



Drone Volt

Aerosp. & Defence Equipt. / France

Q1 22: integration of the acquisitions is progressing

Earnings/sales releases - 26/04/2022

The Q1 sales and profitability figures are soft, as Drone Volt is working on creating value through its recent acquisitions. It is progressing technologically and will soon propose drones that are hydrogen-fuelled and connected to the cloud. The long-awaited LineDrone deliveries are expected to start in H2. Aquiline Drones is still working on its IPO, which would be an important catalyst to resume the massive Hercules 2 contract.

Fact

- Sales stood at €1,745m, -3% yoy.
- Of which €956m in its distribution activity (-6% yoy) and €789m in its Drone Volt Factory (flat yoy).
- Gross margin stood at 36%, 3 points below Q1 21.
- Gross profit stood at €627m, -10% yoy.
- The Aquiline Drones transfer of know-how has generated €300m.
- The first delivery of the LineDrone is expected by H2 22.
- A "Connected Hercules 4" prototype will be announced in the coming weeks, thanks to the integration of Viking Drone's technology.

Analysis

Slow Q1 to start the year

The Q1 sales and gross margin figures were disappointing. The Distribution of third-party brands' activity was low, with a 6% decline in sales. It is especially low given that this quarter's sales include a contribution from the consolidation of SKYTOOLS, which accounted for c. 6% of the Distribution sales and nearly 10% of the total sales. Concerning the Drone Volt Factory revenues, they have been flat yoy mainly thanks to the previously-mentioned consolidation which accounted for 14% of the sales of this division. Removing SKYTOOLS, Drone Volt would have had an organic decrease in sales of 12.5% yoy (c. -11% in Distribution and c. -14% in Drone Volt Factory).

The gross margin was also a let down. It stood 3 points below last year's Q1 and gross profit decreased by 10% yoy. Removing the positive impact from the SKYTOOLS consolidation, gross profit would have been down by 21%. This is mainly due to the Distribution business, which has lost 6 points in the gross margin compared to last year and stood at 13% (far below its >20% average). We believe this low level of profitability is only temporary, as the particularly low demand in this quarter has impacted Drone Volt's pricing power. We remain confident that Distribution's gross margin will return to its normalised 20% level throughout the coming quarters.

H1 to focus on its product portfolio

We expect the first half year to be a period of restructuring for Drone Volt. The soft start to the year is linked to Drone Volt's effort to consolidate its new

**Romain PIERREDON**

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: 129%

Target Price (6 months)	€ 0.08
Share Price	€ 0.03
Market Cap. €M	13.8
Price Momentum	NEGATIVE
Extremes 12Months	0.03 ▶ 0.27
Sustainability score	4.3 /10
Credit Risk	C ↗
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

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

PERF	1w	1m	3m	12m
Drone Volt	-7.12%	-31.4%	-43.5%	-86.9%
Aerospace-Defence	-1.60%	-2.18%	7.74%	12.2%
STOXX 600	-3.20%	-1.86%	-3.15%	1.38%

Last updated: 24/03/2022	12/21A	12/22E	12/23E	12/24E
Adjusted P/E (x)	ns	-11.7	-22.2	ns
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-82.2	ns	4.77	0.92
Adjusted EPS (€)	0.00	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)	8,617	11,515	14,197	17,052
Other margin (%)	48.9	51.0	57.0	63.8
Attributable net profit (€th)	5,551	-1,118	-613	-11.7
ROE (after tax) (%)	19.5	-2.88	-1.52	-0.03
Gearing (%)	-6.87	-9.11	-13.9	-22.8

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

acquisitions. It has merged the offices of SKYTOOLS and Aerialtronics, which has also contributed to slower sales for SKYTOOLS in its Distribution activities. We expect the move-in of SKYTOOLS to be finished by the next quarter, which should then enable it to refocus on growing its sales. The €58k of sales coming from SKYTOOLS' distribution activities is far below its standard level, and we believe it could generate up to €200k of sales per quarter starting in Q3. In addition, we should see sales synergies from its broader drone portfolio as it now has access to Drone Volt's proprietary drones.

Drone Volt is also focusing on the technological progress it could bring to its product portfolio through the integration of Viking Drone's intellectual property. It is currently working on a connected Hercules 4 drone, which should be presented in a press release this quarter.

Additionally, supply constraints are expected to remain tight throughout Q2, as China's lockdowns are impacting the manufacturing of key components for its Drone Volt Factory business and the manufacturing of drones for its Distribution business. For all those reasons, we believe H1 will be below Drone Volt's average, but with a strong H2 expected.

H2 to drive sales

The most important driver would be a successful IPO of Aquiline Drones. As we have mentioned in our previous report, it would unlock significant cash for the American drone company, of which a significant part will be redistributed to Drone Volt. To supervise the progress of the IPO, Drone Volt has placed a new member on the Aquiline Drones board. We believe this IPO could occur at the end of Q2 or start of Q3, which would be a major catalyst for Drone Volt's stock price.

