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Growth in revenues above 100% year-on-year during the first quarter

Earnings/sales releases - 19/05/2015

Fact

Drone Volt announced its Q1 revenues on 13 May: compared to Q1 14, sales are up 110% at €608k vs. €289k, representing a sequential rise of 19.7%.

The company also consolidated its financial situation, thanks to a capital increase of €300k realised in April, and backed by a €300k bank loan.

Analysis

Excellent start of the year for Drone Volt, which recorded the highest quarter in its history. Although we don't have any details regarding the product mix, there is no doubt in our view that the main growth factor has been the professional segment.

Indeed, we have witnessed in the past few quarters a succession of movements in the drone industry and the involvement of important groups which had previously neglected the sector, such as GDF Suez in the drone operator Redbird, or VivaSanté in Fly-n-Sense; even the leisure-oriented Parrot bought SenseFly in 2012 and took a stake last year in Airinov and Delair-Tech.

We believe that this is only the beginning of a trend which should increase with continuing technical progress, and that new markets will open to players which can propose a solid and credible product portfolio, which is the case of Drone Volt as it benefits from its strong customer base in media and may be able to easily leverage this experience in other sectors, the most likely one being agriculture in our view.

The other positive point relies on the consolidating financial situation: the combined capital increase and bank loan have led to a substantial cash reserve, with gross cash currently estimated at c. €330k at the end of this year. This reserve makes the company able to fund further developments of the activity to an important extent, especially as the business model isn't WCR-intensive, since the customers pay in advance, while inventories have remained stable during the first quarter at c. 45 days, vs. 42 days for the full year 2014 and this is despite the massive increase in revenues. We are therefore confident in the ability of the company to manage the impact of the fast-growing activity.

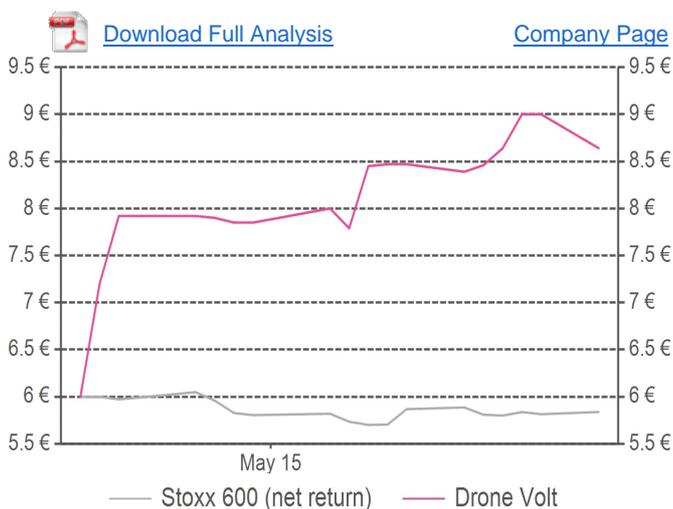
Impact

We will slightly upgrade our model to reflect the higher than expected growth.

AlphaValue is contracted by Drone Volt to provide equity research on Drone Volt, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy	Upside : 16.2%
Target Price (6 months)	€ 10.0
Share Price	€ 8.64
Market Capitalisation €M	9.65
Price Momentum	
Extremes 12Months	6.00 ▶ 9.00
Newsflow	Neutral
Bloomberg	MLDRV FP Equity

Reuters

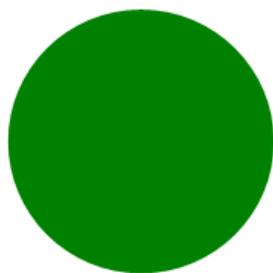


PERF	1w	1m	3m	12m
Drone Volt	2.98%	N/A	N/A	N/A
Capital Goods	0.16%	-1.05%	2.02%	8.87%
STOXX 600	-0.81%	-1.39%	4.66%	17.4%

Last updated: 19/05/2015	12/13A	12/14A	12/15E	12/16E
Adjusted P/E (x)	ns	ns	ns	28.6
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	ns	ns	71.2	17.6
Adjusted EPS (€)	0.02	0.04	-0.02	0.30
Growth in EPS (%)	912	121		
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	1,229	1,735	3,556	6,385
Other margin (%)	27.0	26.0	30.5	32.4
Attributable net profit (€th)	19.9	44.0	-24.0	337
ROE (after tax) (%)	11.4	21.1	-6.50	50.0
Gearing (%)	-17.3	-9.36	-6.34	-18.1

