


BUY

TARGET PRICE : €1,1€ (vs €1,27)  +50%

2017 RESULTS + COMPANY CONTACT

2017 RESULTS IMPACTED BY ACQUISITIONS

Drone Volt's 2017 results were impacted by spending linked to acquisitions and commercial development but nevertheless demonstrated the group's successful transformation. External charges rose sharply and explained the bulk of the variations compared to our forecasts. The EBIT loss equaled -€3.6m in 2017 (vs. -€2.1m in 2016) and the 2017 net loss equaled -€2.8m (-€1.7m in 2016), despite a research tax credit of +€0.87m. The group is now ready to handle the anticipated strong growth in revenues (2017/2020 CAGR of +52%). We have lowered our valuation (€1.10 vs. €1.27 previously) due to the increase in the market premium but are maintaining our BUY rating.

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Sharply higher external charges due to acquisitions

The EBITA loss in 2017 equaled -€3.6m (vs. -€2.1m in 2016), impacted by spending linked to the acquisitions (Dandrone (the leading website in Scandinavia) and Aerialtronics in the Netherlands) as well as the group's participation in the principal trade shows for a total of €1m. Total external charges reached -€3m (vs. -€2.4m). We had anticipated -€2m.

R&D spending more than doubled in 2017, reaching €1.4m. The workforce was also reinforced (+13 persons), with the group reaching 49 employees at the end of 2017. This increase corresponded to the addition of the Aerialtronics teams. Personnel costs consequently rose by -€0.4m to -€2.1m, in line with our forecasts.

The 2017 EBIT loss equaled -€3.6m (vs. -€2.1m in 2016), with the variation compared to our forecast for -€2.4m attributable to the external charges. The 2017 net loss equaled -€2.8m (-€1.7m in 2016), with the group benefiting from a research tax credit up +40% (€0.87m vs. €0.62m in 2016).

Still sizeable cash burn due to acquisitions

Operating cash flow equaled -€4.1m in 2017 (vs. -€3.2m) due to the increased net loss. 2017 FCF equaled -€6.2m (vs. -€4.1m in 2016), including -€2.2m relating to acquisitions. Yearend 2017 net debt equaled -€0.3m (vs. €0.7m in 2016), with the group having benefited from capital increases totaling €7.2m (€2.9m in 2016).

A group prepared to handle strong sales growth starting this year

Drone Volat has now largely completed its transformation from a distributor to a recognized manufacturer of professional drones. It now has two production sites (France and the Netherlands) as well as two technical centers.

.../...

in € / share	2017p	2018e	2019e
Adjusted EPS	-0,14	-0,03	0,02
chg.	n.s.	n.s.	n.s.
estimates chg.	n.s.	n.s.	n.s.
au 31/12	2017p	2018e	2019e
PE	n.s.	n.s.	n.s.
EV/Sales	1,57x	1,43x	1,34x
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	1m	3m	Ytd
Share price (€)			0,732
Number of Shares (m)			25,3
Market cap. (€m)			19
Free float (€m)			9
ISIN			FR0013088606
Ticker			ALDRV-FR
DJ Sector			Electronic Technology
Absolute perf.	-2,7%	+4,6%	+1,7%
Relative perf.	-5,6%	+3,8%	+1,7%

Source : Factset, Invest Securities estimates

The 2018 outlook is highly favorable and will be underpinned by the expansion of the catalog (launch of the Heliplane, a hybrid helicopter / fixed wing drone allowing vertical take-off) and the anticipated completion of numerous negotiations underway in Europe, the United States and Asia.

2017 – transition year / 2018 – take-off year

2017 was marked by the successful transformation of Drone Volt. The group is now prepared to handle the anticipated strong growth in its business (2017/2020 CAGR of +52%). We have marginally revised our forecasts in order to take into account the 2017 results (2018/2020e EBIT sequence of -€1.6m / -€0.2m / +€2m vs. -€1.6m / -€0.3m / +€1.9m previously). We continue to anticipate breakeven on the EBITDA level in 2019 (vs. company guidance for before the end of 2018).

