ALPHAVALUE
CORPORATE SERVICES

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Aerosp. & Defence Equipt.
France

Drone Volt

Banking on services and European roots

Opinion	**Add**
Upside (%)	23.3
Price (€)	0.77
Target Price (€)	0.95
Bloomberg Code	ALDRV FP
Market Cap (€M)	32.2
Enterprise Value (€th)	39,902

Momentum	STRONG
Sustainability	5/10
Credit Risk	C

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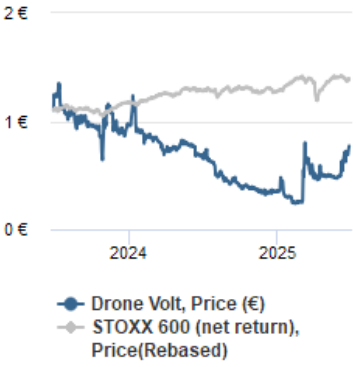


PROS

- R&D efforts to develop and commercialise in-house drone solutions and AI applications allow the company to improve its pricing power and profitability
- First orders for the European-made drone are expected soon and could be a game-changer due to the ban on Chinese drone in the West for sensitive purposes
- Implementing a Drone-as-a-service strategy that is highly lucrative, especially with the new franchise model which is expected to enter into service by 2025

CONS

- Still nascent market, displaying high potential growth, but little visibility on contract timings and overall adoption of this technology
- US growth hopes reset lower after US partner failed to fund its ambitions
- Supplier risk for distribution segment, heavily exposed to Chinese players with a risk of dependency and limited pricing power

KEY DATA	12/23A	12/24A	12/25E	12/26E	12/27E
Adjusted P/E (x)	**-2.39**	**-0.93**	**-8.55**	**15.1**	**10.8**
Dividend yield (%)	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
EV/EBITDA(R) (x)	-11.4	-6.78	ns	6.55	4.91
Adjusted EPS (€)	**-0.53**	**-0.68**	**-0.09**	**0.05**	**0.07**
Growth in EPS (%)	*n/a*	*n/a*	*n/a*	*n/a*	*40.3*
Dividend (€)	0.00	0.00	0.00	0.00	0.00
Sales (€th)	23,993	32,662	13,992	22,855	25,721
Other margin (%)	*15.3*	*13.0*	*46.6*	*54.6*	*56.8*
Attributable net profit (€th)	-5,329	-11,901	-3,336	2,744	3,848
ROE (after tax) (%)	**-26.3**	**-64.6**	**-17.5**	**11.0**	**13.9**
Gearing (%)	*16.1*	*29.7*	*-1.98*	*-25.0*	*-30.4*

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

Drone Volt (Add)

Detailed financials at the end of this report

Key Ratios

		12/24A	12/25E	12/26E	12/27E
Adjusted P/E	x	-0.93	-8.55	15.1	10.8
EV/EBITDA	x	-6.78	ns	6.55	4.91
P/Book	x	0.90	1.74	1.59	1.42
Dividend yield	%	0.00	0.00	0.00	0.00
Free Cash Flow Yield	%	-54.6	-8.98	4.45	6.79
ROE (after tax)	%	-64.6	-17.5	11.0	13.9
ROCE	%	-40.9	-16.4	20.9	29.0
Net debt/EBITDA	x	-1.76	-477	-1.09	-1.25

Consolidated P&L

		12/24A	12/25E	12/26E	12/27E
Sales	€th	32,662	13,992	22,855	25,721
EBITDA	€th	-3,149	9.78	5,825	7,214
Underlying operating profit	€th	-6,432	-2,472	3,268	4,656
Operating profit (EBIT)	€th	-7,144	-3,108	2,632	4,020
Net financial expenses	€th	-3,589	-550	-467	-457
Pre-tax profit before exceptional items	€th	-10,733	-3,658	2,165	3,563
Corporate tax	€th	-2,184	-744	-541	-891
Attributable net profit	€th	-11,901	-3,336	2,744	3,848
Adjusted attributable net profit	€th	-11,901	-3,336	2,744	3,848

Cashflow Statement

		12/24A	12/25E	12/26E	12/27E
Total operating cash flows	€th	883	440	5,576	6,796
Capital expenditure	€th	-4,210	-3,621	-3,259	-3,519
Total investment flows	€th	-4,213	-3,621	-3,259	-3,519
Dividends (parent company)	€th				
New shareholders' equity	€th	3,295	14,000	0.00	0.00
Total financial flows	€th	3,055	11,071	-1,067	-1,057
Change in net debt position	€th	-230	10,270	1,850	2,820
Free cash flow (pre div.)	€th	-6,916	-3,730	1,850	2,820

Balance Sheet

		12/24A	12/25E	12/26E	12/27E
Goodwill	€th	685	706	727	749
Total intangible	€th	12,092	12,764	13,475	14,226
Tangible fixed assets	€th	738	760	783	806
Right-of-use	€th	603	633	665	698
WCR	€th	-1,044	-2,219	-2,511	-2,984
Total assets (net of short term liabilities)	€th	15,989	15,599	16,133	16,530
Ordinary shareholders' equity (group share)	€th	14,128	23,923	26,127	29,145
Provisions for pensions	€th	79.0	0.00	0.00	0.00
Net debt / (cash)	€th	4,661	-5,609	-7,459	-10,278
Total liabilities and shareholders' equity	€th	15,990	15,599	16,133	16,530
Gross Cash	€th	180	8,071	9,321	11,540

Per Share Data

		12/24A	12/25E	12/26E	12/27E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**-0.68**	**-0.09**	**0.05**	**0.07**
Net dividend per share	**€**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow per share	€	-0.39	-0.10	0.03	0.05
Book value per share	€	0.70	0.44	0.49	0.54
Number of diluted shares (average)	**Th**	**17,568**	**36,986**	**53,854**	**53,854**

Contents

Businesses & Trends

Drone Volt is a French company based at Villepinte, near the Roissy-Charles de Gaulle international airport. The company, created by Mr Dimitri Batsis, is specialised in the conception, assembly and distribution of aerial remote-controlled drones, as well as associated services, training and software. Its products address various ranges of markets and clients, from consumer to professional uses, mostly in sectors such as security, inspection, transportation, and topography.

The core activities of the company include product development, engineering & design and the manufacturing of hardware, flying sensors, data processing platforms and drones. The company has also developed software and Artificial Intelligence expertise in order to enhance customer services, proposing turnkey solutions. Drone Volt also provides after-sales services as well as training on its equipment and the regulations for drone pilots. Since 2023, the company has also developed a new service called Drone Volt Expert, which aims to provide a complete service for ad-hoc use instead of only selling a drone.

Drone Volt Group operates in France and internationally through subsidiaries in Denmark, Benelux, Canada, the Netherlands, Switzerland and has agents in the USA.

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 a decrease in costs.
In terms of market projection, according to Straits Research in a report published in July 2024, the global commercial drone market was valued at $26.34bn in 2023 and is expected to reach $82.45bn by 2032 with a CAGR growth rate of 13.5% in the forecast period from 2024 to 2032. The pace of growth is also expected to increase at 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 December 2023, Teal Group predicted that non-military UAS (unmanned aircraft systems) production will total $149.8bn over the next decade, soaring from $8.2bn in 2023 to $19.5bn in 2032, equivalent to a 10.1% CAGR. The study includes forecasts of commercial, consumer and civil government systems. By 2030, agriculture will be the world's largest end market because of significant Chinese investment in agricultural drone spraying subsidies and the introduction of more advanced but more reasonably priced UAS, especially for smaller farms.
The drone market can be subdivided into four categories of players:

- The assemblers, which can buy or design their components, and assemble them to create operational drone platforms.

- The distributors, generally addressing the consumer markets.
- The operators, which operate the drones in various conditions and utilisations.
- The training organisations, which provide the training and certification of the pilots willing to operate within the regulatory framework.

A very fragmented market, in the midst of transformation, chasing economic profitability

Despite impressive growth projections, the market is characterised by its relatively early stage of adoption and usages, as well as being extremely fragmented with a myriad of small players, and yet has to prove its economic viability. This translates into a highly competitive environment, where some players (the smallest) drive prices down by using leisure drones and where the added value in the service offered is very low. This partly explains the large number of bankruptcies in the last few years and the difficulties found by some players, while very few companies are currently profitable. Thus, players are switching from the “retailer” status towards design/assembly to improve along the value-added ladder.

The drone market is confronted with 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. A second barrier is more to do with regulation hurdles related to UAV flights, which is just at its beginning, with no harmonisation across countries or regions.

Growing regulation

While the former can be a barrier, we also believe that the development of a comprehensive regulatory framework should unleash demand, enabling drone flight, pilot training and clarify insurance matters. Indeed, in the absence of regulation, facing a legal limbo in many countries, the development of the drone industry has been slow, as operators can’t rely on clear rules, causing insurance problems when the utilisation of drones is not simply banned. In the US, there has been no federal regulation for a long time, opening the way to local experimentation, until the Federal Aviation Administration (FAA) set restricting rules in early 2015, before slightly relaxing them in mid-2016. But, the 2020 COVID-19 health crisis accelerated what would seem to be inevitable at some point. The FAA granted two companies the rights to deliver equipment and products between hospitals via drones.

On its side, 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 (detailed in Worth Knowing) 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 clear business opportunities. However, this regulatory framework evolved in the light of a new European regulation (published in June 2019), which gradually replaced national requirements in order to contribute to the emergence of a European market for the drone industry. The first regulation, which took place in January 2021, defined the categories of drone operations. The next major step to follow will be the implementation of the so-called U-Space at the European level, to allow traffic management for drones (started to be implemented in 2023).

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

Addressable markets

Thanks to its high-end products coupled with a high degree of customisation, Drone Volt addresses the niche markets of civil security, inspection and surveillance. For the industrial market, Drone Volt's products can be used in a wide range of areas, such as power or wind turbine inspection for utilities, with clients like Vietnam Electricity or Hydro-Quebec. This market should offer a wide range of opportunities for the company as the utility sector is shifting towards more digitalisation, exacerbated by the move to renewable energy, forcing players to lower their operating costs. Maintenance tasks and network monitoring performance by drone can indeed reduce the costs, along with improved quality through using artificial intelligence (AI). Dangerous inspection procedures, which are usually performed by humans, or by expensive helicopters or airplanes, could at some point be replaced by drones. In a study published in May 2016, PwC estimated the addressable market of drone-powered solutions in the power and utilities market at $9.46bn. To date, Drone Volt has scored an important contract with French grid operator RTE to equip the company with inspection drones. The products can also be deployed for telecom tower inspection or the surveillance of industrial sites. AI, when embarked on a drone, can perform tasks rapidly and effectively with few resources by automatically spotting divergences or inefficiencies from a pre-established pattern (impact on wind turbines, on high-power lines, etc.). This can be a real game-changer for some industries, reducing costs and improving safety.

In addition, thanks to its knowledge and expertise in AI, the company can potentially propose pure software solutions for computer vision. This goes beyond its original scope, which then becomes far wider (such as smart cities, production and logistics for quality control, etc.).
Finally, with its European-manufactured Kobra drone, the company can

address the military and homeland security markets with almost no competitors in the European and North American market due to the ban on Chinese drones (DJI having a 95% market share of the civil drones market).

From a distributor to a design and service provider

Drone Volt organises its activity into two distinct segments;
- Distribution activity: sale of third-party drones
- Drone Volt Factory, Services & Academy: sale of own drones, drone as a service, after-sales service, and training

The company started its activity by assembling and distributing drone parts and systems coming from other manufacturers, such as the Chinese DJI. These products were aimed at the consumer market and addressed a small fraction of well-informed customers, which would buy spare parts for systems they built themselves. This business line (Distribution) is still contributing to the activity through a wholesale distribution model.

