

# BEHIND ENEMY LINES: DRONESHIELD (ASX:DRO)

Nina Hendy, Contributing Columnist

Oleg Vornik is acutely aware of the fact that his customers live in the gloomy shadows of war, assassination, terrorism attacks and geopolitical instability. But the CEO of DroneShield is heartened by the fact that they stand a fighting chance of staving off the enemy by deploying DroneShield technology.

The Australian company manufactures defence technology, as opposed to lethal technology, making the world a safer place for all. It has developed a product range used by leading military and government organisations, law enforcement, critical infrastructure and political leaders around the world.

The defence technology provider is the only publicly listed company in the world with direct exposure to cashed-up customers in dire need of its technology. It plays a critical part of the weaponry lineup used in combats of electronic warfare around the world as the humble, off the shelf drone favoured by kids is used to carry a growing number of attacks in enemy territory.

As the company's sales pipelines continues to fatten each month, analysts have been taking note of its strong performance.

Among its product lineup is the DroneGun Mk4 handheld effector, which has been highly effective in disrupting the control and navigation of drones and is favoured by soldiers in combat. A video announcing its launch on social media quickly went viral.

"Drones are such a unique threat. I've seen trained soldiers 30 metres away needing five or six shots to take down a drone because they move so fast and are so small. Imagine that you've

got five or six of these things coming at you at once, it will get to you before you take all of them down. And that's before you even think about collateral damage of firing shots," Vornik says.

The fast-talking 42-year-old Sydneysider doesn't tend to draw breath as he articulates his grand vision for global market domination. He has been at the helm of DroneShield as the CEO for a decade, guiding the swift rise through the ASX ranks to be one of the darlings of the stock market this year as its share price soars amid a feeding frenzy.

The businessman has found himself sanctioned by Vladimir Putin because of his role as chief executive of DroneShield. But that doesn't concern him.

His priority is continuing to build his web of relationships with customers like the US Department of Defence, US intelligence agencies, Department of Homeland Security, Australian Federal Police, Australian Defence Force, UK Army, French government agencies – among more than 70 customers around the world.

Under his leadership, DroneShield has been quietly plotting a path to global dominance after raising \$7 million through its IPO in June 2016, giving it a market capitalisation of \$27 million at the time. A growing number of its products are software as opposed to hardware, offering strong margins.

Growing to its current size has taken the best part of a decade. "We only became profitable last year. Prior to that, we were bleeding cash. We started doing larger raises which has enabled us to scale the company," he says.

By all accounts, it has been a remarkable rise for DroneShield, despite what could be put down to a speed wobble in July this year. The company blamed a drastic share price drop on a controversial media report causing the biggest move on the ASX. Shares opened at 4% higher at \$2.71, levelled off at \$2.50 later than morning before tanking, forcing the company to call a trading halt.

But it's hard to ignore the multi-million dollar orders flooding in. Over the years, small purchases from large government agencies have turned into larger purchases, then repeat larger purchases. "One customer placed an initial purchase of \$2 million in 2021, to \$11 million order in 2022, a \$33 million order in 2023 and now we're working with the same customer because they want an even larger contract with us."

This year, DroneShield raised about a quarter of a billion dollars – no mean feat in a flattened economy, albeit during a period of rising geopolitical instability. "Having cash in the bank positions us really well for rapid inventory acquisition, which takes three to four months due to its complexity. Everything is designed and made in Australia, and most of our customers want their order yesterday."

The company has been supplying Ukraine with its defence technology since the start of the war, with orders always carrying serious urgency. "For a long time, people assumed that peace would be a normal state of affairs because we have enjoyed an aberration for the past 80 years, but if you look at history, conflict and war is common. Ukraine really opened people's eyes to that fact."

## STORY OF THE MONTH (CONT.)

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Oleg Vornik, CEO of DroneShield (DRO)

Today, DroneShield employs 170 people, including about 130 engineers. It is on track to grow to 300 employees by the end of 2025, which will include about 240 engineers and 60 operational sales and corporate employees.

The company’s technology has prevented attempted drone assassinations of the Brazil president. In 2019, it prevented gangs deploying several drones in South East Asia from knocking a helicopter out of the sky. Brutalists in Mexico are also being stopped in their tracks thanks to the technology.

And while he can’t comment on whether DroneShield helped prevent the recent attempted assassination of Donald Trump, he could confirm that the company does supply the US Secret Service, which jumped to his defence as the bullet was said to hit Trump’s ear.

Despite the part DroneShield plays in bloody battles around the world, Vornik’s first priority is always his shareholders. “The reason that we are in a position to have raised a lot of money is that we have put shareholders’ interests first.”

He also listens to what customers tell him they need, which dictates the technology roadmap as engineering teams are tasked with solving new problems for existing customers. In his downtime, he actively looks for ways to calm his mind, such as yoga and meditation.

DroneShield was started by two US scientists a decade ago. The unnamed pair wanted to go into

business together, cobbling together an acoustics system in their garage that could pick up the low-level noise made by drones.

As the business grew, the founders tapped Vornik on the shoulder for assistance. He was working as an investment banker in Sydney at the time. He didn’t know anything about the technology, but had the skills and experience to help them list on the ASX.

He was so intrigued by the company that he agreed to work for free for a period of time, helping DroneShield through its IPO and capital raise. But eight years ago the US scientists left the business, leaving Vornik to take it in a far more profitable direction. He admits he doesn’t keep in touch with the departed founders, hinting at a difference of opinion.

“The company is nothing like it was back then. We’ve since developed a complete suite of counter drone systems. The product stack and team has changed. Everything. We are ahead of our time. No one has built anything like this anywhere in the world,” he says.

“We expect the industry to really explode in the counter drone space. We think there will be an ongoing explosion in demand for our technology in the future. We’re really well positioned to take advantage of growth, with a quarter of a billion in the bank and aggressively investing in research and development. We’re in a unique position.”

He’s confident that product orders will continue to come in thick and

fast regardless of whether the world is in wartime, or returns to a more peaceful rhythm as political tensions hopefully stabilise.

“Military planners prefer to procure during peace time because supply chains are intact. Everyone knows that you get your equipment ready while the sun is shining and you don’t really need it.”

### ABOUT DRONESHIELD (ASX:DRO)

DroneShield (ASX:DRO) is an Australian-US publicly listed company that manufactures bespoke counter drone and electronic warfare solutions sold to government, law enforcement and critical infrastructure sites around the world.

The company provides a range of counter-drone hardware and software products used to protect people, organisations and critical infrastructure from unmanned system threats.

A few short years ago it was a relatively unknown small cap, but Australia’s only anti-drone tech company has emerged to be dubbed an ASX dark horse. This strong revenue momentum and stunning sales outlook has seen DroneShield record triple-digit growth nearly every year since FY17.

**Market cap** \$1.15 billion

**Price** \$1.33

**Historical dividend yield** N/A

*\* As at 30 August 2024*