



Drone Volt

Aersp. & Defence Equipt. / France

Capital exchange with Aquiline Drones

M&A /Corp. Action - 21/01/2021

Drone Volt will finalise the partnership with Aquiline Drones through a swap of c. 10% of their respective share bases. This second operation will effectively welcome Aquiline Drones into the Drone Volt capital and will strengthen the links between the two companies, with a partnership that we expect to be highly value creative for Drone Volt.

Fact

Drone Volt will finalise the partnership with Aquiline Drones through the signature of an investment agreement and the effective acquisition of cross-shareholdings between the two companies for up to c. 10% of their capital respectively. As such, Drone Volt will issue 19,259,415 new shares, subscribed by Aquiline Drones at a price of €0.225, i.e. 9.70% of its current capital. In exchange, Drone Volt will subscribe for 990,000 new shares of Aquiline Drones giving it an equivalent share of the capital of c. 9.90%. The payment of both subscription prices will be released by offsetting claims between the two partners. The subscription period is open from 9 December to 16 December 2020 (which may be closed early).

Analysis

Reinforcement of the partnership

This second operation will effectively welcome Aquiline Drones into the Drone Volt capital and will strengthen the links between the two companies. It complements the first phase, i.e. the capital increase launched in November, which allowed current Drone Volt shareholders to participate in the deal under similar conditions.

Production ramp-up might be delayed...

Drone Volt recognised that, due to travel constraints, the ramp-up of the production might be somewhat delayed. However, we leave our current estimates unchanged on this deal as we took a rather conservative approach to it from the beginning. In addition, we could have a positive surprise on the ASP arising from the mix of the Pensar intelligent camera with the Altura Zenith drone production.

...but still a highly value accretive deal

The US market is evolving, on the back of foreign drones' interdictions (targeting Chinese drones), which should propel Aquiline Drones' sales. Drone Volt will receive 10% of the revenue generated from the commercialisation of its drones and cameras by Aquiline Drones over a 5-year licensing period. The company will also be entitled to receive a minimum of \$100k per month (which started in October 2020). On an annual basis, this would grant Drone Volt \$1.2m per year, to be revised by +10% annually, for a minimum total value of \$7.7m until 2025. In addition, Drone Volt should receive an upfront payment of \$450k by the end of this year to compensate for the transfer of know-how. This also represents a unique way to address the US market, without the need to invest in either opex or capex. In addition, this deal will provide Drone Volt with the ability to use up to 25% of Aquiline Drones' production capacity in the country, giving Drone Volt an additional option going forward.



Hugo PATERNOSTER

aerospacedefence@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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: 38.1%
Target Price (6 months)	€ 0.37
Share Price	€ 0.27
Market Cap. €M	53.4
Price Momentum	GOOD
Extremes 12Months	0.06 ▶ 0.39
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

[Download Full Analysis](#) [Company Page](#)



PERF	1w	1m	3m	12m
Drone Volt	-4.61%	-5.94%	-10.3%	136%
Aerospace-Defence	2.58%	4.10%	28.0%	-28.7%
STOXX 600	0.43%	6.25%	12.4%	-3.10%

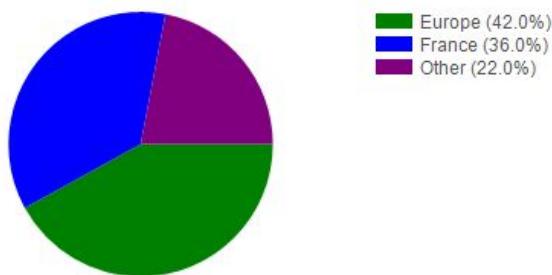
Last updated:	14/12/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	-3.44	-16.0	20.6	9.16	
Dividend yield (%)	0.00	0.00	0.00	0.00	
EV/EBITDA(R) (x)	-9.99	ns	7.35	2.70	
Adjusted EPS (€)	-0.05	-0.01	0.01	0.03	
Growth in EPS (%)	n/a	n/a	n/a	125	
Dividend (€)	0.00	0.00	0.00	0.00	
Sales (€th)	7,108	6,767	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	

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

■ Impact

Our estimates are unchanged, but the target price is lowered by 9%, reflecting the additional amount of equity created compared to our initial estimates.

Sales by Geography



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
EBITDA(R) margin	%	-23.7	-2.96	30.7
Depreciation	€th			
Underlying operating profit	€th	-3,143	-1,275	4,041
Operating profit (EBIT)	€th	-3,468	-1,526	3,802
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
Adjusted attributable net profit	€th	-2,570	-1,255	2,610
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
Free cash flow (pre div.)	€th	-4,819	-1,905	1,276

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
Benchmark EPS	€	-0.05	-0.01	0.01
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.39	35%	■ KUKA
NAV/SOTP per share	€ 0.31	20%	
EV/Ebitda	€ 0.54	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
Ordinary shareholders' equity	€th	9,212	24,724	27,442
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
Net debt (cash)	€th	5,069	-6,638	-7,915
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
ROE (after tax)	%	-29.6	-7.39	10.0
ROCE	%	-25.6	-6.41	17.8
Gearing (at book value)	%	41.2	-3.17	-26.5
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
Reference P/E (benchmark)	x	-3.44	-16.0	20.6
Free cash flow yield	%	-45.4	-6.27	2.39
P/Book	x	1.15	1.23	1.95
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€th	10,619	30,389	53,403
+ 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	39,507
EV/EBITDA(R)	x	-9.99	ns	7.35
EV/Sales	x	2.37	2.99	2.26

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