Since 2016, the company has gradually shifted towards the professional drone market, which is more lucrative and offers ever-growing opportunities. The Drone Volt Factory (DVF) proposes an integrated chain of services, from the drone system developed in house (Hercule drones) to the formation and administrative support to comply with French regulations. This integration represents a commercial and marketing strength, as the customer receives an almost immediate turnkey product. This activity, which mobilised R&D, production and development capacities in its early days, can now be largely subcontracted out for its production. France benefits from a high-flying aeronautical industrial fabric, which also ensures a certain flexibility in terms of opex. In addition, the Hercule range requires a greater need for after-sales service and maintenance than the Distribution activity (third-party brands), providing a steadier streamline of cash flows. In 2017, Drone Volt acquired the activities of its competitor Aerialtronics, adding to its portfolio the Altura Zenith drone, as well as the intelligent Pensar camera, beefing up at the same time its R&D capabilities.

DVF drove a progressive increase in the added value

Starting from zero in the professional sector, the company initially mostly assembled already-designed parts, which limited its capacity for innovation and set a situation of dependency on its suppliers but allowed it to deliver fast execution.

Subsequently, an own R&D effort was launched to design customised parts for its products, on its own initiative or in order to respond to customers' demands. This permitted an increase customisation as well as greater innovation, which resulted in some innovative drones (such as the Drone Spray) and established the reputation of the company as a major player in the business. This level of customisation remains limited to the "accessories", as the underlying technical basis remains external to the company, but it allows a significant premium with limited costs, as most of the production is outsourced.

Drone Volt Factory increased its share of the value chain thanks to the launch of an assembly line for internally-designed drones. The company follows its going upmarket strategy, with an exclusive design based on external parts as well as the development of the associated software, which represents the essential part of the added value. Combining the system, along with the software and the associated services, Drone Volt now offers turnkey solutions to its clients.

Training as a growth catalyst

In parallel, we estimate that the ongoing enhancement of the drone regulatory framework worldwide should: i) stimulate the demand for drones, and ii) enhance the need to train telepilots including to meet stricter regulations. Drone Volt has developed its regulation and training expertise in France, following on from the regulations established by the DGAC, which requires operators to be registered by the DGAC, to file requests to prefectures to obtain flight authorisations, and have pilots enlist in a compulsory training period and obtain certification. Drone Volt can facilitate administrative procedures by proposing additional packs to the drone system and has created its Academy to propose training sessions for future pilots. This Academy benefits from solid infrastructures in Villepinte, including an enclosed hall allowing flight sessions to be carried out when the weather is bad. Today, Drone Volt has seven training centres in Europe and North America and can leverage its French expertise in other countries.

Drone as a service as a strong growth catalyst

On top of distribution and training, the company launched in 2023 its new “drone as a service” offer called Drone Volt Expert, which aims to sell for usage instead of possession. This service was built after the acquisition of Aeraccess Services assets as well as the recruitment of their former employees (telepilots). The group did not give any figures as objectives for this new offer but it is, in our view, the most promising one and should be the most important earnings contributor in the medium term due to the high value-added service provided. The group will serve companies operating in the agriculture sector and also help in topography and inspections missions.

International expansion, strengthen with partnerships and licence agreements

The company chose to develop at first in Europe, with the opening of a Danish subsidiary in early 2015. International expansion accelerated in 2016 with a distribution contract signed for the Benelux, Switzerland, USA and Canada. The Aerialtronics acquisition in 2017 also helped the company to tie relationships with Asian customers.

However, apart from these self-financed developments, we believe that the company has recently forged constructive relationships with players across the Atlantic to expand its business in North America at a lower cost.
In late August 2020, the company also announced the signature of a Letter of

Intent with Aquiline Drones. Aquiline wished to produce the Hercules 2, the Altura Zenith and its Pensar camera, at an exciting rate of 1,000 units per month. In 2022 the ambitions of Aquiline had fallen flat on insufficient financing. The flow of monthly payments to Drone Volt for its IP usage stopped. Drone Volt cleaned up its books from the Aquiline disappointments in 2022 by provisioning receivables and the bulk of its stake in Aquiline but kept a commercial relationship as Aquiline acts as a US distributor for now.

In addition, a highly structured contract was announced in March 2020 and signed in October 2020 between Drone Volt and Hydro-Québec. It aims to reach an agreement on the exclusive industrial development and marketing of a drone designed to inspect high-voltage power transmission lines. This agreement with Hydro-Québec will further solidify Drone Volt's credibility in the power grids inspection area and should ultimately enable the company to expand its client portfolio in this area. Once the industrial and commercial partnership agreement is finalised, Drone Volt will be able to market the drone throughout the world. Delayed specs and plans saw the project finalized one year later than planned, in 2022.

Divisional Breakdown Of Revenues

	Sector	12/24A	12/25E	12/26E	12/27E	Change 25E/24 €th	Change 25E/24 of % total	Change 26E/25E €th	Change 26E/25E of % total
Total sales		**32,662**	**13,992**	**22,855**	**25,721**	**-18,670**	**100%**	**8,863**	**100%**
Drone Volt Factory	Electrical Products-Misc	2,533	5,066	9,625	11,069	2,533	-14%	4,559	51%
Distribution	Electrical Products-Misc	28,254	4,238	4,323	4,409	-24,016	129%	85	1%
Training	Electrical Products-Misc								
Consumer	Electrical Products-Misc								
Professional	Electrical Products-Misc								
Royalties	Electrical Products-Misc								
Drone as a service	Aerosp. & Defence Equipt.	1,875	4,688	8,906	10,242	2,813	-15%	4,218	48%
Other									

Key Exposures

	Revenues	Costs	Equity
Dollar	15.0%	25.0%	15.0%
Emerging currencies	0.0%	0.0%	0.0%
Long-term global warming	20.0%	0.0%	0.0%
Renminbi	0.0%	40.0%	0.0%

Sales By Geography

Europe	85.4%
France	7.9%
Other	6.8%

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

Changing of "Distribution"

Drone Volt quickly saw that there was little it could add to the sophisticated, ready to fly Chinese offering so abandoned any customisation efforts. It has kept the buy to sell line however, with lower (5%-10%) but good-to-have operating margins.
This segment offers a way for cross-selling, penetrating markets thanks to it allowing Drone Volt to propose its services and training as well as to introduce its own offers.

Regaining control of the value added

Thanks to the combined set-up of a dedicated R&D team for the assembly line in 2016, and the acquisition of Aerialtronics, Drone Volt created its own capabilities to sell in-house designed drones as well as cameras embedding artificial intelligence solutions, which can be customised to suit customer needs. Instead of building manufacturing chains, Drone Volt focuses on the sole design and assembly of the parts, the manufacturing itself being subcontracted. Although transferring part of the added value to an external partner, this allows greater flexibility and better overall margins due to the relatively small volumes expected compared to those necessary to amortise fully a factory, as the planned in-house production of the internally-designed machines is likely to remain limited in volumes. Drone Volt, however, keeps full control of the flight management systems, as well as artificial intelligence software. This allows the company to control both pricing and profitability. We estimate the gross margin of its drone and intelligent cameras at c. 50%.

The power of turnkey solutions

Addressing professional customers has permitted the development of an integrated offer, which binds the machine to services such as training and administrative registration, thus leveraging margins. The training of the operator is required by the DGAC, and Drone Volt has thus set up an Academy to provide the teaching of the theoretical and practical requirements for pilots, with the advantage of using the same machine that will be used during commercial operations. Moreover, thanks to its proven relation with the DGAC and its full knowledge of regulations, the company can ease the heavy administrative process necessary for commercial drone operations. With the growing complexity of regulations, these services are bound to represent a growing contribution to earnings (carrying an estimated gross margin c. 70%), as the end customers generally want a platform operational as soon as possible. The services are mostly bundled in the purchase price of the machines, as this integration allows for a substantial commercial leverage.

Optionality to diversify further away from hardware

On top of this, an additional part could be added to the current business model but is currently more at the consideration stage and has yet to prove its viability. This is related to computer vision capabilities developed in-house by

Aerialtronics, which could, at some point, become a fully-fledged business. Indeed, the software could be implemented on other platforms (not only its Pensar camera) and be customised for a wide range of uses. However, due to the great uncertainty in terms of commercial development of this business, we have based our estimates solely on the prospects of the first three businesses described above.

Projection for 2024

2022 was dominated by the Aquiline failure which wiped out a good chunk of the hoped-for factory business. By contrast, 2023 saw a rebound in the distribution business with a big €20m order processed. Margins are obviously thin (less than 10%) but do not tie up any capital. In 2024, the beginning of the commercialisation of Kobra and drone as a service development should provide the basis for EBITDA to turn positive in 2025.

Divisional Other profit breakdown Analysis

	12/24A	12/25E	12/26E	12/27E	Change 25E/24		Change 26E/25E	
					€th	of % total	€th	of % total
Total	**4,232**	**6,525**	**12,483**	**14,606**	**2,293**	**100%**	**5,958**	**100%**
Drone Volt Factory	1,229	2,786	5,775	6,863	1,557	68%	2,989	50%
Distribution	1,776	551	562	573	-1,225	-53%	11	0%
Consumer								
Professional								
Training								
Royalties								
Drone as a Service	1,228	3,188	6,145	7,170	1,960	85%	2,957	50%
Other/cancellations								

Divisional Other profit breakdown Analysis margin

	12/24A	12/25E	12/26E	12/27E
Total	**13.0%**	**46.6%**	**54.6%**	**56.8%**
Drone Volt Factory	48.5%	55.0%	60.0%	62.0%
Distribution	6.29%	13.0%	13.0%	13.0%
Consumer				
Professional				
Training				
Royalties				
Drone as a Service	65.5%	68.0%	69.0%	70.0%

Valuation

DCF

To date, very few drone companies have managed to sustain the supposed growth rate of the market (+10%). We therefore apply a more conservative growth rate in our DCF going forward, namely 8% growth over 2027-34. The wider commercialisation of the LineDrone could push this estimate upwards. Thanks to cost containment measures, positive volume effects and a transition to services rather than products, we believe that long-term EBITDA growth of 8% is achievable.

NAV

For the NAV, in order to reflect the nominally strong growth potential and to compensate for the still early stage of the company, with high volatility in profitability, we have chosen to base our valuation on sales multiples. We value the company through its different segments, based on three-year average forecast sales, to which we apply a multiple. We value Distribution at 1x its estimated three-year average sales. This multiple is in line with similar distribution activities of European companies, taking into account the limited value-added and growth prospects. For Drone Volt Factory, we have fine-tuned our valuation as we split this into two different parts. First, we value the holding in Aerialtronics separately, but at half the sale price of this 50% stake to Aquiline. Secondly, we value the factory (corresponding to drone and camera sales, as well as services) and training based on the current trading multiples compiled on Bloomberg for the competitors, i.e. c.2x revenues. In addition, we value the emerging activity of Drone as a Service separately at 3x given the high growth and margins.

Peers

With regard to peers, finding a similar company to Drone Volt is quite a pitfall since there is currently no perfect match in our coverage, nor on the listed market. We, however, address this issue by valuing Drone Volt in line with the relevant players of the drone industry, such as Elbit Systems, Irobot and Aerovironment.

The target price has suffered from the different capital increases carried to support the high growth rates of the company as well as lower margins in its big distribution contracts.

