

Drone Volt

Capital Goods / France

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ALPHAVALUE
CORPORATE SERVICES

Sustained massive growth in revenues,
margins expected to recover in 2017

Buy - Under Review -

Upside potential : 32.8%

Target Price (6 months)	1.67
Share Price	€ 1.26
Market Capitalisation €M	15.8
Price Momentum	UNFAVORABLE
Extremes 12Months	1.06 ▶ 2.38
Bloomberg ticker	ALDRV FP



KEY DATA	12/14A	12/15A	12/16E	12/17E	12/18E
Adjusted P/E (x)	ns	-22.6	-28.8	43.1	8.60
Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	ns	-16.5	-22.2	30.7	5.99
Adjusted EPS (€)	0.00	-0.05	-0.04	0.03	0.15
Growth in EPS (%)	121	n/a	n/a	n/a	401
Dividend (€)	0.00	0.00	0.00	0.00	0.00
Sales (€th)	1,735	3,586	7,749	13,602	20,431
Other margin (%)	26.0	23.7	22.5	26.0	29.0
Attributable net profit (€th)	44.0	-668	-592	400	2,004
ROE (after tax) (%)	21.1	-72.0	-53.2	70.4	156
Gearing (%)	-9.36	-19.0	-15.4	94.2	-5.49

Last forecasts updated on the 13/01/2016

Benchmarks	Values (€)	Upside	Weight
DCF	2.08	65%	40%
NAV/SOTP per share	1.94	54%	40%
P/E	Peers	-50%	5%
EV/Ebitda	Peers	-98%	5%
P/Book	Peers	-50%	5%
Dividend Yield	Peers	-100%	5%
TARGET PRICE	1.67	33%	100%

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Conflicts of interest

Corporate broking	NO
Trading in corporate shares	NO
Analyst ownership	NO
Advising of corporate (strategy, marketing, debt, etc)	NO
Research paid for by corporate	YES
Provision of corporate access paid for by corporate	NO
Link between AlphaValue and a banking entity	NO
Brokerage activity at AlphaValue	NO
Client of AlphaValue Research	NO

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Recent Updates

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► Updates

01/07/2016 Publication of the FY2015 accounts

Significant news

Fact

We take note of the publication of the FY2015 accounts; however, due to the major changes in the company's structure and product portfolio since the beginning of our coverage, we will postpone changes in our model until the H1 16 earnings release.

28/04/2016 A contract with potential major consequences

Significant news

Fact

Drone Volt announced today that a contract has been signed with SARP, a subsidiary of Veolia, for providing a solution based on its latest Drone Spray, as well as training for the pilots. The deal addresses for now a single customer's site.

As already disclosed in the Q1 earnings release, the company reminded that, during the first quarter of 2016, professional sales have represented c. 80% of its revenues.

Analysis

Although no figures have been disclosed, neither for the revenues related to the contract nor the volumes concerned, this deal should be considered as a milestone in our view.

First due to the nature of the customer: as far as we know, this is the first non-media related deal with an important group in which the company is implicated, which implies that 1/ Drone Volt is now able to provide products able to meet restrictive technical demands outside its historical core products (i.e. media Drones on a DJI basis), 2/ its addressable market is progressively expanding and materialising. The exact terms of the deal are yet to be known, but as it is only limited to one location for the moment, it suggests that a testing phase will take place first; the success of this testing phase may then trigger a bigger scale order, as SARP has a network of 120 agencies in France, which would add substantial momentum to an already more-than-dynamic top-line.

The second noticeable point is the product provided, that is to say a machine developed in-house: this original design is to our knowledge the only one of its kind on the market, as well as not built on a DJI Phantom basis. In the past, one of our concerns about Drone Volt was its position as "DJI tuner", which left it dependent on the Chinese supplier (in terms of pure products availability as well as exposure to currency effects, potentially damageable to margins) and limited its capacity of innovation to the margin. Now, provided that the tests prove successful, the company is able to create a unique design from scratch, suggesting: 1/ a technological and technical control having reached a new level, 2/ a capacity to innovate and to chase new markets, and 3/ the ability to integrate new sources of components.

Finally, we note that the strategy aimed at the professional market is bearing fruit, as the drones come in a training package, which is likely to generate additional revenues with a higher margin. Even if we have yet to see the final 2015 accounts to witness the actual impact, this is in our view a rather positive sign; as a reminder, the consumer segment accounted for 78% of 2014 revenues: the proportion has now inverted.

Impact

As no financial details have been disclosed, we won't make any change to our current assumptions, as the

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final 2015 accounts should be available in a few weeks. However, the deal represents in our view an important milestone which validates the management's strategy, that is to say aiming at new markets and delivering innovative original products designed internally rather than a simple drone customisation.

19/03/2016 Opinion change, due to market moves, from Add to Buy

Body of research

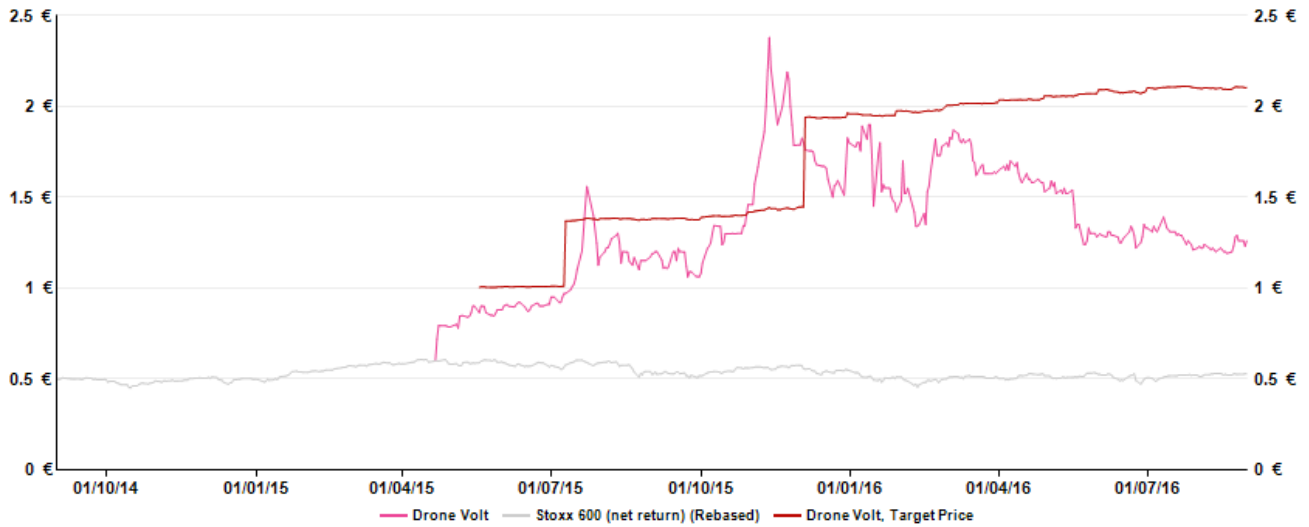


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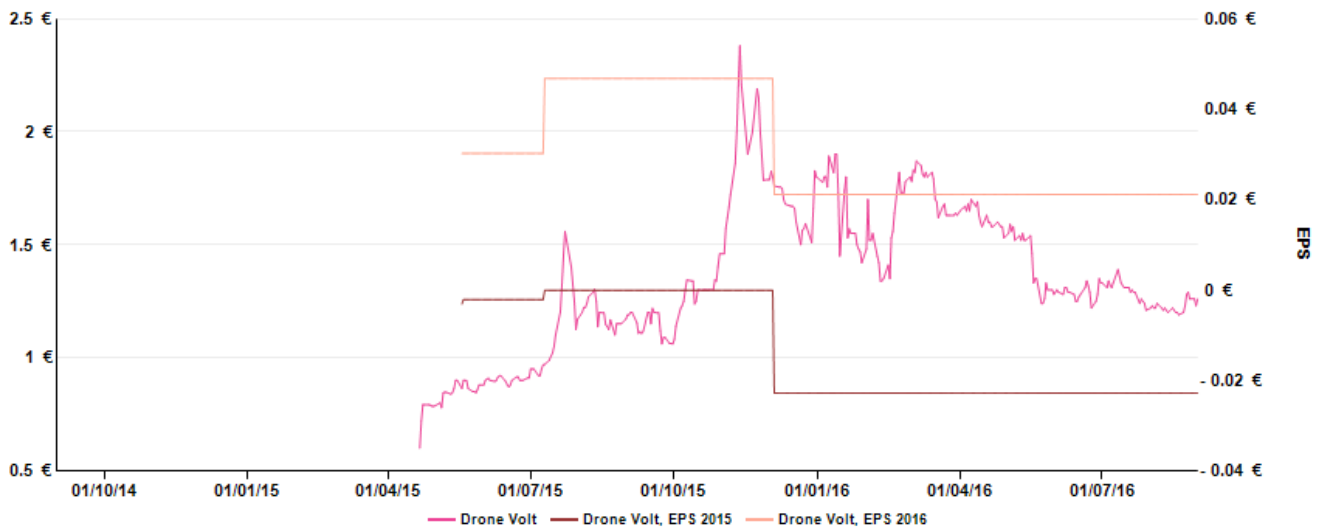
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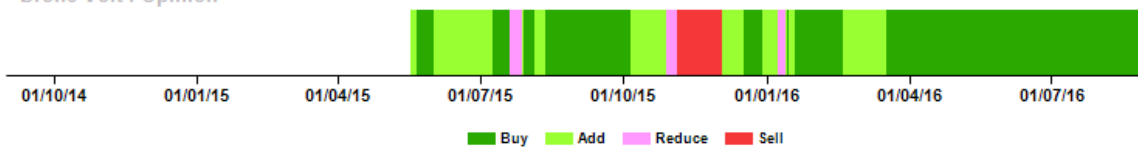
Stock Price and Target Price



Earnings Per Share & Opinion



Drone Volt : Opinion



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► Businesses & Trends

Businesses & Trends

Dronevolt is a French start-up company based at VILLEPINTE, near the Roissy-Charles de Gaulle international airport. The company, owned by Mr Dimitri Batsis, is specialised in the conception, assembly and distribution of land and aerial remote-controlled drones. Its products address various ranges of markets and clients, from consumer to professional use, with a trend towards the increasing importance of the latter.

