

# Parrot

PRESS RELEASE

July 28, 2023, 8:00am CET

## 2023 FIRST-HALF EARNINGS

### Parrot redefines its industrial organization and structures its operations to reduce its cash consumption

The geopolitical and technological trends supporting increased drone use are continuing to be seen. This is illustrated by the tenders benefiting Parrot and the recurring orders received from government institutions and armed forces. This client segment is part of a slow-moving administrative structure, faced with an economic slowdown, and the timeframe for recording major orders is currently uncertain. These orders could be placed during the second half of 2023 or, if applicable, deferred to 2024. To adapt to these long sales cycles and reduce its cash requirements, Parrot is capitalizing on three complementary strategic pillars:

- **Focusing the technological roadmap for microdrones on the dedicated offering for Defense & Security**, the most buoyant segment. Parrot has taken into account the availability and lifecycle of its offering for industrial clients (Anafi Ai), estimated at several years, to focus its capacity for innovation on the microdrones for Defense & Security.
- **Organizational improvements rolled out for the photogrammetry business** which, following a period of major investment, is in a transition phase supporting the latest generations of solutions and complementary equipment. This is gradually offsetting the contraction in sales of legacy products and is being accompanied by a reduction in the resources that were allocated to them.
- **Stopping production and component sourcing in China** in order to ensure a comprehensive response to the growing stakes involved in terms of sovereignty and cybersecurity. To produce these microdrones, Parrot has selected a new manufacturer in South Korea, a country that has put in place an advanced technological and industrial infrastructure over many years. This new industrial organization effectively complements the organization already in place in the United States.

These strategic choices are driving a reduction in the Group's workforce by around 20%, with effect during the second half of 2023. Parrot is targeting full-year savings of around €13m.

### 2023 first-half earnings

The consolidated financial statements have been subject to a limited review by the statutory auditors and were approved by the Board of Directors on July 27, 2023. The half-year report will be published in the following days on <https://www.parrot.com/uk/corporate/reports>.

The error adjustment applied to the 2021 consolidated accounts, already presented with the full-year earnings for 2022, is detailed in Note 43 to the consolidated financial statements for 2022 (see 2022 Universal Registration Document). All references to the data for 2021 in this press release are based on the adjusted figures.

CONSOLIDATED INCOME STATEMENT (IFRS, €m)	Jun 30, 2023 (6 months)	Jun 30, 2022 adjusted (6 months)	Change
<b>Revenues</b>	<b>31.6</b>	<b>30.5</b>	<b>+3.3%</b>
Microdrones	15.5	15.4	+0.5%
Photogrammetry	16.1	15.1	+6.5%
Cost of sales	-7.4	-6.2	+19.0%
<b>Gross margin</b>	<b>24.1</b>	<b>24.3</b>	<b>-0.7%</b>
% of revenues	76.5%	79.6%	
Research and development costs	-26.1	-20.8	+25.6%

% of revenues	-82.8%	-68.1%	
Sales and marketing costs	-7.0	-5.6	+25.2%
% of revenues	-22.1%	-18.2%	
Administrative costs and overheads	-7.1	-7.8	-8.7%
% of revenues	-22.5%	-25.5%	
Production and quality costs	-2.5	-2.4	5.9%
% of revenues	-8.0%	-7.8%	
<b>Income from ordinary operations</b>	<b>-18.5</b>	<b>-12.2</b>	<b>51.7%</b>
% of revenues	-58.8%	-40.0%	
<b>Other operating income and expenses</b>	<b>-3.2</b>	<b>-4.2</b>	<b>-22.7%</b>
<b>EBIT</b>	<b>-21.8</b>	<b>-16.4</b>	<b>32.8%</b>
% of revenues	-68.9%	-53.6%	
Income from cash and cash equivalents	0.0	0.0	-
Gross finance costs	-0.1	-0.1	-
Net finance costs	-0.1	-0.1	-
Other financial income and expenses	-0.8	3.2	-
<b>Financial income and expenses</b>	<b>-0.9</b>	<b>3.2</b>	<b>-</b>
Share in income from associates	-0.3	-0.9	-
Tax	0.0	-0.3	-
<b>Net income</b>	<b>-22.9</b>	<b>-14.2</b>	<b>-59.2%</b>
<b>Net income (Group share)</b>	<b>-22.5</b>	<b>-14.1</b>	<b>-59.8%</b>
% of revenues	-71.4%	-46.1%	
<b>Non-controlling interests</b>	<b>-0.4</b>	<b>-0.1</b>	

