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# Delta Drone

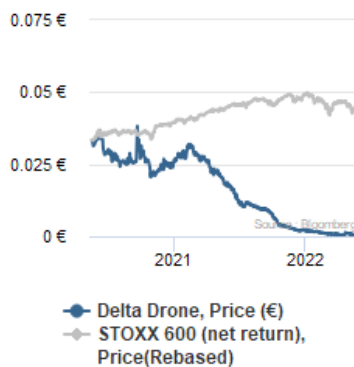
## Acquisitions through dilution

Opinion	<b>Buy</b>
Upside (%)	704
Price (€)	0.00
Target Price (€)	0.00
Bloomberg Code	ALDR FP
Market Cap (€M)	0.93
Enterprise Value (€th)	-6,932

Momentum	UNFAVORABLE
Sustainability	5/10
Credit Risk	DDD→

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### PROS

- Delta Drones offers a new business model to professional drones by moving into the actual operation of drone-based services
- An array of five verticals deployed in 2020 is expanded by the acquisition of Weesure in on-site security /protection: a man and his drone
- Long delayed profits should be within reach following this shift into services

### CONS

- Professional drones offer high potential growth but little visibility due to an "in progress" body of regulations
- Very fragmented market, with a myriad of competitors, inevitably calls for market concentration (via acquisitions or Chapter 11s)
- The business model is presumed to be more capital intensive and starts with heavy earnings dilution

KEY DATA	12/19A	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	-2.36	-2.30	-2.59	-0.14	-0.17
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-2.99	-5.52	-4.07	2.99	4.98
Adjusted EPS (€)	-0.03	-0.01	-0.01	0.00	0.00
Growth in EPS (%)	n/a	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00	0.00
Sales (€th)	15,987	13,417	14,795	41,430	43,874
Other margin (%)	59.4	63.8	65.9	75.3	75.1
Attributable net profit (€th)	-9,539	-10,818	-5,229	-7,217	-6,580
ROE (after tax) (%)	-82.1	-90.4	-43.9	-44.1	-30.3
Gearing (%)	4.20	-0.53	2.19	-9.33	-24.8

### Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	No

Detailed financials at the end of this report

**Key Ratios**

		12/20A	12/21E	12/22E	12/23E
Adjusted P/E	x	-2.30	-2.59	-0.14	-0.17
EV/EBITDA	x	-5.52	-4.07	2.99	4.98
P/Book	x	2.09	1.84	0.04	0.05
Dividend yield	%	0.00	0.00	0.00	0.00
Free Cash Flow Yield	%	-20.5	-33.4	-44.9	-158
ROE (after tax)	%	-90.4	-43.9	-44.1	-30.3
ROCE	%	-47.0	-16.4	-24.6	-23.3
Net debt/EBITDA	x	0.23	-0.29	2.36	3.57

**Consolidated P&L**

		12/20A	12/21E	12/22E	12/23E
Sales	€th	13,417	14,795	41,430	43,874
EBITDA	€th	-4,269	-4,989	-2,319	-1,534
Underlying operating profit	€th	-5,747	-6,617	-6,462	-6,197
Operating profit (EBIT)	€th	-7,556	-4,363	-6,693	-6,067
Net financial expenses	€th	-583	-819	-826	-838
Pre-tax profit before exceptional items	€th	-8,139	-5,181	-7,519	-6,905
Corporate tax	€th	-150	-130	156	299
Attributable net profit	€th	-10,818	-5,229	-7,217	-6,580
Adjusted attributable net profit	€th	-9,038	-7,512	-6,587	-6,289

**Cashflow Statement**

		12/20A	12/21E	12/22E	12/23E
Total operating cash flows	€th	-4,251	-5,528	-2,755	-205
Capital expenditure	€th	-537	-588	-591	-596
Total investment flows	€th	902	-6,088	6,512	-1,949
Dividends (parent company)	€th				
New shareholders' equity	€th	9,830	10,000	4,000	3,000
Total financial flows	€th	6,263	9,683	3,254	2,282
Change in net debt position	€th	6,600	-2,435	6,931	8.51
Free cash flow (pre div.)	€th	-5,371	-6,935	-4,172	-1,639

**Balance Sheet**

		12/20A	12/21E	12/22E	12/23E
Goodwill	€th	2,653	2,918	2,860	2,803
Total intangible	€th	6,012	5,941	5,581	5,251
Tangible fixed assets	€th	1,135	1,284	2,242	2,245
Right-of-use	€th	2,242	2,466	3,213	4,034
WCR	€th	2,433	3,310	4,364	4,800
Total assets (net of short term liabilities)	€th	14,933	16,820	24,528	26,225
Ordinary shareholders' equity (group share)	€th	12,571	11,253	21,460	22,025
Provisions for pensions	€th		0.00	0.00	0.00
Net debt / (cash)	€th	-971	1,464	-5,467	-5,476
Total liabilities and shareholders' equity	€th	14,933	16,820	24,528	26,225

**Per Share Data**

		12/20A	12/21E	12/22E	12/23E
<b>Adjusted EPS (bfr goodwill amort. &amp; dil.)</b>	€	<b>-0.01</b>	<b>-0.01</b>	<b>0.00</b>	<b>0.00</b>
<b>Net dividend per share</b>	€	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Free cash flow per share	€	-0.01	-0.01	0.00	0.00
Book value per share	€	0.01	0.01	0.01	0.01
<b>Number of diluted shares (average)</b>	Th	<b>686,697</b>	<b>1,285,378</b>	<b>1,590,342</b>	<b>1,737,278</b>

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## Businesses & Trends

*Note: as of June 2021, Delta Drone's management would like it to be known that our report and associated analytics are the views of AlphaValue only. We nevertheless believe that guesswork is better than no figures.*

### General overview

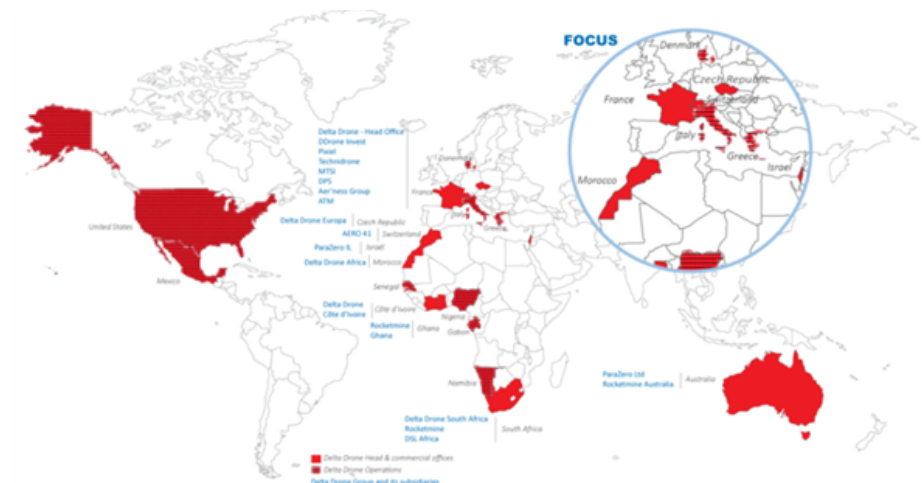
Delta Drone is a French company with headquarters in Dardilly, near the city of Lyon. Created in 2011, the company is an international player in the field of civil drones for professional use. Delta Drone specialises in the development of identified professional solutions, based on both proprietary drone technology as well as partnerships, as part of an offer combining drone sales with all the associated services in order to provide turnkey solutions to its clients.

Its solutions address a very specific, yet various, range of markets, concentrating on sectors such as mines, industrial safety & security, warehouse stock-counting, events and sanitary. Delta Drone mainly operates in France and Africa through subsidiaries, while also pursuing an active strategy of international expansion in Europe, the Middle East, Africa and Australia.

This strategy, along with an aggressive acquisition policy set up under the management of Mr Christian Vigi   (CEO since 2014), has allowed the group's sales to reach c. 16m in 2019, from below  1m in 2014.

In April 2021, Delta Drone came to an agreement to acquire the security company Weesure Group to use drones in this industry. This is in line with its strategy of proposing a drone as part of a security team, which adds significant value to customers in terms of price and efficiency.

### Overview of Delta Drone's worldwide operational footprint



### An organisation designed to address the whole value-added chain

Delta Drone is today organised into two business lines. The first is Professional Solutions, which gathers together the drone solutions, and the second is

Additional Services, which supports the first in order to master the complete value chain. Delta Drone differs from its competitors in the sense that the company does not only sell drones designed for a wide range of applications, but also rather specific turnkey solutions for a targeted market where the drone is merely a component of the solution, dedicated to the efficient execution of the assigned mission. This implies a feasibility study, a regulatory study as well as all the services surrounding the installation of the systems and the training of pilots.

**Professional Solutions** contains the six solutions proposed by the company, namely ISS SPOTTER (safety & security), COUNTBOT (automated warehouse stock-counting), ATMOS (events), ROCKETMINE (mines, essentially in South Africa, Ghana, Namibia, Ivory Coast), SAFESPRAYBOT (sanitary aerial spraying) and PARAZERO (on-board security systems). Each of its six solutions has its own brand name in niche markets with little competition and each has attractive growth potential (given the early stage of this market). This business, which is relatively young due to recent launches (the five solutions were commercially launched in 2020, with Rocketmine already in 2016), constitutes the backbone of the company's future activity as the sale of solutions will also fuel the growth of Associated Services. The company's expertise has either been developed in-house (or through acquisitions like Pixiel and Rocketmine) or through partnerships, such as COUNTBOT which has been developed in close collaboration with the Geodis logistics group.

**Additional Services** completes the value chain with a range of services that can either support Professional Solutions or be used independently. This business is itself subdivided into four activities consisting of regulatory management (up-to-date expertise in drone regulations), training drone pilots, specific missions such as the acquisition of data, and private security. The latter sub-division, ATM GROUP offers security solutions via its two main brands: ATM GROUP SECURITE and AE'RNESS SECURITY. ATM Group ensures Delta Drone masters the entire process of professional operations by drones and generates cross-selling opportunities. The Weesure Group also joins this business line as part of security services. As the security agents acquired through Weesure Group need to be trained and formed, there are significant synergies that can be obtained by the cooperation of the latter with ATM. The training costs were a major cost for the Weesure Group before being acquired by Delta Drone, this should result in better margins for the future.

### **From the "pioneer" era to a mastery of added value**

Delta Drone has had two lives. From 2011 until 2014, the company focused on drone development as well as performing drone services which consumed a lot of resources while not being profitable. Indeed, the civil drone sector presents a puzzling profile as, despite high growth forecasts, most players in the industry are struggling to establish a viable economic model. Delta Drone was no exception. One of the difficulties faced in the early life of the company was the extreme competitiveness of the market, due to a myriad of small players.

As an example, according to Statista, there were 2,250 companies identified in France in 2016. Most used recreational drones for professional purposes in order to perform imaging services at first and then many other applications. Furthermore, the success of leisure drones has generated several negative effects that weighed on the development of civil professional drones, creating a “low cost” product effect, with leisure drone manufacturers also addressing the professional field. At the same time, Delta Drone, like many start-ups, has been confronted with an imbalance in its development costs (R&D) and its capacity to absorb them.