General Market

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

The other catalyst has been regulation, or its absence: 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. France, by contrast, has been a pioneer market, as the Direction Générale de l'Aviation Civile (DGAC, the French Civil Aviation Authority) 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.

Estimating the size of the addressable market is not easy, as it varies greatly depending on the sources. The French institute Xerfi estimated it at €100m in France in 2013, with an estimated projection of €288m for 2015; in March 2015, 50 drone-making companies and around 1,300 drone services companies were registered at the DGAC. More recently, Lux Research has made a projection of \$1.7bn for 2025, while RadiantInsights estimated it at \$4.8bn for 2021 (vs. \$609m in 2014), and PwC at... \$120bn by 2020 (for a 2015 market estimated at \$2bn). Whatever the source, the general consensus forecasts great dynamism and strong growth in the years to come.

This 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.

Three Business Lines

Dronevolt 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 is still contributing to the activity (€1.35m in 2015) but is no longer the priority for future top-line growth, and is expected to remain flattish compared to the strong increase expected in the other business lines.

Indeed, with the arrival of the current management team in 2012, the company has gradually repositioned towards a second business line, the professional market, more lucrative and offering ever-growing opportunities. This division came in at €2.2m in 2015, accounting for 59% of the total revenues (vs. 19% the previous year) and displays the strongest growth rates.

The main outlet to date has been the media market, mainly TV channels, which use drones to obtain images that would have been impossible to take previously (a helicopter would have been too expensive or its flight domain limited or too restrictive). Dronevolt currently covers between 70% and 80% of the French TV market (and provides systems to the main TV channels),

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while this market is still maturing, which lets the door open for further growth when this customer base takes on the use of unmanned vehicles on a bigger scale.

Several products currently in development will soon open new markets, of which we can list:

- Surveillance: drones can be used to provide camera angles that would be difficult or impossible to obtain with another aerial vehicle, at a more reasonable cost and with much greater discretion. The French Home Office, the National Police Intervention Groups and the Air Transport Gendarmerie are already customers for a few units, and are testing the potential of the products before an eventual bigger scale deployment. The company launched the Z18 UF in 2016, able to stay airborne during several days through a wired power source.
- Agriculture: drones can be used to provide aerial views of crops, to detect damage done by animals as well as possible diseases and thermal stress by using thermal cameras. The lower cost of drones compared to helicopters or planes and the cost of damage to crops make the use of unmanned vehicles economically viable, and open a vast field of opportunities: it is not improbable to imagine that insurance companies will push the use of drones for the early detection of damage.
- Geometers/Real Estate: a pre-programmed drone can scan a vast area in a short amount of time, rendering in a few minutes a 3-dimensional representation easy to export to many supports, such as smartphones and tablets. The costs are greatly reduced, and added value is created by proposing previously non-existing visualisation services. A renovation plan in the French real estate market is also in progress, requiring the measurement of buildings' thermal isolation, which could open new business perspectives. The company also launched its Drone Spray, which makes the cleaning of buildings' roofs easier and at a lower cost compared to a dedicated traditional team.

The last business line follows 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 follow a compulsory training period and obtain certification. Dronevolt 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, among which include a closed hall allowing flight sessions in bad weather conditions. Training accounted for €24k in 2015.

An integrated turnkey business model

Dronevolt proposes an integrated chain of services, from the drone system itself 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. We consider this business model to be more attractive than a rental one, the latter offering lesser flexibility (the drone might not always be available or can't be customised quickly) which may put off customers and increases the amount of risk and costs supported by the rental company.

The top-line growth, despite displaying substantial growth rates, had suffered upto recent months from the absence of a dedicated commercial team. Indeed, promotion was made only by word of mouth. The recruitment of a dedicated team in 2015 allowed the company to maintain triple digit growth rates despite seeing its revenues having been multiplied by more than four since 2014.

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 of innovation and set a situation of dependency towards its suppliers, but allowed to deliver a fast execution.

Subsequently, an own R&D effort was launched to design customised parts for its products, at its own initiative or in order to respond to customers' demand. This permitted an increase customisation as well as a 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 allows a significant premium with limited costs, as most of the production is outsourced.

The next step towards a full-proprietary drone design appeared in the summer 2016, with the launch of an assembly line for internally designed drones. The company follows its going upmarket strategy, with an exclusive design based on external

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parts as well as the development of the associated software, which represents the essential of the added-value. The best example is the Janus drone, able to shoot on 360° and dedicated to the virtual reality segment, which required the development of a specific frame as well as the software to synchronize the ten 4K cameras, leading to a high premium compared to the other products as well as a high visibility for the company.

The company also develops generic and custom software, such as its Drone Volt Pilot app, dedicated to the DJI products, allowing to take a share of the market growth (DJI has sold more than 500,000 compatible machines) through a high-margin product.

International expansion

Thanks to its experience in a heavily-regulated environment, the company can easily scale its business model to another country. The company chose to develop at first in Europe, with the opening of a Danish subsidiary in early 2015, with further expansions plans in Sweden, Norway and Finland.

The international expansion accelerated in 2016 with a distribution contract signed for the Benelux, followed by the opening of two sales offices in the US and in Switzerland (which will also address at the Adriatic area). The USA in particular represent a country of choice, as the FAA has recently established a new set of national rules which replace all the ones previously existing at the sub-Federal level, and represent a substantial way to add growth to the already strong organic one; to secure this important market, the company hired Daniel Roe, the former VP Sales from Freely Systems.

Finally, the company accelerated in N. America in June 2016 by announcing the opening of a Canadian subsidiary.

Alliances

In order to maximise its market penetration, the company is opened to signing alliances with other companies, in order to expand its portfolio and to develop additional custom solutions.

The first strategic alliance was announced in early 2016 and corresponds to a strategic partnership with Squadrone System, a French start-up which won several awards for its Hexo+ hexacopter. Drone Volt now has exclusive rights concerning the sale of this drone and plans to develop custom solutions to willing customers.

Divisional Breakdown Of Revenues

	Sector	12/15A	12/16E	12/17E	12/18E	Change 16E/15		Change 17E/16E	
						€th	of % total	€th	of % total
Consumer	Electrical Products-Misc	1,350	1,485	1,634	1,797	135	3%	149	3%
Professional	Electrical Products-Misc	2,212	6,216	11,872	18,461	4,004	96%	5,656	97%
Training	Electrical Products-Misc	24.0	48.0	96.0	173	24	1%	48	1%
Other									
Total sales		3,586	7,749	13,602	20,431	4,163	100%	5,853	100%

Key Exposures

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

Sales By Geography

Europe	90.0%
Other	10.0%

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

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

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

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currencies as well.

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

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► Money Making

Money Making

Transition until 2017

The company is currently transitioning its cash generation sources as its business model evolves. The former Consumer core activity of sole assembly didn't allow high margins to be generated, as the added value was minimal, the drone parts being available from other supply sources and the targeted customers possessing in the majority most of the necessary knowledge to do it themselves.

The orientation towards a professional base of clients is bound to increase the margin and cash generation, first by the development of specific customised parts, which is already occurring and distinguishes the drones from the rest of the market. These parts can be developed following a customer's request or at the company's initiative, and command a substantial premium compared to a basic model by the features they confer on the platform.

Thanks to the combined setup of a dedicated R&D team of the assembly line in 2016, it is reasonable to imagine that an increasing number of machines sold to customers will be designed internally from scratch, which will allow greater control on the value chain and to entail pricing power due to the product's exclusivity, as well as leading to positive WCR, as the customers will pay upfront for the design and making of the parts. However, this business-model is much more capital-intensive than the previous one, which explains that despite launching the development only once it is funded by a firm order, the company has yet to escape its cash-burning phase and currently displays negative ROEs, which we see positive again in 2017.

Professional and software as a leverage

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 operators is required by the DGAC, and Dronevolt has thus set up an Academy which provides 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 substantial contribution to margins, 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. However, we chose to separate out this business in order to reflect its contribution to margins. There is also an existing "stand-alone" training business, as some operators have chosen to build from scratch their systems but still need the regulatory approvals in order to be able to operate them.