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		1.15	50%	35%
NAV/SOTP per share		1.05	37%	20%
EV/Ebitda	*Peers*	1.10	43%	20%
P/E	*Peers*	0.39	-50%	10%
Dividend Yield	*Peers*	0.00	-100%	10%
P/Book	*Peers*	1.54	100%	5%
Target Price		**0.95**	**23%**	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	31.3	19.5	4.52	0.66
Drone Volt's ratios	ns	13.4	1.66	0.00
Premium	0.00%	0.00%	0.00%	0.00%
Default comparison based valuation (€)	**0.39**	**1.10**	**1.54**	**0.00**
Elbit Systems	31.3	19.5	4.52	0.66
Aerovironment	54.2	44.3	n/a	n/a
Irobot	-1.36	0.00	1.84	0.00

Drone Volt (Add)

DCF Valuation Per Share

WACC	%	9.08	Avg net debt (cash) at book value	€th	-6,534
PV of cashflow FY1-FY11	€th	25,018	Provisions	€th	940
FY11CF	€th	5,971	Unrecognised actuarial losses (gains)	€th	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	€th	0.00
Sustainability "g"	%	1.95	Minorities interests (fair value)	€th	3,683
Terminal value	€th	83,787	Equity value	€th	62,076
PV terminal value	€th	35,147	Number of shares	Th	53,854
PV terminal value in % of total value	*%*	*58.4*	**Implied equity value per share**	**€**	**1.15**
Total PV	€th	60,164	Sustainability impact on DCF	%	-0.40

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	500
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	8.50
Tax advantage of debt finance (normalised)	%	25.0	**Company beta (leveraged)**	**x**	**1.00**
Average debt maturity	Year	5	Company gearing at market value	%	-13.5
Sector asset beta	x	1.12	Company market gearing	%	-15.6
Debt beta	x	1.00	**Required return on geared equity**	**%**	**8.51**
Market capitalisation	€th	41,522	Cost of debt	%	6.38
Net debt (cash) at book value	€th	-5,609	**Cost of ungeared equity**	**%**	**9.08**
Net debt (cash) at market value	€th	-5,609	WACC	%	9.08

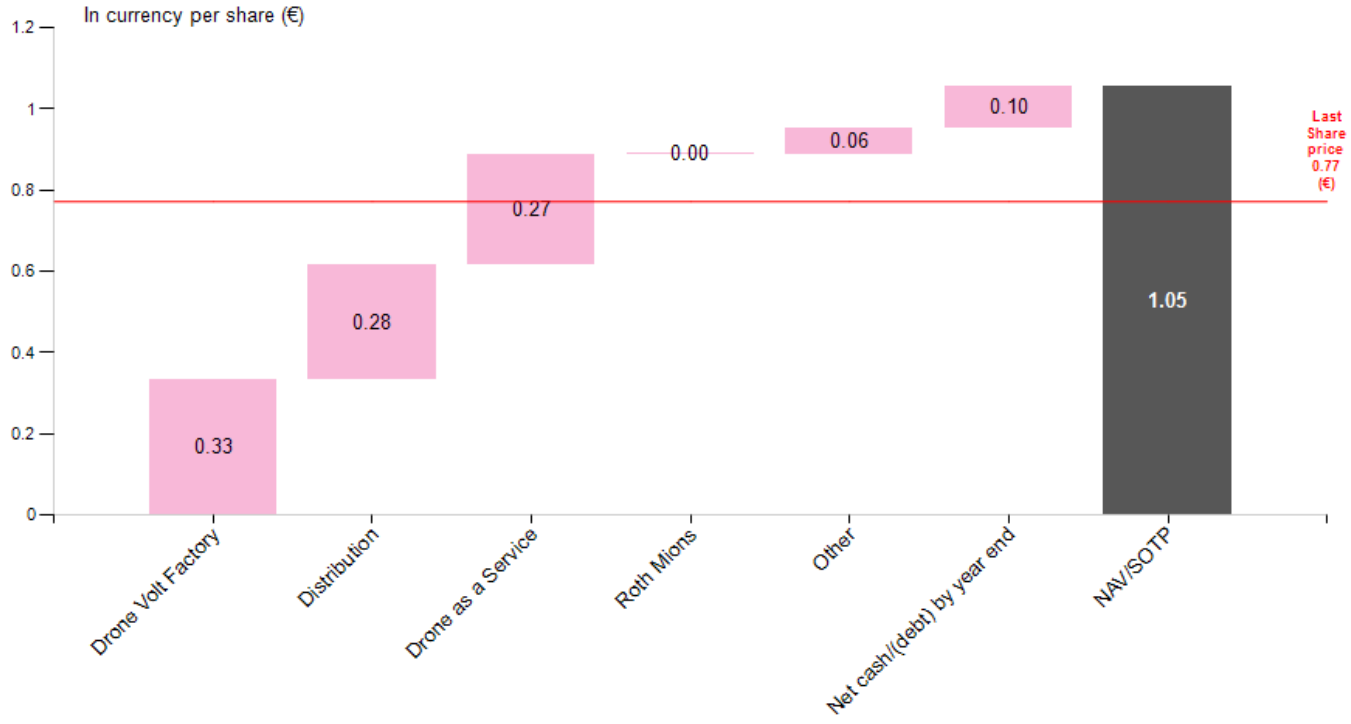
DCF Calculation

		12/24A	12/25E	12/26E	12/27E	Growth	12/28E	12/35E
Sales	€th	32,662	13,992	22,855	25,721	**8.00%**	27,778	47,607
EBITDA	€th	-3,149	9.78	5,825	7,214	**8.00%**	7,791	13,352
EBITDA Margin	*%*	*-9.64*	*0.07*	*25.5*	*28.0*		*28.0*	*28.0*
Change in WCR	€th	4,971	1,175	292	473	**8.00%**	511	876
Total operating cash flows (pre tax)	€th	3,067	1,185	6,117	7,687		8,302	14,228
Corporate tax	€th	-2,184	-744	-541	-891	**8.00%**	-962	-1,649
Net tax shield	**€th**	**-897**	**-137**	**-117**	**-114**	**8.00%**	**-123**	**-211**
Capital expenditure	€th	-4,210	-3,621	-3,259	-3,519	**8.00%**	-3,801	-6,514
Capex/Sales	*%*	*-12.9*	*-25.9*	*-14.3*	*-13.7*		*-13.7*	*-13.7*
Pre financing costs FCF (for DCF purposes)	€th	-4,224	-3,318	2,200	3,163		3,416	5,854
Various add backs (incl. R&D, etc.) for DCF purposes	€th							
Free cash flow adjusted	**€th**	**-4,224**	**-3,318**	**2,200**	**3,163**		**3,416**	**5,854**
Discounted free cash flows	**€th**	**-4,224**	**-3,318**	**2,017**	**2,658**		**2,632**	**2,455**
Invested capital	€	11.8	11.3	11.7	12.0		13.0	22.3

Drone Volt (Add)

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€th)	Stake valuation (€th)	In currency per share (€)	% of gross assets
Drone Volt Factory	100%	EV/Sales	3	17,980	17,980	0.33	35.2%
Distribution	100%	EV/Sales	1	15,120	15,120	0.28	29.6%
Drone as a Service	100%	EV/Sales	3	14,550	14,550	0.27	28.5%
Roth Mions	3.69%	AlphaValue valuation		1,630	60.1	0.00	0.12%
Other					3,425	0.06	6.70%
Total gross assets					**51,135**	**0.95**	**100%**
Net cash/(debt) by year end					5,609	0.10	11.0%
Commitments to pay							
Commitments received							
NAV/SOTP					56,744	1.05	111%
Number of shares net of treasury shares - year end (Th)					**53,854**		
NAV/SOTP per share (€)					**1.05**		
Current discount to NAV/SOTP (%)					**26.8**		



Debt

At the end of 2019, the company's net debt amounted to just over €5m, compared to €2.5m a year earlier and a net cash position of €276,000 in 2017. Over the period 2017 to 2019, net gearing went from -4% to 58%. This increase in debt was mainly created by the acquisition of Aerialtronics in 2017, as well as the financing of the restructuring of this entity, which we estimate to be close to €4m at the end of 2019.

To finance itself, as well as its acquisition, Drone Volt has mainly used a funding line through the issue of bonds convertible into shares with share subscription warrants (OCABSA and ORNANE) between 2016 and 2019. At the end of 2019, and in order to limit shareholders' dilution from convertible bonds, the company has diversified its funding sources through the issuance of a €1.7m bond, carrying a 12% coupon.

In 2020, Drone Volt continued to diversify its funding sources (by obtaining a €500,000 state-guaranteed loan) and strengthened its capital through three capital increases for a total of c. €3.7m (of which €411,000 in March and €2.16m in May to refinance 90% of the ORNANE issued in 2019 and €1.1m in June). In addition, Drone Volt secured two new financings for a total of €20.4m, of which a €10m financing in August 2020 through an equity line contract (€1.6m drawn down) as well as a €10.2m OCABSA (fully undrawn) with ATLAS in September 2020.

By Q1-2023 the equity lines had been fully used at a high dilution cost but the prospects of fast-declining cash consumption helped envisage less costly future funding. The Aquiline mishap had only a limited cash cost but led to a balance sheet reset wherein shareholders funds plunged from €39m in 2021 to €15m in 2022 after the amortisation of receivables and of the equity interest in Aquiline.
In 2023, Drone Volt resorted to conventional capital increases to reinforce its balance sheet, with ordinary shareholders' equity now reaching €22.7m and net debt €3.7m (2022: €3.6m).

Detailed financials at the end of this report

Funding - Liquidity

		12/24A	12/25E	12/26E	12/27E
EBITDA	€th	-3,149	9.78	5,825	7,214
Funds from operations (FFO)	€th	-4,282	-1,285	4,816	5,866
Ordinary shareholders' equity	**€th**	**14,128**	**23,923**	**26,127**	**29,145**
Gross debt	€th	4,841	2,462	1,862	1,262
+ Gross Cash	€th	180	8,071	9,321	11,540
= Net debt / (cash)	**€th**	**4,661**	**-5,609**	**-7,459**	**-10,278**
Gearing (at book value)	%	29.7	-1.98	-25.0	-30.4
Equity/Total asset (%)	%	88.4	153	162	176
Adj. Net debt/EBITDA(R)	*x*	*-1.76*	*-477*	*-1.09*	*-1.25*
Adjusted Gross Debt/EBITDA(R)	*x*	*-1.82*	*348*	*0.51*	*0.35*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*28.9*	*12.4*	*10.1*	*7.91*
Ebit cover	*x*	*-1.79*	*-4.50*	*6.99*	*10.2*
FFO/Gross Debt	*%*	*-74.6*	*-37.8*	*164*	*234*
FFO/Net debt	*%*	*-91.9*	*22.9*	*-64.6*	*-57.1*
FCF/Adj. gross debt (%)	*%*	*-121*	*-110*	*62.9*	*113*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*-3.58*			
"Cash" FCF/ST debt	*x*	*-1.87*			

Worth Knowing

Regulatory environment

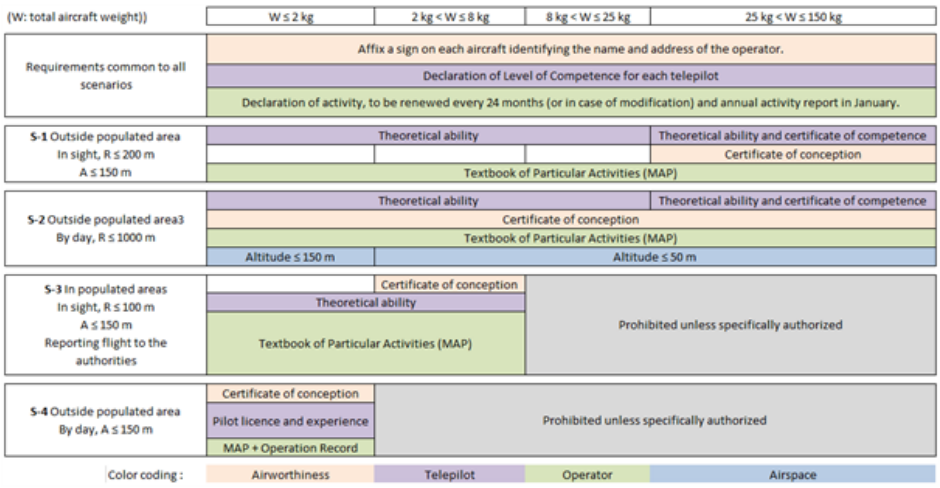
To date, we list the main regulations required to operate a drone in a commercial context. Note that these rules evolve quickly, as new fields open every day and the pressure for more freedom from operators on the regulators is always there.