In addition, the drone market has to address a variety of barriers, one of which is the fear of change. This has materialised with the relatively small contracts as tests in the first place, with the need to get to know and understand the technology, which can later be transformed into larger volumes and cross-selling. Another barrier is more to do with regulation hurdles related to drone flights, which is only just beginning, with no harmonisation across countries or regions. Additional information about regulations can be found in the Worth Knowing section.

To address these matters, Delta Drone reoriented its business model under the management of Mr Viguié. From a model based solely on the manufacturing/marketing of civil drones, which is difficult to maintain economically, the emphasis has been placed on deploying a more integrated offer. While manufacturing is a source of differentiation, the bulk of the value-added is generated if the drone observation is combined with other services. This transformation of the business model, undertaken from 2014, has led the company to restructure in depth (notably in the sizing of its “legacy” R&D teams) and through acquisitions in order to bring technological bricks to the creation of a coherent whole and thus move up the value chain.

### **M&A and partnerships have been a key driver of development**

External growth has been a major element in the group’s growth since the takeover of Mr Viguié as CEO. From 2014 onwards, Delta Drone has been structured through a multitude of complementary skills in order to build a coherent offer adapted to the market. During the company’s existence, we consider the acquisitions of Weesure Group, Pixiel and Rocketmine to be particularly important in the value generation of the company. The acquisition of Rocketmine in September 2016 allowed the company to enter the nascent and growing market of mine digitalisation for remote mine monitoring. The acquisition of Pixiel (initial takeover of Pixiel in July 2018 along with its subsidiary EMD – Ecole des Métiers du Drone for training purpose) has enabled the company to strengthen its R&D capabilities, via the Pixiel R&D centre based in Nantes, which is now the company’s main design office. This acquisition provided the technology needed to automate the flight of security drones in swarm (in particular for the ATMOS solution) as well as the ISS Spotter solution by combining the expertise of DRONE PROTECT SYSTEM (DPS, which entered the scope in June 2019). More recently, the agreement signed with ParaZero Ltd (an Australian listed company) allows Delta Drone: 1)

to accelerate its development in Australia for its subsidiary Rocketmine; and 2) to strengthen its R&D capabilities further via Parazero IL (subsidiary of Parazero Ltd) which is specialised in the design and sale of drone safety solutions. The former was the first system approved in the US by the FAA.

Another structural addition, but less obvious to grasp, is the Traditional Security activity, initially set up in partnership with the temporary employment agency Mare Nostrum for the creation of AER NESS, then the addition of another block to form the security division. The starting point for this acquisition was two-fold: 1) to have a pool of telepilots who can be trained and subsequently deployed on acquisition missions, and 2) establish an entry point into the “closed” environment of industrial site security. This first step is a decisive advantage for the subsequent introduction of more technology, in particular the use of security drones. This strategy led to the acquisition of Weesure Group in April 2021, which orients Delta Drone towards more emphasis in the security market.

### **Weesure Group: dronification of the security industry**

Through this acquisition, Delta Drone should increase its sales drastically and will join the big European players of the security industry. Weesure Group has over 1,400 employees (700 in France and 700 in Africa). Delta Drone plans to acquire 100% of Weesure Securities and Weesure Services and 25% of Euro Protec and Weesure Africa.

The security industry will always need human employees, as some tasks are inaccessible to machines. However, having a drone agent to assist them in their duties has numerous advantages. The ISS Spotter is a security drone that is autonomous as, once the path or alarm systems are implemented, the drone does not need human assistance. It will perform its tasks and will recharge automatically. Therefore, the drone works 24/7 and will be faster and more precise than any person. It is also more convenient to send a drone than a person into dangerous situations or hard to access locations. There is also a possibility for the drone to be controlled by a user, enabling the person to access the cameras of the drones manually.

It also has significant cost reduction implications for customers. On average, a security agent's salary, working 24/7 for a year, would be the equivalent of around €200,000 a year. The same service on the ISS Spotter drone would cost €80,000 a year, a 60% cost cut.

The historical contracts of Weesure are split between permanent missions and particular events. The permanent segment has shown resilience through the pandemic, but sporting and cultural events have strongly declined and have not recovered yet. The sanitary restrictions that prevent major events from taking place will negatively impact the security business. This sector is expected to become Delta Drone's new growth driver, with its autonomous drone agents as a competitive advantage to win customers.

### **International development**

Expansion beyond domestic borders is a key element of Delta Drone's strategic development, and should eventually represent the bulk of the company's growth opportunities. As previously mentioned, Delta Drone currently has major strategic development projects in Australia through its subsidiary Delta Drone International (in which it holds a 50% stake), via the development of Rocketmine's activities in this country where the mining sector is preponderant in the Australian economy, but also in Israel via the drone parcel delivery project in Tel Aviv. The arrival in early 2020 of a new reference shareholder, Mr Ott, should also be a cornerstone to Delta Drone's development in Eastern Europe. Mr Ott will bring Delta Drone the benefit of his network and his expertise in these countries to develop the Professional Solutions activity. More generally, Delta Drone is clearly targeting both African and Middle Eastern markets via its strategic footprint in the African continent (in Morocco and South Africa). These two locations benefit from the geopolitical presence of these countries on the rest of the continent.

### **General market, expected to display high growth**

The company addresses a market with huge potential, but which is today still in its early stages, for several reasons. The technology was reserved first for military use, starting as early as the 1970s, and only reached the civilian domain just a few years ago, thanks to progress in miniaturisation and the decrease in costs.

In terms of market projection, it is not easy to find reliable and recent market studies. However, according to *The Insight Partner* in a report published in August 2019, the global civil drone market was valued at \$6.56bn in 2018 and is expected to reach \$21.61bn by 2027 with a CAGR growth rate of 14.3% in the forecast period from 2019 to 2027. The pace of growth is also expected to increase towards the end of this timeframe when the major contributors in civil drone spending will be in agriculture, real estate/infrastructure, and energy & power. Additionally, in a report published in June 2019, Teal Group predicted worldwide civil drone production will almost triple over the next decade. Non-military UAS production should total \$88.3bn over the next decade, soaring from \$4.9bn in 2019 to \$14.3bn in 2028, equivalent to a 12.6% CAGR. The study includes forecasts of commercial, consumer and civil government systems. The year before, it was *GlobeNewswire* which highlighted the research from Market Research Future that the drone market's size would mushroom to \$129.3bn by 2028, equivalent to a 20.18% CAGR from 2018 to 2028.



## Divisional Breakdown Of Revenues

Sector	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
					€th	of % total	€th	of % total
<b>Total sales</b>	<b>13,417</b>	<b>14,795</b>	<b>41,430</b>	<b>43,874</b>	<b>1,378</b> ↑	<b>100%</b>	<b>26,635</b> ↑	<b>100%</b>
<i>O/w organic growth (%)</i>		77.0	13.2	8.95	77	6%	-64	0%
<b>Weesure Group</b>								
Security Services		0.00	22,940	23,713	0	0%	22,940	86%
<b>Professional Solutions</b>								
Electrical Products-Misc	3,821	5,100	7,683	8,514	1,279	93%	2,583	10%
<b>Associated services</b>								
Electrical Products-Misc	9,596	9,696	10,808	11,647	100	7%	1,112	4%
Other								

## Key Exposures

	Revenues	Costs	Equity
Dollar	0.0%	10.0%	0.0%
Emerging currencies	14.0%	8.0%	0.0%
Long-term global warming	20.0%	0.0%	0.0%

## Sales By Geography

France	76.0%
Africa	19.0%
Other	5.0%

We address exposures (eg. how much of the turnover is exposed to the \$ ) rather than sensitivities (say, how much a 5% move in the \$ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.

Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in \$ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling

In addition, subjects are frequently intertwined. A \$ exposure may encompass all revenues in \$ pegged currencies and an emerging currency exposure is likely to include \$ pegged currencies as well.

Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

## Money Making

*Note: as of June 2021, Delta Drone's management would like it to be known that our report and associated analytics are the views of AlphaValue only. We nevertheless believe that guesswork is better than no figures.*

As of the end of 2020, Delta Drone's revenue can be broken down into two distinct blocks: Professional Solutions (c. 28% of business in 2020) and Associated Services (c. 63% of business in 2020). From 2021 onwards, a new block will be merged with the Associated Services, accounting for almost 50% of the estimated sales in 2022: the Weesure Group.

With the launch of five new Professional Solutions in 2020, the company wrote a new chapter as it moved away from its old (loss-making) activities (acquisition/inspection).

### **The drag of legacy activities about to end**

Of these three blocks, all of Delta Drone's losses are concentrated on its historical activities, which are essentially hampered by the reasons mentioned in the Business and Trends section as well as by its overlarge teams in an unprofitable business. Delta Drone will end its Acquisition/Inspection activities during the course of 2021 (estimated turnover of €500k for 2020) in order to limit the sources of losses and it will redeploy part of its workforce to the Professional Solutions activity.

### **All the growth will come from the rise in turnkey solutions for professionals**

The Professional Solutions and Associated Services activities are the heart of Delta Drone's strategic shift. They offer its customers turnkey solutions where the sale of drones is accompanied by services. The acquisition of Rocketmine, whose service activity consists of mine mapping by drones using mission-based pilots (giving flexibility on opex) was the first move by the company towards its new strategy. This activity was profitable as soon as it was purchased and allowed Delta Drone to amortise part of the losses generated by the historical activities, thanks to a gross margin that we estimate at c. 60%.

The year 2020 marks a turning point in the group's history as it has extended its offer with five new solutions, to bring in an additional estimated €5.3m in revenue that year compared to 2019 (c. €4.7m from the new Professional Solutions and c. €650,000 from Solution Support). Thanks to its turnkey solutions, the relationship between Delta Drone and its customers is straightforward since they approach the company for a well-defined need. Initially, Delta Drone will provide a service that will include: 1) a feasibility study of the project; 2) a regulatory study in order to know the environment of the site; 3) define the delivery schedule; 4) the conditions of maintenance; and 5) the conditions under which the system will operate. In the second phase, Delta Drone will manufacture the drones in-house at its two locations in Nantes and Dardilly, using proprietary technology thanks to its two R&D departments (based in Nantes and Tel Aviv). Delta Drone will then enter into a long-term relationship with its customers thanks to its Associated Services business,

which we estimate at c. 20% of the acquisition price of a system. This final stage relates to training, but above all to the maintenance of systems.

The major shift of 2021 was the acquisition of Weesure Group which enabled Delta Drone to enter further into the security Business. The security industry has historically always had low margins of between 1% and 2%. Therefore, the most lucrative strategy of the industry is to grow and use economies of scale to increase margins. These synergies are part of Delta Drones' strategy, which has already centralised its training centre with ATM. In the mid-term, these synergies could reach an additional 1-2% of margins.

Drone Agents can also help boost profits. On top of being a competitive advantage that helps signing new contracts, one drone does the working hours of 5.5 "classic employees" for 40% of the price. They can now afford to be cost competitive, while generating more margin. There is no termination plan needed with the merger of the historical security service with the new drone technology. However, there might be less need for human staff in the long run as the technology improves, meaning that excess staff can be used for new contracts without having to augment the number of employees.

Due to this organisation, Delta Drone regains control of the added value by controlling it from one end of the chain to the other. Ultimately, the company will enter into an "Aeronautical" production model, involving multi-year production/delivery contracts along with maintenance contracts. We estimate a gross margin of c. 50% on the Professional Solutions activity (initial study and production) as well as an average gross margin of c. 70% on the support solutions side, which will enable the group's gross margin to increase.