A margin growth relay for the future will also consist in software development. Indeed, the added value of a drone system not only lies in the mechanical abilities but also in all the features permitted by the software ecosystem, which leverages the embedded hardware. Although many of these features already exist in the basic software provided with the hardware, a custom drone design will require custom software for full potential exploitation. Moreover, some features may not have been considered by the original maker, opening up space for specific development processes according to the end-customer's needs. Some of these specificities include data storage, transmission & processing, enhanced flight controls, camera stabilisation and filters... All these functionalities, to be implemented or modified, must be developed, tested and certified, with a positive effect on margins due to the skills required to generate a product with higher added-value.

Drone Volt thus setup a development team to leverage the growth of the drone market, both internal and external. The two axis of development are: 1/ the software embedded in the internally designed drones, which represents a massive part of the added-value (more than the sum of the mechanical parts), and 2/ more general software such as its Pilot app, which aims at the installed basis of DJI drones and could even accelerate the margins even more if a customer wanted to derive custom software from the basic app.

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► Money Making

Diversification of parts sourcing

The control over margins remained limited at first by the drone parts providers. Indeed, most of the drones relied (and still rely) on an already integrated platform from Chinese maker DJI, which provides almost ready-to-fly machines. These machines can be heavily customised in detail, but even in this case most of the components are currently sourced from existing manufacturers (mostly from China), limiting the margin potential and creating a dependency on the suppliers' commercial policies: should they increase their prices or develop similar solutions to Dronevolt and propose them at a lower price, then margin level would plummet, jeopardising the very existence of the company. Moreover, the first half of 2015 has shown that currency effects could quickly affect the company's margins.

Once the R&D effort is fully launched and the majority of the parts designed "in-house", the pressure on margins as well as the potential threat on the prices of parts will be lowered. A better control will also be permitted by a "fables" model: instead of building manufacturing chains, Dronevolt intends to focus 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 will allow a greater flexibility and better overall margins due to the relatively small volumes expected compared to those necessary to fully amortise a factory, as the planned in-house production of the internally-designed machines is likely to remain limited in volumes.

Divisional Other profit breakdown Analysis

	12/15A	12/16E	12/17E	12/18E	Change 16E/15		Change 17E/16E	
					€th	of % total	€th	of % total
Consumer	314	342	376	413	28	3%	34	2%
Professional	530	1,383	3,122	5,442	853	95%	1,739	97%
Training	6.00	19.0	38.0	69.0	13	1%	19	1%
Other/cancellations								
Total	850	1,744	3,536	5,924	894	100%	1,792	100%

Divisional Other profit breakdown Analysis margin

	12/15A	12/16E	12/17E	12/18E
Consumer	23.3%	23.0%	23.0%	23.0%
Professional	24.0%	22.2%	26.3%	29.5%
Training	25.0%	39.6%	39.6%	39.9%
Total	23.7%	22.5%	26.0%	29.0%

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▶ Debt

Debt

Until 2013, the company had no debt and was self-financing. The first bank loan of €50k was contracted in 2014, followed by another of €300k in 2015, in order to support the fast development of the activity in the professional business. These loans have been backed by two capital increase of €280k in early 2015.

However, the initial projected generation of cash (supposed to allow quick deleveraging with a return to a net cash position as soon as the end of the year 2015) didn't survive the change in the business model, with the development of the internal R&D effort which was obviously rather capital-intensive, requiring external funding. This funding was obtained without any difficulty by three means: 1/ a 750k€ loan by the Bpifrance in October 2015, 2/ a €1.8m private funding in November 2015, associated with 3/ the establishment of a €5m funding line of 20 slices through the issue of bonds convertible into shares with share subscription warrants (OCABSA). The company will therefore be able to fund its WCR increase until the return to breakeven, especially knowing that the interest from private funds remains strong, as highlighted by the €300k capital increase in June 2016.

However, it should be kept in mind that the risk of a potential unexpected incident which could endanger the execution of the plan is not equal to zero: it could be the default of a client (even if the risk is limited for now, as customers pay in advance), lower demand due to a slower than expected adoption or regulatory changes... These risks could eliminate the already thin financial flexibility or even lead to bankruptcy.

Funding - Liquidity

		12/15A	12/16E	12/17E	12/18E
EBITDA	€th	-880	-731	535	2,507
Funds from operations (FFO)	€th	-1,449	-737	304	2,010
Ordinary shareholders' equity	€th	1,622	605	531	2,039
Gross debt	€th	1,081	997	873	649
o/w Less than 1 year - Gross debt	€th	84.4	123	225	211
o/w 1 to 5 year - Gross debt	€th	734	761	649	438
of which Y+2	€th	123	225	211	176
of which Y+3	€th	225	211	176	150
of which Y+4	€th	211	176	150	113
of which Y+5	€th	176	150	113	0.00
o/w Beyond 5 years - Gross debt	€th	263	113		
+ Gross Cash	€th	1,677	586	283	1,462
= Net debt / (cash)	€th	-596	410	590	-814
Bank borrowings	€th	1,081	997	873	649
Other financing	€th	0.00	0.00	0.00	0.00
Gearing (at book value)	%	-19.0	-15.4	94.2	-5.49
Adj. Net debt/EBITDA(R)	x	0.68	-0.56	1.10	-0.32
Adjusted Gross Debt/EBITDA(R)	x	-1.23	-1.36	1.63	0.26
Adj. gross debt/(Adj. gross debt+Equity)	%	40.0	62.2	62.2	24.1
Ebit cover	x	-45.8	-46.6	19.5	157
FFO/Gross Debt	%	-134	-74.0	34.8	310
FFO/Net debt	%	243	-180	51.5	-247
FCF/Adj. gross debt (%)	%	-151	-101	-20.6	216
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	0.50	-3.41	0.46	13.6
"Cash" FCF/ST debt	x	-19.3	-8.17	-0.80	6.66

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► Valuation

Valuation

In order to build our valuation, which is a combination of DCF, NAV and peers, we started with the data from the business plan provided by the group. We have then chosen to lower some of the projected figures to reflect a more cautious approach, while assuming the most pessimistic hypothesis provided by the company. As an example, we had first chosen to lower the 2015 sales growth figure from 150% to 103%, a level we judged reachable according to the strong beginning of the year, before slightly increasing it to 104% in the light of the 9-month figures; we also trimmed the level of the margins to reflect a progressive improvement to the targeted profitability. However, the initial business-model quickly evolved, and while the top-line results remain mostly in line with the initial expectations, this was not the case of the bottom-line, which suffered from the R&D effort launched much earlier than expected, as highlighted by the negative 2015 EBIT margin.

We integrated the number of shares from the IPO, that is to say 1,116,925, adjusted by the private funding from November, 2015, for a total of 1,229,500 shares, a number later adjusted for the January 2016 1-to-1 share split as well as the share emissions. We consider that the DCF and NAV are the better valuation methods, as Dronevolt should clearly be valued on its future potential and not on the current valuation of some potential peers.

Our DCF is based on the strong growth expected for the drone market in the future, which is currently still nascent, on the already strong market share attained by the company in key sectors, as well as the current impressive growth rates. Moreover, as a start-up, it is not uncommon to project massive growth in the first years of existence.

Thus, we assumed a projected long-term growth rate of 7% for sales, corresponding to 2025e revenues of €29m. In our view, this is not unreachable, considering that: 1/ there is currently little structured offer on the French drone market, 2/ there is likely to be a premium for the first entrants, and 3/ the company has already strong positions in the media sector while not having a dedicated sales team. We also projected a long-term growth rate of 11% for EBITDA, which would lead to a 2025e EBITDA margin of 19.3%, a level we judge reasonable for a company mostly subcontracting its manufacturing process, having launched an in-house R&D effort and developing premium software, which will give a clear boost to margins. The WACC is set at 12%.

Concerning the NAV, in order to reflect the strong growth potential and to compensate for the fact that the company is still a start-up, with the implied impact on profitability, we have chosen to base our valuation on sales multiples. The Consumer division represents in our view the lowest potential, not being the core strategy of the company and bound to witness a decrease in its margins with the commoditisation of leisure drones; however, this type of business is gaining much momentum in terms of valuation, with competitors reaching sales multiples of 2.5x, so we chose to set a 2x figure. The Professional business gets the higher multiple, as it witnesses growing margins and the biggest number of potential markets. Finally, the Training business can enjoy great margins due to its service nature, but it addresses a more limited market with fewer barriers to entry, implying a lesser potential and thus multiple.

The peer valuation has represented the major pitfall in our valuation scenario. Indeed, there is currently no similar company in our coverage, and we would be tempted to say no company similar to Dronevolt at all on the market – at least listed: the closest one is Delta Drone, but it doesn't rely on the same business model (in-house manufacturing, commercial policy based on rental), which implies a different financial structure. The other French listed company is Parrot, but this addresses a leisure market, has a different development strategy including greater diversification, and currently displays minor growth rates due to a more advanced maturity. Finally, the other listed drone companies (of which we could pick out Aerovironment, Forum Energy Tech, Oceaneering International) are mostly in the USA, and are more mature situations, implying lower multiples.

