

# 4 ASX shares leading the way in drone technology

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Source: Dronesshield prospectus

In the past month, **Orbital Corporation Ltd.** ([ASX: OEC](#)) has seen its share price rise by an amazing 38.4%.

This is part of an evolution in military technology towards drones and unmanned defence systems. Moreover, since the government announcement of [\\$270 billion in defence spending](#), investors have become aware of the advanced technologies of ASX shares underpinning this transformation.

I think a range of companies in this sector are likely to [grow](#) significantly over the next 3–5 years. Many now have mature technologies, ongoing sales and significant growth opportunities ahead of them. Orbital is one of 4 leading ASX shares in this sector.

## More drone propulsion systems

Orbital is a global leader in propulsion systems for tactical unmanned aerial vehicles (UAVs). The company recently announced an unaudited FY20 result of \$33.8 million. This was within its guidance of \$25–\$35 million despite the interruptions of [coronavirus](#) in Australia and client countries. I am very bullish on this company. Partly because their current client base includes subsidiaries of Boeing, Northrop Grumman, and an unnamed large Singaporean Defence Company.

FY21 is going to be about consolidating Orbital's current situation and expanding client base. FY21 revenue guidance for this ASX share is for \$40–\$50 million. In particular, 3 of the company's existing clients have been selected as providers for the Australian Defence Force (ADF) [Land 129 program](#).

## More unmanned aerial systems

**Xtek Ltd** ([ASX: XTE](#)) makes small unmanned aerial systems (SUAS) among many other products. In particular, it supplies the AeroEnvironment WASP AE SUAS, produced in the United States.

At present, the ADF has more than 50 of these aircraft and Xtek recently announced an additional order for \$2.8 million for this model, boosting the company's existing SUAS supply contract.

In FY20, the supply of SUAS parts and maintenance to the ADF was worth \$8 million. In addition, Xtek manufactures lightweight body armour, and is the primary provider to the Department of Defence for portable X-ray equipment and demolition remote firing systems.

FY20 [guidance is for revenue](#) of \$42 million, an increase on \$37.9 million in FY19. This ASX share has increased its production capability and can produce its patented lightweight composite materials to support \$40 million per year revenue. This is planned to double during FY21.

## ASX shares for drone protection

Two ASX shares are active in this area. The first is **DroneShield Ltd** ([ASX: DRO](#)), a company that provides protection against drones. Droneshield sells multiple sophisticated devices that are just starting to gain traction. For example, it has the Drone Gun MKIII for soldiers in the field. At the more extreme end, the Drone Node disables drones within a 1km radius. In the past month, the DroneShield share price has risen by 15.38%. Moreover, the company has made 3 positive announcements in the past 2 weeks. First, a \$100,000 order from the European Ministry of Defence. Second, a US\$200,000 contract with the US Air

Force. And third, the successful completion of a trial in a mid-tier European airport. The company expects the implementation tender in Q4 CY20.

The other ASX share in this space is **Electro Optic Systems Hldg Ltd** ([ASX: EOS](#)), which focuses on sophisticated sensor technology. This came from the privatisation of the Commonwealth of Australia space activity, and the technology has been at the forefront of satellite tracking for more than 35 years.

Electro Optic Systems has also used this technology to build vehicle-mounted, remote-operated weapons that are battle-tested against drones. It is currently in negotiations with the Australian Government for [the acquisition of 251 of these weapons](#).

## **Foolish Takeaway**

These four companies are just part of our very capable defence contracting industry. Out of all of these ASX shares, I am most interested in Orbital Corporation because I think the time has arrived for this technology, in particular. However, it is clear that we have multiple mature drone technologies capable of servicing the ADF and countries throughout the world.

<https://www.fool.com.au/2020/08/04/why-4-asx-shares-are-leading-in-drone-technology/>