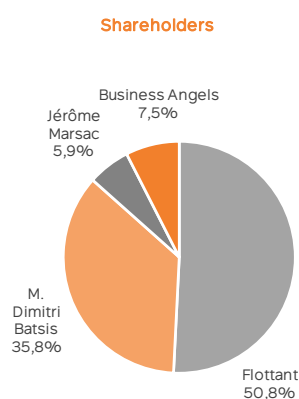
Target price lowered but BUY rating maintained

Following the updating of the parameters used in our DCF valuation (cost of capital of 11.8% vs. 11.1% previously), we have lowered our target price from €1.27 to €1.10. Given the group's outlook, we are maintaining our BUY rating.

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.

DONNÉES FINANCIÈRES



Share information	2013	2014	2015	2016	2017	2018e	2019e	2020e
Published EPS (€)	0,00	0,00	-0,05	-0,11	-0,14	-0,03	0,02	0,08
Adjusted EPS (€)	0,00	0,00	-0,05	-0,11	-0,14	-0,03	0,02	0,08
Diff. I.S. vs Consensus	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
Dividend	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00

Valuation ratios	2013	2014	2015	2016	2017	2018e	2019e	2020e
P/E	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	41,7x	10,7x
EV/Sales	n.s.	n.s.	2,24x	1,57x	1,43x	1,34x	0,94x	0,64x
VE/EBITDA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	59,4x	6,6x
VE/EBITA	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	8,6x
Op. FCF bef. WCR yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	7,7%
Op. FCF yield	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
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	2017	2018e	2019e	2020e
Share price in €			1,2	1,4	0,9	0,9	0,9	0,9
Market cap.	0,0	0,0	9,0	11,3	13,9	18,0	18,0	18,0
Net Debt	0,0	0,0	-0,5	0,7	-0,3	1,6	2,3	1,8
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	-2,6	-2,7	-2,6	-2,4
Entreprise Value (EV)	0,0	0,0	8,0	10,7	11,1	16,9	17,7	17,4

Income statement (€m)	2013	2014	2015	2016	2017	2018e	2019e	2020e
Sales	1,2	1,7	3,6	6,8	7,8	12,6	18,9	27,4
chg.	+49,6%	+39,6%	+109,5%	+90,1%	+14,0%	+62,2%	+49,5%	+45,3%
EBITDA	0,0	0,0	-0,8	-1,9	-3,2	-1,1	0,3	2,6
EBITA	0,0	0,0	-0,9	-2,1	-3,6	-1,6	-0,2	2,0
chg.	+81,2%	+38,4%	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.
EBIT	0,0	0,0	-0,9	-2,3	-3,6	-1,6	-0,2	2,0
Financial result	0,0	0,0	-0,1	0,0	0,0	0,0	0,0	0,0
Corp. tax	0,0	0,0	0,3	0,6	0,9	0,9	0,9	0,9
Minorities+affiliates	0,0	0,0	0,0	0,0	0,2	0,1	-0,1	-0,1
Net attributable profit	0,0	0,0	-0,6	-1,7	-2,6	-0,7	0,5	2,8
Adjusted net att. profit	0,0	0,0	-0,6	-1,7	-2,6	-0,7	0,5	2,1
chg.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.	n.s.

Cash flow statement (€m)	2013	2014	2015	2016	2017	2018e	2019e	2020e
EBITDA	0,0	0,0	-0,8	-1,9	-3,2	-1,1	0,3	2,6
Theoretical Tax / EBITA	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,7
Capex	0,0	-0,1	-0,4	-0,9	-2,1	-0,6	-0,6	-0,6
Operating FCF bef. WCR	0,0	0,0	-1,2	-2,8	-5,3	-1,7	-0,3	1,3
Change in WCR	0,0	0,0	0,1	-0,8	-0,8	-1,0	-1,2	-1,6
Operating FCF	0,1	0,0	-1,1	-3,6	-6,1	-2,7	-1,5	-0,3
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	7,2	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	-0,5	-0,1	0,9	0,8	0,8
Published FreeCash Flow	0,1	0,0	0,6	-1,1	0,9	-1,9	-0,7	0,5