We thus chose to compare Dronevolt to three companies, Ingenico, Kuka, Nordex and Schindler, based on the similarity of the business model: a substantial technical and technological content, the assembly of external parts, and a large part of services associated with the products.

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Valuation

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		2.08	65%	40%
NAV/SOTP per share		1.94	54%	40%
P/E	Peers	0.63	-50%	5%
EV/Ebitda	Peers	0.02	-98%	5%
P/Book	Peers	0.63	-50%	5%
Dividend Yield	Peers	0.00	-100%	5%
Target Price		1.67	33%	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	25.0	12.8	4.59	1.31
Drone Volt's ratios	ns	ns	28.3	0.00
Premium	50.0%	50.0%	50.0%	50.0%
Default comparison based valuation (€)	0.63	0.02	0.63	0.00
Schindler Holding	25.5	14.6	6.70	1.63
Ingenico	22.8	12.0	3.46	1.39
KUKA	29.2	15.2	3.87	0.52
Nordex SE	21.3	6.35	2.02	0.00

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

DCF

DCF Valuation Per Share

WACC	%	12.0	Avg net debt (cash) at book value	€th	500
PV of cashflow FY1-FY11	€th	12,870	Provisions	€th	0.00
FY11CF	€th	4,958	Unrecognised actuarial losses (gains)	€th	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	€th	0.00
Terminal value	€th	49,722	Minorities interests (fair value)	€th	0.00
PV terminal value	€th	16,051	Equity value	€th	28,422
<i>PV terminal value in % of total value</i>	%	55.5	Number of shares	Th	13,678
Total PV	€th	28,922	Implied equity value per share	€	2.08

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	300
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	6.50
Tax advantage of debt finance (normalised)	%	30.0	Company beta (leveraged)	x	1.72
Average debt maturity	Year	5	Company gearing at market value	%	2.59
Sector asset beta	x	1.70	Company market gearing	%	2.53
Debt beta	x	0.60	Required return on geared equity	%	12.1
Market capitalisation	€th	15,826	Cost of debt	%	4.55
Net debt (cash) at book value	€th	410	Cost of ungeared equity	%	12.0
Net debt (cash) at market value	€th	317	WACC	%	12.0

DCF Calculation

		12/15A	12/16E	12/17E	12/18E	Growth	12/19E	12/26E
Sales	€th	3,586	7,749	13,602	20,431	5.00%	21,453	30,186
EBITDA	€th	-880	-731	535	2,507	12.0%	2,808	6,208
<i>EBITDA Margin</i>	%	-24.5	-9.43	3.93	12.3		13.1	20.6
Change in WCR	€th	212	196	60.2	57.2	6.00%	60.7	91.2
Total operating cash flows (pre tax)	€th	-1,563	-835	295	2,265		2,869	6,300
Corporate tax	€th	339	313	86.0	-183	6.00%	-194	-292
Net tax shield	€th	-6.24	-5.70	-5.10	-4.20	6.00%	-4.45	-6.69
Capital expenditure	€th	-390	-465	-544	-664	7.00%	-710	-1,141
<i>Capex/Sales</i>	%	-10.9	-6.00	-4.00	-3.25		-3.31	-3.78
Pre financing costs FCF (for DCF purposes)	€th	-1,620	-993	-168	1,413		1,960	4,860
Various add backs (incl. R&D, etc.) for DCF purposes	€th							
Free cash flow adjusted	€th	-1,620	-993	-168	1,413		1,960	4,860
Discounted free cash flows	€th	-1,620	-993	-150	1,127		1,396	1,569
Invested capital	€	0.12	0.06	0.14	0.22		0.24	0.38

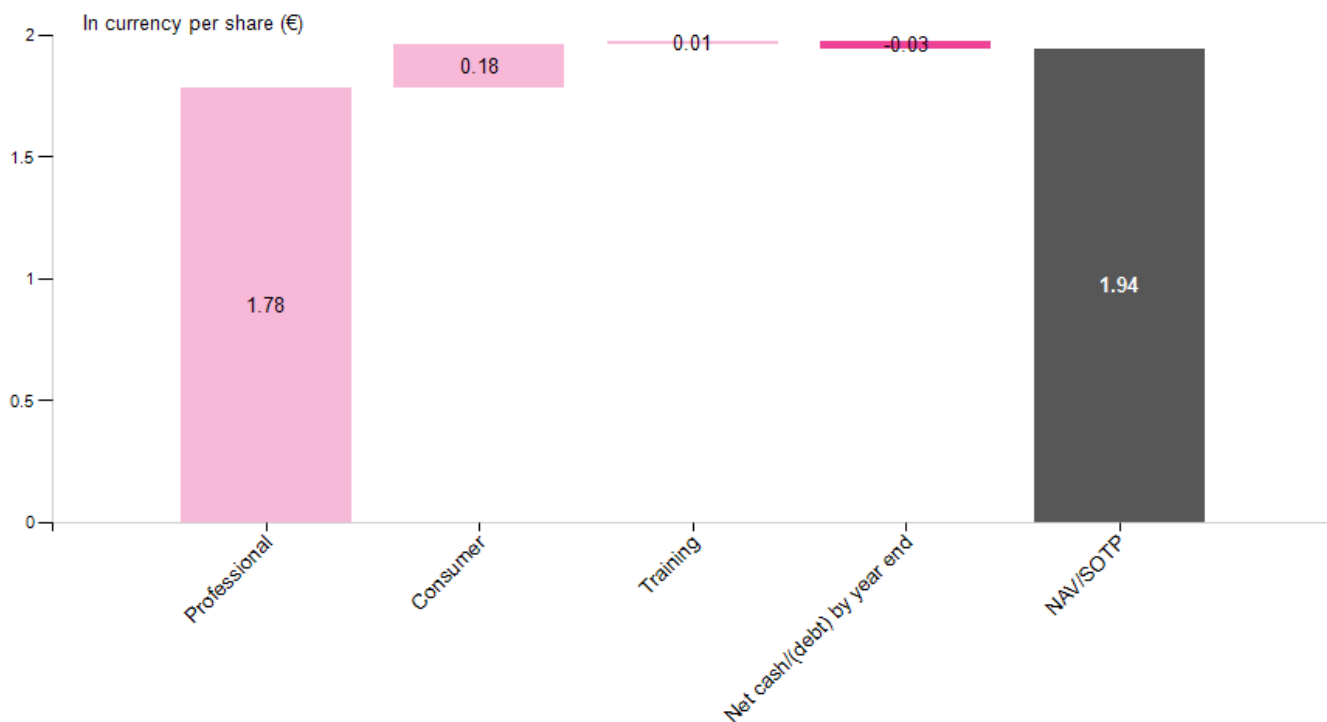
Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

▶ NAV/SOTP (edit)

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€th)	Stake valuation (€th)	In currency per share (€)	% of gross assets
Professional	100%	EV/Sales	2	24,370	24,370	1.78	90.3%
Consumer	100%	EV/Sales	1.5	2,460	2,460	0.18	9.11%
Training	100%	EV/Sales	1.5	160	160	0.01	0.59%
Other							
Total gross assets					26,990	1.97	100%
Net cash/(debt) by year end					-410	-0.03	-1.52%
Commitments to pay							
Commitments received							
NAV/SOTP					26,580	1.94	98.5%
Number of shares net of treasury shares - year end (Th)					13,678		
NAV/SOTP per share (€)						1.94	
Current discount to NAV/SOTP (%)						35.2	



Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Worth Knowing

Worth Knowing

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

Four drone flying operation scenarios are envisaged for now:

- S-1: operations with a direct sight on the drone, out of a populated zone, at a maximum distance of 100m from the pilot.
- S-2: operations out of sight, out of 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, out of a populated zone and not corresponding to S-2.

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

Among the other important points of the current regulations:

- Drone builders have to certify their models 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).

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Dimitri Batsis Investissement	56.0%	73.8%	0.00%
Laurent Poupet Investissement	5.96%	3.76%	0.00%
Apparent free float			38.0%



Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

Financials

Valuation Key Data

		12/15A	12/16E	12/17E	12/18E
Adjusted P/E	x	-22.6	-28.8	43.1	8.60
Reported P/E	x	-22.6	-26.7	39.6	7.90
EV/EBITDA(R)	x	-16.5	-22.2	30.7	5.99
P/Book	x	9.33	26.2	29.8	7.76
Dividend yield	%	0.00	0.00	0.00	0.00
<i>Free cash flow yield</i>	%	-10.8	-6.36	-1.14	8.87
Average stock price	€	1.23	1.26	1.26	1.26

