



Drone Volt

Aersp. & Defence Equipt. / France

Q4-20: sharper covid impact though the dynamic is improving rapidly

Earnings/sales releases - 21/01/2021

Drone Volt has released its sales and margin figures for FY20 and Q4-20, which were somewhat disappointing on FY basis compared to our estimates but demonstrated a promising momentum at both sales and gross margin in Q4-20, boding well for 2021. On the commercial side, the momentum remained well oriented and the ramp-up of partnerships should further strengthen this dynamic.

Fact

Q4 Sales were €2.4m, up 28% yoy and + 82% qoq, in detail, this was driven by a solid recovery at DVF (up 32% qoq to €907k) and Distribution (up 26% to €1.5m). On a full year basis, revenues were €5.7m, down 20% yoy and below our estimates of €6.7m. FY20 gross margin reached €1.7m, down 30%, below our estimates due to lower sales and a product mix effect with less training. However, we are pleased to see a strong recovery in gross margin in Q4, which reach 35% thanks to cross-selling with Aquiline Drones (potentially replicable in subsequent quarters).

Going forward, Drone Volt sees a promising fiscal year 2021 which will be driven by the 1) strong order pipeline 2) Aquiline Drone partnership ramp-up and 3) implementation of the partnership with Hydro Quebec.

Drone Volt also intends to sell 50% of its subsidiary Aerialtronics to Aquiline Drones, on a €15m valuation (vs €7m currently in our valuation).

Analysis

Good recovery in Q4, but not enough to offset the impact of the covid

During Q4, sales momentum accelerated sharply, led by a good performance in Consumers sales and sustained activity at DVF. However, on a full year basis, revenue fell short compared to our estimates on the back of a sharper covid-19 impact on DVF sales (lower training mainly due to social distancing) as well as to the delay of the upfront payment related to the transfer of know-how to Aquiline Drones. The later justify by itself \$450k to be paid in 2021, and linked to the training of Aquiline Drones teams which has been hampered by sanitary constraints. We therefore estimate Royalties busines to have generated c. €254k (vs €660 in our model), DVF activities of selling drone and training would have fell by 30% yoy to €1.9m (vs. €2.6m in our estimates), while Consumer sales held back in line with our estimates. This lower level of sales, coupled with the product mix at DVF justify a lower gross result, while margin proved to be resilient and improved strongly in Q4-20 on the back of improving operating efficiency at DVF. Therefore, a replicable performance going forward.

Good commercial dynamics and encouraging prospects for 2021

Despite the pandemic, the commercial activity remained buoyant, with promising prospect for the Hercule 2. In addition, the ramp-up of Aquiline Drones should strengthen this dynamic and trigger cross-selling since production delays in the USA encourage Aquiline Drones to order directly to Drone Volt. Finally, the Hydro Quebec partnership should kick-off in 2021, where we estimate c. €2.1m sales



Hugo PATERNOSTER

aerospacedefence@alphavalue.eu

+33 (0) 1 70 61 10 50

www.alphavalue.com

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: 38.1%
Target Price (6 months)	€ 0.37
Share Price	€ 0.27
Market Cap. €M	53.4
Price Momentum	GOOD
Extremes 12Months	0.06 ▶ 0.39
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA



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PERF	1w	1m	3m	12m
Drone Volt	-4.61%	-5.94%	-10.3%	136%
Aerospace-Defence	2.58%	4.10%	28.0%	-28.7%
STOXX 600	0.43%	6.25%	12.4%	-3.10%

Last updated: 14/12/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	-3.44	-16.0	20.6	9.16
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-9.99	ns	7.35	2.70
Adjusted EPS (€)	-0.05	-0.01	0.01	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	-7.39	10.0	19.3
Gearing (%)	41.2	-3.17	-26.5	-30.5

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with this programme (should sanitary constraints are not reinforced in Canada).

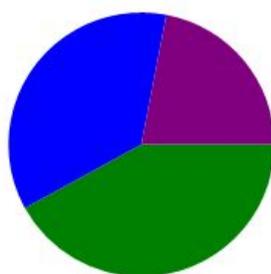
Enhancement of Aerialtronics valuation

The relationship with Aquiline Drones could be further reinforced through the acquisition of a 50% stake in it, on a €15m valuation. As a reminder, we currently value Aerialtronics at €7m in our NAV, which could have (all thing being equal) an impact of +€0.03 per share should the transaction takes place.

■ Impact

We will revise downwards our figures for 2020. This lower basis in 2020 would main slight lower sales in both 2021 and 2022 though we expect upwards pressures on margin in subsequent years thanks to volume effect and cross selling synergies. We maintain our Buy rating on the stock

Sales by Geography



Europe	(42.0%)
France	(36.0%)
Other	(22.0%)

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	13,613	0.00
Total financial flows	€th	4,605	13,576	-343
Change in cash position	€th	189	12,049	1,276
Free cash flow (pre div.)	€th	-4,819	-1,905	1,276

Per Share Data

		12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...	Th	60,741	198,523	198,523
Number of diluted shares (average)	Th	50,616	131,321	199,640
Benchmark EPS	€	-0.05	-0.01	0.01
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.39	35%	■ KUKA
NAV/SOTP per share	€ 0.31	20%	
EV/Ebitda	€ 0.54	20%	
P/E	€ 0.45	10%	
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.36	5%	
TARGET PRICE	€ 0.37	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	24,724	27,442
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	-6,638	-7,915
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

		12/19A	12/20E	12/21E
ROE (after tax)	%	-29.6	-7.39	10.0
ROCE	%	-25.6	-6.41	17.8
Gearing (at book value)	%	41.2	-3.17	-26.5
Adj. Net debt/EBITDA(R)	x	-3.01	33.1	-1.47
Interest cover (x)	x	-7.43	-3.37	11.8

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	-3.44	-16.0	20.6
Free cash flow yield	%	-45.4	-6.27	2.39
P/Book	x	1.15	1.23	1.95
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/19A	12/20E	12/21E
Market cap	€th	10,619	30,389	53,403
+ Provisions	€th	40.0	60.0	69.0
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	4,703	-7,023	-8,318
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th		4,068	6,712
+ Minority interests (fair value)	€th	1,479	887	1,065
= EV	€th	16,841	20,245	39,507
EV/EBITDA(R)	x	-9.99	ns	7.35
EV/Sales	x	2.37	2.99	2.26

Analyst : Hugo Paternoster, Changes to Forecasts : 14/12/2020.