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

Financial ratios	2013	2014	2015	2016	2017	2018e	2019e	2020e
EBITDA margin	2,6%	2,7%	n.s.	n.s.	n.s.	n.s.	1,6%	9,6%
EBITA margin	2,4%	2,4%	n.s.	n.s.	n.s.	n.s.	n.s.	7,4%
Adjusted Net Profit/Sales	2,0%	2,6%	n.s.	n.s.	n.s.	n.s.	2,8%	7,6%
ROCE	18,0%	17,9%	n.s.	n.s.	n.s.	n.s.	n.s.	19,2%
ROE adjusted	13,6%	19,9%	n.s.	n.s.	n.s.	n.s.	8,0%	23,7%
Gearing	n.s.	0,6%	n.s.	28,0%	n.s.	26,5%	34,5%	20,3%
ND/EBITDA (in x)	-0,6x	0,0x	n.s.	n.s.	n.s.	n.s.	7,7x	0,7x

Source : company, Invest Securities Estimates

Next events

Semaine du 12/03 : Résultats 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

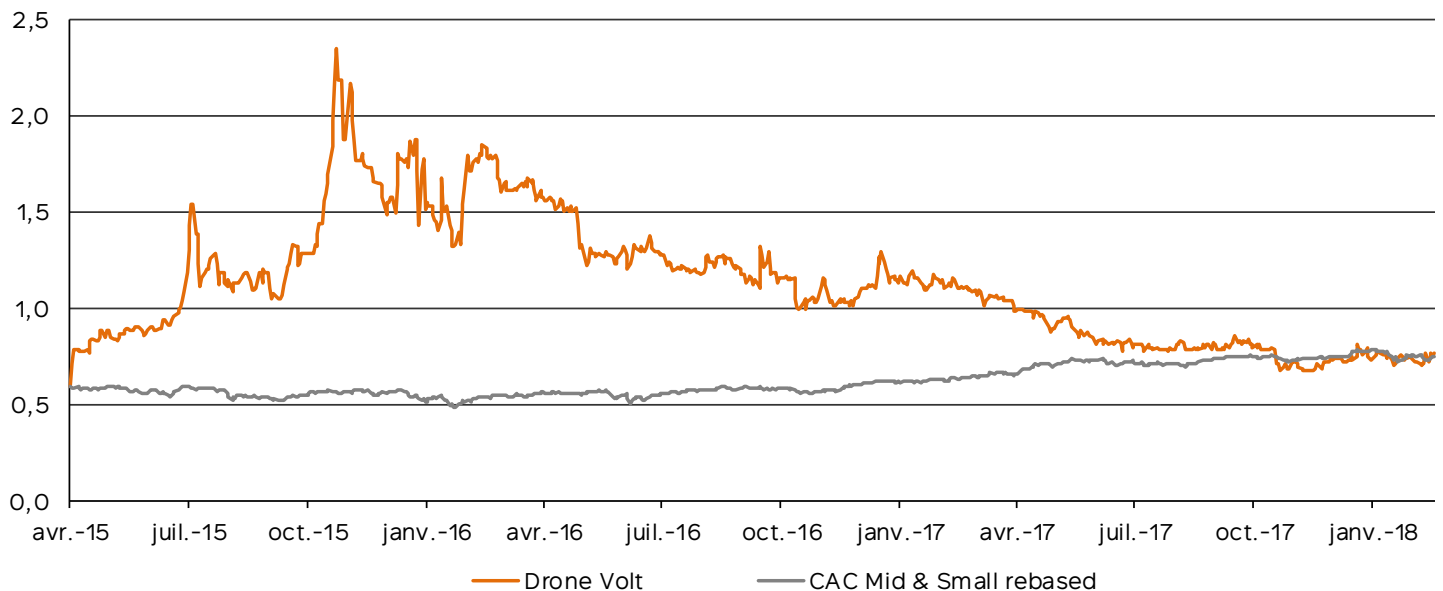
OPPORTUNITIES

- ❑ 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

ÉVOLUTION DU COURS DEPUIS 5 ANS



DÉTECTION DES CONFLITS D'INTÉRÊTS

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

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