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 it makes France one of the few countries having regulated flights with the pilot out of sight.

Among other important points in the current regulations:
- 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 register 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 the DGCA:



R = Range
A = Altitude

These rules are about to be reinforced at the European level, under the supervision of The European Aviation Safety Agency (EASA). The regulatory framework should cover security, safety, privacy, data protection and insurance matters. The EASA has published a first regulation, which was implemented on 1 January 2021, which define the categories of UAV 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. Since January 2024, the aircraft need to meet CE marking standards.
Specific Category: This category covers 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: 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.

Transaction on Aerialtronics

Drone Volt bought up the assets of the Aerialtronics company. On 18 September 2017, Drone Volt took majority control of the main assets (including products, inventory and intellectual property, as well as the knowledgeable team members and sites) of the Dutch company, Aerialtronics DV BV.
On 9 September 2020, Drone Volt acquired the remaining shares to the minorities, or 49.8% of the market capitalisation. The operation was based on a $5.95 valuation, or €5m, financed with a vendor loan over 36 months, carrying 3% interest.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Armistice Capital Master Fund Ltd	28.8%	28.8%	0.00%
Apparent free float			**71.2%**

Sustainability

Drone Volt has a sustainable model. As regulations on drones ease up and their technologies mature, we believe drones could replace current vehicles in some niche applications due to speed and energy efficiency. For inspection, it is safer and less energy intensive than a helicopter. For transporting vital medical material (or organs) from one neighbor hospital to another, drones are faster than cars which could be stuck in traffic jams. If their solutions are adopted by the market, the carbon impact would be positive.

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
Governance		
Independent directors rate	**8/10**	25%
Board geographic diversity	**4/10**	20%
Chairman vs. Executive split	✔	5%
Environment		
CO^2 Emission	**2/10**	25%
Water withdrawal	**4/10**	10%
Social		
Wage dispersion trend	**7/10**	5%
Job satisfaction	**3/10**	5%
Internal communication	**10/10**	5%
Sustainability score	**5.2/10**	100%

Governance & Management

Mr Dimitri Batsis is the founder of the company and the main shareholder. He has experience in pioneer markets as the former CEO and founder in 1987 of Zeni Coporation. The company had a successful IPO in April 2000 and was acquired in 2007 by Keyrus.

He ran the company until May 2017, when he resigned and left his successor, Mr Olivier Gualdoni, in charge. Mr Gualdoni joined the company in 2015 and helped Mr Batsis to structure the company. Prior to joining Drone Volt, he served as CEO of Cybergun SA.

On 18 October 2020, Drone Volt changed its governance due to the death of the CEO Mr Olivier Gualdoni on 17 October. The Board has thus co-opted Dimitri Batsis, founder of Drone Volt and historical shareholder since 2012, as a director and appointed him Chairman of the Board of Directors, a position it had entrusted to Olivier Gualdoni a few years earlier. The Board unanimously decided to separate the functions of Chairman and Chief Executive Officer and appointed Marc Courcelle, until then Drone Volt's Director of Production, as Chief Executive Officer. Stefano Valentini took over the position of Chairman in 2021 after this transition period, having spent five years at Drone Volt before in various senior positions.

Governance score

Company (Sector)	Independent board
5.4 (7.5)	Yes

Parameters	Company	Sector	Score	Weight
Number of board members	5	13	10/10	5.0%
Board feminization (%)	20	40	4/10	5.0%
Board domestic density (%)	80	67	4/10	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	80	52	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%
Governance score			**5.4/10**	**100.0%**

Management

Name		Function	Birth date	Date in	Date out	Compensation, in k€ (year) Cash	Equity linked
Marc COURCELLE	M	CEO		2020		171 (2024)	
Sylvain NAVARRO	M	CFO	1977	2018		(2024)	

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)
Stefano VALENTINI	M		✓	President/Chairman of th...	2029		2021		30.0 (2024)	
Fabrice LEGRAND	M		✓	Member	2028	1964	2016		30.0 (2024)	(2024)
Laurent LELEUP	M		✓	Member	2029	1966	2017		30.0 (2024)	(2024)
Céline MARSAC	F		✗	Member	2031		2021		30.0 (2024)	
Stanislas VEILLET	M		✓	Member	2027	1965	2017		30.0 (2024)	(2024)

Environment

Due to its small size, Drone Volt is not required to publish its Environmental metrics. Therefore, its poor environmental grade is irrelevant, as is any comparison with other peers of its Environmental score.

We believe that Drone Volt's business model could remove many emissions. Its drone solutions are the alternative to often energy intensive methods. For example, its LineDrone would be used for high-voltage cable inspection where a helicopter would have been used previously. The drone is then capable of rolling on the lines (as it has the technological capacity to resist such high voltages), which is far less energy intensive then a helicopter flying still above the power line. In addition, as it can withstand high voltages, the power line does not need to be cut for it to operate (conversely to currently used methods). This improves the electrical grid efficiency.

Drone Volt is also investing heavily in hydrogen technology. It has already managed to produce a drone charging station through its partnership with Roth2 which would enable its largest drone, the Hercules 20, to fly longer with zero emissions. The charging station it has developed also enables the charging of other products, such as bikes.

Despite the lack of data on Drone Volt's environmental metrics, we believe that its business model will have a positive impact on the global emissions of the niche industry it is addressing.

Environmental score

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

Parameters	Score	Sector	Weight
CO^2 Emission	2/10	3/10	30%
Water withdrawal	4/10	5/10	30%
Energy	4/10	4/10	25%
Waste	4/10	5/10	15%
Environmental score	**3.4**		**100%**

Company (Sector)

3.4 (4.3)

Environmental metrics

Company			
2022	2023	2024	2025
2.5	2.9	2.7	3.4

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, (in tons)
BAE Systems		5/10	2,726,586	350,817	5,061,346	67,790
Rolls-Royce		5/10	3,412,638	328,277	3,560,000	58,800
Leonardo		4/10	5,311,000	423,587	4,929,000	33,065
Airbus Group		6/10	13,125,600	645,000	3,535,867	77,208
Thales		7/10	3,131,478	97,000	1,510,000	19,355
Safran		4/10	4,256,064	437,053	3,236,413	77,173
Rheinmetall		3/10	3,562,621	290,171	4,112,269	60,417
MTU Aero Engines		4/10	1,166,224	73,970	8,538,500	7,950

Drone Volt (Add)

Drone Volt		3/10				

Social

It is difficult to judge on the Social aspect of Drone Volt given the limited data available. Due to the lack of cash, average salaries are logically below those of the major European Aerospace & Defense stocks. From 2018 until 2021, the workforce has steadily decreased due to the restructuring of the group. Since 2022, the trend has started to reverse, notably thanks to the new drone as a service offer “Drone Volt Expert”, based on the recruitment of 16 people from ex-AirMarine. We believe that when the momentum of the LineDrone and other innovative solutions takes off, it will restore a healthy cash balance which would enable Drone Volt to recruit more employees and retain them with higher salaries.

Concerning the impact of its products on society, using its drone solutions has a key advantage: safety. Its built-in drone solutions are often the alternative to helicopters, which are flown by people. Some surveillance missions in unsafe environments can be dangerous (flying to an offshore wind turbine) and have caused deaths in the past. Flying an unmanned drone would fully remove safety issues.

Social score

Company (Sector)

5.6 (6.5)

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	8/10	15%
Average wage trend	8/10	30%
Share of added value taken up by staff cost	1/10	20%
Share of added value taken up by taxes	1/10	15%
Wage dispersion trend	7/10	20%
Pension bonus (0 or 1)	0	
Quantitative score	**5.4/10**	**100%**

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	4/10	25%
Human resources development	7/10	35%
Pay	7/10	20%
Job satisfaction	3/10	10%
Internal communication	10/10	10%
Qualitative score	**6.2/10**	**100%**

Drone Volt (Add)

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
Accidents at work		**25%**
Set targets for work safety on all group sites?	✔	10.0%
Are accidents at work declining?	✖	15.0%
Human resources development		**35%**
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%
Pay		**20%**
Is there a compensation committee?	✖	6.0%
Is employees' performance combining group AND individual performance?	✔	14.0%
Job satisfaction		**10%**
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%
Internal communication		**10%**
Are strategy and objectives made available to every employee?	✔	10.0%
Qualitative score	**6.2/10**	**100.0%**

Staff & Pension matters

As of the end of December 2023, the group had 60 employees.

Recent updates

28/06/2025 **Opinion change, due to market moves, from Buy to Add**

07/05/2025

Banking on services and European roots

Change in EPS

2025 : € -0.09 vs -0.09	ns
2026 : € 0.05 vs 0.06	-16.7%

Our EPS for 2024 was impacted by the lower number of shares than expected (20.1m vs 20.5m) as the effective timing of the last capital raising announced in December 2024, came later than expected.
Our EPS for 2026 was only marginally changed following the release of the annual report with full figures, which marginally impacted our estimates.

22/04/2025

Update

Change in DCF € 1.16 vs 1.32 -12.2%

We have updated our DCF to include the faster-than-previously-expected decline in the distribution segment. We now forecast a 85% decline to €4.2m over 2025 compared to our previous forecast of a 70% decline to €8.5m. This has affected our EBITDA sequence for 2025 and beyond (c.€100-500k) as we have not changed our growth assumptions going forward, and thus our FCF for these years.

17/04/2025

Q1 '25: A confirmed change in business model

Earnings/sales releases

Drone Volt unveiled promising results with a strong gross margin improvement that was not yet enough to compensate for the massive decline in revenue from the distribution segment. The group reiterated its guidance for 2025, which is reachable in our view, thanks to the strong order intake related to defence notably. Despite the recent impressive share price performance related to the broader defence names trend as well as an improved financial situation, we think the upside potential is not yet exhausted.

Fact

Sales decreased by almost 79% to €1.9m (Q1 24: €8.9m) due to the reduction of its distribution activities, which were higher than our expectations (-90% to €0.8m vs -70% expected).
The gross result also fell, but by “only” 31% to €702k from €1.023m, resulting in a gross margin of 38%, a huge 27pp improvement thanks to the improved mix towards higher margin services activities, notably (57% gross margin for

Drone Volt Factory, Services and Academy).
The company reiterated its objective of becoming EBITDA positive in 2025.

Analysis

Big slash in distribution marks new era

The sales stemming from Drone Volt Factory, Services and Academy exceeded for the first time those from Distribution, due to its strong growth (+61% to €1.055m) as well as the disengagement from distribution activities. We should see an accentuation of this trend going forward as the order intake from defence players is growing, as shown by the Hercules 20 orders from the Marine National and a defence group which are not accounted for in Q1 25 results.
This new situation is resulting in a better gross margin than two years ago, when the revenue level was similar at €1.6m, but the gross result is nearly twice the amount registered in Q1 23 (€702k vs €327k).