### **Projections for 2020-22**

After a phase of stabilisation and integration of its activities over 2018-19, Delta Drone aims to reach revenues of €35m by 2021 and €50m by 2022. This strong growth compared to 2020 is mainly due to the consolidation of the Weesure Group starting in H2 21 (the group reported €20m of revenues in 2020). It is also driven by the above-mentioned launch of the five new Solutions designed for the professional market. This revenue target is complemented by a profitability target, with an expected positive EBITDA by 2021 and a positive EBIT by 2022, and the realisation of one third of the business outside France, mainly in Africa.

We anticipate Delta Drone to reach c. €34.7m by 2021, this represents a 77% organic growth from 2020 to 2021, and to reach €51m of estimated turnover in 2022. Most of this growth is generated by the Professional Solutions business, whose turnover is expected to grow from c. €3m in 2019 to €12m and €13.5m in 2021 and 2022, respectively. At the same time, the sales of the solutions will drive in their wake the turnover of the maintenance and training services. By that time, we estimate that the Weesure Group's revenues will represent 46% of total revenues, followed by Professional Solutions (26% of revenues) and Associated Services (28% of revenues). We believe that this mix, which is geared more towards high value-added activities (as shown in the table below

“Divisional other profit breakdown analysis” for segment gross margin), coupled with efforts to rationalise the structure, should enable Delta Drone to achieve operating profitability as early as 2022. We also believe that the operating gearing should generate positive free cash flow as early as 2021, limiting recourse to dilutive financing.

### Divisional Other profit breakdown Analysis

	12/20A	12/21E	12/22E	12/23E	Change 21E/20		Change 22E/21E	
					€th	of % total	€th	of % total
<b>Total</b>	<b>8,558</b>	<b>9,750</b>	<b>31,200</b>	<b>32,957</b>	<b>1,192</b> ↑	<b>100%</b>	<b>21,450</b> ↑	<b>100%</b>
<b>Professional Solutions</b>	2,093 <sup>(1)</sup>	2,858 <sup>(1)</sup>	4,278 <sup>(1)</sup>	4,797 <sup>(1)</sup>	765 ↑	64%	1,420 ↑	7%
<b>Associated services</b>	6,464 <sup>(1)</sup>	6,892 <sup>(1)</sup>	7,653 <sup>(1)</sup>	8,241 <sup>(1)</sup>	428 ↑	36%	761 ↑	4%
<b>Weasure Group</b>		0.00 <sup>(1)</sup>	19,270 <sup>(1)</sup>	19,919 <sup>(1)</sup>	0 ↑	0%	19,270 ↑	90%
Other/cancellations								

1. The numbers correspond to the gross margin. Particularly high in the Weasure Group segment as the majority of associated costs is the wages of the security agents, not accounted for in the COGS.

### Divisional Other profit breakdown Analysis margin

	12/20A	12/21E	12/22E	12/23E
<b>Total</b>	<b>63.8%</b>	<b>65.9%</b>	<b>75.3%</b>	<b>75.1%</b>
<b>Professional Solutions</b>	54.8%	56.0%	55.7%	56.3%
<b>Associated services</b>	67.4%	71.1%	70.8%	70.8%
<b>Weasure Group</b>			84.0%	84.0%

## Valuation

Our valuation combines a mix of DCF, NAV and peer comparisons. Following the deployment of the five new Professional Solutions in 2020 and the acquisition of the Weesure Group in H2 21, which should fuel growth significantly in the early years, we anticipate the pace of growth to then ease somewhat. We had previously assumed an expected market growth of c. 14% CAGR over 2019-27 for drones. However, as of today, very few drone companies have actually managed to maintain this growth rate. In addition, we do not expect business like Traditional Security to see the same level of growth. We therefore apply a more conservative growth rate in our DCF, namely 6% growth over 2024-30. We keep the same 4% growth rate for EBITDA as we believe that the new organisation of the company should be able to maintain an EBITDA margin slightly below 20%.

For the NAV, in order to reflect the strong growth potential and to compensate for the volatility in profitability, we have chosen to base our valuation on sales multiples. In order to fine-tune our valuation, we break down the activity into its different business types and value them based on three-year average forecast sales, to which we apply a multiple. For Professional Solutions, we value Rocketmine independently from the rest of Professional Solutions given its more advanced stage. We value Professional Solutions, excluding Rocketmine, on a multiple of 2x, in line with the drone industry. Given the level of profitability of Rocketmine, already well ahead of the other businesses in Professional Solutions, we apply a premium of 50% to this multiple.

We use the same approach to value Associated Services, which we break down into different parts. First, we value Services (training and security services) with a sales multiple of 0.6x, in line with other drone companies addressing the same market. Secondly, we apply a premium on Solution Support, as we believe this activity is key and embeds a greater share of the value-added of Delta Drone. We therefore use a multiple of 3x. We value the Traditional Private Security, Weesure Securities and Weesure Africa with a multiple of 0.8x, in line with European peers in the security industry. We have also added Euro Protec and Weesure Services with a multiple of 1.5x, a 25% discount compared to the other historical service activities of the group as they are new. Lastly, we have added the listed company Delta Drone International Ltd of which Delta Drone has a 50.29% stake.

With regard to peers, finding a similar company to Delta Drone is not easy since there is currently no perfect match in our coverage, nor on the listed market. As discussed earlier, the drone market is quite nascent and widely fragmented through a myriad of private players. Like in other industries, lying on new and promising technology/applications, we also see a wide range of valuations, somewhat depending on location. North American or Australian companies (e.g. Drone Delivery Canada Corp, EHang Holding Ltd, Kratos Defense & Security Solutions and even Dronesield) tend to trade on much higher multiples than European peers, showcasing the enthusiasm for the sector. In addition, and in order to include peers which we do not cover, we need to include companies with similar market capitalisations and that are

followed by a sufficient number of analysts (since we rely on consensus data) in order to have a relevant set of forecasts to work with. These two requirements prevent us from using the four above-mentioned companies. We, however, address this issue by valuing Delta Drone in line with the relevant players of the drone industry, such as Elbit Systems, Irobot, Aerovironment and ECA Group. We add to this sample employment services companies such as Adecco whose business models share similarities with Delta Drone's Traditional Security activity.

### Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		0.00	-100%	35%
NAV/SOTP per share		0.02	3,846%	20%
EV/Ebitda	Peers	0.00	-100%	20%
P/E	Peers	0.00	-50%	10%
Dividend Yield	Peers	0.00	-100%	10%
P/Book	Peers	0.00	100%	5%
<b>Target Price</b>		<b>0.00</b>	<b>704%</b>	

### Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	11.5	8.29	1.67	4.75
Delta Drone's ratios	-0.15	3.68	0.05	0.00
Premium	0.00%	0.00%	0.00%	0.00%
<b>Default comparison based valuation (€)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Elbit Systems	22.2	16.2	n/a	0.00
Adecco	8.64	6.62	1.45	7.20
Aerovironment	50.3	27.2	3.28	n/a
Irobot	19.1	14.5	1.70	0.00
Drone Volt	-11.5	8.26	0.26	0.00

### DCF Valuation Per Share

WACC	%	11.2	Avg net debt (cash) at book value	€th	-2,002
PV of cashflow FY1-FY11	€th	-14,004	Provisions	€th	565
FY11CF	€th	-2,340	Unrecognised actuarial losses (gains)	€th	0.00
Normalised long-term growth "g"	%	2.00	Financial assets at market price	€th	0.00
Sustainability "g"	%	1.90	Minorities interests (fair value)	€th	0.00
Terminal value	€th	-25,172	Equity value	€th	-21,278
PV terminal value	€th	-8,710	Number of shares	Th	1,737,...
<i>PV terminal value in % of total value</i>	%	38.3	<b>Implied equity value per share</b>	€	<b>-0.01</b>
Total PV	€th	-22,715	Sustainability impact on DCF	%	-0.45

### Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	1,000
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	13.5
Tax advantage of debt finance (normalised)	%	30.0	<b>Company beta (leveraged)</b>	<b>x</b>	<b>1.79</b>
Average debt maturity	Year	5	Company gearing at market value	%	158
Sector asset beta	x	1.19	Company market gearing	%	61.2
Debt beta	x	2.00	<b>Required return on geared equity</b>	<b>%</b>	<b>12.4</b>
Market capitalisation	€th	929	Cost of debt	%	9.45
Net debt (cash) at book value	€th	1,464	<b>Cost of ungeared equity</b>	<b>%</b>	<b>9.46</b>
Net debt (cash) at market value	€th	666	WACC	%	11.2

### DCF Calculation

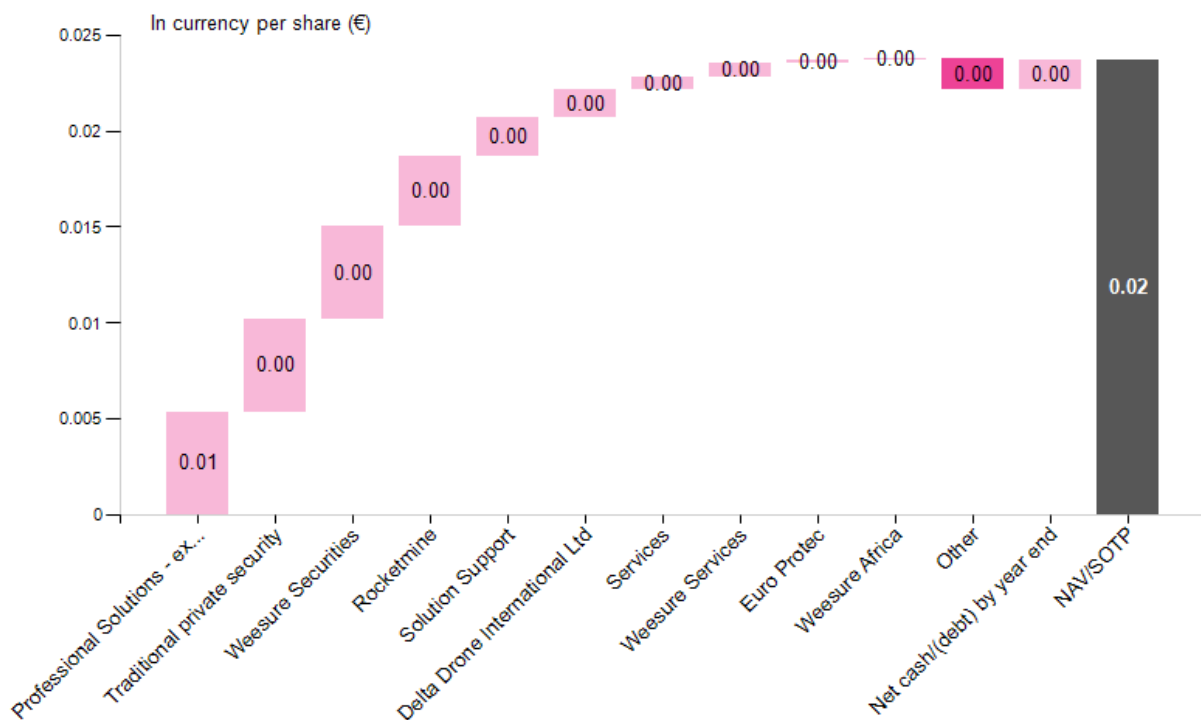
		12/20A	12/21E	12/22E	12/23E	Growth	12/24E	12/31E
Sales	€th	13,417	14,795	41,430	43,874	6.00%	46,507	69,929
EBITDA	€th	-4,269	-4,989	-2,319	-1,534	-3.00%	-1,488	-1,202
<i>EBITDA Margin</i>	%	-31.8	-33.7	-5.60	-3.50		-3.20	-1.72
Change in WCR	€th	1,494	-877	-1,054	-436	1.00%	-441	-473
Total operating cash flows (pre tax)	€th	-4,101	-5,398	-2,911	-504		-1,928	-1,675
Corporate tax	€th	-150	-130	156	299	6.50%	319	495
<b>Net tax shield</b>	<b>€th</b>	<b>-175</b>	<b>-246</b>	<b>-248</b>	<b>-251</b>	<b>6.50%</b>	<b>-268</b>	<b>-416</b>
Capital expenditure	€th	-537	-588	-591	-596	2.00%	-608	-699
<i>Capex/Sales</i>	%	-4.00	-3.97	-1.43	-1.36		-1.31	-1.00
Pre financing costs FCF (for DCF purposes)	€th	-4,963	-6,362	-3,593	-1,053		-2,486	-2,294
Various add backs (incl. R&D, etc.) for DCF purposes	€th							
<b>Free cash flow adjusted</b>	<b>€th</b>	<b>-4,963</b>	<b>-6,362</b>	<b>-3,593</b>	<b>-1,053</b>		<b>-2,486</b>	<b>-2,294</b>
<b>Discounted free cash flows</b>	<b>€th</b>	<b>-4,963</b>	<b>-6,362</b>	<b>-3,231</b>	<b>-851</b>		<b>-1,808</b>	<b>-794</b>
Invested capital	€	9.58	10.5	17.2	17.3		17.6	20.3

## NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€th)	Stake valuation (€th)	In currency per share (€)	% of gross assets
Professional Solution...	100%	EV/Sales	1	9,300	9,300	0.01	24.1%
Traditional private se...	100%	EV/Sales	0.8	8,400	8,400	0.00	21.8%
Weesure Securities	100%	EV/Sales	0.4	8,400	8,400	0.00	21.8%
Rocketmine	100%	EV/Sales	2	6,400	6,400	0.00	16.6%
Solution Support	100%	EV/Sales	2	3,400	3,400	0.00	8.82%
Delta Drone Internati...	50.3%	- Listed -		5,014	2,522	0.00	6.54%
Services	100%	EV/Sales	0.6	1,200	1,200	0.00	3.11%
Weesure Services	100%	EV/Sales	0.8	1,200	1,200	0.00	3.11%
Euro Protec	25.0%	EV/Sales	0.8	1,200	300	0.00	0.78%
Weesure Africa	25.0%	EV/Sales	0.4	600	150	0.00	0.39%
Other					-2,731 <sup>(1)</sup>	0.00	-7.09%
<b>Total gross assets</b>					<b>38,541</b>	<b>0.02</b>	<b>100%</b>
Net cash/(debt) by year end					2,587 <sup>(2)</sup>	0.00	6.71%
Commitments to pay							
Commitments received							
NAV/SOTP					41,128	0.02	107%
<b>Number of shares net of treasury shares - year end (Th)</b>					<b>1,737,278</b>		
<b>NAV/SOTP per share (€)</b>						<b>0.02</b>	
<b>Current discount to NAV/SOTP (%)</b>						<b>97.5</b>	

1. Capitalised R&amp;D

2. Net Debt of FY22 from which we subtract €-2.88m of cash that Delta Drone International holds.





## Debt

At the end of 2019, the company's net debt amounted to c. €840,000, or a tiny fraction of the balance sheet, with a gearing of just 4%.

Indeed, in light of Delta Drone's financial situation, the company has favoured equity financing, in particular through the issue of various hybrid convertible securities. At the end of 2019, this hybrid debt (ORNAN/OCEANE), booked as quasi-equity, totalled €1.75m.

In April 2020, Delta Drone signed a new financing line for up to €10m with its historical partner Yorkville Advisors Global, LP, which has been supporting the company's financing since 2014. To date, €2m has been drawn, in April and June 2020. This is technically an equity line which, if fully exercised, has a massively dilutive impact. In addition and in order to strengthen its shareholder base, Delta Drone issued in May 2020 a €1m convertible bond with Ott Ventures, which was converted in June and thus Ott Ventures became the majority shareholder of the company.

The Weesure acquisition, said to be well below market prices for security/protection assets, is entirely financed through drawing on the equity line leading to a fast-paced dilution of existing shareholders unless they participate in the equity line. We set the price tag at an arbitrary €5m. The dilution would stop when the benefits of the Weesure consolidation show up on the FCF generation line, quite possibly as soon as next year. AlphaValue has allowed for a €10m capital increase in 2021 and another €3m in both 2022 and 2023.

Detailed financials at the end of this report

### Funding - Liquidity

		12/20A	12/21E	12/22E	12/23E
EBITDA	€th	-4,269	-4,989	-2,319	-1,534
Funds from operations (FFO)	€th	-5,772	-5,470	-2,527	-606
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>12,571</b>	<b>11,253</b>	<b>21,460</b>	<b>22,025</b>
Gross debt	€th	1,978	2,480	2,560	2,680
+ Gross Cash	€th	2,949	1,016	8,027	8,156
<b>= Net debt / (cash)</b>	<b>€th</b>	<b>-971</b>	<b>1,464</b>	<b>-5,467</b>	<b>-5,476</b>
Gearing (at book value)	%	-0.53	2.19	-9.33	-24.8
Equity/Total asset (%)	%	84.2	66.9	87.5	84.0
Adj. Net debt/EBITDA(R)	x	0.23	-0.29	2.36	3.57
Adjusted Gross Debt/EBITDA(R)	x	-0.59	-0.61	-1.46	-2.29
Adj. gross debt/(Adj. gross debt+Equity)	%	16.7	21.3	13.6	13.8
Ebit cover	x	-9.86	-8.08	-7.82	-7.40
FFO/Gross Debt	%	-228	-180	-74.8	-17.3
FFO/Net debt	%	594	-374	46.2	11.1
FCF/Adj. gross debt (%)	%	-212	-228	-123	-46.7
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	-2.50	-6.04	3.93	6.65
"Cash" FCF/ST debt	x	-4.97	-7.08	-4.26	-1.67

## Worth Knowing

### Regulatory framework

France has been a pioneer market for drones and, according to the DGAC (Direction Générale de l'Aviation Civile / the French Civil Aviation Authority), the country stands at third place worldwide in terms of drone pilots. DGAC established as early as April 2012 four different scenarios which set precise limits to the operation of aerial drones. The French regulation is also very strict concerning the different registrations and certificates necessary respectively for the drone makers, the operators, the pilots and the flight authorisations, establishing a complex regulatory environment but opening up clear business opportunities. However, this regulatory framework must now be approached in the light of a new European regulation (published in June 2019), which will gradually replace national requirements in order to contribute to the emergence of a European market for the drone industry. The first regulation, implemented January 2021, defines the categories of drone operations. The next major step will be the implementation of the so-called U-Space at the European level, to allow traffic management for drones (expected to be operational by 2023).

In the meantime, the emphasis is put on training and traceability. Online training and evaluation raise awareness amongst the telepilots of recreational drones weighing more than 800 grammes to encourage training on the basic rules of safety, airspace traffic and privacy. Theoretical and practical training for professional telepilots, somewhat comparable but less demanding than private pilot licences (PPL) and focused on the use of drones, also includes the certificate of theoretical aptitude. Lastly, safety instructions are now required in the packaging as well as the administrative registration of drones weighing more than 800 grammes.

We list the current main regulations to operate a drone in a commercial context. Note that these rules evolve quickly, as some new fields are opened every day and the pressure on the regulators for more freedom from operators is permanent.

Four drone flying operation scenarios are envisaged for now:

- S-1: operations with direct sight of the drone, outside a populated zone, at a maximum distance of 200m from the pilot.
- S-2: operations out of sight, outside a populated zone, at a maximum distance of 1km from the pilot and below an altitude of 50m. No one is allowed within the operating zone.
- S-3: operations in a populated area or near persons/animals, in direct sight and at a maximum distance of 100m from the pilot.
- S-4: special operations (view shooting, observations, plotting, aerial surveillance...) out of sight, outside a populated zone and not corresponding to S-2.

The last scenario is of most importance, indeed making France one of the few countries having regulated flights with the pilot out of sight.

Other important areas of the current regulations include:

- Drone builders have to have their models certified by the DGAC, stipulating the category of drone in which the model falls, the nature of its operations and the scenario in which it will operate.
- The operators have to be registered on a DGAC list, and have to mention the nature of their operations, the scenarios exploited, as well as the model of drones used and its maker.
- The pilots have to obtain an official certificate (theoretical training) and hold a Statement of Skill Level (DNC).
- Operations have to be allowed by the Prefectures via a flight authorisation, solicited by the filing of a Textbook of Particular Activities (MAP).

Summary of requirements applicable to the operator, its aircraft and telepilots according to DGAC:

(W: total aircraft weight)	W ≤ 2 kg	2 kg < W ≤ 8 kg	8 kg < W ≤ 25 kg	25 kg < W ≤ 150 kg
Requirements common to all scenarios	Affix a sign on each aircraft identifying the name and address of the operator.			
	Declaration of Level of Competence for each telepilot			
	Declaration of activity, to be renewed every 24 months (or in case of modification) and annual activity report in January.			
S-1 Outside populated area In sight, R ≤ 200 m A ≤ 150 m	Theoretical ability		Theoretical ability and certificate of competence	Certificate of conception
	Textbook of Particular Activities (MAP)			
S-2 Outside populated area <sup>3</sup> By day, R ≤ 1000 m	Theoretical ability		Theoretical ability and certificate of competence	Certificate of conception
	Textbook of Particular Activities (MAP)			
	Altitude ≤ 150 m		Altitude ≤ 50 m	
S-3 In populated areas In sight, R ≤ 100 m A ≤ 150 m Reporting flight to the authorities	Theoretical ability		Certificate of conception	Prohibited unless specifically authorized
	Textbook of Particular Activities (MAP)			
S-4 Outside populated area By day, A ≤ 150 m	Certificate of conception		Prohibited unless specifically authorized	
	Pilot licence and experience			
	MAP + Operation Record			

Color coding : Airworthiness Telepilot Operator Airspace

R = Range

A = Altitude

These rules are about to be reinforced at the European Union level, under the supervision of The European Aviation Safety Agency (EASA). The regulatory framework should cover security, safety, privacy, data protection and insurance matters. EASA has published a first regulation, in place from 1 January 2021 (vs. 1 July 2020 due to COVID-19), which will define the categories of drone operations according to three classes based on their risk.

**Open Category:** Leisure or professional drone flights of less than 25kg whose flight is made in sight. No permission, authorisation or training will be required. The aircraft will have to meet CE marking standards. Technical standards are currently being developed in Europe.

**Specific Category:** This category covers the characteristics that have not been covered under the 'Open' Category. Under this category, the drone operator has to undergo a safety risk assessment and identify a mitigation structure that needs to be reviewed and approved by the National Aviation Authority (NAA). A Manual of Operations is mandatory to obtain approval.

