



Drone Volt

Aerosp. & Defence Equipt. / France

Postponed contracts lead to a target price decrease

Contract execution for a potentially record year - 08/12/2021

Change in EPS

2021 : € -0.01 vs 0.00 ns
 2022 : € 0.00 vs 0.01 ns

Drone Volt had signed two mega contracts with Aquiline Drones, one in April concerning 600 Hercules 2 drones (€3m at catalogue price) and, later, another one concerning 500 Hercules 20 and 200 Hercules 10 (€15m at catalogue price). Though the latter was not a fixed contract, we had previously expected some sales to occur in H2. The Q3 results have proved us wrong as Drone Volt has put all its resources into the first Hercules 2 contract. This, we now believe, will lead to no sales in FY21 of the second mega contract. The Hungarian contract on 275 Hercules 20 drones has also been postponed to next year, directly impacting our EPS.

Change in NAV

€ 0.24 vs 0.29 -16.9%

As we use EV/Sales multiples to value the different businesses, the decline in anticipated sales due to the mega contracts being delayed has negatively impacted the NAV's final value. The multiples have remained unchanged, with the Training multiple being the highest (3x) of Drone Volt's historical businesses as it is the most profitable (excluding the royalties from Aquiline Drones).

Change in DCF

€ 0.26 vs 0.37 -30.8%

As major contracts have been postponed, the expected sales have been pushed further down the road. As a consequence, FCF has been impacted due to the hit on profitability. Nevertheless, the reason for the delay on these contracts is mainly linked to the limited production capacity of Drone Volt which is currently fully utilised to fulfill the 600 Hercules 2 fixed contract with Aquiline Drones. The demand for Drone Volt's products remains intact, and the sales not generated this year will be the drivers for the coming years. Hence, we remain positive in the mid-term outlook of Drone Volt.



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

Buy

Upside : 107%

Target Price (6 months)	€ 0.18
Share Price	€ 0.09
Market Cap. €M	23.6
Price Momentum	NEGATIVE
Extremes 12Months	0.09 ▶ 0.34
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA



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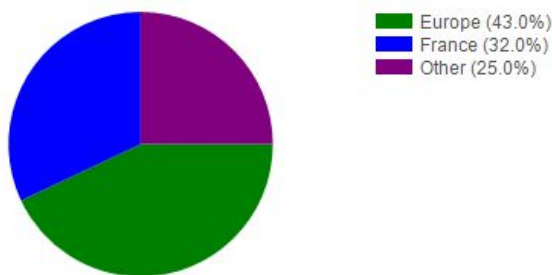


PERF	1w	1m	3m	12m
Drone Volt	-9.36%	-28.5%	-44.0%	-73.7%
Aerospace-Defence	5.95%	-8.27%	-2.81%	2.13%
SXXR Index	3.75%	-0.56%	1.89%	24.9%

Last updated: 08/12/2021	12/20A	12/21E	12/22E	12/23E
Adjusted P/E (x)	-3.14	-11.1	-42.4	15.2
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-12.1	-6.24	-1.82	0.15
Adjusted EPS (€)	-0.05	-0.01	0.00	0.01
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	5,836	9,972	13,654	18,931
Other margin (%)	29.3	37.4	42.5	50.4
Attributable net profit (€th)	-6,393	4,655	-553	1,565
ROE (after tax) (%)	-47.6	19.7	-1.88	5.19
Gearing (%)	8.95	-26.0	-46.0	-47.3

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

Sales by Geography



Consolidated P&L Accounts

		12/20A	12/21E	12/22E
Sales	€th	5,836	9,972	13,654
Change in sales	%	-17.9	70.9	36.9
Change in staff costs	%	-5.12	5.40	17.0
EBITDA	€th	-2,065	-524	1,016
EBITDA(R) margin	%	-35.4	-5.25	7.44
Depreciation	€th			
Underlying operating profit	€th	-4,189	-3,576	-1,043
Operating profit (EBIT)	€th	-8,181	-2,875	-1,336
Net financial expense	€th	-673	-341	-266
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th		6,500	
Corporate tax	€th	2,209	802	400
Equity associates	€th			
Minority interests	€th	252	569	650
Adjusted attributable net profit	€th	-6,393	-1,845	-553
NOPAT	€th	-2,932	-2,503	-730

Cashflow Statement

		12/20A	12/21E	12/22E
EBITDA	€th	-2,065	-524	1,016
Change in WCR	€th	1,685	245	-62.0
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	2,209	802	400
Exceptional items	€th			
Other operating cash flows	€th	-991	-286	-225
Total operating cash flows	€th	838	238	1,128
Capital expenditure	€th	-1,810	-1,995	-1,955
Total investment flows	€th	-8,992	5,505	-1,955
Net interest expense	€th	-673	-341	-266
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	8,590	6,178	1,000
Total financial flows	€th	13,967	2,537	2,734
Change in cash position	€th	5,812	8,280	1,907
Free cash flow (pre div.)	€th	-1,645	-2,098	-1,093

Per Share Data

		12/20A	12/21E	12/22E
No. of shares net of treas. stock (year...	Th	198,523	259,963	263,963
Number of diluted shares (average)	Th	131,321	230,360	263,080
Benchmark EPS	€	-0.05	-0.01	0.00
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.26	35%	● KUKA
NAV/SOTP per share	€ 0.24	20%	
EV/Ebitda	€ 0.16	20%	
P/E	€ 0.04	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.18	5%	
TARGET PRICE	€ 0.18	100%	

NAV/SOTP Calculation

Balance Sheet

		12/20A	12/21E	12/22E
Goodwill	€th	152	150	149
Total intangible	€th	5,477	5,376	5,554
Tangible fixed assets	€th	743	1,130	1,268
Financial fixed assets	€th			
WCR	€th	1,360	1,115	1,177
Other assets	€th	7,656	7,120	6,622
Total assets (net of short term liab.)	€th	19,985	20,849	21,035
Ordinary shareholders' equity	€th	17,640	29,605	29,199
Quasi Equity & Preferred	€th			
Minority interests	€th	-129	-100	-99.0
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	244	281	323
Total provisions for risks and liabilities	€th	244	281	323
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	4,141	4,555	5,011
Net debt (cash)	€th	-1,911	-13,491	-13,398
Total liab. and shareholders' equity	€th	19,985	20,849	21,035

Capital Employed

		12/20A	12/21E	12/22E
Capital employed after depreciation	€th	7,580	7,621	7,999

Profits & Risks Ratios

		12/20A	12/21E	12/22E
ROE (after tax)	%	-47.6	19.7	-1.88
ROCE	%	-38.7	-32.8	-9.13
Gearing (at book value)	%	8.95	-26.0	-46.0
Adj. Net debt/EBITDA(R)	x	0.93	25.8	-13.2
Interest cover (x)	x	-6.22	-10.5	-3.91

Valuation Ratios

		12/20A	12/21E	12/22E
Reference P/E (benchmark)	x	-3.14	-11.1	-42.4
Free cash flow yield	%	-5.41	-9.06	-4.65
P/Book	x	1.72	0.78	0.81
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/20A	12/21E	12/22E
Market cap	€th	30,389	23,163	23,519
+ Provisions	€th	244	281	323
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-2,172	-13,765	-13,686
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	3,898	6,712	12,305
+ Minority interests (fair value)	€th	387	300	297
= EV	€th	24,949	3,266	-1,852
EV/EBITDA(R)	x	-12.1	-6.24	-1.82
EV/Sales	x	4.28	0.33	-0.14

Analyst : Romain Pierredon, Changes to Forecasts : 08/12/2021.