



Drone Volt

Electrical Products-Misc / France

Clearing all waivers ahead of structural partnership with Aquiline Drones

M&A /Corp. Action - 12/11/2020

Drone Volt has announced the launch of a capital increase with preferential subscription rights for an amount of c.€3.5m, which may be increased to €4.1m in the event that the extension clause is fully exercised. This operation clears all the necessary steps to implement the partnership with Aquiline Drones.

Fact

Drone Volt has launched a capital increase with preferential subscription rights for an amount of c.€3.5m on a 10-for-1 basis at €0.22. The operation aims at clearing all the necessary steps to implement the partnership with Aquiline Drones and is backed 90% by the founders and managers of the company. The subscription period will run from 16 November 2020 to 27 November 2020 (inclusive).

Analysis

All lights are green for the Aquiline Drones partnership

This capital increase enables the last pending condition to be waived before implementing the partnership with Aquiline Drones. Under its terms, Aquiline Drones will produce and commercialise the Hercules 2, the Altura Zenith, and its Pensar camera, at a rate of 1,000 units per month in the early life of the contract. Aquiline Drones targets ambitious volumes and would have to increase its production line by 3,000 units monthly, to reach a steady 10,000 units per month in total. Aquiline Drones' strategy is to become the Uber of the drone, addressing the entire US market and benefiting from the banning of Chinese drones.

For its part, Drone Volt would be granted a 10% cut in revenue from the commercialisation of its drones and cameras over a 5-year licensing period. Drone Volt would be entitled to receive a minimum of \$100k per month (which started in October 2020). On an annual basis, this would grant Drone Volt \$1.2m per year, to be revised by +10% annually, for a minimum total value of \$7.7m until 2025. In addition, Drone Volt should receive an upfront payment of \$450k by the end of this year to compensate for the transfer of know-how. This also represents a unique way to address the US market, without the need to invest in either opex or capex.

In order to strengthen the partnership and benefit further from the value-added of the deal, both companies will swap their shares for 10% of their respective share base.

On our side and based on a conservative monthly run rate of 1k units in 2021, 1.5k units in 2022 and 3k unit in 2023, we model a positive impact on Drone Volt's revenue of respectively €2m/€3.4/€7.4m over this period.

What it means for shareholders

This operation should allow current shareholders to increase their stakes in the capital of their companies on the same financial terms as those used for the exchange of shareholdings (10% of the respective capital of the two companies) between Drone Volt and Aquiline Drones, an operation which must be finalised



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

Buy	Upside: 47.1%
Target Price (6 months)	€ 0.39
Share Price	€ 0.27
Market Cap. €M	42.3
Price Momentum	GOOD
Extremes 12Months	0.06 ▶ 0.37
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA

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PERF	1w	1m	3m	12m
Drone Volt	5.05%	-12.9%	277%	104%
Capital Goods	7.13%	1.85%	7.00%	15.2%
STOXX 600	6.95%	4.17%	4.80%	-4.14%

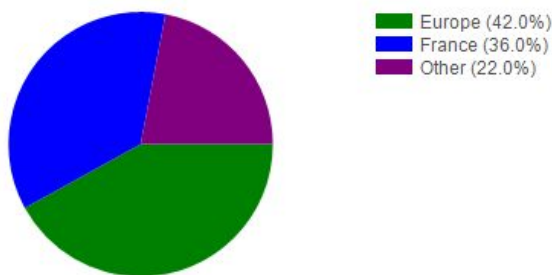
Last updated: 19/10/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	-3.44	-24.9	17.5	7.79
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-10.2	ns	6.69	2.34
Adjusted EPS (€)	-0.05	-0.01	0.02	0.03
Growth in EPS (%)	n/a	n/a	n/a	125
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	7,108	6,767	17,518	24,991
Other margin (%)	34.3	38.6	53.1	58.7
Attributable net profit (€th)	-2,570	-1,255	2,610	5,863
ROE (after tax) (%)	-29.6	-8.40	11.9	22.2
Gearing (%)	41.2	6.05	-13.7	-20.9

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

before the end of January 2021. More concretely, based on the price pre-announcement (€0.254) and the parity of the deal (1 new share at €0.22 for 10 subscription rights), the current shareholder will receive on 12 November a subscription right theoretically valued at €0.003 for each share. This leads to a neutral economic situation for current shareholders since, in spite of a discount of c. 13% on the pre-announced price, the price to participate in the capital hike for new shareholders will be the subscription price topped by the need to purchase 10 subscription rights.

Lastly, in order to guarantee the success of the deal, the founder and managers of the company are backing the operation, up to 90% of its value should there be less interest.