Parrot is reporting total revenue growth of 3.3% to €31.6m (+1.6% at constant exchange rates). Sales of professional microdrones, with the ANAFI for security (ANAFI USA) and inspection (ANAFI Ai), are up 0.5% to represent 49% of the Group's revenues. The second quarter followed a high basis for comparison (125% year-on-year growth for microdrone revenues in the second quarter of 2022) linked to the first months of the war in Ukraine, as well as deliveries for the British armed forces and €0.4m of sales of discontinued legacy products. The 11 photogrammetry solutions focused on image analysis for mapping, inspection, security and precision farming represent 51% of revenues and are up 6.5%.

Over the period, the Group recorded a gross margin of €24.1m, representing 76.5%. This change includes the impact of a €1.2m provision linked to the new industrial strategy rolled out in South Korea and the growth in sales of third-party equipment (with lower margins than software, they aim to expand the addressable market for photogrammetry).

As a result of a dynamic allocation of resources, following the acceleration of growth during the second half of 2022 (revenues up +35.5% between H1 and H2 2022), the Group's operating expenditure totaled €42.7m, compared with €36.5m for the first half of 2022 (€38.4m for the second half of 2022). At end-June 2023, the Group had 533 employees (permanent and fixed-term contracts, versus 542 at December 31, 2022). Departures took place in the 2<sup>nd</sup> quarter, and the workforce is set to be reduced by a further 20% by the end of the second half of this year. In line with the progress made with its projects, the Group also limited its use of external contractors, down from 44 at December 31, 2022 (66 at June 30, 2022) to 25 at end-June 2023.

R&D spending totaled €26.1m, compared with €20.8m at June 30, 2022. As in 2022, 53% was allocated to microdrones, with 47% for photogrammetry. The work underway to complete various development projects, combined with the microdrones technological roadmap's focus on the dedicated Defense & Security solutions and the improvement in the photogrammetry business' organization, will make it possible to reduce spendings in this area.

Sales and marketing costs came to €7.0m, compared with €5.6m at June 30, 2022. The improvement of the photogrammetry activity's organization will contribute to reducing these expenses.

Administrative costs and overheads represent €7.1m, compared with €7.8m at June 30, 2022. They mostly reflect the efforts made by the head office teams to limit spending. This approach is being rolled out across all the business units.

Production and quality spending totaled €2.5m, compared with €2.4m at June 30, 2022. The transition to the new industrial organization in South Korea, complementing the organization already in place in the United States, will help reduce production and quality costs.

Other operating income and expenses came to €(3.2)m, with €(21.8)m of EBIT for the first half of 2023, versus €(16.4)m for the first half of 2022. The implementation of the new industrial organization and operational structure, for a total estimated cost of €6.5m, aims to reduce its operating expenditure over the second half of the year, with the full impact to be seen in 2024. This expense was partially offset by €3.4m of income from the sale of a minority interest.

## Change in the cash position

The Group had €44.8m of net cash at end-June 2023, compared with €68.5m at end-December 2022. The Group does not have any financial debt.

Cash flow from operating activities totaled €(25.7)m, reflecting the resources allocated to operations, as well as the increase in working capital requirements to €9.6m, compared with €4.8m at June 30, 2022. This reflects an annual increase in inventory for €14.2m, mostly linked to sourcing in the context of the changes to the industrial organization as well as the integration of the photogrammetry equipment offer.

Cash flow from investment activities came to €5.1m, linked primarily to the sale of Sky Hero (minority interest consolidated on an equity basis) on June 29, 2023, as well as the €1.5m of financing for Fluktor and Outflier, which have been consolidated since 2022.

Cash flow from financing activities came to €(3.1)m, including €1.9m for leases with the application of IFRS 16.

