



Drone Volt

Electrical Products-Misc / France

Q3 20: strong rebound in Q3, further improvement expected in Q4

Earnings/sales releases - 15/10/2020

Drone Volt has released its Q3 20 figures which showed a strong rebound in activity during this quarter, fuelled by drone deliveries. The third quarter was rich in terms of commercial announcements, with a strategic partnership tied with the US company Aquiline Drones. We anticipate this good momentum to continue in Q4.

Fact

- Q3 20 deliveries reached 27 units, down 10% yoy and a sharp rebound from Q2 20
- Q3 20 revenue was €1,327k, down 26% yoy
- Q3 20 gross profit was €357k, against €630k last year
- Backlog still at €15m, no cancellations ytd related to the pandemic
- Concretisation of the contract with Aquiline Drones

Analysis

Sharp sequential rebound in Q3

During the quarter, Drone Volt delivered a total of 27 drones and cameras, a sharp improvement over the 13 deliveries of Q1 20 and just one delivery during the second quarter. This included 22 drones (same level compared to Q3 19) and five Pensar cameras (vs eight last year).

The activity rebounded strongly in both segments to €1.3m, up 79% qoq (down 26% yoy). This was mainly been driven by a steep improvement at Drone Volt Factory where sales grew to €579k (down 17% yoy but revenue multiplied by more than 4x on a sequential basis). The third-party's distribution also rebounded to €749k, up 30% qoq (and down 25 yoy). In terms of profitability, the gross margin reached €358k, against €630k in Q3 19 and up from €202k in Q2 20. Margins have sustained with the regain in activity despite lower training business. Drone Volt Factory's gross profit was €212k and third-party distribution was €146k (19% gross margin).

Still healthy backlog and a good commercial momentum

Commercially, the order backlog remained strong at €15m, with no cancellations related to the pandemic since the beginning of the year. In addition, Drone Volt signed the contract with Aquiline Drones for the sale under licence of its dronex in this US. We see this as very positive for Drone Volt as it should bring in at least \$300k of cash inflow for Q4, topped by a down-payment of \$450k to compensate for the transfer of know-how, which is favourable for FCF generation. We also estimate that revenue directly linked to this activity could reach €2m by 2021 and €3.5m by 2022.

Further improvements expected in Q4

All in all, the rebound is well engaged, and we expect this trend to continue in Q4, still supported by the above-mentioned backlog. We also anticipate a rebound in training activity in Q4 (which lagged somewhat in Q3) to support further the gross margin of the company. All in all, Q4 could reach €4.8m in revenue, implying FY20 revenue at €6.7m along with a €1.7m gross profit (€2.6m on a full-year



Hugo PATERNOSTER
capitalgoods@alphavalue.eu
+33 (0) 1 70 61 10 50
cs.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

Add	Upside: 10.5%
Target Price (6 months)	€ 0.39
Share Price	€ 0.35
Market Cap. €M	55.5
Price Momentum	STRONG
Extremes 12Months	0.06 ▶ 0.37
Bloomberg	ALDRV FP Equity
Reuters	ALDRV.PA


[Download Full Analysis](#)
[Company Page](#)


PERF	1w	1m	3m	12m
Drone Volt	6.06%	35.1%	400%	133%
Capital Goods	2.19%	4.64%	12.0%	33.4%
STOXX 600	1.41%	0.57%	0.88%	-4.89%

Last updated: 14/10/2020	12/19A	12/20E	12/21E	12/22E
Adjusted P/E (x)	-3.50	-33.2	22.7	10.2
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-10.3	ns	9.33	3.77
Adjusted EPS (€)	-0.05	-0.01	0.02	0.03
Growth in EPS (%)	n/a	n/a	n/a	123
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	-1,234	2,642	5,895
ROE (after tax) (%)	-29.6	-8.26	12.0	22.3
Gearing (%)	41.2	5.99	-13.9	-21.1

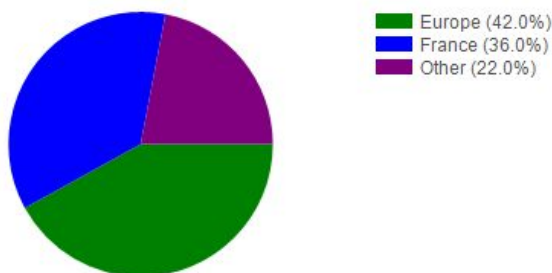
[Company Valuation](#) - [Company Financials](#)

basis).

■ Impact

We maintain our current estimates for the remainder of the year and we keep our
Add rating on the stock.

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	-350	-298
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th 1,069	515	-962
Equity associates	€th		
Minority interests	€th 252	126	101
Adjusted attributable net profit	€th -2,570	-1,234	2,642
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	515	-962
Exceptional items	€th		
Other operating cash flows	€th 545	109	25.4
Total operating cash flows	€th -1,635	501	4,129
Capital expenditure	€th -2,762	-2,036	-2,522
Total investment flows	€th -2,782	-2,036	-2,522
Net interest expense	€th -423	-350	-298
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	8,405	-298
Change in cash position	€th 189	6,870	1,309
Free cash flow (pre div.)	€th -4,819	-1,885	1,309

Per Share Data

	12/19A	12/20E	12/21E
No. of shares net of treas. stock (year...)	Th 60,741	170,328	170,328
Number of diluted shares (average)	Th 50,616	117,223	171,445
Benchmark EPS	€ -0.05	-0.01	0.02
Restated NAV per share	€		
Net dividend per share	€ 0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.48	40%	■ KUKA
NAV/SOTP per share	€ 0.34	40%	
P/E	€ 0.34	5%	
EV/Ebitda	€ 0.49	5%	
P/Book	€ 0.31	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	20,677	23,427
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	-2,591	-3,900
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	-8.26	12.0
ROCE	%	-25.6	-6.41	17.8
Gearing (at book value)	%	41.2	5.99	-13.9
Adj. Net debt/EBITDA(R)	x	-3.01	12.9	-0.73
Interest cover (x)	x	-7.43	-3.65	13.5

Valuation Ratios

		12/19A	12/20E	12/21E
Reference P/E (benchmark)	x	-3.50	-33.2	22.7
Free cash flow yield	%	-44.6	-3.16	2.20
P/Book	x	1.17	2.88	2.54
Dividend yield	%	0.00	0.00	0.00

EV Calculation

	12/19A	12/20E	12/21E	
Market cap	€th 10,804	59,615	59,615	
+ 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 5,069	-2,591	-3,900	
+ 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 17,392	53,903	50,136	
EV/EBITDA(R)	x	-10.3	ns	9.33
EV/Sales	x	2.45	7.97	2.86

Analyst : Hugo Paternoster, Changes to Forecasts : 14/10/2020.