**Certified Category:** This includes large unmanned aircraft and their operations, carrying a higher degree of risk (transport of goods, urban logistics and

people). It will follow aeronautical principles, such as certification and the need to have a drone pilot's licence. Its full definition is still pending criteria from EASA.

### Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
OTT Ventures	20.0%	20.0%	0.00%
Nextstage AM	10.0%	10.0%	0.00%
<b>Apparent free float</b>			<b>70.0%</b>

## Sustainability

### Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
<b>Governance</b>		
Independent directors rate	8/10	25%
Board geographic diversity	6/10	20%
Chairman vs. Executive split	X	5%
<b>Environment</b>		
CO <sup>2</sup> Emission	2/10	25%
Water withdrawal	3/10	10%
<b>Social</b>		
Wage dispersion trend	0/10	5%
Job satisfaction	10/10	5%
Internal communication	10/10	5%
<hr/>		
<b>Sustainability score</b>	<b>4.9/10</b>	<b>100%</b>

## Governance & Management

The functions of CEO and Chairman of the Board are assumed by Mr Christian Vigié. He was one of the company's first shareholders, investing in the company from its inception and then advising the former management team, in particular with regard to its fund-raising activities. He took over the company's management in 2014, at a time when the finances of the company were deteriorating and the strategy was unworkable.

2020 also marks the arrival of a reference shareholder, Mr Ott, who via his structure Ott Ventures signed an agreement with the company. His arrival will stabilise the company's shareholding.

### Governance score

Company (Sector)

**5.1** (6.9)

Independent board

**Yes**

Parameters	Company	Sector	Score	Weight
Number of board members	4	11	10/10	5.0%
Board feminization (%)	33	36	6/10	5.0%
Board domestic density (%)	50	69	6/10	10.0%
Average age of board's members	60	62	5/10	5.0%
Type of company : Small cap, controlled			4/10	10.0%
Independent directors rate	75	41	8/10	20.0%
One share, one vote			✗	10.0%
Chairman vs. Executive split			✗	0.0%
Chairman not ex executive			✗	5.0%
Full disclosure on mgt pay			✗	5.0%
Disclosure of performance anchor for bonus trigger			✗	5.0%
Compensation committee reporting to board of directors			✗	5.0%
Straightforward, clean by-laws			✓	15.0%
<b>Governance score</b>			<b>5.1/10</b>	<b>100.0%</b>

## Management

Name		Function	Birth date	Date in	Date out	Compensation, in k€ (year)	
						Cash	Equity linked
CHRISTIAN VIGUIE	M	CEO		2014		(2020)	(2020)
Nicolas CLERC	M	CFO		2017		(2020)	(2020)
SANDRA HONEL	F	Head of Human Resources		2014		(2020)	(2020)
Philippe BARANGER	M	CTO		2019		(2020)	(2020)
Eden ATTIAS	M	Senior Executive				(2020)	(2020)
VINCENT CADÈNE	M	Senior Executive		2013		(2020)	(2020)

## Board of Directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€ (year)	Value of holding, in k€ (year)
CHRISTIAN VIGUIE	M	✗	President/Chairman of th...	2022		2014		(2020)	(2020)
Nicole ANSCHUTZ	F	✓	Member	2026		2020		(2020)	(2020)
Bruno PAVLOVSKY	M	✓	Member	2022	1962	2014		(2020)	(2020)
JACQUES RIVOAL		✓	Member	2022		2014		(2020)	(2020)

## Environmental Score

Data sets evaluated as trends on rolling calendar, made sector relative











Parameters	Score	Sector	Weight
Energy	3/10	5/10	25%
CO <sup>2</sup> Emission	2/10	4/10	30%
Waste	3/10	5/10	15%
Water withdrawal	3/10	5/10	30%

Company (Sector)

**2.70** (4.63)

## Environmental metrics

### Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, (in tons)
Delta Drone		3/10				
BAE Systems		6/10	2,734,117	487,397	5,623,792	55,133
Rolls-Royce		5/10	4,573,454	427,205	3,937,000	48,700
Leonardo		5/10	5,493,000	608,669	5,287,000	34,474
Airbus Group		7/10	18,280,800	783	3,332,617	74,879
Thales		5/10	7,264,320	196,000	1,661,000	18,996
Safran		6/10	6,359,884	414,988	2,521,900	57,794
Meggitt		6/10	1,180,800	87,062	637,546	8,604
Rheinmetall		3/10	3,428,478	410,404	3,246,497	57,648
MTU Aero Engines		6/10	1,054,440	71,300	8,327,300	7,040

### Social score

Company (Sector)

**4.2** (7.0)

#### Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	10/10	20%
Average wage trend	1/10	35%
Share of added value taken up by staff cost	1/10	25%
Share of added value taken up by taxes	1/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
<b>Quantitative score</b>	<b>2.8/10</b>	<b>100%</b>

#### Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	10/10	25%
Human resources development	7/10	35%
Pay	0/10	20%
Job satisfaction	10/10	10%
Internal communication	10/10	10%
<b>Qualitative score</b>	<b>7.0/10</b>	<b>100%</b>

AlphaValue analysts tick boxes on essential components of the social/HR corporate life. Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

#### Qualitative score

Parameters	Yes  / No 	Weight
<b>Accidents at work</b>		<b>25%</b>
Set targets for work safety on all group sites?		10.0%
Are accidents at work declining?		15.0%
<b>Human resources development</b>		<b>35%</b>
Are competences required to meet medium term targets identified?		3.5%
Is there a medium term (2 to 5 years) recruitment plan?		3.5%
Is there a training strategy tuned to the company objectives?		3.5%
Are employees trained for tomorrow's objectives?		3.5%
Can all employees have access to training?		3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?		3.5%
Have key competences stayed?		3.5%
Are managers given managerial objectives?		3.5%
If yes, are managerial results a deciding factor when assessing compensation level?		3.5%
Is mobility encouraged between operating units of the group?		3.5%
<b>Pay</b>		<b>20%</b>
Is there a compensation committee?		6.0%
Is employees' performance combining group AND individual performance?		14.0%
<b>Job satisfaction</b>		<b>10%</b>
Is there a measure of job satisfaction?		3.3%
Can anyone participate ?		3.4%
Are there action plans to prop up employees' morale?		3.3%
<b>Internal communication</b>		<b>10%</b>
Are strategy and objectives made available to every employee?		10.0%
<b>Qualitative score</b>	<b>7.0/10</b>	<b>100.0%</b>



## Staff & Pension matters

The group grew to 477 employees in 2019, mainly due to external growth (acquisition of ATM Group SRA SAS in the traditional security business). The following year, the company had been rationalising and Delta Drone had 429 employees in 2020 (90% of the 2019 levels), in line with the “new” Delta Drone. This restructuring came with extra costs that were accounted for in 2020 under exceptional costs.

The acquisition of the Weesure Group in 2021 added a significant number of employees to the company. Indeed, the security group now has 700 employees in France, the majority being security agents and the others representing management and technical staff. Therefore, we have estimated the workforce to increase to 1,108 employees by the end of 2021, with 93% of the increase representing security agents on the minimum wage.

## Recent updates

28/10/2021

### Concerning H1-21

<b>Change in EPS</b>	2021 : € -0.01 vs 0.00	ns
	2022 : € 0.00 vs 0.00	ns

Delta Drone's half year earnings suffered from a combination of delayed business (lasting Covid impacts on orders) and delayed booking of acquisitions (Weasure, pushed back to FY22). Essentially flat sales at c.€7m were matched by an operating loss at €-4.3m vs. €-3.9m a year ago. The bottom line was nevertheless at break even thanks to the booking of a €5.3m gain on the fair value of investments, which is a one-off and is not expected to carry on in FY22.

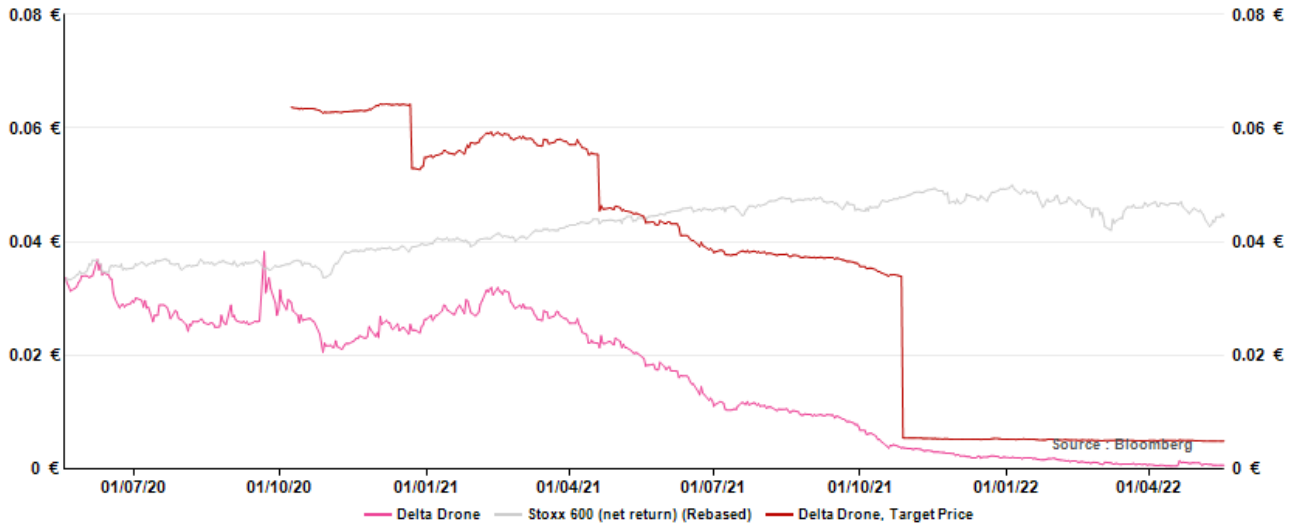
<b>Change in NAV</b>	€ 0.02 vs 0.05	-46.5%
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The NAV has been adjusted to reflect more accurately the company's growth outlook. Weasure Group segment multiples have been reviewed downwards, as the price of the Weasure Group was expected at around €5m euros by the management. Since there is value creation in this merger, we have estimated the total value of the Weasure segments at c.€10m (€5m above its estimated cost), vs the €16m previously mentioned. We have also removed the cash from the Delta Drone International entity, as its financials are fully consolidated.

