

FY 2021: Delta Drone continues its development while having many high-value assets strengthening its financial situation

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KEY POINTS

- Change of accounting framework with the transition to IFRS
- Revenue up +18.2% and strong improvement in net income
- The sale of the Israeli subsidiary ParaZero brings A\$ 6 million in cash to Delta Drone International which becomes autonomous to finance its development in the southern hemisphere
- The agreement with Volatus Aerospace is still being finalized, it will allow the Group to change its dimension
- Launch of a cost reduction plan to aim for operating balance in 2023, financed by a €1 million draw from Ornan
- Consolidation of short-term equities to foster new stock market momentum

In K€	FY 2019	FY 2020 <i>French Gaap</i>	FY 2020 <i>IFRS</i>	FY 2021 <i>IFRS</i>
Turnover	15 987	13 417	13 417	15 865
Other products of the activity	1 561	3 865	3 865	1,278
Purchases and inventory changes	8 051	8 305	8 305	7 182
Personnel costs	13 985	12 726	12 726	15 718
Taxes	397	423	423	374
Other income/expenses from current operations	29	126	126	-
EBITDA	(4 914)	(4 298)	(4 298)	(6 131)
Net depreciation allowances	3,665	3 398	1 618	2 065
Net provisions and impairments	-	(139)	(139)	294
CURRENT OPERATIONAL RESULT	(8,579)	(7 558)	(5 778)	(8,491)
Other operating income and expenses	(1 356)	(2 093)	(2 842)	(1 023)
OPERATIONAL RESULT	(9 935)	(9 651)	(8 619)	(9 514)
Cost of net financial debt	-	-	(147)	(184)
Other financial income and expenses	513	(582)	163	5 334
RESULT BEFORE TAX	(9 422)	(10 233)	(8 604)	(4 371)
Tax expense	(194)	(121)	(122)	(24)
QP result of associates	(464)	(507)	(507)	(28)
NET RESULT OF INTEGRATED COMPANIES	(10 080)	(10 862)	(9 233)	(4 423)
Result of divested companies	-	-	-	(919)
RN – share attributable to non-controlling interests	(541)	(165)	723	(995)
NET INCOME GROUP SHARE	(9 539)	(10 697)	(9 856)	(4 347)
EQUITY & ASSIMILATION	6 012	10 356	13 757	22 349
CASH AND EQUIVALENT	1 817	4 732	4 732	1 343

After a year 2020 strongly impacted by the effects of the health crisis, the Group managed to return to a level of activity comparable to that of 2019, even if the crisis persists and continues to disrupt the activity.

In terms of the formation of operating income, its apparent stability actually reflects significant major developments. The increase in personnel costs is directly linked to the winning of several private security contracts, which will be the breeding ground for our strategy to dronify the sector. Conversely, there was a decrease in purchases and changes in inventories as well as depreciation allowances. Finally, the decline in other revenues of the activity, including in particular the fixed production of the period, illustrates the end of the R&D program dedicated to the development of the professional solutions ISS Spotter (security) and Countbot (inventory), now operational and in the commercial start-up phase.

The beginning of 2022 was marked by the winning of several contracts in the field of events, signed by ATM Group Sécurité (subsidiary of Delta Drone Human Tech), which consist of a mixed offer combining security agents and ISS Spotter system, which fully validates the relevance of the strategy.

At the same time, in partnership with Geodis, the first Countbot missions were carried out to the satisfaction of the first customers, who see the system as a major innovation, a source of better management of their inventories under favorable economic conditions.

Considering the Australian subsidiary Delta Drone International, the cash sale for \$ A6 million (about € 4 million) of the Israeli company ParaZero completes the process of setting up a pole focused on the southern hemisphere and the mining sector. Delta Drone International is now firmly established in two major mining countries, South Africa and Australia, and has the necessary resources to self-finance its development.

The adoption of IFRS standards allows Groupe to recognise the "fair value" of its shareholdings, housed within the UDT subsidiary. This investment policy aimed at creating an ecosystem within the Group, generating numerous industrial synergies, is crowned with success since the portfolio brings overall a revenue of more than €5 million into the income statement.

Finally, the loss for the year was reduced to €4.3 million, halved compared to the previous year's loss.

Please note that the Group's detailed accounts are available in French and English on the Group's website (www.deltadrone.com).

The final terms of the agreement with the Canadian group Volatus Aerospace are still under discussion

By means of a press release dated March 3, 2022, the Delta Drone and Volatus Aerospace groups had announced the signing of an agreement, subject to several conditions precedent, whose purpose was to constitute together a world leader in the sector, present on all continents.