Consolidated P&L

		12/15A	12/16E	12/17E	12/18E
Sales	€th	3,586	7,749	13,602	20,431
<i>Sales growth</i>	%	107	116	75.5	50.2
<i>Sales per employee</i>	€th	256	287	400	524
Purchases and external costs (incl. IT)	€th	-4,156	-6,742	-11,834	-17,775
R&D costs as % of sales	%	0.00	0.00	0.00	0.00
Staff costs	€th	-521	-1,026	-1,292	-1,482
Operating lease payments	€th				
Cost of sales/COGS (indicative)	€th	-3,007	-6,005	-10,065	-14,506
EBITDA	€th	-880	-731	535	2,507
EBITDA(R)	€th	-880	-731	535	2,507
<i>EBITDA(R) margin</i>	%	-24.5	-9.43	3.93	12.3
<i>EBITDA(R) per employee</i>	€th	-62.9	-27.1	15.7	64.3
Depreciation	€th				
<i>Depreciations/Sales</i>	%	0.00	0.00	0.00	0.00
Amortisation	€th	-72.2	-155	-204	-306
Underlying operating profit	€th	-952	-886	331	2,201
<i>Underlying operating margin</i>	%	-26.6	-11.4	2.43	10.8
Other income/expense (cash)	€th				
Other inc./ exp. (non cash; incl. assets revaluation)	€th				
Earnings from joint venture(s)	€th				
Impairment charges/goodwill amortisation	€th				
Operating profit (EBIT)	€th	-952	-886	331	2,201
Interest expenses	€th	-23.8	-19.0	-17.0	-14.0
<i>of which effectively paid cash interest expenses</i>	€th	-13.5			
Financial income	€th	3.01			
Other financial income (expense)	€th				
Net financial expenses	€th	-20.8	-19.0	-17.0	-14.0
<i>of which related to pensions</i>	€th		0.00	0.00	0.00
Pre-tax profit before exceptional items	€th	-973	-905	314	2,187
Exceptional items and other (before taxes)	€th	-34.3			
<i>of which cash (cost) from exceptionals</i>	€th				
Current tax	€th	339	313	86.0	-183
Impact of tax loss carry forward	€th				
Deferred tax	€th				
Corporate tax	€th	339	313	86.0	-183
<i>Tax rate</i>	%	34.9	34.6	-27.4	8.37
<i>Net margin</i>	%	-17.7	-7.64	2.94	9.81
Equity associates	€th				
<i>Actual dividends received from equity holdings</i>	€th				
Minority interests	€th				
<i>Actual dividends paid out to minorities</i>	€th				
Income from discontinued operations	€th				
Attributable net profit	€th	-668	-592	400	2,004
Impairment charges/goodwill amortisation	€th	0.00	0.00	0.00	0.00
Other adjustments	€th				
Adjusted attributable net profit	€th	-668	-592	400	2,004
Interest expense savings	€th				

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Financials

Fully diluted adjusted attr. net profit	€th	-668	-592	400	2,004
NOPAT	€th	-667	-620	232	1,541

Cashflow Statement

		12/15A	12/16E	12/17E	12/18E
EBITDA	€th	-880	-731	535	2,507
Change in WCR	€th	212	196	60.2	57.2
<i>of which (increases)/decr. in receivables</i>	€th	-226	-387	-596	-758
<i>of which (increases)/decr. in inventories</i>	€th	-279	-593	-851	-967
<i>of which increases/(decr.) in payables</i>	€th	301	577	694	835
<i>of which increases/(decr.) in other curr. liab.</i>	€th	416	598	813	948
Actual dividends received from equity holdings	€th	0.00	0.00	0.00	0.00
Paid taxes	€th	0.00	313	86.0	-183
Exceptional items	€th				
Other operating cash flows	€th	-556	-300	-300	-300
Total operating cash flows	€th	-1,224	-522	381	2,082
Capital expenditure	€th	-390	-465	-544	-664
<i>Capex as a % of depreciation & amort.</i>	%	540	300	267	217
Net investments in shares	€th				
Other investment flows	€th				
Total investment flows	€th	-390	-465	-544	-664
Net interest expense	€th	-20.8	-19.0	-17.0	-14.0
<i>of which cash interest expense</i>	€th	-13.5	-19.0	-17.0	-14.0
Dividends (parent company)	€th				
Dividends to minorities interests	€th	0.00	0.00	0.00	0.00
New shareholders' equity	€th	2,206 ⁽¹⁾			
<i>of which (acquisition) release of treasury shares</i>	€th				
(Increase)/decrease in net debt position	€th	999	-84.4	-123	-225
Other financial flows	€th				
Total financial flows	€th	3,191	-103	-140	-239
Change in cash position	€th	1,577	-1,091	-303	1,179
Change in net debt position	€th	578	-1,006	-180	1,404
Free cash flow (pre div.)	€th	-1,635	-1,006	-180	1,404
Operating cash flow (clean)	€th	-1,224	-522	381	2,082
<i>Reinvestment rate (capex/tangible fixed assets)</i>	%	562	335	261	245

1. Corresponds to two capital increases, €75k in February and €204k in March

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Financials

Balance Sheet

		12/15A	12/16E	12/17E	12/18E
Capitalised R&D	€th	109	163	229	297
Goodwill	€th				
Contracts & Rights (incl. concession) intangible assets	€th	28.5	34.2	41.1	49.3
Total intangible	€th	137	197	270	346
Tangible fixed assets	€th	69.4	139	208	271
Financial fixed assets (part of group strategy)	€th				
Other financial assets (investment purpose mainly)	€th	544	557	571	585
WCR	€th	-84.2	-280	-340	-397
<i>of which trade & receivables (+)</i>	<i>€th</i>	<i>301</i>	<i>689</i>	<i>1,285</i>	<i>2,043</i>
<i>of which inventories (+)</i>	<i>€th</i>	<i>483</i>	<i>1,076</i>	<i>1,927</i>	<i>2,894</i>
<i>of which payables (+)</i>	<i>€th</i>	<i>391</i>	<i>969</i>	<i>1,662</i>	<i>2,497</i>
<i>of which other current liabilities (+)</i>	<i>€th</i>	<i>478</i>	<i>1,076</i>	<i>1,889</i>	<i>2,838</i>
Other current assets	€th	383	402	412	420
<i>of which tax assets (+)</i>	<i>€th</i>	<i>316</i>	<i>321</i>	<i>329</i>	<i>126</i>
Total assets (net of short term liabilities)	€th	1,049	1,015	1,121	1,225
Ordinary shareholders' equity (group share)	€th	1,622	605	531	2,039
Minority interests	€th				
Provisions for pensions	€th		0.00	0.00	0.00
Other provisions for risks and liabilities	€th	2.05			
Deferred tax liabilities	€th				
Other liabilities	€th	20.9			
Net debt / (cash)	€th	-596	410	590	-814
Total liabilities and shareholders' equity	€th	1,049	1,015	1,121	1,225
Average net debt / (cash)	€th	-309	-93.0	500	-112

EV Calculations

		12/15A	12/16E	12/17E	12/18E
EV/EBITDA(R)	x	-16.5	-22.2	30.7	5.99
EV/EBIT (underlying profit)	x	-15.3	-18.3	49.6	6.82
EV/Sales	x	4.05	2.10	1.21	0.73
EV/Invested capital	x	119	288	119	68.3
Market cap	€th	15,130	15,826	15,826	15,826
+ Provisions (including pensions)	€th	2.05	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
+ Net debt at year end	€th	-596	410	590	-814
+ Leases debt equivalent	€th	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€th				
+ Minority interests (fair value)	€th				
= Enterprise Value	€th	14,535	16,237	16,416	15,013

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Financials

Per Share Data

		12/15A	12/16E	12/17E	12/18E
Adjusted EPS (bfr goodwill amort. & dil.)	€	-0.05	-0.04	0.03	0.15
<i>Growth in EPS</i>	%	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>401</i>
Reported EPS	€	-0.05	-0.05	0.03	0.16
Net dividend per share	€	0.00	0.00	0.00	0.00
Free cash flow per share	€	-0.13	-0.07	-0.01	0.10
Operating cash flow per share	€	-0.10	-0.04	0.03	0.17
Book value per share	€	0.13	0.05	0.04	0.16
Number of ordinary shares	Th	12,314	12,561	12,561	12,561
Number of equivalent ordinary shares (year end)	Th	12,314	12,561	12,561	12,561
Number of shares market cap.	Th	12,314	12,561	12,561	12,561
Treasury stock (year end)	Th				
Number of shares net of treasury stock (year end)	Th	12,314	12,561	12,561	12,561
Number of common shares (average)	Th	11,742	12,437	12,561	12,561
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	1,117	1,117	1,117	1,117
Increase in shares outstanding (average)	Th	559	1,117	1,117	1,117
Number of diluted shares (average)	Th	12,300	13,554	13,678	13,678
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	-0.05	-0.04	0.03	0.15
EPS before goodwill amortisation (non-diluted)	€	-0.06	-0.05	0.03	0.16
Actual payment	€				
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	