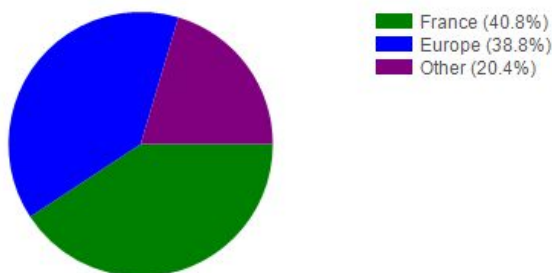
Secondly, the LineDrone commercialisation is progressing according to plan. It is currently waiting for the final certifications before its first deliveries, which are expected by H2. Hydro-Quebec has already placed an order for three drones, which would significantly drive sales. As a reminder, each LineDrone could cost up to €300k. Since Hydro-Quebec has partnered with Drone Volt to create this drone, there will be an important discount, but we expect this potential sale could generate c. €500k for Drone Volt in FY22. Drone Volt is also participating in the IEEE forum in the US this year, which could provide additional visibility to its new LineDrone and potential additional orders.

Lastly, the Hungarian contract is on track. This quarter Drone Volt managed to deliver successfully 8 Hercules 20 drones out of the 275 expected over the next three years. As the customer becomes familiar with the product and manages to find traction in its local market, we expect those sales to accelerate gradually, generating more than 40 Hercules 20 sales over FY22 (an additional €480k in the next three quarters).

■ Impact

We had expected that H1 would be soft, as the main growth drivers are expected in H2. The integration of Drone Volt's most recent acquisitions is on track to provide cost/sales synergies and additional value to customers, which should translate into additional sales in the mid-term. The main catalyst remains Aquiline Drones' IPO, which would generate significant cash for Drone Volt. We reiterate our positive recommendation and remain confident in Drone Volt's H2 strong perspectives.

Sales by Geography



Consolidated P&L Accounts

		12/21A	12/22E	12/23E
Sales	€th	8,617	11,515	14,197
Change in sales	%	47.7	33.6	23.3
Change in staff costs	%	-9.54	7.89	10.2
EBITDA	€th	-808	-66.1	1,213
EBITDA(R) margin	%	-9.38	-0.57	8.54
Depreciation	€th			
Underlying operating profit	€th	-3,115	-2,369	-1,342
Operating profit (EBIT)	€th	-2,705	-2,453	-1,428
Net financial expense	€th	172	-176	-203
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th	6,630		
Corporate tax	€th	1,276	1,324	822
Equity associates	€th			
Minority interests	€th	178	187	196
Adjusted attributable net profit	€th	-1,079	-1,118	-613
NOPAT	€th	-2,181	-1,658	-940

Cashflow Statement

		12/21A	12/22E	12/23E
EBITDA	€th	-808	-66.1	1,213
Change in WCR	€th	-5,747	447	702
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	1,532	1,324	822
Exceptional items	€th			
Other operating cash flows	€th	-763	-100	-100
Total operating cash flows	€th	-5,786	1,605	2,637
Capital expenditure	€th	-3,067	-3,159	-2,527
Total investment flows	€th	-7,359	-1,359	1,223
Net interest expense	€th	172	-176	-203
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	13,206	0.00	1,000
Total financial flows	€th	13,311	588	1,297
Change in cash position	€th	167	834	5,156
Free cash flow (pre div.)	€th	-8,681	-1,730	-93.7

Per Share Data

		12/21A	12/22E	12/23E
No. of shares net of treas. stock (year...	Th	365,758	400,980	400,980
Number of diluted shares (average)	Th	283,258	384,486	402,097
Benchmark EPS	€	0.00	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	€ 0.10	35%	● KUKA
NAV/SOTP per share	€ 0.15	20%	
EV/Ebitda	€ 0.04	20%	
P/E	€ 0.02	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.07	5%	
TARGET PRICE	€ 0.08	100%	

NAV/SOTP Calculation

Balance Sheet

		12/21A	12/22E	12/23E
Goodwill	€th	152	150	149
Total intangible	€th	6,371	6,494	6,714
Tangible fixed assets	€th	923	951	979
Financial fixed assets	€th			
WCR	€th	4,085	3,638	2,936
Other assets	€th	7,850	7,458	7,085
Total assets (net of short term liab.)	€th	35,751	35,104	34,452
Ordinary shareholders' equity	€th	39,151	38,446	42,300
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	1,234	1,358
Net debt (cash)	€th	-3,468	-3,538	-8,195
Total liab. and shareholders' equity	€th	35,751	35,104	34,452

Capital Employed

		12/21A	12/22E	12/23E
Capital employed after depreciation	€th	11,379	11,082	10,629

Profits & Risks Ratios

		12/21A	12/22E	12/23E
ROE (after tax)	%	19.5	-2.88	-1.52
ROCE	%	-19.2	-15.0	-8.84
Gearing (at book value)	%	-6.87	-9.11	-13.9
Adj. Net debt/EBITDA(R)	x	4.29	53.5	-6.76
Interest cover (x)	x	18.1	-13.5	-6.61

Valuation Ratios

		12/21A	12/22E	12/23E
Reference P/E (benchmark)	x	ns	-11.7	-22.2
Free cash flow yield	%	-12.4	-12.7	-0.69
P/Book	x	1.79	0.35	0.32
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/21A	12/22E	12/23E
Market cap	€th	70,109	13,593	13,593
+ Provisions	€th	101	105	121
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-3,659	-3,739	-8,405
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	3,580	4,922	2,947
+ Minority interests (fair value)	€th	3,465	3,430	3,430
= EV	€th	66,436	8,468	5,792
EV/EBITDA(R)	x	-82.2	ns	4.77
EV/Sales	x	7.71	0.74	0.41

Analyst : Romain Pierredon, Changes to Forecasts : 24/03/2022.