## Outlook

Parrot is continuing to take action to generate growth in 2023. Nevertheless, the rate at which orders will be placed, which is difficult to forecast, is currently limiting the Group's visibility over its level of revenues at end-2023. Sales would then be deferred to 2024.

The Group has rolled out various measures to reduce its cash consumption without impacting its ability to take on board the expected increase in orders. Parrot aims to fully capitalize on its new industrial organization.

The strategy deployed will enable it to reduce cash consumption over the second half of 2023 and more significantly in 2024, within the limits of working capital requirements, which will be expected to support the acceleration in growth.

## Next financial date

2023 third-quarter revenues: Thursday November 16, 2023

## ABOUT THE PARROT GROUP

Parrot is Europe's leading commercial microUAV group. With a strong international presence, the Group designs, develops and markets a complementary range of micro-UAV equipment and image analysis software (photogrammetry) dedicated to companies, large groups and government organizations. Its offer is mainly centered on three vertical markets: (i) Defense and Security, (ii) Inspection, 3D mapping and Geomatics, (iii) and Precision agriculture.

Its ANAFI range of microUAVs, recognized for their performance, robustness and ease of use, features an open source architecture and meets the highest cybersecurity standards. Its Pix4D photogrammetry software suite for mobile and drone mapping is based on advanced technical expertise and offers solutions tailored to the specificities of the verticals it addresses.

The Parrot Group, founded in 1994 by Henri Seydoux its Chairman, CEO and main shareholders, designs and develops its products in Europe, and is headquartered in Paris. Today, it has over 500 employees worldwide and carries out the vast majority of its sales internationally. Parrot has been listed on Euronext Paris since 2006 (FR0004038263 - PARRO). For more information: [www.parrot.com](http://www.parrot.com), [www.pix4d.com](http://www.pix4d.com)

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# APPENDICES

## Quarterly revenues

REVENUES (€m and % of revenues)	Q1 2023 3 months		Q2 2023 3 months		Q1 2022 3 months		Q2 2022 3 months	
A Professional microdrones	9.4	56%	6.0	49%	7.7	54%	7.7	54%
C Photogrammetry	7.2	43%	8.9	51%	6.7	46%	6.7	46%
D Parrot SA	0.2	-	0.2	-	0.1	-	0.1	-
E Intragroup eliminations	-0.2	-	-0.2	-	-0.1	-	-0.1	-
<b>PARROT GROUP TOTAL</b>	<b>16.7</b>	<b>100%</b>	<b>14.9</b>	<b>100%</b>	<b>14.4</b>	<b>100%</b>	<b>14,4</b>	<b>100%</b>

## Segment reporting for the first half of 2023

€m and % of revenues	Microdrones	Photogrammetry	Other <sup>(1)</sup>	Total
Revenues	15.5	16.1	0.4	31.6
Income from ordinary operations	(11.3)	(5.6)	(1.6)	(18.5)

<sup>(1)</sup> Parrot S.A. and ancillary or non-strategic activities.

## Consolidated balance sheet

ASSETS (IFRS, €m)	Jun 30, 2023	Dec 31, 2022	Jun 30, 2022
<b>Non-current assets</b>	<b>17.8</b>	<b>18.2</b>	<b>21.1</b>
Other intangible assets	0.1	0.2	0.3
Property, plant and equipment	1.9	2.1	2.2
Right of use	8.6	9.9	8.4
Investments in associates	3.8	2.5	3.1
Financial assets	3.1	3.0	6.6
Non-current lease receivables	-	-	-
Deferred tax assets	0.4	0.4	0.2
Other non-current assets	0.0	0.0	0.2
<b>Current assets</b>	<b>85.5</b>	<b>102.5</b>	<b>105.3</b>
Inventories	22.3	14.9	8.1
Trade receivables	5.6	6.4	6.9
Tax receivables	6.4	5.9	7.8
Other receivables	6.4	6.6	12.3
Current lease receivables	-	0.1	0.3
Cash and cash equivalents	44.8	68.5	70.0
<b>Assets held for sale</b>	<b>-</b>	<b>2.5</b>	<b>1.8</b>
<b>Total assets</b>	<b>103.4</b>	<b>123.2</b>	<b>128.2</b>