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

Financials

		12/15A	12/16E	12/17E	12/18E
Funding - Liquidity					
EBITDA	€th	-880	-731	535	2,507
Funds from operations (FFO)	€th	-1,449	-737	304	2,010
Ordinary shareholders' equity					
Gross debt	€th	1,081	997	873	649
o/w Less than 1 year - Gross debt	€th	84.4	123	225	211
o/w 1 to 5 year - Gross debt	€th	734	761	649	438
of which Y+2	€th	123	225	211	176
of which Y+3	€th	225	211	176	150
of which Y+4	€th	211	176	150	113
of which Y+5	€th	176	150	113	0.00
o/w Beyond 5 years - Gross debt	€th	263	113		
+ Gross Cash	€th	1,677	586	283	1,462
= Net debt / (cash)	€th	-596	410	590	-814
Bank borrowings	€th	1,081	997	873	649
Other financing	€th	0.00	0.00	0.00	0.00
Gearing (at book value)					
Gearing (at book value)	%	-19.0	-15.4	94.2	-5.49
Adj. Net debt/EBITDA(R)	x	0.68	-0.56	1.10	-0.32
Adjusted Gross Debt/EBITDA(R)	x	-1.23	-1.36	1.63	0.26
Adj. gross debt/(Adj. gross debt+Equity)	%	40.0	62.2	62.2	24.1
Ebit cover	x	-45.8	-46.6	19.5	157
FFO/Gross Debt	%	-134	-74.0	34.8	310
FFO/Net debt	%	243	-180	51.5	-247
FCF/Adj. gross debt (%)	%	-151	-101	-20.6	216
(Gross cash+ "cash" FCF+undrawn)/ST debt	x	0.50	-3.41	0.46	13.6
"Cash" FCF/ST debt	x	-19.3	-8.17	-0.80	6.66

		12/15A	12/16E	12/17E	12/18E
ROE Analysis (Dupont's Breakdown)					
Tax burden (Net income/pretax pre excp income)	x	0.69	0.65	1.27	0.92
EBIT margin (EBIT/sales)	%	-26.6	-11.4	2.43	10.8
Assets rotation (Sales/Avg assets)	%	569	751	1,274	1,742
Financial leverage (Avg assets /Avg equity)	x	0.68	0.93	1.88	0.91
ROE	%	-72.0	-53.2	70.4	156
ROA	%	-777	-1,570	240	1,002

		12/15A	12/16E	12/17E	12/18E
Shareholder's Equity Review (Group Share)					
Y-1 shareholders' equity	€th	234	1,622	605	531
+ Net profit of year	€th	-668	-592	400	2,004
- Dividends (parent cy)	€th	0.00	0.00	0.00	0.00
+ Additions to equity	€th	2,206	0.00	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	-150	-425	-475	-496
= Year end shareholders' equity	€th	1,622	605	531	2,039

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Financials

Staffing Analytics

		12/15A	12/16E	12/17E	12/18E
Sales per staff	€th	256	287	400	524
Staff costs per employee	€th	-37.2	-38.0	-38.0	-38.0
Change in staff costs	%	288	96.9	25.9	14.7
Change in unit cost of staff	%	10.9	2.11	0.00	0.00
Staff costs/(EBITDA+Staff costs)	%	-145	348	70.7	37.1

Average workforce	unit	14.0	27.0	34.0	39.0
Europe	unit	14.0	27.0	34.0	39.0
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	-521	-1,026	-1,292	-1,482
Wages and salaries	€th	-521	-1,026	-1,292	-1,482
of which social security contributions	€th				
Equity linked payments	€th				
Pension related costs	€th	0.00	0.00	0.00	0.00

Divisional Breakdown Of Revenues

		12/15A	12/16E	12/17E	12/18E
Consumer	€th	1,350	1,485	1,634	1,797
Professional	€th	2,212	6,216	11,872	18,461
Training	€th	24.0	48.0	96.0	173
Other	€th				
Total sales	€th	3,586	7,749	13,602	20,431

Divisional Breakdown Of Earnings

		12/15A	12/16E	12/17E	12/18E
Other profit breakdown Analysis Analysis					
Consumer	€th	314	342	376	413
Professional	€th	530	1,383	3,122	5,442
Training	€th	6.00	19.0	38.0	69.0
Other/cancellations	€th				
Total	€th	850	1,744	3,536	5,924
Other profit breakdown Analysis margin	%	23.7	22.5	26.0	29.0

Revenue Breakdown By Country

		12/15A	12/16E	12/17E	12/18E
Europe	%	96.0	90.0		
Other	%	4.00	10.0		

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Financials

ROCE/CFROIC/Capital Invested

		12/15A	12/16E	12/17E	12/18E
ROCE (NOPAT+lease exp.*(1-tax))/(net) cap employed adjusted	%	-544	-1,099	168	701
CFROIC	%	-1,334	-1,783	-131	639
Goodwill	€th	0.00	0.00	0.00	0.00
Accumulated goodwill amortisation	€th	0.00	0.00	0.00	0.00
All intangible assets	€th	28.5	34.2	41.1	49.3
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	109	163	229	297
PV of non-capitalised lease obligations	€th	0.00	0.00	0.00	0.00
Other fixed assets	€th	69.4	139	208	271
Accumulated depreciation	€th	0.00	0.00	0.00	0.00
WCR	€th	-84.2	-280	-340	-397
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	123	56.4	138	220
Capital employed before depreciation	€th	123	56.4	138	220

Divisional Breakdown Of Capital

		12/15A	12/16E	12/17E	12/18E
Consumer	€th				
Professional	€th				
Training	€th				
Other	€th	123	56.4	138	220
Total capital employed	€th	123	56.4	138	220

► Pension Risks

Pension matters

Until recently, the company was only a small start-up, working as a distributor in a small environment of well-informed customers. Technically, as well as commercially, the activity level didn't require a great number of employees.

With the business model moving towards sales to professionals and training services, a net increase in the workforce is necessary, as well as to keep up with the fast developments in the activity. From four people in 2014, the company hired another ten employees in 2015, mainly in sales to ensure greater visibility of its products among professionals in a context of ever-increasing competition.

With the successful growth of the activity, the workforce is expected to rise to 27 people by 2016, the priority being once again sales, followed by R&D to ensure a leading technical and technological content in the company's products.

Some of the workforce is subcontracted, to ensure an extended flexibility.

Summary Of Pension Risks

		12/15A	12/16E	12/17E	12/18E
Pension ratio	%	0.00	0.00	0.00	0.00
Ordinary shareholders' equity	€th	1,622	605	531	2,039
Total benefits provisions	€th	0.00	0.00	0.00	0.00
<i>of which funded pensions</i>	€th	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>of which unfunded pensions</i>	€th	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>of which benefits / health care</i>	€th		<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Unrecognised actuarial (gains)/losses	€th	0.00	0.00	0.00	0.00
<i>Company discount rate</i>	%	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Normalised recomputed discount rate	%		3.50		
<i>Company future salary increase</i>	%	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Normalised recomputed future salary increase	%		3.00		
<i>Company expected rate of return on plan assets</i>	%	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
Normalised recomputed expd rate of return on plan assets	%		3.00		
Funded : Impact of actuarial assumptions	€th		0.00		
Unfunded : Impact of actuarial assumptions	€th		0.00		

Geographic Breakdown Of Pension Liabilities

		12/15A	12/16E	12/17E	12/18E
US exposure	%				
UK exposure	%				
Euro exposure	%				
Nordic countries	%				
Switzerland	%				
Other	%	100	100	100	100
Total	%	100	100	100	100

Balance Sheet Implications

		12/15A	12/16E	12/17E	12/18E
Funded status surplus / (deficit)	€th	0.00	0.00	0.00	0.00
Unfunded status surplus / (deficit)	€th	0.00	0.00	0.00	0.00
Total surplus / (deficit)	€th	0.00	0.00	0.00	0.00
Total unrecognised actuarial (gains)/losses	€th	0.00	0.00	0.00	0.00
Provision (B/S) on funded pension	€th	0.00	0.00	0.00	0.00
Provision (B/S) on unfunded pension	€th	0.00	0.00	0.00	0.00
Other benefits (health care) provision	€th		0.00	0.00	0.00
Total benefit provisions	€th	0.00	0.00	0.00	0.00

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Pension Risks

P&L Implications

		12/15A	12/16E	12/17E	12/18E
Funded obligations periodic costs	€th	0.00	0.00	0.00	0.00
Unfunded obligations periodic costs	€th	0.00	0.00	0.00	0.00
Total periodic costs	€th	0.00	0.00	0.00	0.00
<i>of which incl. in labour costs</i>	<i>€th</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>
<i>of which incl. in interest expenses</i>	<i>€th</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>

Funded Obligations

		12/15A	12/16E	12/17E	12/18E
Balance beginning of period	€th	0.00	0.00	0.00	0.00
Current service cost	€th		0.00	0.00	0.00
Interest expense	€th		0.00	0.00	0.00
Employees' contributions	€th				
Impact of change in actuarial assumptions	€th		0.00	0.00	0.00
<i>of which impact of change in discount rate</i>	<i>€th</i>		<i>0.00</i>		
<i>of which impact of change in salary increase</i>	<i>€th</i>		<i>0.00</i>		
Changes to scope of consolidation	€th				
Currency translation effects	€th				
Pension payments	€th				
Other	€th				
Year end obligation	€th	0.00	0.00	0.00	0.00

Plan Assets

		12/15A	12/16E	12/17E	12/18E
Value at beginning	€th		0.00	0.00	0.00
Company expected return on plan assets	€th		0.00	0.00	0.00
Actuarial gain /(loss)	€th		0.00	0.00	0.00
Employer's contribution	€th	0.00	0.00	0.00	0.00
Employees' contributions	€th	0.00	0.00	0.00	0.00
Changes to scope of consolidation	€th				
Currency translation effects	€th				
Pension payments	€th	0.00	0.00	0.00	0.00
Other	€th				
Value end of period	€th	0.00	0.00	0.00	0.00
Actual and normalised future return on plan assets	€th	0.00	0.00	0.00	0.00

Unfunded Obligations

		12/15A	12/16E	12/17E	12/18E
Balance beginning of period	€th	0.00	0.00	0.00	0.00
Current service cost	€th		0.00	0.00	0.00
Interest expense	€th		0.00	0.00	0.00
Employees' contributions	€th				
Impact of change in actuarial assumptions	€th		0.00	0.00	0.00
<i>of which Impact of change in discount rate</i>	<i>€th</i>		<i>0.00</i>		
<i>of which Impact of change in salary increase</i>	<i>€th</i>		<i>0.00</i>		
Changes to scope of consolidation	€th				
Currency translation effects	€th				
Pension payments	€th				
Other	€th				
Year end obligation	€th	0.00	0.00	0.00	0.00

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Governance & Management

Governance & Management

The President and current owner of the company, Mr Dimitri Batsis, already has experience in pioneer markets, as the former CEO and founder in 1987 of Zeni Coporation. This company focused on interactive technologies and moved as early as in 1998 toward an internet-based business, providing technical support and management for internet businesses and proposing a structured offer mixing strategy, marketing and technological support to a broad range of customers (Microsoft, M6, PSA, the French Ministry of Defence...). The company had a successful IPO in April 2000 and was acquired in 2007 by Keyrus.

