



Drone Volt

Aerosp. & Defence Equipt. / France

Q1 21: strong growth in Q1 and major contract win will stimulate FY21

Significant news - 28/04/2021

Even with the pandemic affecting the company, as 55% of the revenues comes outside France, the company showed solid growth in both built-in drones and third-party drones. The margin has also improved significantly, nearly reaching an all-time high thanks to its licensing agreement with Aquiline Drones.

Fact

Données non auditées en keuros – Normes IFRS	T1 2020	T1 2021	Variation
Chiffre d'affaires			
dont DRONE VOLT FACTORY, SERVICES & ACADEMY	565	790	+40%
dont Marques Tiers	694	1 014	+46%
TOTAL	1 259	1 803	+43%
Marge brute			
dont DRONE VOLT FACTORY, SERVICES & ACADEMY	279	504	+81%
dont Marques Tiers	84	192	+129%
TOTAL	363	696	+92%
Taux de marge brute	29%	39%	+10 points
dont DRONE VOLT FACTORY, SERVICES & ACADEMY	49%	64%	+15 points
dont Marques Tiers	12%	19%	+7 points

The Q1 revenues have augmented by 43% yoy with a gross margin close to an all-time high at 39%. This rise in margins has pushed gross profit to €696,000, nearly twice as much as in Q1 20. Revenues are split into 40% of own built-in drones and associated services and the remaining 60% comes from partnership brands. The latter amounted for the first time to over a million euros.

In this built-in segment, the partnership with Aquiline Drones represented €340,000, from which €90,000 is a transfer of know-how (out of the €450,000 expected throughout the deal) and the remainder represents the licence contract.

A major contract was signed on 21 April with Aquiline Drones, concerning the delivery of an extra 600 Hercules 2 drones. This news is responsible for the surge in the stock price.

Analysis

Aquiline Drones

The original contract is expected to deliver €1.4m in revenues throughout the year but only delivered €340,000 in Q1. Therefore, we can expect the following quarters to be more profitable, helped by the transfer of know-how to generate €120,000 in each of the coming quarters (vs. €90,000 in Q1 21). There were concerns regarding how the transfer of know-how was going to take place with the sanitary restrictions, but Drone Volt has adapted to the situation through the implementation of digital e-learning solutions. Projects have been successfully carried out from distance and this is no longer a concern.

In addition to this stable minimum revenue, Drone Volt has signed a major contract that will catapult its results in FY21. Indeed, it has signed a contract for the deliveries of 600 Hercules 2 drones with Aquiline Drones for a total amount of

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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: 32.2%

Target Price (6 months) € 0.34

Share Price € 0.26

Market Cap. €M 53.6

Price Momentum **NEGATIVE**

Extremes 12Months 0.07 ▶ 0.39

Sustainability score 4.9 /10

Credit Risk **BB** →Bloomberg **ALDRV FP Equity**Reuters **ALDRV.PA**[Download Full Analysis](#)[Company Page](#)

PERF	1w	1m	3m	12m
Drone Volt	0.47%	-1.60%	5.20%	178%
Aerospace-Defence	2.16%	2.77%	14.1%	52.3%
STOXX 600	1.39%	3.03%	9.15%	31.1%

Last updated: 19/04/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	-3.05	59.6	42.9	12.2
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-11.4	14.0	9.16	4.12
Adjusted EPS (€)	-0.05	0.00	0.01	0.02
Growth in EPS (%)	n/a	n/a	39.1	252
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	5,836	12,214	13,961	19,879
Other margin (%)	29.3	60.8	63.1	69.8
Attributable net profit (€th)	-6,591	875	1,228	4,323
ROE (after tax) (%)	-48.2	3.96	4.52	14.5
Gearing (%)	2.20	-31.9	-47.5	-50.5

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

\$3m. Half of the drones will be assembled in Paris in its Drone Volt Factory and the rest in Aquiline Drones' industrial site in the US. This is also an indication that the Aquiline Drones' team now has the capacity to build the drones thanks to its new plant in Connecticut, which could lead to other future contracts of this sort.

Hercules 2 Drone



Source: Drone Volt website

Aquiline Drones is expecting growth in the coming years with the implementation of its "flight to the future" project. This project provides education, advice and technology to entrepreneurs who are keen to provide drone services. Aquiline Drone provides a platform on which entrepreneurs can find what clients might want, which, similar to Uber, could be a way to obtain commissions on these proposed ideas. In addition, it also provides an incentive for these entrepreneurs to buy their drones, therefore boosting the top-line with minimum risk.

Other positive news for the drone market in the US is that the FAA has released a legislation update whereby drones can now fly over people and at night. Previously, drones were only allowed to fly over people who were part of the corresponding drone mission. This is a big step for the drone service industry which could boost demand in the coming years, as drone legislation is becoming increasingly lenient. Aquiline Drones should benefit fully from this and, as a consequence, so will Drone Volt.

Revenues from the licensing agreement with Aquiline Drones will go directly into the profits of the group starting in Q2 and will accelerate throughout the year. There could be significant positive surprises.