As stated in the statement, the agreement required the approval of the French Ministry of the Economy, as part of the 2019 law on investments by foreign companies in French companies. The investigation of the file is still ongoing, without the date of the Ministry's response being precisely known.

In addition, the agreement also requires the approval of minority shareholders of Australian subsidiary Delta Drone International, as the company is listed on the Sydney ASX Stock Exchange. This approval will be submitted to shareholders at a General Meeting to be held in May.

However, while waiting for the Delta Drone and Volatus Aerospace teams have started working on joint projects:

- for North America, the commercial development of the solutions proposed by Delta Drone,
- for Delta Drone's locations, the products and systems marketed by Volatus Aerospace.

A €2 million operating expense reduction plan is launched immediately, financed by a €1 million tranche of Ornan

Given the evolution of the Delta Drone Group and its ambitions for the coming years, the need to continue efforts to rationalize operating expenses remains crucial. Thus, to achieve the objective of reaching the operating balance next year, Delta Drone decides to launch at the beginning of the 2nd quarter a plan to reduce operating expenses, which represents a potential saving in full year of around € 2 million.

In accordance with the authority granted to the Board of Directors by the Extraordinary General Shareholders' meeting of Delta Drone (the "**Company**") dated 24 April 2020 pursuant to its sixth resolution, the Board of Directors dated 14th October 2020:

- approved the principle of issuing 2 500 tranche warrants (the "**Tranche Warrants**"), giving access to 2 500 bonds redeemable in cash and/or new shares (the "**ORNAN**") with share subscription warrants attached (the "**Warrants**") upon exercise, to the investment fund YA II PN, LTD (the "**Investor**"), a fund managed by the US management company Yorkville Advisors, representing a financing of up to €25M of aggregate nominal value; and
- empowered the Chairman and CEO to decide to launch this transaction, to approve its final terms and conditions, to issue the Tranche Warrants and to drawdown the tranches of ORNAN with Warrants attached.

Pursuant to the sub-delegation of authority granted to him by the Board of Directors on 28 April 2020, the CEO decided today to drawdown 1 tranche of ORNAN with Warrants attached.

The main characteristics of the Tranche Warrants, ORNAN and Warrants (the terms and conditions of which are available in detail on the Company's website (www.deltadrone.com) under the « Investors » tab) have been presented in a press release dated 14 October 2020.

In accordance with the financing agreement entered into on 14 October 2020 with the Investor, 1 tranche of ORNAN with Warrants attached of €1M of nominal value has been drawdown today, corresponding to the issuance of 100 ORNAN with 714 285 714 Warrants attached.

The share consolidation operation will be implemented in April

In accordance with the 3rd resolution voted at the Annual General Meeting of 27 December 2021, the Board of Directors decided to implement in April the consolidation of the shares composing its share capital at the rate of 10,000 old shares against 1 new share.

The objective of this merger is to support a new stock market dynamic of the company as well as to reduce the volatility of the Delta Drone share price, induced by the low level of its current value. This transaction will not affect the overall value of Delta Drone shares held in the portfolio by shareholders, with the exception of the broken ones.

The details and the exact timing of the operation will be the subject of a specific press release.

Prospects

Delta Drone continues its construction in a still emerging sector, marked by a multitude of communications and announcements sometimes unrealistic, often peremptory. Rather than suggesting that "the drone can do everything", the Groupe strives to anchor its strategy on solid and reasonable foundations, in direct contact with the needs of its customers, following a process of progressive integration of technology into professional uses, respecting in all respects the regulations and rules of safety of people and goods.

After 10 years of existence, Delta Drone is in the process of building with its partner Volatus Aerospace a set without equivalent in the sector, present all over the world and with an extremely wide range of services and products. The combination of French technology and North American commercial know-how will undoubtedly be a winning combination to accelerate revenue development and achieve balance in terms of EBITDA. The achievement of this objective is obviously based on the rationalization of operating expenses initiated in 2022; so that it can be achieved in 2023.

On a like-for-like basis, Delta Drone is expected to see sustained revenue growth this year, in line with the commercial development of the professional ISS Spotter (security) and Countbot (inventory) solutions and the growing success of new private security service offerings.

About Delta Drone: Delta Drone Group is a recognized international player in the field of civilian drones for professional use. It develops a range of professional solutions based on drone technology as well as all associated services that form a complete value chain.

Delta Drone shares are listed on the Euronext Growth Paris market – ISIN code: FR0011522168

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www.deltadrone.com

Investor contacts:



Jérôme Gacoin
+33 1 75 77 54 65
jgacoin@aelium.fr

Press contact:



Marie-Laure Laville
+33 1 55 02 15 13
ml.laville@open2europe.com

Sarah Ousahla
+33 1 55 02 15 31
s.ousahla@open2europe.com