Since late 2015, he's helped by Olivier Gualdoni, who acts as the worldwide CEO after an experience as CEO of Cybergun.

Governance parameters

	Yes	No	Weighting
One share, one vote			25%
Chairman vs. Executive split			15%
Chairman not ex executive			5%
Independent directors equals or above 50% of total directors			10%
Full disclosure on mgt pay (performance related bonuses, pensions and non financial benefits)			10%
Disclosure of performance anchor for bonus trigger			10%
Compensation committee reporting to board of directors			10%
Straightforward, clean by-laws			15%
Governance score		45	100%

Existing committees

	Audit / Governance Committee
	Compensation committee
	Financial Statements Committee
	Litigation Committee
	Nomination Committee
	Safety committee
	SRI / Environment

Management

Name	Function	Birth date	Date in	Date out	Compensation, in k€ (year)	
					Cash	Equity linked
Olivier GUALDONI	M CEO		2015		2.55 (2015)	
Dimitri BATSIS	M Chairman		2012		72.0 (2015)	
Céline VERGELY	F Senior Executive		2015		(2015)	

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)
Dimitri BATSIS	M	President/Chairman of th...			2012			
Céline VERGELY	F	Member			2015			
Fabrice LEGRAND	M	Member			2016			

Drone Volt (Buy- Under Review -)

Electrical Products-Misc / France

► Governance & Management

Human Resources

Accidents at work

25% Of H.R. Score


Human resources development

35% Of H.R. Score


Pay

20% Of H.R. Score


Job satisfaction





















10% Of H.R. Score


Internal communication

10% Of H.R. Score



HR Breakdown

		Yes  / No 	Rating
Accidents at work	25%		0/100
Set targets for work safety on all group sites?	40%		0/100
Are accidents at work declining?	60%		0/100
Human resources development	35%		35/100
Are competences required to meet medium term targets identified?	10%		4/100
Is there a medium term (2 to 5 years) recruitment plan?	10%		4/100
Is there a training strategy tuned to the company objectives?	10%		4/100
Are employees trained for tomorrow's objectives?	10%		4/100
Can all employees have access to training?	10%		4/100
Has the corporate avoided large restructuring lay-offs over the last year to date?	10%		4/100
Have key competences stayed?	10%		4/100
Are managers given managerial objectives?	10%		4/100
If yes, are managerial results a deciding factor when assessing compensation level?	10%		4/100
Is mobility encouraged between operating units of the group?	10%		4/100
Pay	20%		20/100
Is there a compensation committee?	30%		6/100
Is employees' performance combining group performance AND individual performance?	70%		14/100
Job satisfaction	10%		10/100
Is there a measure of job satisfaction?	33%		3/100
Can anyone participate ?	34%		3/100
Are there action plans to prop up employees' morale?	33%		3/100
Internal communication	10%		10/100
Are strategy and objectives made available to every employee?	100%		10/100
Human Ressources score:			75/100

HR Score

H.R. Score : 7.5/10



▼ Capital Goods

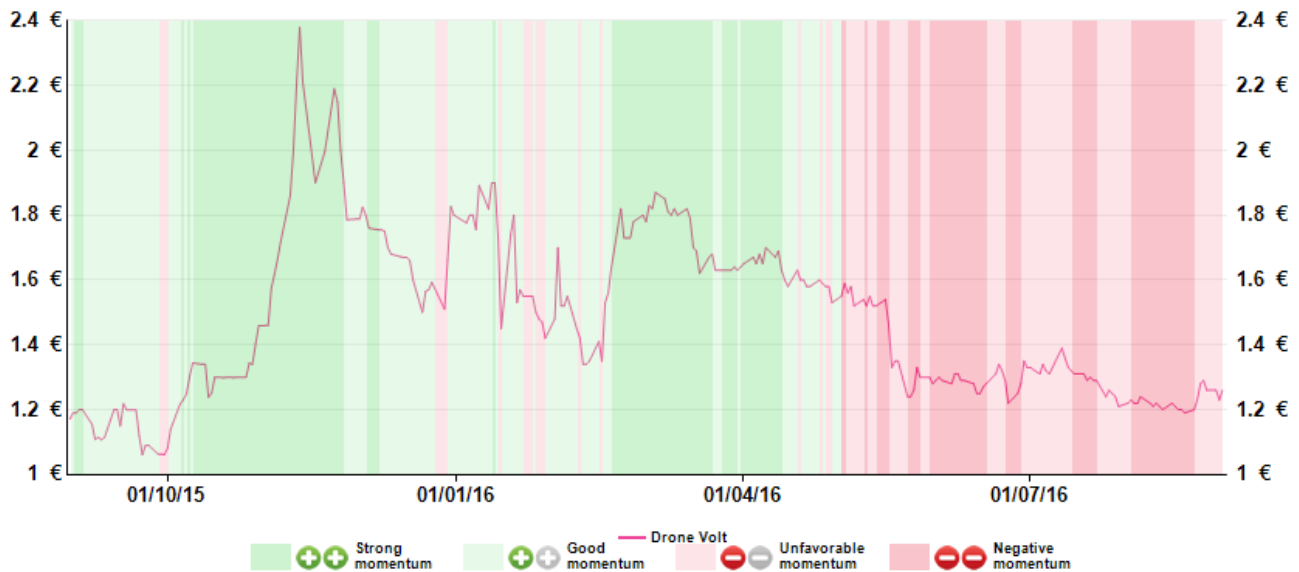
■ Drone Volt


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► Graphics


Momentum



 : 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

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.

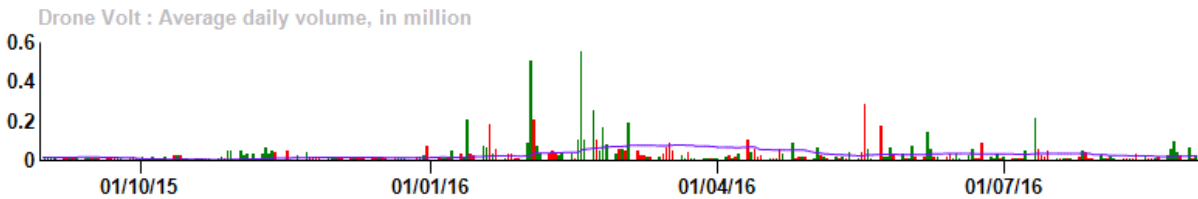
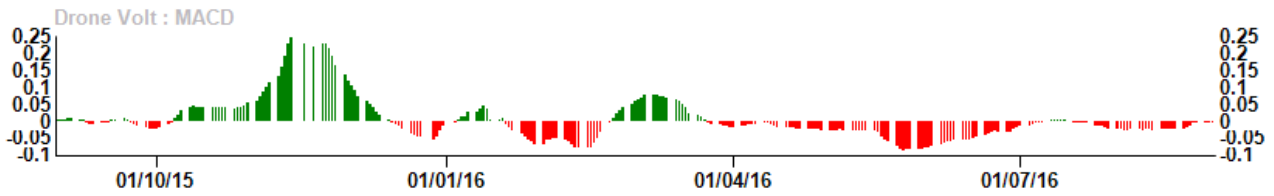
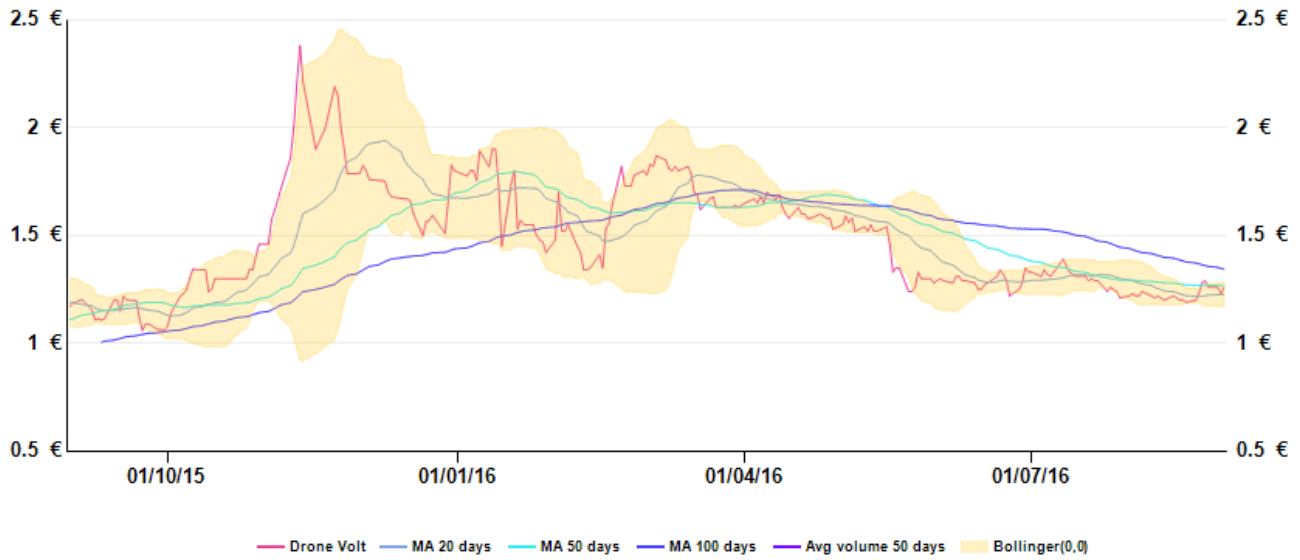
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► Graphics

