

#### H1 2017 RESULTS + COMPANY CONTACT

## RESULTS IN LINE AND STRATEGIC ACQUISITION

H1 2017 saw a strong improvement in results (notably on the gross margin level), in line with our estimates. The surprise came from the announcement of the acquisition of the assets of Aerialtronics, a particularly attractive move given this company's client base, production unit, R&D and new product "PENSAR", a unique camera capable of detecting, recognizing, tracking and classifying objects on a real time basis. The transaction involves only a small investment and could in our view boost earnings starting in 2019. We have lifted our valuation to €1.42 per share (vs. €1.28 previously) and our maintaining our BUY rating.

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#### Results in line with our estimates

Revenues rose strongly (to €3.9m, +25%) and the gross margin improved substantially to 24% (vs. 12% in H1 2016), in line with our full year estimate (25.5%). This improvement reflected the coming up to speed of in-house production (Drone Volt Factory) and the contributions of paid studies and training. EBITA went from -€1.4m in H1 2016 to -€0.9m in H1 2017, reflecting a large portion of the improvement on the gross margin level at the same time the workforce remained stable.

The net loss was -€0.6m (vs. -€0.9m in H1 2016), also in line with our full year estimate (-€1.8m excluding the 2017e research tax credit of €0.6m). As of June 30, 2017, net debt equaled €0.3m, with cash of €1.6m and debt made up of medium-term commitments.

#### A new acquisition in Europe

Drone Volt has announced the acquisition of the assets of Aerialtronics, a Dutch company that had developed expertise in the design and manufacturing of civilian drones. This company, which had around 20 employees, was declared bankrupt on September 18, 2017. In 2016, Aerialtronics recorded revenues of €4m and a net loss of -€1m. The company had a large client base (essentially police forces and government agencies) in around ten European countries. Through this acquisition, Drone Volt will obtain a second industrial and commercial base in Europe for its Drone Volt Factory and Drone Volt Academy offers.

Drone Volt will also obtain additional R&D expertise, notably in the area of cameras featuring real time data analysis. Aerialtronics effectively launched last June the "PENSAR" camera, a unique camera with thermal and infrared capacities and a 30x zoom. Thanks to its 1 teraflop built-in computational power, this camera is able to detect, recognize, track and classify objects on a real time basis.

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in € / share	2017e	2018e	2019e
Adjusted EPS	-0,09	-0,01	0,06
<i>chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
<i>estimates chg.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
au 31/12	2017e	2018e	2019e
PE	n.s.	n.s.	n.s.
EV/Sales	1,79x	1,64x	1,01x
EV/EBITDA	n.s.	n.s.	n.s.
EV/EBITA	n.s.	n.s.	n.s.
FCF yield*	n.s.	n.s.	n.s.
Div. yield (%)	n.s.	n.s.	n.s.

\* After tax op. FCF before WCR

key points			
Share price (€)			0,83
Number of Shares (m)			18,3
Market cap. (€m)			15
Free float (€m)			8
ISIN			FR0013088606
Ticker			ALDRV-FR
DJ Sector			Electronic Technology
	1m	3m	Ytd
Absolute perf.	+3,8%	-3,5%	-27,2%
Relative perf.	+0,2%	-4,0%	-39,2%

Source : Factset, Invest Securities estimates

### A transaction involving a very small investment

The acquired assets will be placed in a new Dutch entity (Newco) that is in the process of being set up. This structure will be 50.2% owned by Drone Volt and 49.8% owned by business angels.

The initial acquisition price is €0.3m, with an additional €0.5m to be spread out over 2017, 2018 and 2019.

Newco will directly invest €0.2m (Drone Volt €0.1m, business angels €0.1m) in the purchase of the Aerialtronics assets, with the remaining financing (€0.5m) coming from the purchase of bonds by the business angels. The business angels will also be able to lift their stake in Newco through the exercise of stock options based on a valuation of €2m. If all the options are exercised, Drone Volt would remain the largest shareholder. However, its stake would be lowered to 25.1%.

