

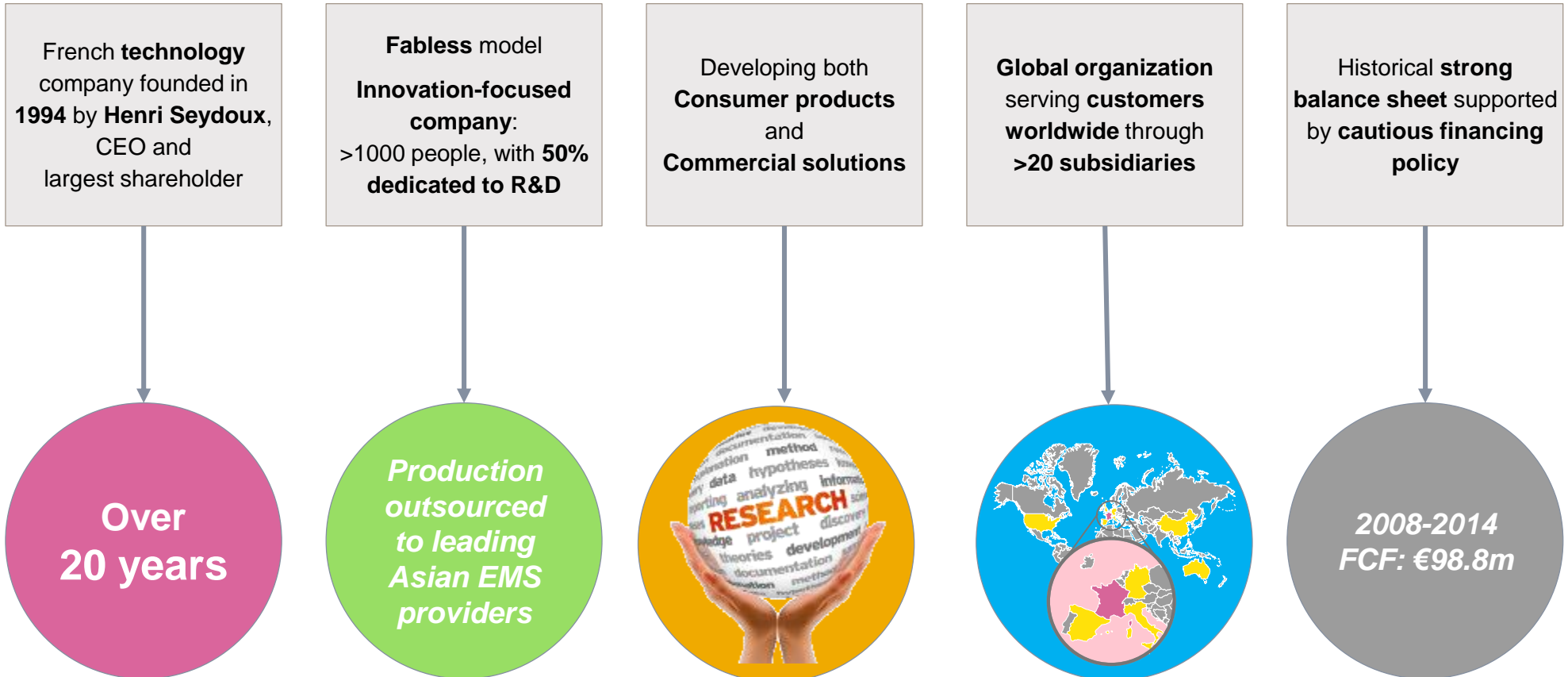


# INVESTOR PRESENTATION

# Parrot<sup>®</sup>

Q4/FY 2017 – March 2017

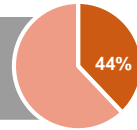
# Profile



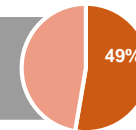
Source: Annual reports

# Leading drone company

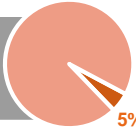
**Automotive: €103 m** (FY16 rev.)  
-18% 2016 vs. 2015



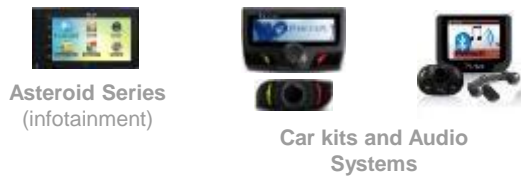
**Drones: €114 m** (FY16 rev.)  
-38% 2016 vs. 2015



