



Drone Volt

Aerosp. & Defence Equipt. / France

H1 23: the beginning of the awaited resurrection

Earnings/sales releases - 18/09/2023

Drone Volt published yesterday its complete H1 23 results which confirmed the good execution of the big distribution contract of €20m with a European player. Demand for the new “drone as a service” offer is strong and driving higher-margin growth for second half of the year.

Fact

- Sales were slightly lower than expected at €15.9m (which is already more than in FY22 when revenues stood at €13.7m), while the gross margin rose to €1.8m, representing growth of 27% yoy.
- EBIT increased to €-2.5m from €-3.4m thanks to a lower provision amount compared to last year which was due to Aquiline Drone's woes.
- The company is now financially healthy thanks to the two successful conventional capital increases with cash and cash equivalents of €7.7m compared to €1.3m at the end of 2022. The level of equity increased consequently to €24m compared to €15.8m at the end of 2022.
- Outlook reaffirmed.

Analysis

Reducing losses and recovering financial losses

EBIT grew by only €900k as it is linked to the low margin €20m distribution contract. The company also experienced an increase in staff costs of 27% due to the impact from the integration of new staff following the acquisition of Lorenz and DV Expert.

The better financial health is a plus because the company can buy assets for cheap prices from more distressed or even bankrupt competitors as was the case with Lorenz. Thanks in part to the engineers, the group will unveil in the next few weeks a new drone for military, police and government as they are now forbidden to buy Chinese drones (with DJI representing currently around 70% of global drone market according to Drone Industry Insights). This is clearly good news for the stock as Drone Volt cannot compete head to head with Chinese players such as DJI in normal circumstances and thus offers a new market.

Outlook for H2

Now that the company's financial health has been restored by two capital increases, the focus will be on finishing the execution of the remaining €8m of the big distribution contract as well as stimulating sales in the higher-added-value services segment. The firm has already announced two important contracts worth several hundred thousand euros in the last three months for its “drone as a service” offer. This new Drone Volt Expert division serves three main purposes with important growth potential: agriculture, topography and inspection. The new family of drones may be the last catalyst for growth in the second half of the year. The company confirms again its objective of doubling sales in 2023 thanks to the good commercial dynamic for its new service Drone Volt Expert. This higher added-value service should also allow the company to increase its EBIT margin in H2.

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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: 51.1%
Target Price (6 months)	€ 0.02
Share Price	€ 0.01
Market Cap. €M	15.8
Price Momentum	UNFAVORABLE
Extremes 12Months	0.01 ▶ 0.04
Sustainability score	5.3 /10
Credit Risk	C ↗
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

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PERF	1w	1m	3m	12m
Drone Volt	-0.94%	-5.41%	-11.0%	-69.5%
Aerospace-Defence	-0.30%	3.64%	7.28%	47.5%
STOXX 600	1.60%	1.46%	-0.52%	11.4%

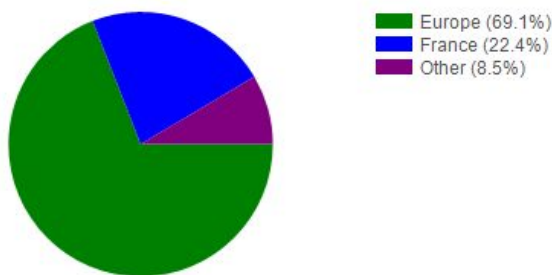
Last updated: 18/09/2023	12/22A	12/23E	12/24E	12/25E
Adjusted P/E (x)	-0.76	-5.83	ns	4.56
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.95	-19.0	22.1	3.13
Adjusted EPS (€)	-0.05	0.00	0.00	0.00
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	13,736	30,500	33,931	42,146
Other margin (%)	21.1	15.8	20.1	28.3
Attributable net profit (€th)	-25,484	-1,802	-107	3,460
ROE (after tax) (%)	-89.5	-8.48	-0.45	15.4
Gearing (%)	0.36	0.41	-11.4	-10.1

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

■ Impact

Our DCF, and consequently the target price, will be impacted by a higher capex of €4m against €3.35m previously expected to take into account the efforts on developing the new family of drones. We have significantly revised upwards our estimates after FY23 as well to take into account the new willingness of the company to invest in new drones and technologies, which does not seem to be a one-off in our opinion.

Sales by Geography



Consolidated P&L Accounts

		12/22A	12/23E	12/24E
Sales	€th	13,736	30,500	33,931
Change in sales	%	59.4	122	11.2
Change in staff costs	%	61.1	20.0	4.68
EBITDA	€th	-2,799	-954	898
EBITDA(R) margin	%	-20.4	-3.13	2.65
Depreciation	€th			
Underlying operating profit	€th	-4,960	-3,302	-1,410
Operating profit (EBIT)	€th	-22,039	-3,088	-1,171
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	623	343
Equity associates	€th			
Minority interests	€th	837	879	923
Adjusted attributable net profit	€th	-21,284	-1,802	-107
NOPAT	€th	-3,720	-2,477	-1,057

Cashflow Statement

		12/22A	12/23E	12/24E
EBITDA	€th	-2,799	-954	898
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	623	343
Exceptional items	€th			
Other operating cash flows	€th	3,188	100	100
Total operating cash flows	€th	-4,286	-1,092	2,480
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	0.00
Total financial flows	€th	3,737	12,037	598
Change in cash position	€th	-5,636	7,145	-882
Free cash flow (pre div.)	€th	-7,744	-5,307	-1,682

Per Share Data

		12/22A	12/23E	12/24E
No. of shares net of treas. stock (year...)	Th	495,781	1,502,259	1,502,259
Number of diluted shares (average)	Th	431,887	1,000,137	1,503,376
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	€ 0.02	35%	
NAV/SOTP per share	€ 0.03	20%	
EV/Ebitda	€ 0.00	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	24,669	22,452
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	-3,396	-1,714
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	-8.48	-0.45
ROCE	%	-34.6	-20.7	-9.33
Gearing (at book value)	%	0.36	0.41	-11.4
Adj. Net debt/EBITDA(R)	x	-1.29	3.56	-1.91
Interest cover (x)	x	-45.9	-15.4	-6.99

Valuation Ratios

		12/22A	12/23E	12/24E
Reference P/E (benchmark)	x	-0.76	-5.83	ns
Free cash flow yield	%	-41.9	-33.6	-10.7
P/Book	x	1.04	0.64	0.70
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/22A	12/23E	12/24E
Market cap	€th	18,473	15,774	15,774
+ Provisions	€th	157	106	122
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	3,475	-3,524	-1,849
+ 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	18,123	19,846
EV/EBITDA(R)	x	-9.95	-19.0	22.1
EV/Sales	x	2.03	0.59	0.58

Analyst : Alexandre DESPREZ, Changes to Forecasts : 18/09/2023.