### Estimates essentially unchanged, target price lifted

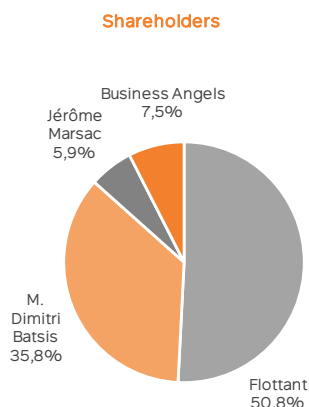
It is difficult at this point to estimate the revenues to be contributed by this new structure or the synergies (obvious) to be generated. Based on Aerialtronics' 2016 revenues (€4m), we conservatively anticipate a revenue contribution of €3.5m starting in 2018. We also integrate the cost of the 20 employees who will be taken on.

After an updating of interest rates (WACC of 11.4% vs. 11.5% previously), adjustment of the number of shares (+ two million after the private placement last June) and taking into account of the above mentioned modifications, our 2017/19 EPS estimates are now -€0.09/-€0.01/+€0.06 (vs. -€0.07/-€0.02/+€0.05 previously) and our target price has been lifted to €1.42 (vs. €1.28 previously). Given the stock market performance (-30% since January 1), we are maintaining our BUY rating and consider that the current share price is a good point of entry into the stock.

## INVESTMENT CASE

Drone Volt, founded in 2011, specializes in the design, assembly and commercialization of terrestrial and aerial drones destined for the medias, security and surveillance along with specific sectors such as agriculture and construction. The group also offers services through its technical support and maintenance facilities and its legal team. The group's strategy is to increasingly focus on the professional (vs. consumer) drones segment.

## FINANCIAL DATA



Share information	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Published EPS (€)	0,00	0,00	-0,05	-0,11	-0,09	-0,01	0,06	0,14
<b>Adjusted EPS (€)</b>	<b>0,00</b>	<b>0,00</b>	<b>-0,05</b>	<b>-0,11</b>	<b>-0,09</b>	<b>-0,01</b>	<b>0,06</b>	<b>0,14</b>
<i>Diff. I.S. vs Consensus</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratios	2013	2014	2015	2016	2017e	2018e	2019e	2020e
P/E	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	15,6x	6,8x
EV/Sales	n.s.	n.s.	2,58x	1,79x	1,64x	1,01x	0,73x	0,49x
VE/EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	13,5x	4,3x
VE/EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	17,9x	4,8x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	1,9%	12,2%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	4,7%
Div. yield (%)	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.

NB : valuation based on annual average price for past exercise

Entreprise Value (€m)	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Share price in €			1,2	1,4	0,9	0,9	0,9	0,9
Market cap.	0,0	0,0	10,2	12,8	15,2	15,2	15,2	15,2
Net Debt	0,0	0,0	-0,5	0,7	1,8	2,9	2,7	1,3
Minorities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Provisions/ near-debt	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
+/- Adjustments	0,0	0,0	-0,5	-1,3	-1,3	-1,3	-1,3	-1,3
<b>Entreprise Value (EV)</b>	<b>0,0</b>	<b>0,0</b>	<b>9,2</b>	<b>12,2</b>	<b>15,7</b>	<b>16,9</b>	<b>16,6</b>	<b>15,3</b>

