



# Drone Volt

Aersp. &amp; Defence Equipt. / France

## Drone Volt unveiled promising H1 24 results

Earnings/sales releases - 24/09/2024

Drone Volt published its complete H1 24 results yesterday, which were revised downwards on the top line and gross margin levels. Nonetheless, the EBITDA margin trend seems to be reversing towards positive territory, and the group now openly aims to reach it in 2025. This is a strong commitment that could change the equity story if the management manages to deliver.

### Fact

Sales were slightly revised downwards to €23.4m (€23.6m previously), still representing a 47% growth rate yoy. The gross margin, more importantly, was €2.3m (vs €2.5m previously), thus representing only a growth of 26% yoy.

EBITDA remained stable at €-1.1m, despite a 44% increase in wages to €1.5m, thus marking an improvement from the €-1.4m from H2 23.

EBIT decreased to €-3.5m from €-2.5m, due notably to higher D&A as well as capital increase fees now passed on the P&L.

The level of cash and cash equivalents is still at a stable low level at €0.5m. The level of equity decreased slightly to €19.1m compared to €20m at the end of 2023. The outlook is confirmed for 2024 and EBITDA is targeted to be positive for 2025.

### Analysis

#### Reversing the trend towards profitability

EBITDA remained stable at €-1.1m despite sales being up by 47% due to an increase of €0.4m in wages following the integration of 16 people from Air Marine (activities acquired a year ago). Otherwise, wages actually decreased by €0.1m. The reversal of trend in EBITDA supports the new guidance for 2025 and marks, hopefully, the beginning of continuous growth in profitability.

#### Developing new, interesting business models

The company announced that it will now use two new business models to improve revenue growth and margins. The first one is related to the LineDrone, a drone that is worth €300k, thereby creating some financing issues for customers who cannot pay but wish to maintain confidentiality (thus refusing the drone as a service option which requires an external third party to enter the company facilities). Therefore Drone Volt offers the possibility of renting the drone (monthly fee) after training the client for an upfront fee.

Moreover, the company will export its Drone Volt Expert brand abroad via the franchise model, consisting of certifying foreign companies by training them for an upfront payment and then receiving a percentage of their sales.

We view these two new business models as positive as they enable the company to cater to new customers with limited investments and will improve the recurrence of revenue as well with high margins.

#### What to expect in H2

The company should get its first orders for the Kobra drone (after making demos to large customers), which is seemingly alone in the European market regarding drones with AI capabilities (integrating an NVIDIA processor) and such a high payload (5kg) for particular customers such as the military, police, etc. As a reminder, DJI (almost monopolising the civil drone market) cannot supply these



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### Buy Upside: 134%

Target Price (6 months) € 0.01

Share Price € 0.00

Market Cap. €M 11.5

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	-8.16%	-6.25%	-37.5%	-55.0%
Aerospace-Defence	1.63%	-0.27%	-1.46%	38.1%
STOXX 600	0.23%	-0.35%	0.23%	13.9%

Last updated: 24/09/2024	12/23A	12/24E	12/25E	12/26E
Adjusted P/E (x)	-2.55	-1.74	-5.26	10.9
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.0	-13.0	13.1	3.58
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

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particular customers due to security concerns. Drone Volt notably announced that it is very close to getting the European certification (just some paperwork left) and will thus launch the production of 50 Kobra drones. We are quite excited by this opportunity as Drone Volt will enjoy the first-mover advantage in this type of drone. However, investors must keep in mind that, in case of high demand, the WCR could increase a lot and thus require the company to launch another capital increase to finance the inventory.

Lastly, the company should continue to sell its best-seller, Hercule 20, as witnessed by the 40 Hercule 20 orders which should be worth around €800k, and the drone as a service offer should continue to step up.

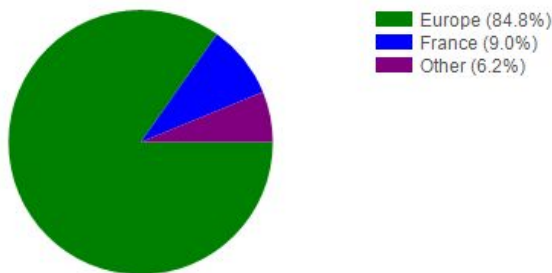
Margins should thus improve thanks to this higher revenue growth and EBIT margins more particularly due to investments in R&D being already done on these products. The group will now focus on monetising these investments and future R&D could lower thanks to the specific demands of (big) corporates being charged to them (with a margin). The group is already reporting an improvement in margin in the press release, notably thanks to a cost-cutting plan on costs not linked to production.

The company thus confirmed again its objective of higher gross margins in 2024 and, more importantly, now aims to be EBITDA positive in 2025, an important step for a share price recovery if achieved.

### ■ Impact

We will include the new figures in our model, which will probably lower the target price due to notably higher wages. However, we reiterate our Buy recommendation, underpinned by the positive EBITDA guidance for 2025, as well as the enthusiastic management comments on the commercial prospects. We are now eagerly waiting for them to materialise and for the management to deliver on EBITDA margin improvement.

## 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
<b>EBITDA(R) margin</b>	<b>% -9.36</b>	<b>-3.52</b>	<b>3.41</b>
Depreciation	€th		
Underlying operating profit	€th -4,816	-4,452	-1,703
<b>Operating profit (EBIT)</b>	<b>€th -5,286</b>	<b>-5,252</b>	<b>-2,538</b>
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
<b>Adjusted attributable net profit</b>	<b>€th -5,329</b>	<b>-5,245</b>	<b>-2,309</b>
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
<b>Free cash flow (pre div.)</b>	<b>€th -8,909</b>	<b>-7,977</b>	<b>-1,699</b>

## 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
<b>Benchmark EPS</b>	<b>€ -0.01</b>	<b>0.00</b>	<b>0.00</b>
Restated NAV per share	€		
<b>Net dividend per share</b>	<b>€ 0.00</b>	<b>0.00</b>	<b>0.00</b>

## 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
<b>Ordinary shareholders' equity</b>	<b>€th 22,706</b>	<b>24,070</b>	<b>23,956</b>
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
<b>Net debt (cash)</b>	<b>€th 3,728</b>	<b>5,080</b>	<b>5,279</b>
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
<b>ROE (after tax)</b>	<b>% -26.3</b>	<b>-22.4</b>	<b>-9.62</b>
ROCE	% -27.8	-21.5	-8.27
<b>Gearing (at book value)</b>	<b>% 16.1</b>	<b>18.3</b>	<b>21.6</b>
Adj. Net debt/EBITDA(R)	x -1.66	-3.41	3.27
Interest cover (x)	x -22.8	-22.1	-6.14

## Valuation Ratios

	12/23A	12/24E	12/25E
<b>Reference P/E (benchmark)</b>	<b>x -2.55</b>	<b>-1.74</b>	<b>-5.26</b>
Free cash flow yield	% -43.7	-69.5	-13.2
P/Book	x 0.90	0.48	0.54
<b>Dividend yield</b>	<b>% 0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

	12/23A	12/24E	12/25E
Market cap	€th 20,394	11,483	12,833
+ 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	19,372	21,145
<b>EV/EBITDA(R)</b>	<b>x -12.0</b>	<b>-13.0</b>	<b>13.1</b>
EV/Sales	x 1.12	0.46	0.45

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