Aerialtronics' valuation

Talks of Aquiline Drones acquiring a 50% stake in the Drone Volt subsidiary Aerialtronics could also enhance the stock price this year. The valuation of Aerialtronics, on which the two companies have agreed, is €15m. As a reminder, we currently value Aerialtronics at €7m in our NAV, so the new valuation could have (all things being equal) an impact of +€0.03 per share should the transaction take place.

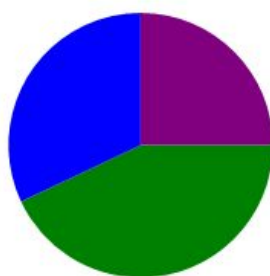
The Hungarian Hercules deliveries

Q2 should be promising as one of its major contracts in Hungary, which is believed to represent 50 drones in 2021 (€700,000), has been postponed due to sanitary restrictions. Only three drones of this contract have been delivered, which means 9-10 postponed drones could be delivered in Q2 if market conditions allow it. Demand is still present; the only uncertainty comes from when the deliveries will take place.

■ Impact

We will review our target price upwards, as the new Aquiline Drone contract was a positive surprise and will augment our valuation. This is also an indication that future years could be brighter than expected, as demand continues to grow, and its partnerships will continue to enhance its margins.

Sales by Geography



■ Europe (43.0%)
■ France (32.0%)
■ Other (25.0%)

Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€th	5,836	12,214	13,961
Change in sales	%	-17.9	109	14.3
Change in staff costs	%	-5.12	5.40	17.0
EBITDA	€th	-2,065	2,527	2,981
EBITDA(R) margin	%	-35.4	20.7	21.4
Depreciation	€th			
Underlying operating profit	€th	-4,189	1,472	1,946
Operating profit (EBIT)	€th	-8,181	1,172	1,641
Net financial expense	€th	-673	-367	-378
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	2,011	-183	-287
Equity associates	€th			
Minority interests	€th	252	252	252
Adjusted attributable net profit	€th	-6,591	875	1,228
NOPAT	€th	-2,932	1,031	1,362

Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€th	-2,065	2,527	2,981
Change in WCR	€th	913	7.80	-142
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	2,011	-183	-287
Exceptional items	€th			
Other operating cash flows	€th	-347	-286	-225
Total operating cash flows	€th	512	2,066	2,327
Capital expenditure	€th	-2,036	-1,995	-1,955
Total investment flows	€th	-2,036	4,005	-1,955
Net interest expense	€th	-673	-367	-378
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	13,613	2,430	1,944
Total financial flows	€th	15,770	2,063	1,565
Change in cash position	€th	14,246	8,134	1,938
Free cash flow (pre div.)	€th	-2,197	-296	-5.93

Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...	Th	198,523	202,300	202,300
Number of diluted shares (average)	Th	131,321	201,529	203,417
Benchmark EPS	€	-0.05	0.00	0.01
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.44	35%	● KUKA
NAV/SOTP per share	€ 0.36	20%	
EV/Ebitda	€ 0.38	20%	
P/E	€ 0.15	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.50	5%	
TARGET PRICE	€ 0.34	100%	

NAV/SOTP Calculation

Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	€th	149	148	147
Total intangible	€th	7,321	7,639	8,033
Tangible fixed assets	€th	1,004	1,145	1,283
Financial fixed assets	€th			
WCR	€th	2,150	2,142	2,284
Other assets	€th	5,303	4,932	4,587
Total assets (net of short term liab.)	€th	16,332	16,440	16,797
Ordinary shareholders' equity	€th	18,103	26,122	28,177
Quasi Equity & Preferred	€th			
Minority interests	€th	-296	-355	-426
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	50.0	57.5	66.1
Total provisions for risks and liabilities	€th	50.0	57.5	66.1
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	2,747	3,022	3,324
Net debt (cash)	€th	-4,272	-12,406	-14,344
Total liab. and shareholders' equity	€th	16,332	16,440	16,797

Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€th	10,475	10,927	11,600

Profits & Risks Ratios

		12/20A	12/21E	12/22E
ROE (after tax)	%	-48.2	3.96	4.52
ROCE	%	-28.0	9.43	11.7
Gearing (at book value)	%	2.20	-31.9	-47.5
Adj. Net debt/EBITDA(R)	x	2.07	-4.91	-4.81
Interest cover (x)	x	-6.22	4.01	5.15

Valuation Ratios

		12/20A	12/21E	12/22E
Reference P/E (benchmark)	x	-3.05	59.6	42.9
Free cash flow yield	%	-7.23	-0.56	-0.01
P/Book	x	1.68	2.00	1.86
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/20A	12/21E	12/22E
Market cap	€th	30,389	52,355	52,355
+ Provisions	€th	50.0	57.5	66.1
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-4,656	-12,809	-14,767
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	3,205	5,289	11,636
+ Minority interests (fair value)	€th	887	1,065	1,278
= EV	€th	23,464	35,379	27,296
EV/EBITDA(R)	x	-11.4	14.0	9.16
EV/Sales	x	4.02	2.90	1.96

Analyst : Romain Pierredon, Changes to Forecasts : 19/04/2021.