEBEC will finally be delivered in July. The commercial launch of this drone is a potential growth driver next semester. Last but not least, the firm is teasing the launch of a new drone family following the integration of Lorenz Technology, specialized in inspection and surveillance solutions, with new high value-added functions such as remote



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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: 60.0%

Target Price (6 months)	€ 0.02
Share Price	€ 0.01
Market Cap. €M	19.2
Price Momentum	NEGATIVE
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	-7.03%	-0.83%	-37.0%	-57.7%
Aerospace-Defence	2.03%	0.92%	1.11%	32.2%
STOXX 600	2.94%	-0.88%	-1.30%	13.4%

Last updated: 07/06/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-0.76	-6.98	ns	5.54
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.95	-20.1	22.0	2.93
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	30,500	33,931	42,146
Other margin (%)	21.1	15.8	20.1	28.3
Attributable net profit (€th)	-25,484	-1,802	-104	3,475
ROE (after tax) (%)	-89.5	-8.03	-0.40	13.3
Gearing (%)	0.36	-4.06	-22.1	-23.5

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

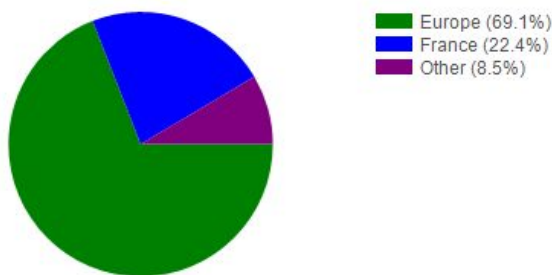
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Against this backdrop, the company reaffirmed its guidance for the FY23 of a doubling in its FY22 revenue.

■ **Impact**

No major impact on our model as the guidance for FY23 was confirmed. The markets should react positively to the operational effectiveness displayed by the company in this first semester.

Sales by Geography



Consolidated P&L Accounts

	12/22A	12/23E	12/24E
Sales	€th 13,736	30,500	33,931
Change in sales	% 59.4	122	11.2
Change in staff costs	% 61.1	20.0	4.68
EBITDA	€th -2,799	-954	898
EBITDA(R) margin	% -20.4	-3.13	2.65
Depreciation	€th		
Underlying operating profit	€th -4,960	-3,302	-1,410
Operating profit (EBIT)	€th -22,039	-3,088	-1,171
Net financial expense	€th -108	-215	-199
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th -4,174	623	342
Equity associates	€th		
Minority interests	€th 837	879	923
Adjusted attributable net profit	€th -21,284	-1,802	-104
NOPAT	€th -3,720	-2,477	-1,057

Cashflow Statement

	12/22A	12/23E	12/24E
EBITDA	€th -2,799	-954	898
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	623	342
Exceptional items	€th		
Other operating cash flows	€th 3,188	100	100
Total operating cash flows	€th -4,286	-1,092	2,479
Capital expenditure	€th -3,350	-2,848	-2,819
Total investment flows	€th -5,087	-2,648	-2,819
Net interest expense	€th -108	-215	-199
Dividends (parent company)	€th		
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 0.00	13,347	0.00
Total financial flows	€th 3,737	13,284	601
Change in cash position	€th -5,636	9,544	262
Free cash flow (pre div.)	€th -7,744	-4,155	-538

Per Share Data

	Th	1,615,597	1,615,597
No. of shares net of treas. stock (year...)	495,781	1,615,597	1,615,597
Number of diluted shares (average)	431,887	1,056,806	1,616,714
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	€ 0.00	20%	
P/E	€ 0.01	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	27,069	24,994
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	1,000
Other liabilities	€th 182	200	220
Net debt (cash)	€th 3,597	-5,795	-5,257
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	-8.03	-0.40
ROCE	%	-34.6	-20.7	-9.33
Gearing (at book value)	%	0.36	-4.06	-22.1
Adj. Net debt/EBITDA(R)	x	-1.29	6.07	-5.86
Interest cover (x)	x	-45.9	-15.4	-7.09

Valuation Ratios

		12/22A	12/23E	12/24E
Reference P/E (benchmark)	x	-0.76	-6.98	ns
Free cash flow yield	%	-41.9	-21.6	-2.80
P/Book	x	1.04	0.71	0.77
Dividend yield	%	0.00	0.00	0.00

EV Calculation

	12/22A	12/23E	12/24E	
Market cap	€th 18,473	19,226	19,226	
+ Provisions	€th 157	106	122	
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00	
+ Net debt at year end	€th 3,475	-5,923	-5,391	
+ 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	19,176	19,756	
EV/EBITDA(R)	x	-9.95	-20.1	22.0
EV/Sales	x	2.03	0.63	0.58

Analyst : Alexandre DESPREZ, Changes to Forecasts : 07/06/2023.