Secured financing

The group also managed to secure financing thanks to the indirect impact of the election of Donald Trump, which has underlined the necessity for Europe to rely on local providers such as Drone Volt for its own defence and thus attracted new investors. The group successfully raised €2m in February followed by €5m in March, enabling the early repayment of the €2m convertible bonds mostly in cash, while leaving a cushion for funding its growth in new activities. Although there has been some dilution along the way, the future of the company is now safer, especially with the profitability prospects ahead.

Unchanged Outlook

The company reiterated its objective of becoming EBITDA positive in 2025, which is likely given the current trend seen at the gross margin level that should progressively reach the 50%+ level with the improvement in revenue mix. The growth in high-margin activities could accelerate further thanks to new orders in defence/security sectors, around the world and even in the US now that Chinese drone makers are now forbidden there, thus effectively opening a market opportunity for Drone Volt with its Drone Volt (European made) after the new distribution agreement signed in the US.

Impact

We will slightly adjust our forecasts downwards on the distribution segment, which is declining faster than we expected, but this should not heavily affect our target price.

31/03/2025

Update

Change in EPS	2024 : € -0.59 vs -0.59	
	2025 : € -0.09 vs -0.12	ns

Our 2025 EPS forecast has benefited from the higher average number of shares in 2025 (+9m to 39m) resulting from the €5m capital raising and the subsequent expected exercise of the share purchase warrants attached to these new shares, thus reducing the loss per share.

Change in NAV € 1.07 vs 1.30 -17.1%

Our NAV has been impacted by the c.18m increase in the number of shares to c.53m expected at year-end 2025, which has been partially offset by the higher level of net cash. Both these changes result from the €5m capital raising and the subsequent expected exercise of the share purchase warrants attached to these new shares, thus reducing the loss per share.

Change in DCF € 1.35 vs 1.57 -14.4%

Our DCF has been impacted by the c.18m increase in the number of shares to c.53m expected at year-end 2025 resulting from the €5m capital raising which has been partially offset by the higher level of net cash. Both these changes result from the €5m capital raising and the subsequent expected exercise of the share purchase warrants attached to these new shares, thus reducing the loss per share.

25/03/2025

Banking on services and European-made drones

Change in Target Price € 1.06 vs 0.88 +19.8%

Change in EPS 2024 : € -0.59 vs -0.30 ns
2025 : € -0.12 vs -0.11 ns

Our EPS for 2024 have been affected primarily by the impairment of the Aquline drones stake (€3.4m impact) that we had not anticipated, a higher-than-expected tax level (c.€1.6m) and the higher D&A (€0.8m).

Change in NAV € 1.30 vs 0.89 +45.3%

We have updated our NAV to take into account the strong rerating of Defence activities by the market, thus increasing the multiple for the Drone Volt Factory from 2x to 3x as this business is poised to benefit from Defence orders, as witnessed by the latest order from the Marine Nationale of a HERCULES 20 and a HELIPLANE. We have also taken into account the 400k higher net debt level at end 2024, resulting in a c.€7.4m uplift to the NAV.

Change in DCF € 1.56 vs 1.43 +9.16%

Our DCF has been updated to take into account the better prospects for Drone Volt in Defence notably and the efforts made on profitability which should lead to a gradual increase in margins, especially when taking into account the operating leverage on the internal drones. We thus now forecast a 8.5% long-term revenue growth rate and a 9% EBITDA growth rate compared to 8% before for both, resulting in a slightly positive impact on our FCF positively amounting to c.€0.3m per year.

24/03/2025

A better-looking FY24 release than it seems

Earnings/sales releases

This release shows that the basis for EBITDA profitability has been laid and that the deterioration at the EBIT level was mostly related to non-recurring, non-operating, and non-cash impacts. The outlook for 2025 is unchanged, underpinned by the new orders from the US and more ambitious cost-cutting plans. Further orders for defence purposes, as well as for the Kobra drone, could help boost the ongoing re-rating of the stock, thus prompting us to reiterate our positive stance on the stock.

Fact

Sales were already announced at €32.662m (€-19k correction), a 36% increase compared to last year.

Gross margin was revised slightly upwards to €4.232m, increasing by 15% compared to last year and above the previous estimate of €4.0m.

However, EBIT decreased further from €-5.287m to €-7.143m due to fees related to the capital raising (-0.6m) and higher D&A linked to R&D (€1m impact), and thus came in lower than our estimate of €-6.018m as we forecasted lower depreciation levels notably.

Net result came in accordingly lower than our estimate at €-12.917m from €-6.042m (AlphaValue estimate €-6.087m), which is also due to a depreciation of the stake in Aquiline Drones (€-3.4m) and a higher tax charge than we expected (€1.6m higher).

Shareholders' equity stood at €10.4m, half the level of 2023 as the capital raised was largely offset by negative earnings.

The outlook for 2025 is unchanged with the objective of turning EBITDA positive.

Analysis

Non-recurring, non-operating and non-cash impacts on profitability

The deterioration at the EBIT level was mostly related to non-operating (fees related to capital raising) and non-cash impacts (D&A). We can also notice that the EBIT margin slightly improved from -22% to -21.9% despite these effects, underlining the efforts made on regular operating costs despite the high growth rate.

Further down the P&L, the story is similar with a significant non-recurring non-cash impact with the depreciation of the Aquiline Drones stake, driving down its value in the books to 0 and thus closing this disappointing chapter of Drone Volt history.

Fresh injections maintain financial stability

Even though the net debt slightly deteriorated throughout 2024 (from €3.7m to €4.1m), the balance sheet has been strengthened since by the €2m capital raised early in 2025 and the €2m convertible bonds from Atlas Capital Markets, which should enable the company to meet its obligations over the next 12 months, especially given the announced efforts on costs. Moreover, the recent

share price increase offers the company an opportunity to reimburse again in shares the convertible bonds with reduced dilution in March and April 2025. This could thus improve the operation benefits from a financing standpoint, even though the company stated that it intends to reimburse in cash up to now.

A more precise unchanged outlook

The outlook for 2025 is unchanged with the objective of turning EBITDA positive, notably thanks to the strong demand the company has enjoyed since the beginning of the year for its internal drones, which have higher margins, owing to its reinforced presence in the US (first market in the world) and the first defence orders. For instance, the French Marine is notably conducting tests with the Heliplane (VTOL drone) for its semaphores (more than 20 on French coasts), which offers an economic solution to better monitor maritime traffic. Drone Volt has the capabilities to win these types of contracts thanks to the recruitment of former military officers, such as the COO of Drone Volt Expert Fréderic Glorieux, who know perfectly the needs of the armies. Furthermore, the new European-produced Kobra drone should contribute in 2025 as it caters to European police and armies' operational needs while meeting data security requirements.

The group also notably declared that it would implement a €1.1m cost-cutting programme (€400k higher than the last figure from January) to improve profitability. Finally, the group gave a figure on the reduction in R&D expected (€0.6m) in order to monetise past R&D efforts better, thus bringing total cost-cutting efforts to €1.7m. The monetisation of its R&D capabilities should also come from the new R&D service to cater to specific needs of rather big corporates, thus killing two birds with one stone. The decrease in R&D capex triggered in 2024 should improve EBIT margins in the coming years.

Impact

We will integrate these figures into our model, which should have a slight positive impact given the new cost-cutting efforts announced.

17/01/2025

Integrating the FY24 trading update

Change in EPS	2024 : € -0.30 vs -0.26	ns
	2025 : € -0.11 vs -0.10	ns

We have integrated the sales and gross margin figures for the FY24 that came in slightly under our expectations due to a sudden slump in sales from the distribution side, resulting in a €6.9m shortfall in sales to €28.3m in distribution, partially mitigated by higher sales on the Drone Volt Factory, Academy and services side (c.€200k to €4.4m). Although the global gross margin rate was above expectations at 12.3%, the slump in distribution sales resulted in c. €800k lower gross margin to €4m, which has had a knock-on effect on the EPS for this year.

We have also slashed our 2025 sales estimate to take into account the much

more rapid strategic change reflected in the deceleration in distribution. We now expect a 75% decline yoy to €8.5m compared to a 3% growth rate to €36.2m, resulting in a €2m lower gross margin from this division to €850k due to the lower volume, despite an increase to our gross margin rate to 10% (from 6%). However, the positive surprise on the Factory, Academy and Services side has led us to increase our sales forecast for 2025 from c.€8.2m to €9.4m as the refocusing is benefitting the division, resulting in a €600k higher gross result at €5.8m. Combined with the €400k cost-cutting program, there has been a slightly positive effect on the bottom line which partially offsets the 50% increase in the number of shares to 38.4m coming from the €2.7m capital raising and the 50%-odd conversion of the €2m bonds.

Change in NAV

€ 0.89 vs 1.53 -41.6%

Our NAV is similarly affected by the 50% increase in the number of shares as well as by the lower sales figures expected for 2025. The impact on the gross asset valuation is c.€2.4m, taking the figure to €40.3m.

Change in DCF

€ 1.43 vs 2.07 -30.6%

Our DCF is mainly impacted by the 50% increase in the number of shares (to c.8.8m) induced by the €2.7m capital raising and the potential conversion of the €2m bonds into 4m shares (c.50% conversion rate as the bonds could just act as a bridge loan, we assign a 50% probability to this event). We thus assume 38.4m shares compared to 25m previously at end-25.

16/01/2025

FY 24: A rapid strategic change undertaken

Earnings/sales releases

Drone Volt unveiled a mixed FY24 trading update with a new sales record, despite the brake put on distribution sales in Q4, and announced one (potentially two) new dilutive financing operations to fund its production capacity growth. 2025 should be the year of EBITDA profitability, an enticing prospect for shareholders given that it should depend on a more resilient business model.

Fact

Sales for FY24 grew by 36% from €24.0m to €32.7m, falling short of our estimate of €39.4m.

The gross margin for FY24 increased by 10% from €3.7m to €4.0m, not meeting our expectations of €4.8m.

The company stated that the focus in 2025 will be to reach the objective of a positive EBITDA.

The company also announced the launch of two financing operations: a potentially dilutive €2m bond issuance and a €2.7m capital raising.

Analysis

An abrupt change of course

The company almost stopped its distribution activities in Q4 (less than €500k of

sales) to focus on the higher margin business (c.€1.5m) which was expected but we anticipated a smoother transition. The company managed to double the number of internal drones sold to 105 over the year thanks notably to the success of its best-seller Hercules 20.

The gross margin for FY24 grew by 10% from €3.7m to €4.0m, falling short of our expectations of €4.8m, as the company registered a small loss of c.€200k in distribution in Q4 that we did not foresee following this abrupt stop (explained by the desire to reduce WCR). However, the gross margin in DV factory, services and academy missed our expectations by only €70k, implying a small decline in margin rate over the FY from 55% to 53% when we saw a small increase.

All eyes on profitability

The company stated that the focus in 2025 will be to reach the objective of a positive EBITDA, that we expect to be reached thanks to the €400k cost-cutting program (up to €700k) but at the expense of sales growth given the strategic deceleration announced for the distribution activity. The potential mitigating factor on the top-line side could be the new Drone Volt Kobra with sales expected to materialize in 2025. The services business should also benefit from a pick-up in interest for externalized R&D offers.

Fresh money to support operations

The company also announced the launch of two financing operations to support the growth of the production capacity of its internal drones, with first a new capital raising (with subscription rights) of €2.7m with a price of €0.3 per share, a 33.33% discount compared to the stock price of €0.45 of yesterday's closure. 75% of the amount would be already secured.

