



Drone Volt

Aersp. & Defence Equipt. / France

New annual sales record and new capital increase

Earnings/sales releases - 30/01/2024

Drone Volt unveiled a promising FY23 trading update but announced a new capital increase to fund its high expected growth. Last year's performance could have been better without the Chinese restrictions on the sale of drones.

Fact

Sales for FY23 grew by 74% from €13.7m to €23.9m, beating our estimate and guidance of €23m (revised downwards a month ago).

The gross margin for FY23 grew by 17% from €2.9m to €3.4m, falling short of our expectations of €3.9m.

The company expects strong growth in revenue in Q1 24 and an improvement in the gross margin for the FY 24.

Drone Volt also announced the success of a new capital raising of €2.5m with a price of €0.01 per share, an 18% discount to the stock price of €0.0122 at yesterday's close. The dilution is 14% for shareholders that did not subscribe to the offer.

Analysis

Distribution still the main contributor

The group managed to deliver 80% of the big distribution contract (representing €16m) as expected due to supply chain tensions. The overperformance lies in the other distribution contracts that were less affected than we had expected with 53 drones sold. Drone Volt Factory, Services and Academy sales are ramping up thanks to the new Drone Volt Expert service, with growth of 20% from €1.7m to €2.0m.

The shortfall in the growth margins stems from a decline in margins for both divisions over the year, but the trend subsequently improved over the year as emphasized by the gross margin improvement to 14% in H2 23 compared to 11% in H1 23 to reach a gross result of €1.6m in H2.

*A promising outlook...

Strong revenue growth will come from delivery of the remaining 20% of the €20m contract before the end of H1 24. The company also expects double-digit growth in 2024 for its high-margin Drone Volt Expert offer. The potential game changer is the new Drone Volt Kobra, that could improve revenue started from H2 24 according to the management and could generate high margins if sold in high numbers due to the relatively fixed cost base.

... funded by another capital raising

The company also announced the success of a new capital increase of €2.5m with a price of €0.01 per share, an 18% discount to the stock price of €0.0122 at yesterday's close. The dilution amounts to 14% for shareholders that did not subscribe to the offer. The amount raised will be used to recruit new telepilots for its drone as a service offer and to ramp up production capacity for the new Linedrones and Kobra drones.



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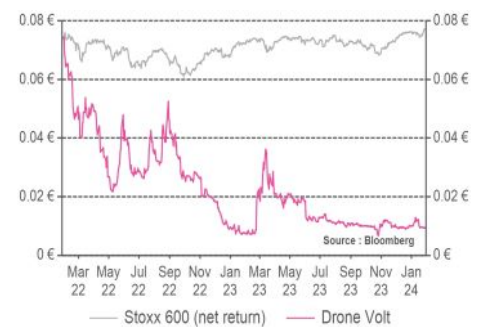
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This research has been commissioned and paid for by the company and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

Buy	Upside: 90.5%
Target Price (6 months)	€ 0.02
Share Price	€ 0.01
Market Cap. €M	16.5
Price Momentum	NEGATIVE
Extremes 12Months	0.01 ▶ 0.04
Sustainability score	5.4 /10
Credit Risk	CC →
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

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PERF	1w	1m	3m	12m
Drone Volt	-3.09%	-6.00%	22.1%	22.1%
Aerospace-Defence	0.33%	6.92%	18.1%	37.3%
STOXX 600	2.53%	1.21%	12.9%	6.52%

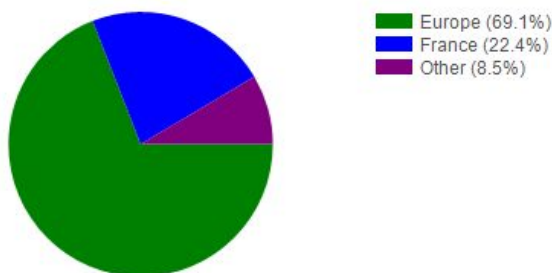
Last updated: 29/01/2024	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-0.76	-4.69	ns	5.39
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.95	-8.67	37.3	3.72
Adjusted EPS (€)	-0.05	0.00	0.00	0.00
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	13,736	23,865	29,050	35,736
Other margin (%)	21.1	14.4	19.0	24.0
Attributable net profit (€th)	-	-2,893	-129	3,052
ROE (after tax) (%)	-89.5	-14.2	-0.56	13.0
Gearing (%)	0.36	3.91	-8.77	-12.5

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

■ Impact

We will integrate these elements into our model and this will drive the target price downwards, but we do not expect a change in recommendation.

Sales by Geography



Consolidated P&L Accounts

		12/22A	12/23E	12/24E
Sales	€th	13,736	23,865	29,050
Change in sales	%	59.4	73.7	21.7
Change in staff costs	%	61.1	20.0	4.68
EBITDA	€th	-2,799	-2,810	536
EBITDA(R) margin	%	-20.4	-11.8	1.84
Depreciation	€th			
Underlying operating profit	€th	-4,960	-4,648	-1,439
Operating profit (EBIT)	€th	-22,039	-4,434	-1,200
Net financial expense	€th	-108	-215	-202
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	-4,174	876	351
Equity associates	€th			
Minority interests	€th	837	879	923
Adjusted attributable net profit	€th	-21,284	-2,893	-129
NOPAT	€th	-3,720	-3,486	-1,080

Cashflow Statement

		12/22A	12/23E	12/24E
EBITDA	€th	-2,799	-2,810	536
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	876	351
Exceptional items	€th			
Other operating cash flows	€th	3,188	100	100
Total operating cash flows	€th	-4,286	-2,695	2,126
Capital expenditure	€th	-3,350	-4,000	-3,960
Total investment flows	€th	-5,087	-3,800	-3,960
Net interest expense	€th	-108	-215	-202
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	0.00	12,100	2,476
Total financial flows	€th	3,737	12,037	3,075
Change in cash position	€th	-5,636	5,542	1,241
Free cash flow (pre div.)	€th	-7,744	-6,910	-2,036

Per Share Data

		12/22A	12/23E	12/24E
No. of shares net of treas. stock (year...)	Th	495,781	1,502,259	1,749,884
Number of diluted shares (average)	Th	431,887	1,000,137	1,627,189
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	€ 0.01	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	23,067	22,971
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	0.00
Other liabilities	€th	182	200	220
Net debt (cash)	€th	3,597	-1,793	-2,234
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	-14.2	-0.56
ROCE	%	-34.6	-29.1	-9.52
Gearing (at book value)	%	0.36	3.91	-8.77
Adj. Net debt/EBITDA(R)	x	-1.29	0.64	-4.17
Interest cover (x)	x	-45.9	-21.6	-7.14

Valuation Ratios

		12/22A	12/23E	12/24E
Reference P/E (benchmark)	x	-0.76	-4.69	ns
Free cash flow yield	%	-41.9	-33.9	-12.4
P/Book	x	1.04	0.88	0.72
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/22A	12/23E	12/24E
Market cap	€th	18,473	20,402	16,449
+ Provisions	€th	157	106	122
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,475	-1,921	-2,368
+ 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	24,354	20,002
EV/EBITDA(R)	x	-9.95	-8.67	37.3
EV/Sales	x	2.03	1.02	0.69

Analyst : Alexandre DESPREZ, Changes to Forecasts : 29/01/2024.