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

Sales by Geography



■ Europe (100.0%)

Consolidated P&L Account

		12/14A	12/15E	12/16E
Sales	€th	1,735	3,556	6,385
Change in sales	%	41.2	105	79.6
Change in staff costs	%	7.52	167	68.4
EBITDA	€th	45.6	135	534
EBITDA(R) margin	%	2.63	3.80	8.36
Depreciation	€th			
Underlying operating profit	€th	40.4	117	480
Operating profit (EBIT)	€th	40.4	117	480
Net financial expense	€th	-1.26	-2.00	-3.00
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th	-0.63	-119	
Corporate tax	€th	5.54	-20.0	-140
Equity associates	€th			
Minority interests	€th			
Adjusted attributable net profit	€th	44.0	-24.0	337
NOPAT	€th	28.2	81.9	336

Cashflow Statement

		12/14A	12/15E	12/16E
EBITDA	€th	45.6	135	534
Change in WCR	€th	1.95	-127	-82.0
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	5.54	-20.0	-140
Exceptional items	€th	-0.63		
Other operating cash flows	€th			
Total operating cash flows	€th	52.4	-12.0	312
Capital expenditure	€th	-28.0	-20.0	-20.0
Total investment flows	€th	-56.3	-243	-90.0
Net interest expense	€th	-1.26	-2.00	-3.00
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	5.67	279	
Total financial flows	€th	46.7	535	-74.2
Change in cash position	€th	42.9	280	148
Free cash flow (pre div.)	€th	23.1	-34.0	289

Per Share Data

		12/14A	12/15E	12/16E
No. of shares net of treas. stock (year...	Th	1,117	1,117	1,117
Number of diluted shares (average)	Th	1,117	1,117	1,117
Benchmark EPS	€	0.04	-0.02	0.30
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 11.8	40%	■ Ingenico
NAV/SOTP per share	€ 11.8	40%	● Schindler Holding
P/E	€ 4.32	5%	■ KUKA
EV/Ebitda	€ 3.19	5%	
P/Book	€ 4.32	5%	
Dividend Yield	€ 0.00	5%	
TARGET PRICE	€ 10.0	100%	

NAV/SOTP Calculation

Balance Sheet

		12/14A	12/15E	12/16E
Goodwill	€th			
Total intangible	€th	21.2	79.0	70.0
Tangible fixed assets	€th	27.9	82.0	127
Financial fixed assets	€th			
WCR	€th	128	255	337
Other assets	€th	30.7	46.0	48.0
Total assets (net of short term liab.)	€th	213	462	582
Ordinary shareholders' equity	€th	234	505	844
Quasi Equity & Preferred	€th			
Minority interests	€th			
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th			
Total provisions for risks and liabilities	€th	0.00	0.00	0.00
Tax liabilities	€th			
Other liabilities	€th			
Net debt (cash)	€th	-21.0	-43.0	-262
Total liab. and shareholders' equity	€th	213	462	582

Capital Employed

		12/14A	12/15E	12/16E
Capital employed after depreciation	€th	177	416	534

Profits & Risks Ratios

		12/14A	12/15E	12/16E
ROE (after tax)	%	21.1	-6.50	50.0
ROCE	%	15.9	19.7	62.9
Gearing (at book value)	%	-9.36	-6.34	-18.1
Adj. Net debt/EBITDA(R)	x	-0.46	-0.32	-0.49
Interest cover (x)	x	32.1	58.5	160

Valuation Ratios

		12/14A	12/15E	12/16E
Reference P/E (benchmark)	x	ns	ns	28.6
Free cash flow yield	%	0.24	-0.35	2.99
P/Book	x	41.3	19.1	11.4
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/14A	12/15E	12/16E
Market cap	€th	9,650	9,650	9,650
+ Provisions	€th	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	-21.0	-43.0	-262
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	9,629	9,607	9,388
EV/EBITDA(R)	x	ns	71.2	17.6
EV/Sales	x	5.55	2.70	1.47

Analyst : Charles Bordes, Changes to Forecasts : 19/05/2015.