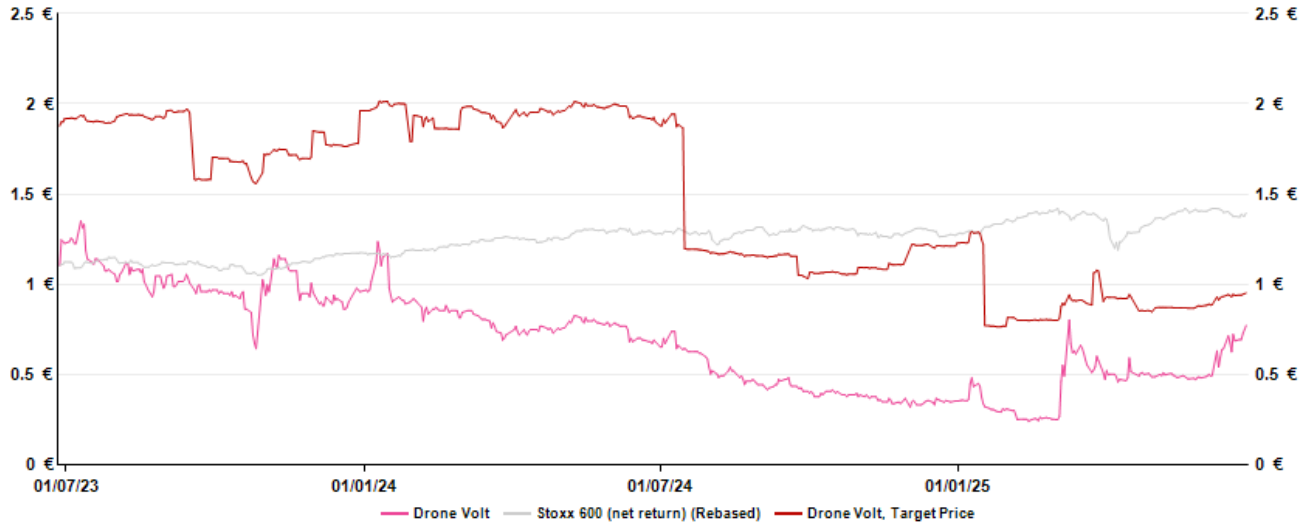
The second financing operation is potentially more dilutive for shareholders, as the company borrowed €2m from Atlas Capital Markets with a 6% + Euribor3M rate, a rather attractive rate but with the possibility to transform the 2.000 bonds forming this debt issuance in bond redeemable in cash and shares if authorized by the AGM before February 28th. Otherwise, this €2m amount could be redeemed immediately, showing that the intention might be to use the bonds as a bridge loan.

Impact

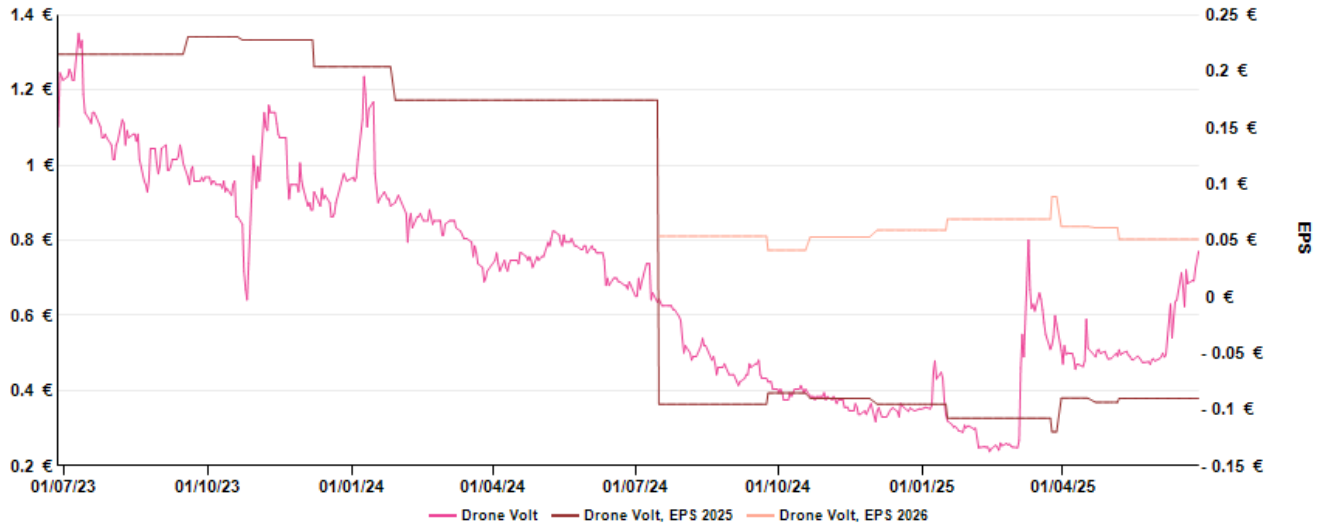
We will integrate these figures into our model, which should result in a decrease in our target price given the lower turnover realised and expected on the distribution side compared to our previous estimates and the dilutive financing operations. Nevertheless, our positive stance on the stock should not change as the company is close to EBITDA profitability and its business model should become more resilient with the focus on the high-margin services business, notably.

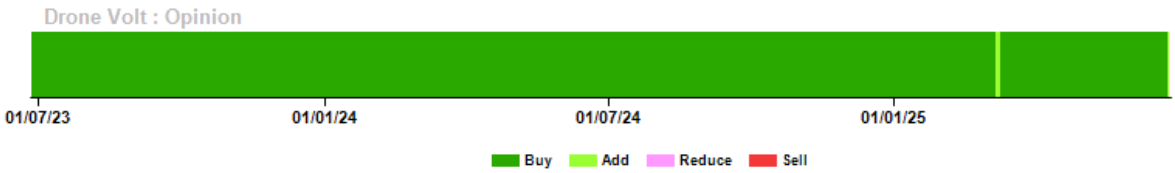
Drone Volt (Add)

Stock Price and Target Price



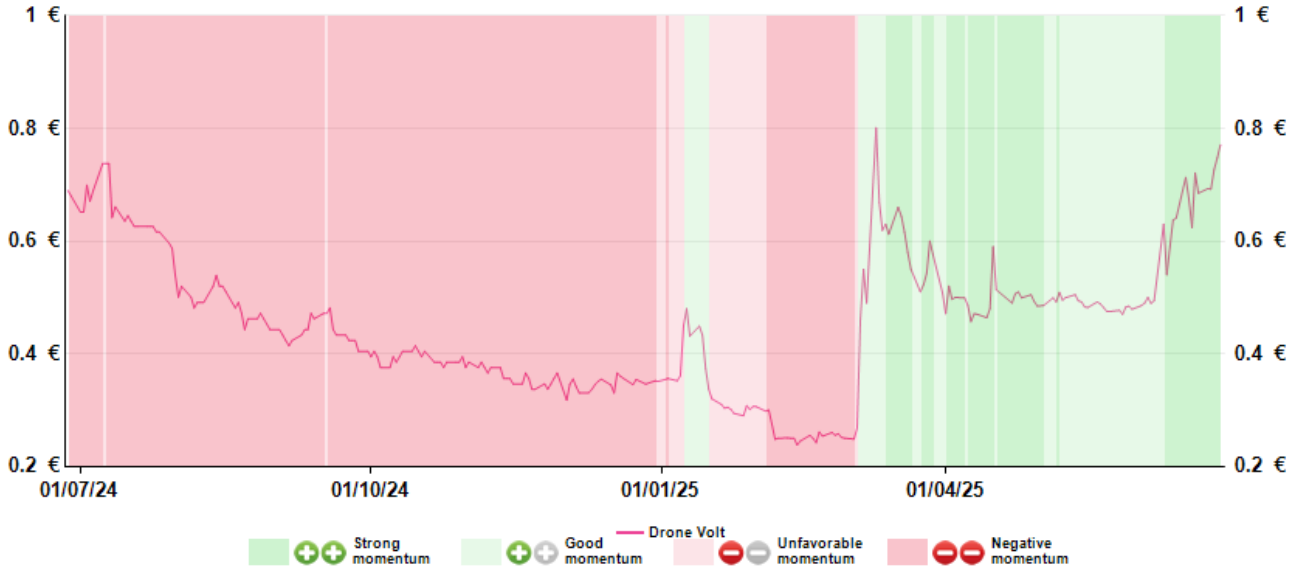
Earnings Per Share & Opinion





Drone Volt (Add)

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

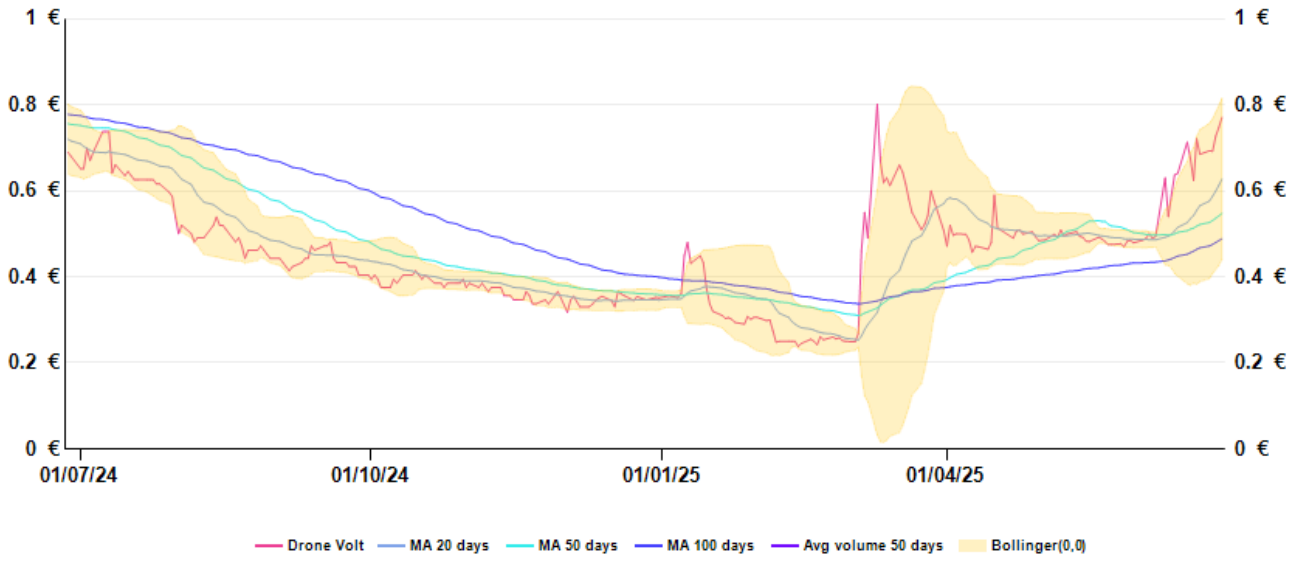
: Relatively good momentum corresponding to a positively-oriented moving average, but offset by an overbought pattern or lack of confirmation from volumes

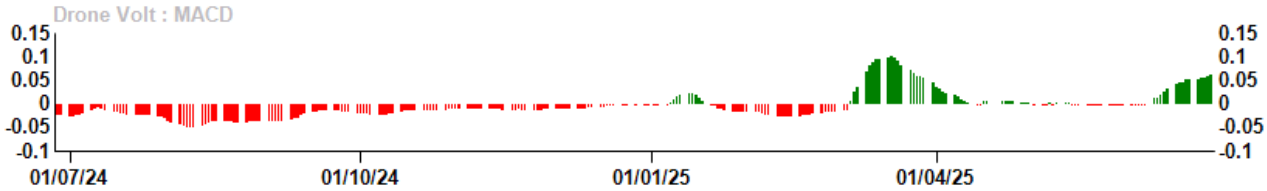
: Relatively unfavorable momentum with a neutral or negative moving average trend, but offset by an oversold pattern or lack of confirmation from volumes