<b>SHAREHOLDERS' EQUITY AND LIABILITIES (IFRS, €m)</b>	<b>Jun 30, 2023</b>	<b>Dec 31, 2022</b>	<b>Jun 30, 2022</b>
<b>Shareholders' equity</b>	<b>61.3</b>	<b>84.0</b>	<b>90.5</b>
Share capital	4.6	4.6	4.6
Additional paid-in capital	331.7	331.7	331.7
Reserves excluding earnings for the period	-262.0	-242.6	-241.2
Earnings for the period - Group share	-22.5	-19.5	-14.1
Exchange gains or losses	8.9	8.9	8.4
<b>Equity attributable to Parrot SA shareholders</b>	<b>60.7</b>	<b>83.1</b>	<b>89.4</b>
Non-controlling interests	0.6	1.0	1.1
<b>Non-current liabilities</b>	<b>11.4</b>	<b>12.5</b>	<b>9.9</b>
Non-current financial liabilities	-	-	-
Non-current lease liabilities	6.6	7.6	6.4
Provisions for pensions and other employee benefits	1.8	1.9	1.3
Deferred tax liabilities	0.0	0.0	0.0
Other non-current provisions	0.0	0.1	0.4
Other non-current liabilities	3.0	3.0	1.8
<b>Current liabilities</b>	<b>30.6</b>	<b>26.7</b>	<b>27.8</b>
Current financial liabilities	-	-	-
Current lease liabilities	2.2	2.6	2.5
Current provisions	9.1	2.2	1.6
Trade payables	7.3	9.2	10.7
Current tax liabilities	0.1	0.1	0.0
Other current liabilities	11.9	12.6	12.9
<b>Liabilities held for sale</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity and liabilities</b>	<b>103.4</b>	<b>123.2</b>	<b>128.2</b>

## Consolidated cash-flow statement

<b>IFRS, €m</b>	<b>Jun 30, 2023</b>	<b>Dec 31, 2022</b>	<b>Jun 30, 2022</b>
<b>OPERATING CASH FLOW</b>			
Earnings for the period	-22.9	-19.7	-14.1
Share in income from associates	-0.3	1.0	0.9
Depreciation and amortization	8.9	4.8	2.6
Capital gains and losses on disposals	-3.3	0.6	0.9
Tax expense	0.0	0.4	0.1
Cost of share-based payments	1.1	1.3	0.9
Other non-cash items	-	3.1	-0.5
Net finance costs	0.1	0.5	0.1
Cash flow from operations before net finance costs and tax	-15.9	-8.0	<b>-9.3</b>
Change in working capital requirements	-9.6	-12.0	-4.8
Tax paid	-0.1	-0.1	-0.1
<b>Cash flow from operating activities (A)</b>	<b>-25.7</b>	<b>-20.1</b>	<b>-14.1</b>
<b>INVESTING CASH FLOW</b>			
Acquisition of property, plant and equipment and intangible assets	-0.4	-1.9	-1.2
Acquisition of financial assets	-0.1	-0.1	-0.0
Disposal of subsidiaries, net of cash divested	-	5.8	-
Disposal of investments in associates	-	1.8	2.6
Disposal of financial assets	5.6	3.3	2.2
<b>Cash flow from investment activities (B)</b>	<b>5.1</b>	<b>8.9</b>	<b>3.5</b>
<b>FINANCING CASH FLOW</b>			

Equity contributions	-1.6	-1.3	-1.7
Net finance costs	-0.1	-0.5	-0.1
Repayment of short-term financial debt (net)	-1.4	-3.3	-1.8
Repayment of other financing	-	0.9	-
<b>Cash flow from financing activities (C)</b>	<b>-3.1</b>	<b>-4.2</b>	<b>-3.5</b>
<b>NET CHANGE IN CASH (D = A+B+C)</b>	<b>-23.5</b>	<b>-15.4</b>	<b>-14.1</b>
Impact of change in exchange rates	-0.2	1.1	1.3
<b>CASH AND CASH EQUIVALENTS AT START OF PERIOD</b>	<b>68.5</b>	<b>82.8</b>	<b>82.8</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>44.8</b>	<b>68.5</b>	<b>70.0</b>