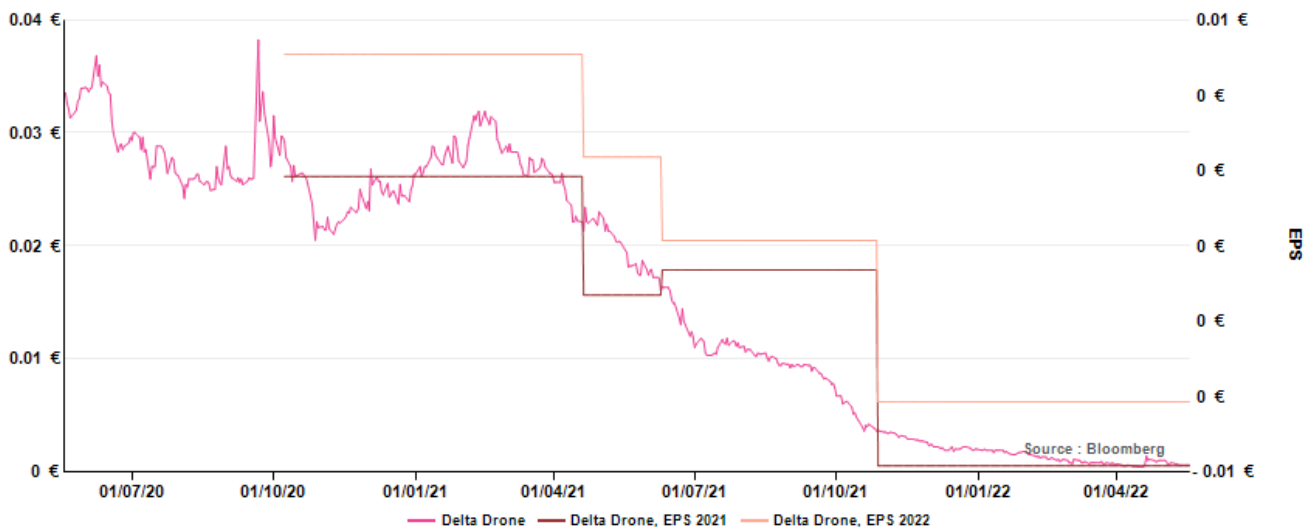
<b>Change in DCF</b>	€ -0.01 vs 0.07	ns
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Since the merger of Weasure group is now expected to occur in FY22, we have changed the expected sales for FY21. In addition, we believe the number of drones sold organically to this business has been over-estimated, and we now expect c.40 ISS Spotter drones sold in FY22 vs 72 drones previously. This has significantly impacted the gross margin, as the high level of drone volumes would have been highly profitable. We now expect the EBITDA to remain negative up to FY23, as the negative business momentum is continuing.

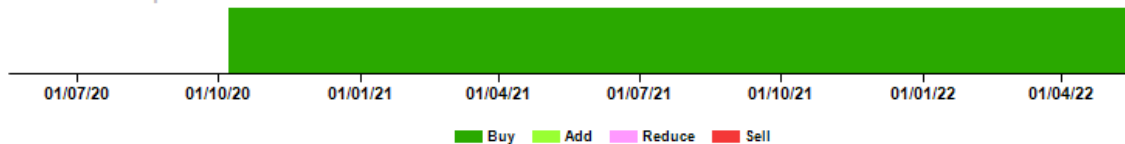
Stock Price and Target Price



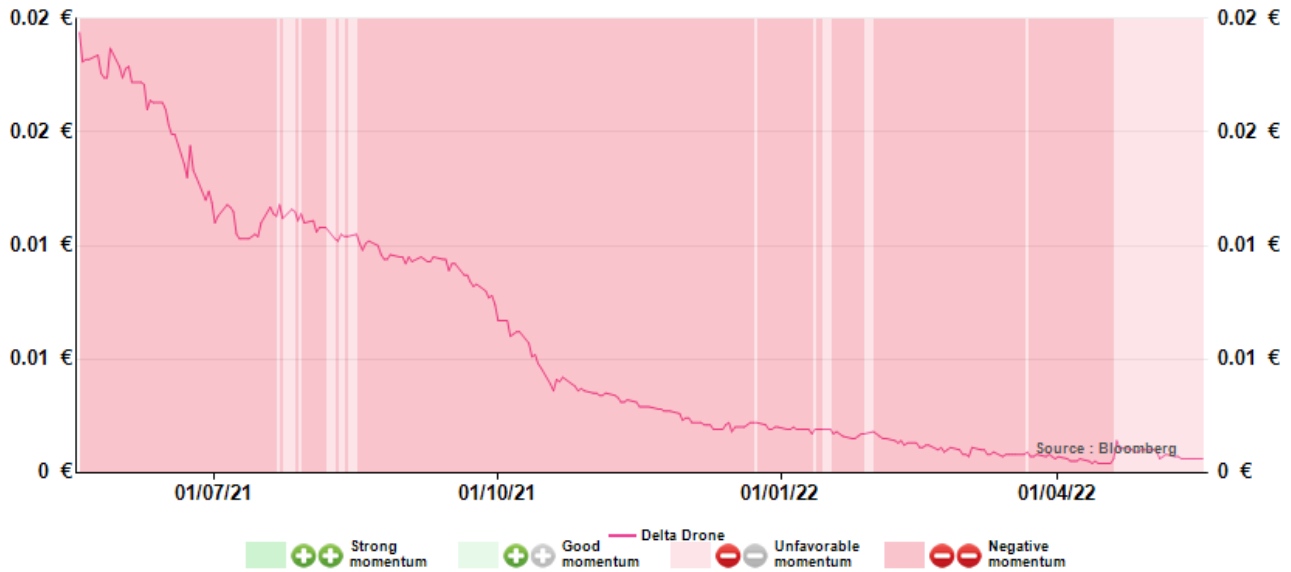
Earnings Per Share & Opinion



Delta Drone : Opinion



## Momentum





Momentum analysis consists in evaluating the stock market trend of a given financial instrument, based on the analysis of its trading flows.


The main indicators used in our momentum tool are simple moving averages over three time frames: short term (20 trading days), medium term (50 days) and long term (150 days). The positioning of these moving averages relative to each other gives us the direction of the flows over these time frames.


For example, if the short and medium-term moving averages are above the long-term moving average, this suggests an uptrend which will need to be confirmed. Attention is also paid to the latest stock price relative to the three moving averages (advance indicator) as well as to the trend in these three moving averages - downtrend, neutral, uptrend - which is more of a lagging indicator.

The trend indications derived from the flows through moving averages and stock prices must be confirmed against trading volumes in order to confirm the signal. This is provided by a calculation based on the average increase in volumes over ten weeks together with a buy/sell volume ratio.

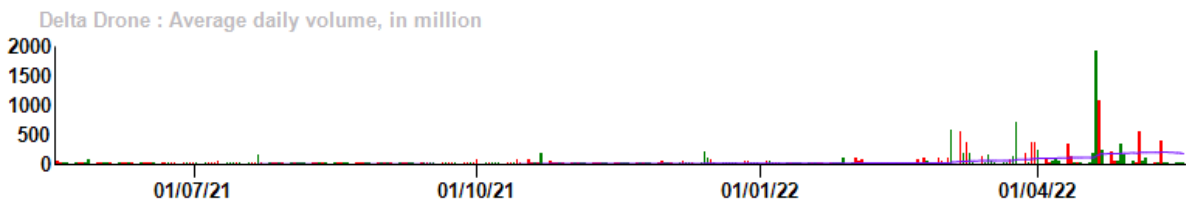
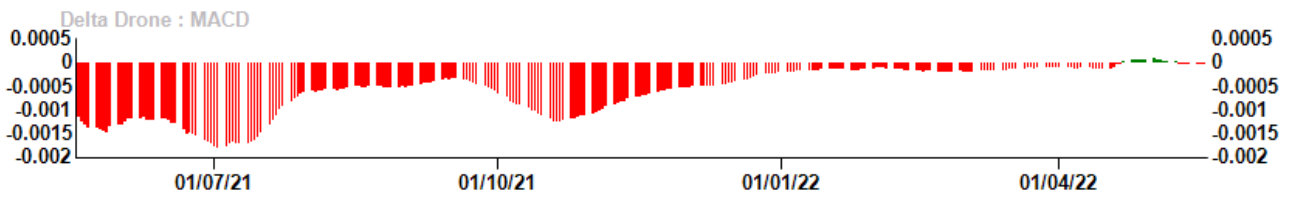
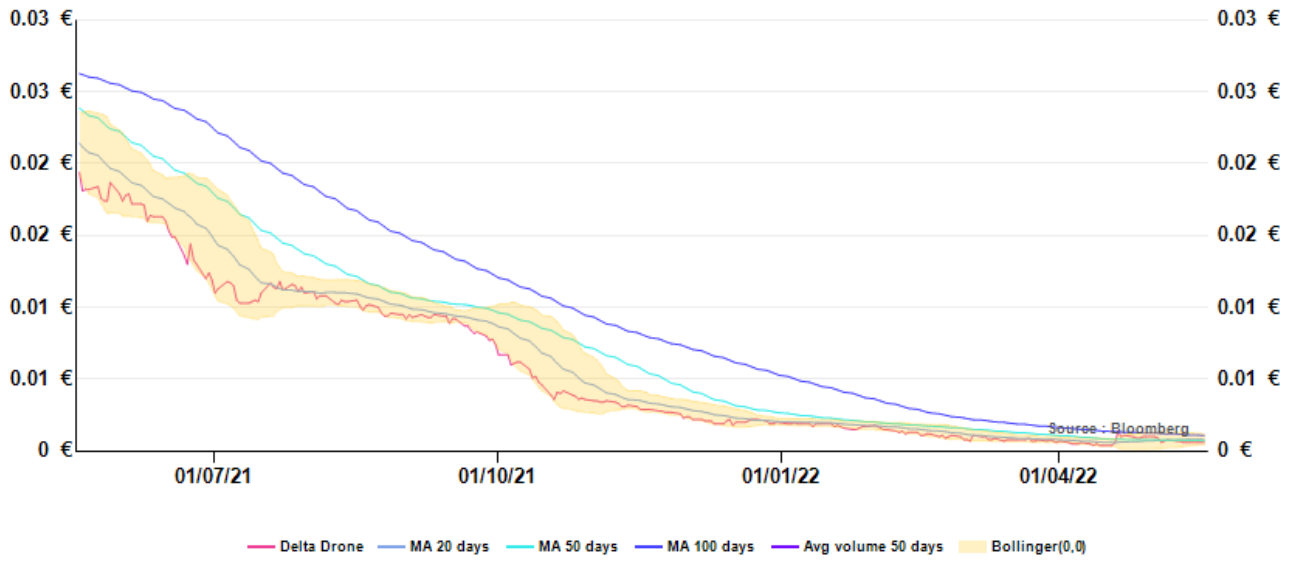
 : Strong momentum corresponding to a continuous and overall positive moving average trend confirmed by volumes

 : Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

 : Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

 : Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

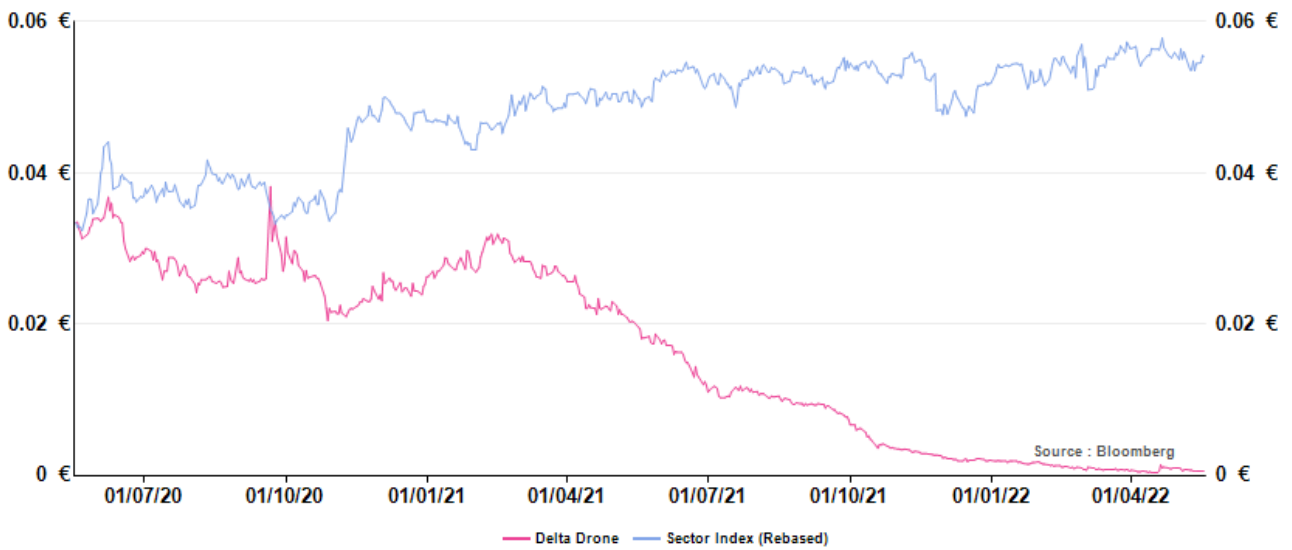
## Moving Average MACD & Volume



## €/\$ sensitivity



## Sector Aerospace-Defence



## Detailed Financials

Valuation Key Data		12/20A	12/21E	12/22E	12/23E
<b>Adjusted P/E</b>	x	<b>-2.30</b>	<b>-2.59</b>	<b>-0.14</b>	<b>-0.17</b>
Reported P/E	x	-2.42	-3.96	-0.13	-0.16
<b>EV/EBITDA(R)</b>	x	<b>-5.52</b>	<b>-4.07</b>	<b>2.99</b>	<b>4.98</b>
EV/EBIT	x	-4.10	-3.07	1.07	1.23
EV/Sales	x	1.76	1.37	-0.17	-0.17
<b>P/Book</b>	x	<b>2.09</b>	<b>1.84</b>	<b>0.04</b>	<b>0.05</b>
<b>Dividend yield</b>	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<i>Free cash flow yield</i>	%	-20.5	-33.4	-449	-158
Average stock price	€	0.03	0.02	0.00	0.00

## Consolidated P&amp;L

		12/20A	12/21E	12/22E	12/23E
<b>Sales</b>	€th	13,417	14,795	41,430 <sup>(2)</sup>	43,874
<i>Sales growth</i>	%	-16.1	10.3	180	5.90
<i>Sales per employee</i>	€th	31.3	13.4	36.7	38.1
<b>Organic change in sales</b>	%		77.0	13.2	8.95
<b>R&amp;D costs as % of sales</b>	%	0.00	0.00	0.00	0.00
Staff costs	€th	-12,587	-14,474	-32,778	-33,657
Operating lease payments	€th				
Cost of sales/COGS (indicative)	€th	-8,304	-7,112	-12,400	-14,975
<b>EBITDA</b>	€th	-4,269	-4,989	-2,319	-1,534
EBITDA(R)	€th	-4,269	-4,989	-2,319	-1,534
<i>EBITDA(R) margin</i>	%	-31.8	-33.7	-5.60	-3.50
<i>EBITDA(R) per employee</i>	€th	-9.94	-4.50	-2.05	-1.33
Depreciation	€th	-1,479	-1,627	-4,143	-4,663
<i>Depreciations/Sales</i>	%	11.0	11.0	10.0	10.6
Amortisation	€th				
<b>Underlying operating profit</b>	€th	-5,747	-6,617	-6,462	-6,197
<i>Underlying operating margin</i>	%	-42.8	-44.7	-15.6	-14.1
Other income/expense (cash)	€th	-29.0	-29.0	-29.0	-29.0 <sup>(3)</sup>
Other inc./ exp. (non cash; incl. assets revaluation)	€th		4,283 <sup>(4)</sup>	428	450
Impairment charges/goodwill amortisation	€th	-1,780	-2,000	-630	-291
<b>Operating profit (EBIT)</b>	€th	-7,556	-4,363	-6,693	-6,067
Interest expenses	€th	0.00	-236	-243	-255
<i>of which effectively paid cash interest expenses</i>	€th	-27.0			
Financial income	€th	0.00	0.00	0.00	0.00
Other financial income (expense)	€th	-583	-583	-583	-583
<b>Net financial expenses</b>	€th	-583	-819	-826	-838
<i>of which related to pensions</i>	€th	0.00	0.00	0.00	0.00
<b>Pre-tax profit before exceptional items</b>	€th	-8,139	-5,181	-7,519	-6,905
Exceptional items and other (before taxes)	€th	-2,093 <sup>(5)</sup>	-32.0	-35.0 <sup>(6)</sup>	-34.0
Current tax	€th	-150	-180	-144	-101
Deferred tax	€th	0.00	50.0	300	400
<b>Corporate tax</b>	€th	-150	-130	156	299
<i>Tax rate</i>	%	-2.36	-4.09	2.26	4.52
<i>Net margin</i>	%	-61.8	-35.9	-17.8	-15.1
Equity associates	€th	-479 <sup>(7)</sup>	-95.8 <sup>(7)</sup>	-9.58 <sup>(7)</sup>	-0.96
<i>Actual dividends received from equity holdings</i>	€th				
Minority interests	€th	43.3	210	190	60.0
Income from discontinued operations	€th				
<b>Attributable net profit</b>	€th	-10,818	-5,229	-7,217	-6,580
Impairment charges/goodwill amortisation	€th	1,780	2,000	630	291
Other adjustments	€th		-4,283	<sup>(8)</sup>	
<b>Adjusted attributable net profit</b>	€th	-9,038	-7,512	-6,587	-6,289
<b>Fully diluted adjusted attr. net profit</b>	€th	-9,038	-7,512	-6,587	-6,289
<b>NOPAT</b>	€th	-4,502	-1,729	-4,233	-4,024

2. Sales increase by €23m due to the full consolidation of the Weasure Group.

3. Profit of Delta Drone's financial investment, now consolidated as part of the company profits with IFRS regulations. We estimate the profits to be around 10%.

4. Addition of the value of a financial portfolio composed of small cap start-ups due to a switch in accounting norms from French GAAP to IFRS. One-off, next year's value will only include the surplus or loss that the portfolio has generated.

5. Restructuring charges

6. Delta Drone's financial investments are now integrated in the P&L due to the transition from French GAAP to IFRS. It is a one-off. The number was provided by the entity.

7. Result from Drone Protect System (close equilibrium), while losses from AERO41 are expected to lessen.

8. The one-off from Delta Drone's financial investments is a one-off and should not be regarded as a sustainable contributor to the net income.



## Cashflow Statement

		12/20A	12/21E	12/22E	12/23E
EBITDA	€th	-4,269	-4,989	-2,319	-1,534
Change in WCR	€th	1,494	-877	-1,054	-436
<i>of which (increases)/decr. in receivables</i>	€th	-1,576	-143	-493	-296
<i>of which (increases)/decr. in inventories</i>	€th	2,060	-1,234	-1,176	-509
<i>of which increases/(decr.) in payables</i>	€th	-273	500	614	369
<i>of which increases/(decr.) in other curr. liab.</i>	€th	1,283	0.00	0.00	0.00
Actual dividends received from equity holdings	€th	0.00	0.00	0.00	0.00
Paid taxes	€th	122	-130	156	299
Exceptional items	€th	-2,098	-32.0	-38.0	-34.0
Other operating cash flows	€th	500	500	500	1,500
<b>Total operating cash flows</b>	<b>€th</b>	<b>-4,251</b>	<b>-5,528</b>	<b>-2,755</b>	<b>-205</b>
Capital expenditure	€th	-537	-588	-591	-596
<i>Capex as a % of depreciation &amp; amort.</i>	%	36.3	36.1	14.3	12.8
Net investments in shares	€th	-280	-5,000 <sup>(9)</sup>	-898	-853
Other investment flows	€th	1,719	-500	8,000	-500
<b>Total investment flows</b>	<b>€th</b>	<b>902</b>	<b>-6,088</b>	<b>6,512</b>	<b>-1,949</b>
Net interest expense	€th	-583	-819	-826	-838
<i>of which cash interest expense</i>	€th	-27.0	-819	-826	-838
<b>Dividends (parent company)</b>	<b>€th</b>				
Dividends to minorities interests	€th	0.00	0.00	0.00	0.00
<b>New shareholders' equity</b>	<b>€th</b>	<b>9,830</b>	<b>10,000</b>	<b>4,000</b>	<b>3,000</b>
<i>of which (acquisition) release of treasury shares</i>	€th				
(Increase)/decrease in net debt position	€th	-3,686	502	80.0	120
Other financial flows	€th	146			
<b>Total financial flows</b>	<b>€th</b>	<b>6,263</b>	<b>9,683</b>	<b>3,254</b>	<b>2,282</b>
Change in cash position	€th	2,914	-1,933	7,011	129
<b>Change in net debt position</b>	<b>€th</b>	<b>6,600</b>	<b>-2,435</b>	<b>6,931</b>	<b>8.51</b>
Free cash flow (pre div.)	€th	-5,371	-6,935	-4,172	-1,639
Operating cash flow (clean)	€th	-2,153	-5,496	-2,717	-171
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	47.3	45.8	26.3	26.6

9. Acquisition of Weesure Group for an estimated value of €5m

**Balance Sheet**

		12/20A	12/21E	12/22E	12/23E
Capitalised R&D	€th	3,359	3,023	2,721	2,449
Goodwill	€th	2,653	2,918	2,860	2,803
<b>Total intangible</b>	€th	<b>6,012</b>	<b>5,941</b>	<b>5,581</b>	<b>5,251</b>
Tangible fixed assets	€th	1,135	1,284	2,242	2,245
Right-of-use	€th	2,242	2,466	3,213	4,034
Financial fixed assets (part of group strategy)	€th		(10)	5,000	5,000
Other financial assets (investment purpose mainly)	€th				
<b>WCR</b>	€th	<b>2,433</b>	<b>3,310</b>	<b>4,364</b>	<b>4,800</b>
<i>of which trade &amp; receivables (+)</i>	€th	<i>2,320</i>	<i>2,463</i>	<i>2,956</i>	<i>3,251</i>
<i>of which inventories (+)</i>	€th	<i>2,685</i>	<i>3,919</i>	<i>5,095</i>	<i>5,604</i>
<i>of which payables (+)</i>	€th	<i>2,572</i>	<i>3,072</i>	<i>3,686</i>	<i>4,055</i>
<i>of which other current liabilities (+)</i>	€th				
Other current assets	€th	3,534	4,241	4,453	5,121
<i>of which tax assets (+)</i>	€th	<i>43.0</i>	<i>67.9</i>	<i>71.2</i>	<i>81.9</i>
<b>Total assets (net of short term liabilities)</b>	€th	<b>14,933</b>	<b>16,820</b>	<b>24,528</b>	<b>26,225</b>
Ordinary shareholders' equity (group share)	€th	12,571	11,253	21,460	22,025
Minority interests	€th	-2,039	-1,427	-1,285	-1,156
Provisions for pensions	€th		0.00	0.00	0.00
Other provisions for risks and liabilities	€th	551	565	820	832
Deferred tax liabilities	€th				
Other liabilities	€th	4,821	4,966	9,000	10,000
<b>Net debt / (cash)</b>	€th	<b>-971</b>	<b>1,464</b>	<b>-5,467</b>	<b>-5,476</b>
<b>Total liabilities and shareholders' equity</b>	€th	<b>14,933</b>	<b>16,820</b>	<b>24,528</b>	<b>26,225</b>
Average net debt / (cash)	€th	-66.0	246	-2,002	-5,472

10. €5m of Weesure Group which will be dispatched in the assets.