Income statement (€m)	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Sales	1,2	1,7	3,6	6,8	9,5	16,7	22,6	30,9
<i>chg.</i>	<i>+49,6%</i>	<i>+39,6%</i>	<i>+109,5%</i>	<i>+90,1%</i>	<i>+40,0%</i>	<i>+74,7%</i>	<i>+35,5%</i>	<i>+36,6%</i>
EBITDA	0,0	0,0	-0,8	-2,1	-2,0	-0,5	1,2	3,6
<b>EBITA</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,9</b>	<b>-2,3</b>	<b>-2,1</b>	<b>-0,7</b>	<b>0,9</b>	<b>3,2</b>
<i>chg.</i>	<i>+81,2%</i>	<i>+38,4%</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+244,3%</i>
EBIT	0,0	0,0	-0,9	-2,3	-2,1	-0,7	0,9	3,2
Financial result	0,0	0,0	-0,1	0,0	0,0	0,0	-0,1	0,0
Corp. tax	0,0	0,0	0,3	0,6	0,6	0,6	0,6	0,6
Minorities+affiliates	0,0	0,0	0,0	0,0	-0,1	-0,1	-0,1	-0,2
Net attributable profit	0,0	0,0	-0,6	-1,7	-1,6	-0,2	1,4	3,6
<b>Adjusted net att. profit</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,6</b>	<b>-1,7</b>	<b>-1,6</b>	<b>-0,2</b>	<b>1,1</b>	<b>2,5</b>
<i>chg.</i>	<i>+622,0%</i>	<i>+82,2%</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>n.s.</i>	<i>+127,9%</i>

Cash flow statement (€m)	2013	2014	2015	2016	2017e	2018e	2019e	2020e
EBITDA	0,0	0,0	-0,8	-2,1	-2,0	-0,5	1,2	3,6
Theoretical Tax / EBITA	0,0	0,0	0,0	0,0	0,0	0,0	-0,3	-1,1
Capex	0,0	-0,1	-0,4	-0,9	-0,2	-0,6	-0,6	-0,6
<b>Operating FCF bef. WCR</b>	<b>0,0</b>	<b>0,0</b>	<b>-1,2</b>	<b>-3,0</b>	<b>-2,2</b>	<b>-1,1</b>	<b>0,3</b>	<b>1,9</b>
Change in WCR	0,0	0,0	0,1	-0,8	-0,3	-0,7	-0,6	-1,1
<b>Operating FCF</b>	<b>0,1</b>	<b>0,0</b>	<b>-1,1</b>	<b>-3,8</b>	<b>-2,5</b>	<b>-1,7</b>	<b>-0,3</b>	<b>0,7</b>
Acquisitions/disposals	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Capital increase/decrease	0,0	0,0	2,2	2,9	0,8	0,0	0,0	0,0
Dividends paid	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Other adjustments	0,0	0,0	-0,5	-0,3	0,6	0,6	0,6	0,6
<b>Published FreeCash Flow</b>	<b>0,1</b>	<b>0,0</b>	<b>0,6</b>	<b>-1,1</b>	<b>-1,1</b>	<b>-1,2</b>	<b>0,3</b>	<b>1,3</b>

Balance Sheet (€m)	2013	2014	2015	2016	2017e	2018e	2019e	2020e
Assets	0,0	0,1	0,8	2,3	2,3	2,6	2,9	3,2
Intangible assets/GW	0,0	0,0	0,1	0,6	0,6	0,6	0,6	0,6
WCR	0,2	0,2	0,3	0,9	1,2	1,9	2,5	3,7
Group equity capital	0,2	0,2	1,5	2,4	1,6	1,5	2,6	5,1
Minority shareholders	0,0	0,0	0,0	0,0	0,1	0,1	0,2	0,4
Provisions	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Net financial debt</b>	<b>0,0</b>	<b>0,0</b>	<b>-0,5</b>	<b>0,7</b>	<b>1,8</b>	<b>2,9</b>	<b>2,7</b>	<b>1,3</b>

Financial ratios	2013	2014	2015	2016	2017e	2018e	2019e	2020e
EBITDA margin	2,6%	2,7%	n.s.	n.s.	n.s.	n.s.	5,4%	11,5%
EBITA margin	2,4%	2,4%	n.s.	n.s.	n.s.	n.s.	4,1%	10,3%
Adjusted Net Profit/Sales	2,0%	2,6%	n.s.	n.s.	n.s.	n.s.	4,9%	8,1%
ROCE	18,0%	17,9%	n.s.	n.s.	n.s.	n.s.	17,0%	46,7%
ROE adjusted	13,6%	19,9%	n.s.	n.s.	n.s.	n.s.	42,6%	49,3%
Gearing	n.s.	0,6%	n.s.	28,0%	107,4%	197,8%	102,9%	26,3%
ND/EBITDA (in x)	-0,6x	0,0x	n.s.	n.s.	n.s.	n.s.	2,2x	0,4x