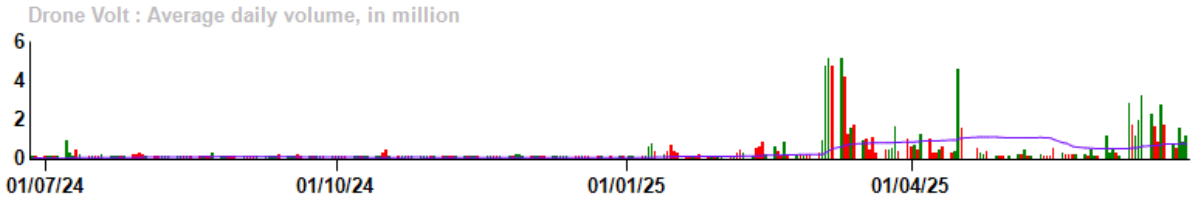
: Strongly negative momentum corresponding to a continuous and overall negative moving average trend confirmed by volumes

Drone Volt (Add)

Moving Average MACD & Volume

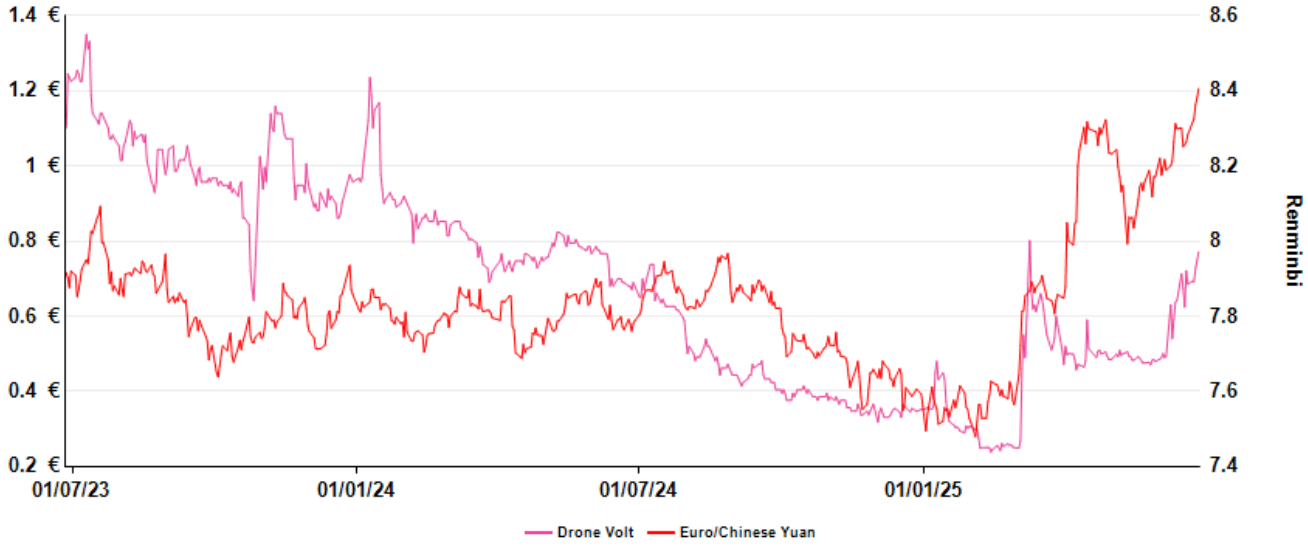






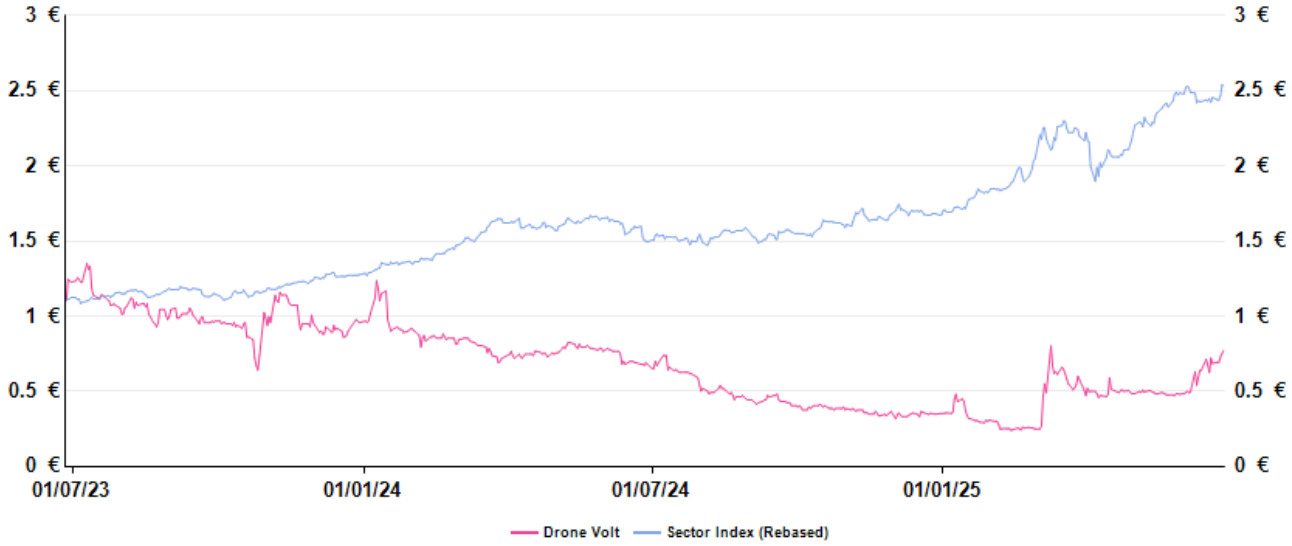
€/$ sensitivity

Euro/Chinese Yuan sensitivity



Drone Volt (Add)

Sector Aerospace-Defence



Detailed Financials

Valuation Key Data

		12/24A	12/25E	12/26E	12/27E
Adjusted P/E	**x**	**-0.93**	**-8.55**	**15.1**	**10.8**
Reported P/E	x	-1.07	-12.4	15.1	10.8
EV/EBITDA(R)	**x**	**-6.78**	**ns**	**6.55**	**4.91**
EV/EBIT	x	-3.32	-16.1	11.7	7.60
EV/Sales	x	0.65	2.85	1.67	1.38
P/Book	**x**	**0.90**	**1.74**	**1.59**	**1.42**
Dividend yield	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow yield	*%*	*-54.6*	*-8.98*	*4.45*	*6.79*
Average stock price	€	0.63	0.77	0.77	0.77

Consolidated P&L

		12/24A	12/25E	12/26E	12/27E
Sales	€th	32,662	13,992	22,855	25,721
Sales growth	*%*	*36.1*	*-57.2*	*63.3*	*12.5*
Sales per employee	*€th*	*554*	*247*	*384*	*393*
Purchases and external costs (incl. IT)	€th	-32,669	-10,967	-13,802	-14,888
R&D costs as % of sales	%	0.00	0.00	0.00	0.00
Staff costs	€th	-3,089	-2,995	-3,208	-3,599
Operating lease payments	€th				
Cost of sales/COGS (indicative)	€th	-28,430	-7,467	-10,372	-11,115
EBITDA	€th	-3,149	9.78	5,825	7,214
EBITDA(R)	€th	-3,149	9.78	5,825	7,214
EBITDA(R) margin	*%*	*-9.64*	*0.07*	*25.5*	*28.0*
EBITDA(R) per employee	*€th*	*-53.4*	*0.17*	*97.9*	*110*
Depreciation	€th				
Depreciations/Sales	*%*	*0.00*	*0.00*	*0.00*	*0.00*
Amortisation	€th	-2,582	-1,982	-2,057	-2,058
Additions to provisions	€th	-701	-500	-500	-500
Underlying operating profit	€th	-6,432	-2,472	3,268	4,656
Underlying operating margin	*%*	*-19.7*	*-17.7*	*14.3*	*18.1*
Other income/expense (cash)	€th	-712	-636	-636	-636
Impairment charges/goodwill amortisation	€th				
Operating profit (EBIT)	€th	-7,144	-3,108	2,632	4,020
Interest expenses	€th	-204	-183	-108	-78.1
of which effectively paid cash interest expenses	*€th*	*-194*			
Financial income	€th	0.00	0.00	0.00	0.00
Other financial income (expense)	€th	-3,385	-367	-359	-379
Net financial expenses	€th	-3,589	-550	-467	-457
of which related to pensions	*€th*		*0.00*	*0.00*	*0.00*
Pre-tax profit before exceptional items	€th	-10,733	-3,658	2,165	3,563
Exceptional items and other (before taxes)	€th				
Current tax	€th	-2,184	-744	-541	-891
Deferred tax	€th				
Corporate tax	€th	-2,184	-744	-541	-891
Tax rate	*%*	*-20.3*	*-20.3*	*25.0*	*25.0*
Net margin	*%*	*-39.5*	*-31.5*	*7.10*	*10.4*
Equity associates	€th				
Actual dividends received from equity holdings	*€th*				
Minority interests	€th	1,016	1,067	1,120	1,176
Income from discontinued operations	€th				
Attributable net profit	€th	-11,901	-3,336	2,744	3,848
Impairment charges/goodwill amortisation	€th	0.00	0.00	0.00	0.00
Other adjustments	€th				
Adjusted attributable net profit	€th	-11,901	-3,336	2,744	3,848
Fully diluted adjusted attr. net profit	€th	-11,901	-3,336	2,744	3,848
NOPAT	€th	-4,824	-1,854	2,451	3,492

Cashflow Statement

		12/24A	12/25E	12/26E	12/27E
EBITDA	€th	-3,149	9.78	5,825	7,214
Change in WCR	€th	4,971	1,175	292	473
of which (increases)/decr. in receivables	*€th*	*151*	*-31.8*	*-32.8*	*-33.8*
of which (increases)/decr. in inventories	*€th*	*460*	*509*	*144*	*-137*
of which increases/(decr.) in payables	*€th*	*2,679*	*-168*	*-320*	*144*
of which increases/(decr.) in other curr. liab.	*€th*	*1,681*	*866*	*500*	*500*
Actual dividends received from equity holdings	€th	0.00	0.00	0.00	0.00
Paid taxes	€th	-121	-744	-541	-891
Exceptional items	€th				
Other operating cash flows	€th	-818	0.00	0.00	0.00
Total operating cash flows	€th	883	440	5,576	6,796
Capital expenditure	€th	-4,210	-3,621	-3,259	-3,519
Capex as a % of depreciation & amort.	*%*	*163*	*183*	*158*	*171*
Net investments in shares	€th	-6.00	0.00	0.00	0.00
Other investment flows	€th	3.00	0.00	0.00	0.00
Total investment flows	€th	-4,213	-3,621	-3,259	-3,519
Net interest expense	€th	-3,589	-550	-467	-457
of which cash interest expense	*€th*	*-194*	*-550*	*-467*	*-457*
Dividends (parent company)	€th				
Dividends to minorities interests	€th	0.00	0.00	0.00	0.00
New shareholders' equity	€th	3,295	14,000	0.00	0.00
of which (acquisition) release of treasury shares	*€th*	*0.00*	*0.00*	*0.00*	*0.00*
Change in gross debt	€th	-46.0	-2,379	-600	-600
Other financial flows	€th				
Total financial flows	€th	3,055	11,071	-1,067	-1,057
Change in scope of consolidation, exchange rates & other	€th	-1.00	0.00	0.00	
Change in cash position	€th	-276	7,891	1,250	2,220
Change in net debt position	€th	-230	10,270	1,850	2,820
Free cash flow (pre div.)	€th	-6,916	-3,730	1,850	2,820
Operating cash flow (clean)	€th	883	440	5,576	6,796
Reinvestment rate (capex/tangible fixed assets)	*%*	*570*	*476*	*416*	*436*