**EV Calculations**

		12/20A	12/21E	12/22E	12/23E
<b>EV/EBITDA(R)</b>	x	<b>-5.52</b>	<b>-4.07</b>	<b>2.99</b>	<b>4.98</b>
<b>EV/EBIT</b>	x	<b>-4.10</b>	<b>-3.07</b>	<b>1.07</b>	<b>1.23</b>
<b>EV/Sales</b>	x	<b>1.76</b>	<b>1.37</b>	<b>-0.17</b>	<b>-0.17</b>
EV/Invested capital	x	2.46	1.93	-0.40	-0.44
Market cap	€th	26,231	20,733	929	1,040
+ Provisions (including pensions)	€th	551	565	820	832
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	€th	-3,213	-1,003	-8,680	-9,510
+ Right-of-use (from 2019)/Leases debt equivalent	€th	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€th				
+ Minority interests (fair value)	€th				
<b>= Enterprise Value</b>	€th	<b>23,569</b>	<b>20,295</b>	<b>-6,932</b>	<b>-7,638</b>

## Per Share Data

		12/20A	12/21E	12/22E	12/23E
<b>Adjusted EPS (bfr goodwill amort. &amp; dil.)</b>	€	<b>-0.01</b>	<b>-0.01</b>	<b>0.00</b>	<b>0.00</b>
<i>Growth in EPS</i>	%	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Reported EPS	€	-0.01	0.00	0.00	0.00
<b>Net dividend per share</b>	€	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Free cash flow per share	€	-0.01	-0.01	0.00	0.00
Operating cash flow per share	€	0.00	0.00	0.00	0.00
Book value per share	€	0.01	0.01	0.01	0.01
<b>Number of ordinary shares</b>	Th	<b>868,172</b>	<b>1,370,000</b>	<b>1,548,100</b>	<b>1,733,872</b>
Number of equivalent ordinary shares (year end)	Th	868,172	1,370,000	1,548,100	1,733,872
Number of shares market cap.	Th	585,895	1,100,000	1,548,100	1,733,872
Treasury stock (year end)	Th				
Number of shares net of treasury stock (year end)	Th	868,172	1,370,000	1,548,100	1,733,872
<b>Number of common shares (average)</b>	Th	<b>535,667</b>	<b>1,119,086</b>	<b>1,459,050</b>	<b>1,640,986</b>
Conversion of debt instruments into equity	Th				
Settlement of cashable stock options	Th				
Probable settlement of non mature stock options	Th				
Other commitments to issue new shares	Th	191,292	141,292	121,292	71,292
Increase in shares outstanding (average)	Th	151,030	166,292	131,292	96,292
<b>Number of diluted shares (average)</b>	Th	<b>686,697</b>	<b>1,285,378</b>	<b>1,590,342</b>	<b>1,737,278</b>
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	-0.02	-0.01	0.00	0.00
EPS before goodwill amortisation (non-diluted)	€	-0.02	0.00	0.00	0.00
<b>Payout ratio</b>	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Capital payout ratio (div +share buy back/net income)</b>	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	

<b>Funding - Liquidity</b>		<b>12/20A</b>	<b>12/21E</b>	<b>12/22E</b>	<b>12/23E</b>
EBITDA	€th	-4,269	-4,989	-2,319	-1,534
Funds from operations (FFO)	€th	-5,772	-5,470	-2,527	-606
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>12,571</b>	<b>11,253</b>	<b>21,460</b>	<b>22,025</b>
Gross debt	€th	1,978	2,480	2,560	2,680
o/w Less than 1 year - Gross debt	€th	968	980	980	980
o/w 1 to 5 year - Gross debt	€th	1,010	1,500	1,580	1,700
of which Y+2	€th	514			
of which Y+3	€th	288			
of which Y+4	€th	183			
of which Y+5	€th	25.0			
+ Gross Cash	€th	2,949	1,016	8,027	8,156
<b>= Net debt / (cash)</b>	<b>€th</b>	<b>-971</b>	<b>1,464</b>	<b>-5,467</b>	<b>-5,476</b>

Bank borrowings	€th	1,454	1,543	1,623	1,663
Financial leases liabilities	€th	268	329	329	329
Other financing	€th	256	608	608	688

Gearing (at book value)	%	-0.53	2.19	-9.33	-24.8
Equity/Total asset (%)	%	84.2	66.9	87.5	84.0
Adj. Net debt/EBITDA(R)	x	0.23	-0.29	2.36	3.57
Adjusted Gross Debt/EBITDA(R)	x	-0.59	-0.61	-1.46	-2.29
Adj. gross debt/(Adj. gross debt+Equity)	%	16.7	21.3	13.6	13.8
Ebit cover	x	-9.86	-8.08	-7.82	-7.40
FFO/Gross Debt	%	-228	-180	-74.8	-17.3
FFO/Net debt	%	594	-374	46.2	11.1
FCF/Adj. gross debt (%)	%	-212	-228	-123	-46.7
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	-2.50	-6.04	3.93	6.65
"Cash" FCF/ST debt	x	-4.97	-7.08	-4.26	-1.67

<b>ROE Analysis (Dupont's Breakdown)</b>		<b>12/20A</b>	<b>12/21E</b>	<b>12/22E</b>	<b>12/23E</b>
Tax burden (Net income/pretax pre excp income)	x	1.33	1.01	0.96	0.95
EBIT margin (EBIT/sales)	%	-56.3	-29.5	-16.2	-13.8
Assets rotation (Sales/Avg assets)	%	82.4	93.2	200	173
Financial leverage (Avg assets /Avg equity)	x	1.36	1.33	1.26	1.17
<b>ROE</b>	<b>%</b>	<b>-90.4</b>	<b>-43.9</b>	<b>-44.1</b>	<b>-30.3</b>
ROA	%	-78.9	-41.4	-54.9	-49.3

<b>Shareholder's Equity Review (Group Share)</b>		<b>12/20A</b>	<b>12/21E</b>	<b>12/22E</b>	<b>12/23E</b>
Y-1 shareholders' equity	€th	13,654	14,127	11,253	21,460
+ Net profit of year	€th	-10,818	-5,229	-7,217	-6,580
- Dividends (parent cy)	€th	0.00	0.00	0.00	0.00
+ Additions to equity	€th	9,830	10,000	4,000	3,000
o/w reduction (addition) to treasury shares	€th	0.00	0.00	0.00	0.00
- Unrecognised actuarial gains/(losses)	€th	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€th	1,461	-7,645	13,425	4,146
<b>= Year end shareholders' equity</b>	<b>€th</b>	<b>14,127</b>	<b>11,253</b>	<b>21,460</b>	<b>22,025</b>

## Staffing Analytics

		12/20A	12/21E	12/22E	12/23E
Sales per staff	€th	31.3	13.4	36.7	38.1
Staff costs per employee	€th	-29.3	-13.1	-29.0	-29.2
Change in staff costs	%	-10.0	15.0	126	2.68
Change in unit cost of staff	%	0.00	-55.4	122	0.67
Staff costs/(EBITDA+Staff costs)	%	151	153	108	105

Average workforce	unit	429	1,108	1,130	1,153
Europe	unit	280	950	959	968
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
<b>Total staff costs</b>	<b>€th</b>	<b>-12,587</b>	<b>-14,474</b>	<b>-32,778</b>	<b>-33,657</b>
Wages and salaries	€th	-12,587	-14,474	-32,778	-33,657
of which social security contributions	€th	-2,972	-6,136	-6,884	-7,373
Pension related costs	€th		0.00	0.00	0.00

## Divisional Breakdown Of Revenues

		12/20A	12/21E	12/22E	12/23E
<b>Total sales</b>	<b>€th</b>	<b>13,417</b>	<b>14,795</b>	<b>41,430</b>	<b>43,874</b>
O/w organic growth (%)	%		77.0	13.2	8.95
Weesure Group	€th		0.00	22,940	23,713
Professional Solutions	€th	3,821	5,100	7,683	8,514
Associated services	€th	9,596	9,696	10,808	11,647
Other	€th				

## Divisional Breakdown Of Earnings

		12/20A	12/21E	12/22E	12/23E
<b>Other profit breakdown Analysis Analysis</b>					
Professional Solutions	€th	2,093 <sup>(1)</sup>	2,858 <sup>(1)</sup>	4,278 <sup>(1)</sup>	4,797 <sup>(1)</sup>
Associated services	€th	6,464 <sup>(1)</sup>	6,892 <sup>(1)</sup>	7,653 <sup>(1)</sup>	8,241 <sup>(1)</sup>
Weesure Group	€th		0.00 <sup>(1)</sup>	19,270 <sup>(1)</sup>	19,919 <sup>(1)</sup>
Other/cancellations	€th				
<b>Total</b>	<b>€th</b>	<b>8,558</b>	<b>9,750</b>	<b>31,200</b>	<b>32,957</b>
Other profit breakdown Analysis margin	%	63.8	65.9	75.3	75.1

1. The numbers correspond to the gross margin. Particularly high in the Weesure Group segment as the majority of associated costs is the wages of the security agents, not accounted for in the COGS.

## Revenue Breakdown By Country

		12/20A	12/21E	12/22E	12/23E
France	%	86.0	76.0		
Africa	%	14.0	19.0		
Other	%	0.00	5.00		

## Delta Drone (Buy)

ROCE		12/20A	12/21E	12/22E	12/23E
ROCE (NOPAT+lease exp. *(1-tax))/(net) cap employed adjusted	%	-47.0	-16.4	-24.6	-23.3
CFROIC	%	-56.1	-65.8	-24.3	-9.47
Goodwill	€th	2,653	2,918	2,860	2,803
Accumulated goodwill amortisation	€th	0.00	0.00	0.00	0.00
All intangible assets	€th	0.00	0.00	0.00	0.00
Accumulated intangible amortisation	€th	0.00	0.00	0.00	0.00
Financial hedges (LT derivatives)	€th	0.00	0.00	0.00	0.00
Capitalised R&D	€th	3,359	3,023	2,721	2,449
Rights of use/ Capitalised leases	€th	0.00	0.00	0.00	0.00
Other fixed assets	€th	1,135	1,284	2,242	2,245
Accumulated depreciation	€th	0.00	0.00	0.00	0.00
WCR	€th	2,433	3,310	4,364	4,800
Other assets	€th	0.00	0.00	5,000	5,000
Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
<b>Capital employed after deprec. (Invested capital)</b>	<b>€th</b>	<b>9,580</b>	<b>10,536</b>	<b>17,187</b>	<b>17,297</b>
Capital employed before depreciation	€th	9,580	10,536	17,187	17,297

Divisional Breakdown Of Capital Employed		12/20A	12/21E	12/22E	12/23E
Professional Solutions	€th				
Associated services	€th				
Weesure Group	€th				
Other	€th	9,580	10,536	17,187	17,297
<b>Total capital employed</b>	<b>€th</b>	<b>9,580</b>	<b>10,536</b>	<b>17,187</b>	<b>17,297</b>

## Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a “value” approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency**, all underlying figures are accessible, and **consistency**, same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy ●	More than 15% upside	More than 20% upside	More than 30% upside
Add ●	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce ●	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell ●	Below -10%	Below -10%	Below -10%

There is deliberately no “neutral” recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

## Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' intrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%