Source : company, Invest Securities Estimates

**Next events**  
Semaine du 16/10 : CA T3 2017

## SWOT ANALYSIS

### STRENGTHS

- ❑ Rapid integration of the design and production of professional drones
- ❑ Two well-known brands
- ❑ Experienced management

### WEAKNESSES

- ❑ Still very small size

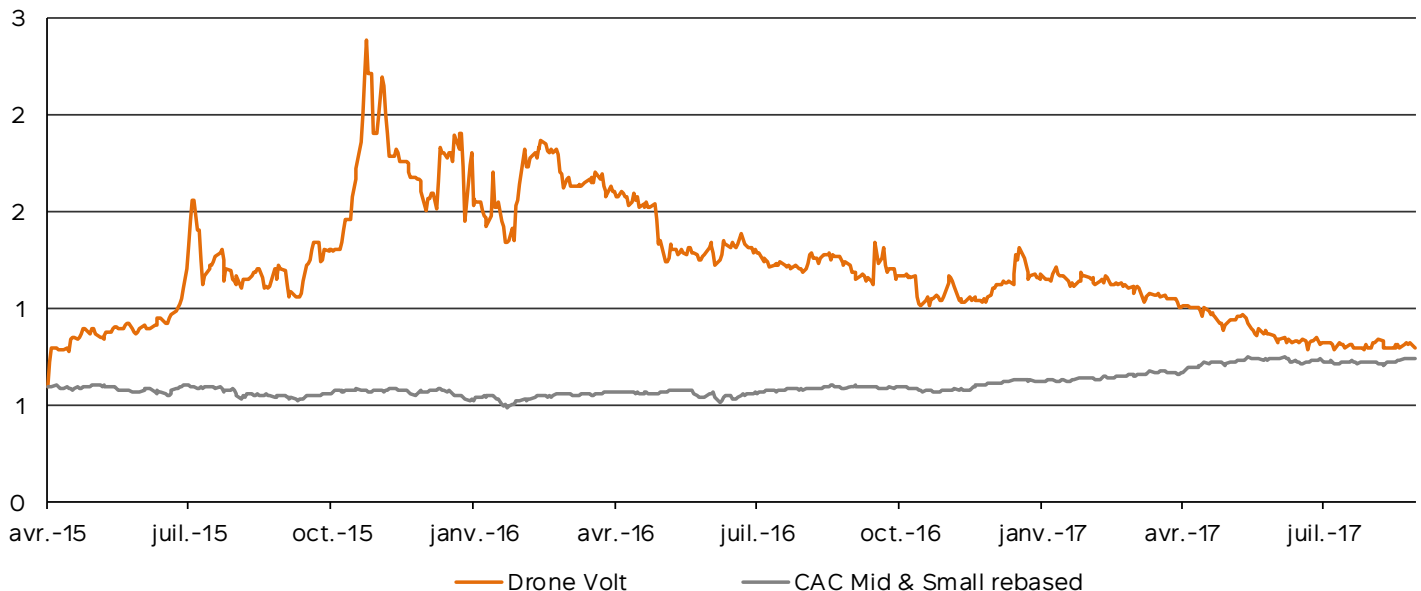
### OPPORTUNITIES

- ❑ A strongly growing professional drones market still in its early stages
- ❑ The vulnerability of certain products on the market to cyberattacks

### THREATS

- ❑ A world drones market largely dominated by the Chinese company DJI
- ❑ A highly volatile consumer drones market

## SHARE PRICE PERFORMANCE OVER 5 YEARS



## CONFLICT OF INTEREST DETECTION

	Corporate Finance	Treasury stocks holding	Prior communication to company	Analyst's personal interest	Liquidity contract	Listing Sponsor	Research Contract
<b>Drone Volt</b>	Non	Non	Oui	Non	Oui	Non	Oui

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