Balance Sheet

		12/24A	12/25E	12/26E	12/27E
Capitalised R&D	€th	3,262	3,425	3,596	3,776
Goodwill	€th	685	706	727	749
Other intangible assets	€th	8,145	8,634	9,152	9,701
Total intangible	€th	12,092	12,764	13,475	14,226
Tangible fixed assets	€th	738	760	783	806
Right-of-use	€th	603	633	665	698
Financial fixed assets (part of group strategy)	€th				
Other financial assets (investment purpose mainly)	€th	2,396	2,420	2,444	2,469
WCR	€th	-1,044	-2,219	-2,511	-2,984
of which trade & receivables (+)	*€th*	*1,061*	*1,093*	*1,126*	*1,159*
of which inventories (+)	*€th*	*3,393*	*2,884*	*2,740*	*2,877*
of which payables (+)	*€th*	*3,364*	*3,196*	*2,876*	*3,020*
of which other current liabilities (+)	*€th*	*2,134*	*3,000*	*3,500*	*4,000*
Other current assets	€th	1,204	1,240	1,277	1,316
of which tax assets (+)	*€th*	*1,000*	*2,000*	*3,000*	*4,000*
Total assets (net of short term liabilities)	€th	15,989	15,599	16,133	16,530
Ordinary shareholders' equity (group share)	€th	14,128	23,923	26,127	29,145
Minority interests	€th	-3,720	-3,683	-3,646	-3,610
Provisions for pensions	€th	79.0	0.00	0.00	0.00
Other provisions for risks and liabilities	€th	817	940	1,080	1,243
Deferred tax liabilities	€th	0.00	0.00	0.00	0.00
Other liabilities	€th	25.3	27.8	30.6	30.6
Net debt / (cash)	€th	4,661	-5,609	-7,459	-10,278
Total liabilities and shareholders' equity	€th	15,990	15,599	16,133	16,530
Gross Cash	€th	180	8,071	9,321	11,540
Average net debt / (cash)	€th	4,195	-474	-6,534	-8,868
Adjusted net debt	€th	5,557	-4,669	-6,378	-9,036

EV Calculations

		12/24A	12/25E	12/26E	12/27E
EV/EBITDA(R)	**x**	**-6.78**	**ns**	**6.55**	**4.91**
EV/EBIT	**x**	**-3.32**	**-16.1**	**11.7**	**7.60**
EV/Sales	**x**	**0.65**	**2.85**	**1.67**	**1.38**
EV/Invested capital	x	1.81	3.53	3.25	2.94
Market cap	€th	12,676	41,522	41,522	41,522
+ Provisions (including pensions)	€th	896	940	1,080	1,243
+ 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	4,058	-6,242	-8,123	-10,976
+ Right-of-use (from 2019)/Leases debt equivalent	€th	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€th	0.00	0.00	0.00	0.00
+ Minority interests (fair value)	€th	3,720	3,683	3,646	3,610
= Enterprise Value	**€th**	**21,350**	**39,902**	**38,125**	**35,397**

Per Share Data		12/24A	12/25E	12/26E	12/27E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**-0.68**	**-0.09**	**0.05**	**0.07**
Growth in EPS	*%*	*n/a*	*n/a*	*n/a*	*40.3*
Reported EPS	€	-0.59	-0.06	0.05	0.07
Net dividend per share	**€**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow per share	€	-0.39	-0.10	0.03	0.05
Operating cash flow per share	€	0.05	0.01	0.10	0.13
Book value per share	€	0.70	0.44	0.49	0.54
Number of ordinary shares	**Th**	**20,128**	**53,864**	**53,864**	**53,864**
Number of equivalent ordinary shares (year end)	Th	20,128	53,864	53,864	53,864
Number of shares market cap.	Th	20,128	41,816	53,864	53,864
Treasury stock (year end)	Th	9.83	9.83	9.83	9.83
Number of shares net of treasury stock (year end)	Th	20,118	53,854	53,854	53,854
Number of common shares (average)	**Th**	**17,568**	**36,986**	**53,854**	**53,854**
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				
Increase in shares outstanding (average)	Th	0.00	0.00	0.00	0.00
Number of diluted shares (average)	**Th**	**17,568**	**36,986**	**53,854**	**53,854**
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	-0.68	-0.09	0.05	0.07
EPS before goodwill amortisation (non-diluted)	€	-0.68	-0.09	0.05	0.07
Payout ratio	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Capital payout ratio (div +share buy back/net income)	**%**	**0.00**	**0.00**	**0.00**	

Funding - Liquidity

		12/24A	12/25E	12/26E	12/27E
EBITDA	€th	-3,149	9.78	5,825	7,214
Funds from operations (FFO)	€th	-4,282	-1,285	4,816	5,866
Ordinary shareholders' equity	**€th**	**14,128**	**23,923**	**26,127**	**29,145**
Gross debt	€th	4,841	2,462	1,862	1,262
o/w Less than 1 year - Gross debt	€th	1,879	0.00	0.00	0.00
o/w 1 to 5 year - Gross debt	€th	2,962	2,462	1,862	1,262
+ Gross Cash	€th	180	8,071	9,321	11,540
= Net debt / (cash)	**€th**	**4,661**	**-5,609**	**-7,459**	**-10,278**
Bank borrowings	€th	3,006	1,800	1,200	0.00
Issued bonds	€th	721	0.00	0.00	0.00
Financial leases liabilities	€th	607	600	600	600
Other financing	€th	507	62.0	62.0	662
Gearing (at book value)	%	29.7	-1.98	-25.0	-30.4
Equity/Total asset (%)	%	88.4	153	162	176
Adj. Net debt/EBITDA(R)	*x*	*-1.76*	*-477*	*-1.09*	*-1.25*
Adjusted Gross Debt/EBITDA(R)	*x*	*-1.82*	*348*	*0.51*	*0.35*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*28.9*	*12.4*	*10.1*	*7.91*
Ebit cover	*x*	*-1.79*	*-4.50*	*6.99*	*10.2*
FFO/Gross Debt	*%*	*-74.6*	*-37.8*	*164*	*234*
FFO/Net debt	*%*	*-91.9*	*22.9*	*-64.6*	*-57.1*
FCF/Adj. gross debt (%)	*%*	*-121*	*-110*	*62.9*	*113*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*-3.58*			
"Cash" FCF/ST debt	*x*	*-1.87*			

ROE Analysis (Dupont's Breakdown)

		12/24A	12/25E	12/26E	12/27E
Tax burden (Net income/pretax pre excp income)	x	1.11	0.91	1.27	1.08
EBIT margin (EBIT/sales)	%	-21.9	-22.2	11.5	15.6
Assets rotation (Sales/Avg assets)	%	163	88.6	144	157
Financial leverage (Avg assets /Avg equity)	x	1.09	0.83	0.63	0.59
ROE	**%**	**-64.6**	**-17.5**	**11.0**	**13.9**
ROA	%	-60.6	-27.5	22.4	33.4

Shareholder's Equity Review (Group Share)

		12/24A	12/25E	12/26E	12/27E
Y-1 shareholders' equity	€th	22,706	14,128	23,923	26,127
+ Net profit of year	€th	-11,901	-3,336	2,744	3,848
- Dividends (parent cy)	€th	0.00	0.00	0.00	0.00
+ Additions to equity	€th	3,295	14,000	0.00	0.00
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	28.0	-869	-540	-830
= Year end shareholders' equity	**€th**	**14,128**	**23,923**	**26,127**	**29,145**

Staffing Analytics

		12/24A	12/25E	12/26E	12/27E
Sales per staff	€th	554	247	384	393
Staff costs per employee	€th	-52.4	-52.9	-53.9	-55.0
Change in staff costs	*%*	*23.9*	*-3.04*	*7.10*	*12.2*
Change in unit cost of staff	*%*	*26.0*	*1.00*	*2.00*	*2.00*
Staff costs/(EBITDA+Staff costs)	*%*	*-5,148*	*99.7*	*35.5*	*33.3*
Average workforce	**unit**	**59.0**	**57.0**	**59.0**	**65.0**
Europe	unit	59.0	57.0	59.0	65.0
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
Total staff costs	**€th**	**-3,089**	**-2,995**	**-3,208**	**-3,599**
Wages and salaries	€th	-3,089	-2,995	-3,208	-3,599
of which social security contributions	*€th*	*-818*	*-797*	*-849*	*-948*
Pension related costs	€th		0.00	0.00	0.00

Divisional Breakdown Of Revenues

		12/24A	12/25E	12/26E	12/27E
Total sales	**€th**	**32,662**	**13,992**	**22,855**	**25,721**
Drone Volt Factory	€th	2,533	5,066	9,625	11,069
Distribution	€th	28,254	4,238	4,323	4,409
Training	€th				
Consumer	€th				
Professional	€th				
Royalties	€th				
Drone as a service	€th	1,875	4,688	8,906	10,242
Other	€th				

Divisional Breakdown Of Earnings

		12/24A	12/25E	12/26E	12/27E
Other profit breakdown Analysis Analysis					
Drone Volt Factory	€th	1,229	2,786	5,775	6,863
Distribution	€th	1,776	551	562	573
Consumer	€th				
Professional	€th				
Training	€th				
Royalties	€th				
Drone as a Service	€th	1,228	3,188	6,145	7,170
Other/cancellations	€th				
Total	**€th**	**4,232**	**6,525**	**12,483**	**14,606**
Other profit breakdown Analysis margin	%	13.0	46.6	54.6	56.8

Revenue Breakdown By Country

		12/24A	12/25E	12/26E	12/27E
France	%	7.89	7.89		
Europe	%	85.4	85.4		
Other	%	6.75	6.75		

ROCE

		12/24A	12/25E	12/26E	12/27E
ROCE (NOPAT+lease exp.(1-tax))/(net) cap employed adjusted*	*%*	*-40.9*	*-16.4*	*20.9*	*29.0*
CFROIC	*%*	*-58.7*	*-33.0*	*15.7*	*23.4*
Goodwill	€th	685	706	727	749
Accumulated goodwill amortisation	*€th*	*0.00*	*0.00*	*0.00*	*0.00*
All intangible assets	€th	8,145	8,634	9,152	9,701
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	3,262	3,425	3,596	3,776
Rights of use/ Capitalised leases	€th	0.00	0.00	0.00	0.00
Other fixed assets	€th	738	760	783	806
Accumulated depreciation	*€th*	*0.00*	*0.00*	*0.00*	*0.00*
WCR	€th	-1,044	-2,219	-2,511	-2,984
Other assets	€th	0.00	0.00	0.00	0.00
Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	**€th**	**11,786**	**11,306**	**11,747**	**12,048**
Capital employed before depreciation	€th	11,786	11,306	11,747	12,048

Divisional Breakdown Of Capital Employed

		12/24A	12/25E	12/26E	12/27E
Drone Volt Factory	€th				
Distribution	€th				
Consumer	€th				
Professional	€th				
Training	€th				
Royalties	€th				
Drone as a Service	€th				
Other	€th	11,786	11,306	11,747	12,048
Total capital employed	**€th**	**11,786**	**11,306**	**11,747**	**12,048**

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' instrinsic 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%