Moving Average MACD & Volume



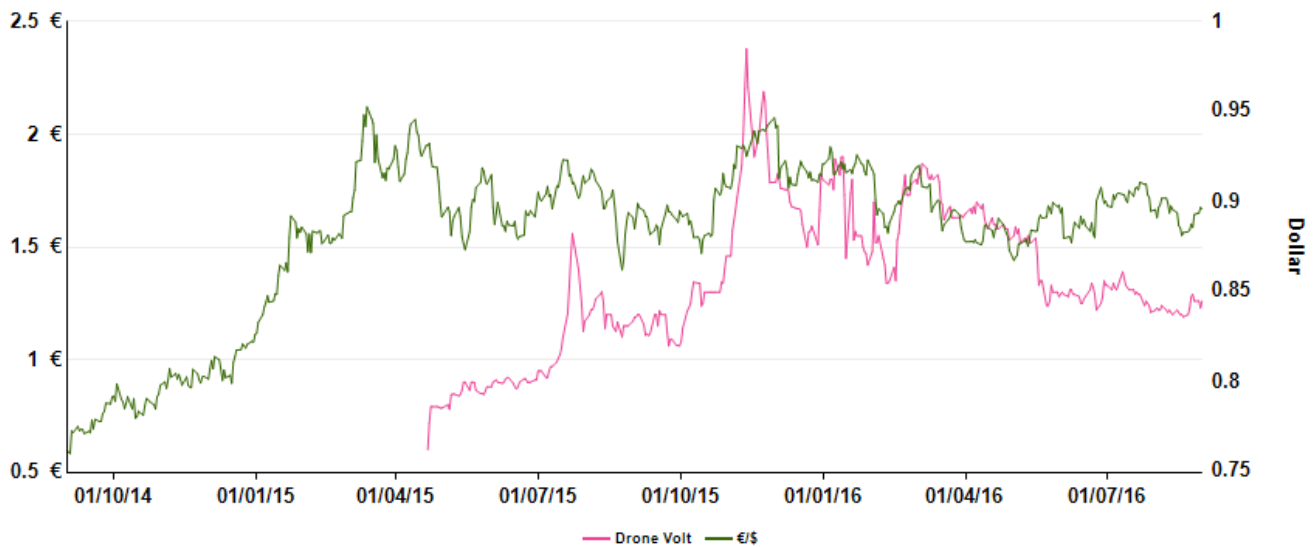
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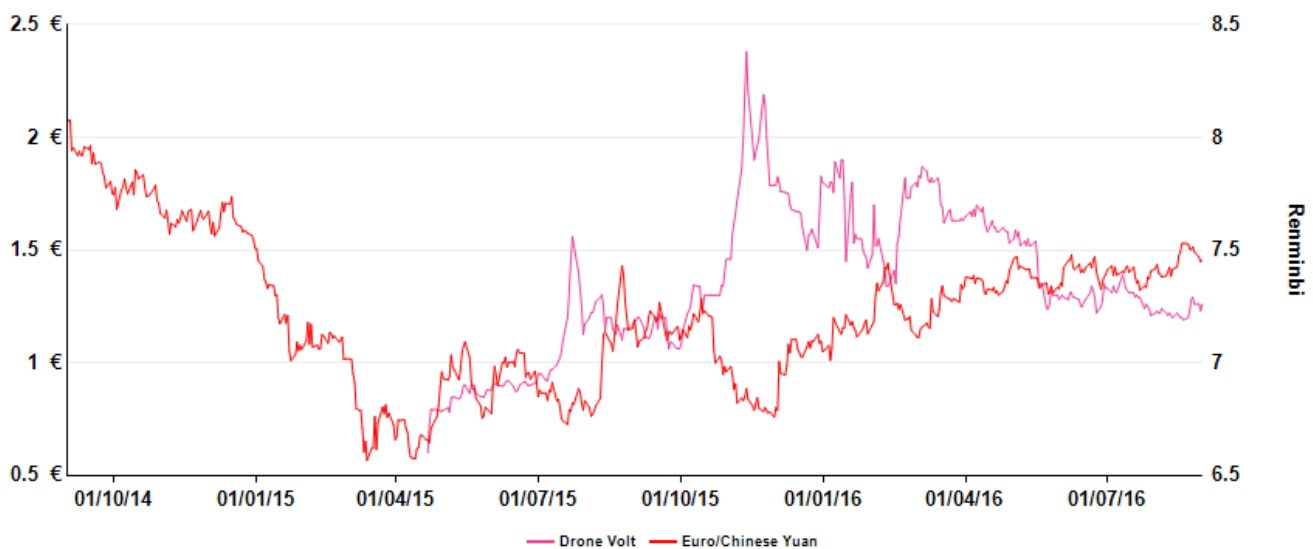
ALPHAVALUE
CORPORATE SERVICES

► Graphics

€/ \$ sensitivity



Euro/Chinese Yuan sensitivity



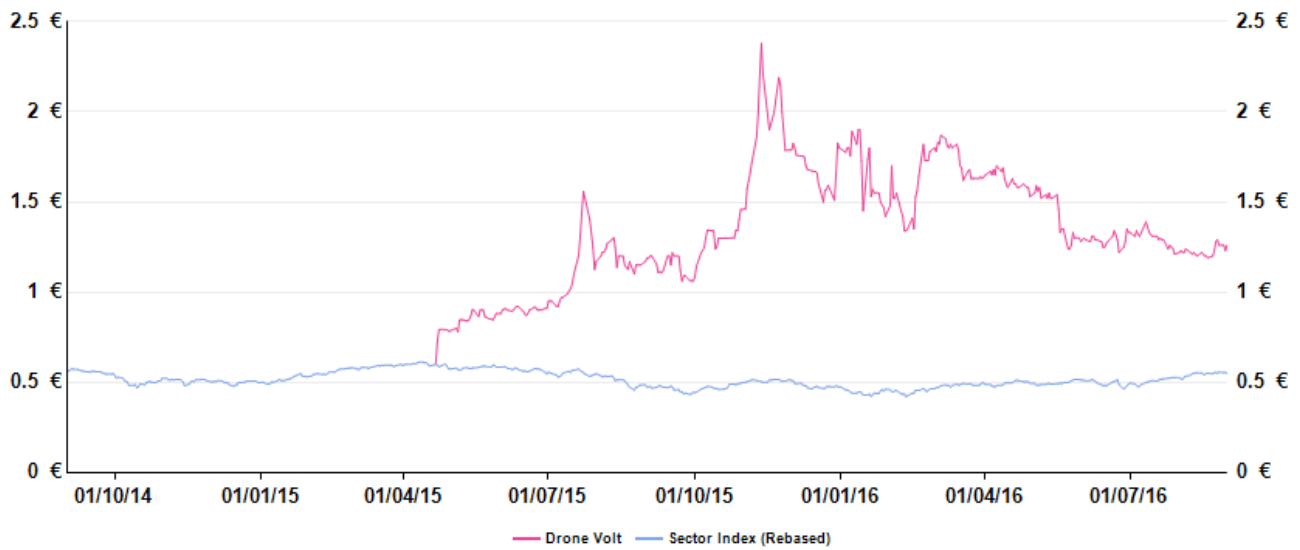
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► Graphics

Sector Capital Goods



Methodology

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► Methodology

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 (10-30)	Normal Volatility (15-35)	High Volatility (above 35)
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.

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► Methodology

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%	25%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	15%	15%
P/Book	5%	5%	5%	5%	15%	10%
Banks' intrinsic method	0%	0%	0%	0%	25%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%