Sales by Geography



Consolidated P&L Accounts

	12/19A	12/20E	12/21E
Sales	€th 7,108	6,767	17,518
Change in sales	% -4.22	-4.79	159
Change in staff costs	% -27.5	-5.12	10.9
EBITDA	€th -1,687	-200	5,373
EBITDA(R) margin	% -23.7	-2.96	30.7
Depreciation	€th		
Underlying operating profit	€th -3,143	-1,275	4,041
Operating profit (EBIT)	€th -3,468	-1,526	3,802
Net financial expense	€th -423	-378	-343
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th 1,069	523	-950
Equity associates	€th		
Minority interests	€th 252	126	101
Adjusted attributable net profit	€th -2,570	-1,255	2,610
NOPAT	€th -2,200	-892	2,828

Cashflow Statement

	12/19A	12/20E	12/21E
EBITDA	€th -1,687	-200	5,373
Change in WCR	€th 576	77.3	-307
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th -1,069	523	-950
Exceptional items	€th		
Other operating cash flows	€th 545	109	25.4
Total operating cash flows	€th -1,635	508	4,142
Capital expenditure	€th -2,762	-2,036	-2,522
Total investment flows	€th -2,782	-2,036	-2,522
Net interest expense	€th -423	-378	-343
Dividends (parent company)	€th		
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 3,660	9,545	0.00
Total financial flows	€th 4,605	9,509	-343
Change in cash position	€th 189	7,981	1,276
Free cash flow (pre div.)	€th -4,819	-1,905	1,276

Per Share Data

	Th	60,741	170,328	170,328
No. of shares net of treas. stock (year...	Th	50,616	117,223	171,445
Number of diluted shares (average)	€	-0.05	-0.01	0.02
Benchmark EPS	€	0.00	0.00	0.00
Restated NAV per share	€			
Net dividend per share	€			

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.48	40%	■ KUKA
NAV/SOTP per share	€ 0.34	40%	
P/E	€ 0.40	5%	
EV/Ebitda	€ 0.52	5%	
P/Book	€ 0.32	5%	
Dividend Yield	€ 0.00	5%	
TARGET PRICE	€ 0.39	100%	

NAV/SOTP Calculation

Balance Sheet

	12/19A	12/20E	12/21E
Goodwill	€th 151	149	148
Total intangible	€th 6,112	7,321	8,764
Tangible fixed assets	€th 860	1,004	1,183
Financial fixed assets	€th	4,068	4,068
WCR	€th 1,614	1,537	1,844
Other assets	€th 6,006	5,303	4,932
Total assets (net of short term liab.)	€th 15,119	19,787	21,371
Ordinary shareholders' equity	€th 9,212	20,657	23,374
Quasi Equity & Preferred	€th		
Minority interests	€th -493	-296	-355
Provisions for pensions	€th	0.00	0.00
Other provisions for risks and liabilities	€th 40.0	60.0	69.0
Total provisions for risks and liabilities	€th 40.0	60.0	69.0
Tax liabilities	€th 0.00	0.00	0.00
Other liabilities	€th 1,291	1,937	2,130
Net debt (cash)	€th 5,069	-2,571	-3,847
Total liab. and shareholders' equity	€th 15,119	19,787	21,371

Capital Employed

	12/19A	12/20E	12/21E
Capital employed after depreciation	€th 8,586	13,930	15,858

Profits & Risks Ratios

	%	-29.6	-8.40	11.9
ROE (after tax)	%	-25.6	-6.41	17.8
ROCE	%	41.2	6.05	-13.7
Gearing (at book value)	%	x -3.01	12.8	-0.72
Adj. Net debt/EBITDA(R)	x	-7.43	-3.37	11.8
Interest cover (x)	x			

Valuation Ratios

	x	-3.44	-24.9	17.5
Reference P/E (benchmark)	x	-45.4	-4.20	2.81
Free cash flow yield	%	1.15	2.20	1.94
P/Book	x	0.00	0.00	0.00
Dividend yield	%			

EV Calculation

	€th	10,619	45,375	45,375
Market cap	€th	40.0	60.0	69.0
+ Provisions	€th	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	5,069	-2,571	-3,847
+ Net debt at year end	€th	0.00	0.00	0.00
+ Leases debt equivalent	€th		4,068	6,712
- Financial fixed assets (fair value)	€th	1,479	887	1,065
+ Minority interests (fair value)	€th	17,207	39,684	35,950
= EV	€th	x -10.2	ns	6.69
EV/EBITDA(R)	x	2.42	5.86	2.05
EV/Sales	x			

Analyst : Hugo Paternoster, Changes to Forecasts : 19/10/2020.