**Connected devices: €12.5 m** (FY16 rev.)  
-19% 2016 vs. 2015



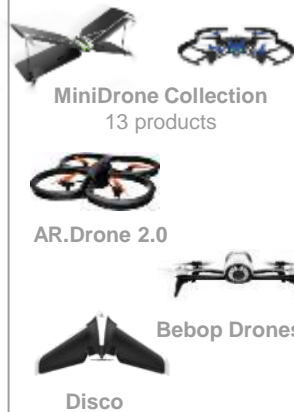
## Retail Automotive: connected systems



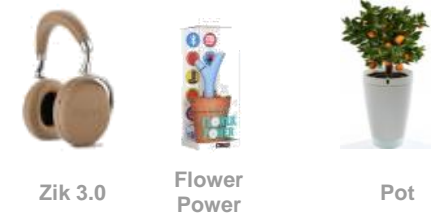
## OEM Automotive: renowned innovator



## Consumer



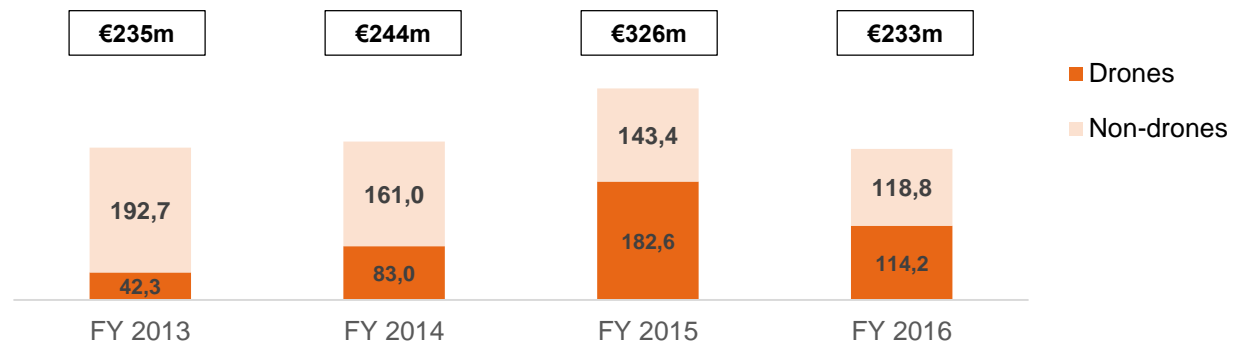
## Commercial



## Innovation laboratory



## Parrot sales breakdown since 2013



# Automotive: presentation & strategy

## > Parrot's historical core business

- Initial development in the mobile phone ecosystem focused on the **use-case** in the automotive industry
- Starting in consumer and moving on to commercial/professional and from mobile phone to smartphone-related technologies
- Developing strong **connected car** expertise

## > Now mature business with a strong OEM focus

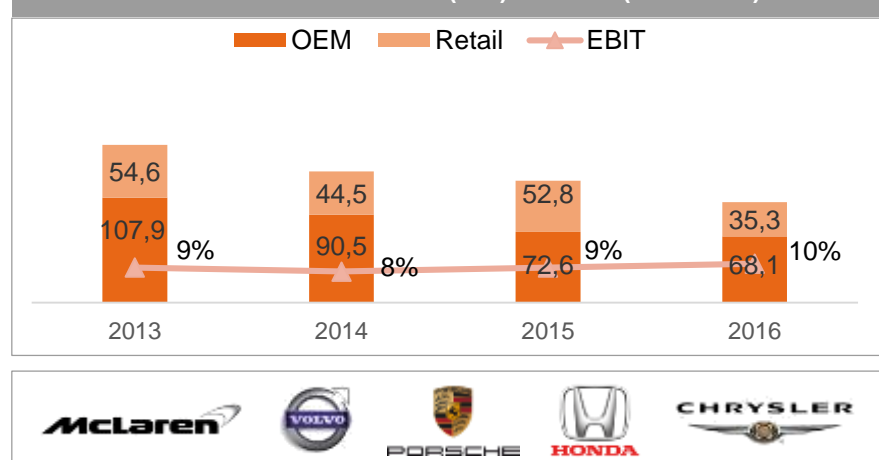
- **Autonomous, self-managed** division
- **Substantial, recurring profitability** ( $\approx 10\%$  EBIT margin) despite drop in revenues (innovation/automotive cycle)
- **Book value of  $\approx \text{€}70\text{m}$**  (Dec. 31, 2016)

## > Partnership project with Faurecia to divest Automotive OEM

- Seeking **scale and ROI**
- Project announced at end-2016, **signing expected for Q1 2016**
- **EV at signing:  $\approx \text{€}100\text{m}$**
- **Gradual exit from 2017 to 2020**
  - Capital increase and convertible bond scheme
  - Put and call options
  - Possible earnout at final exit



Automotive revenues (€m) & EBIT (% of rev.)







*“ Like the Internet and GPS before,  
drone technology is evolving beyond its military roots  
to encompass a broad array of business applications ”*



**Parrot is uniquely positioned on the consumer and professional  
drone markets**



# Drones: our vision



# Consumer drones

All-in-one and ready-for-use

Affordable price

Lightweight: below 500g

Fun design

## MINIDRONES



AIRBORNE CARGO  
MARS  
€99 – 54 g



MAMBO  
€119 – 63 g



AIRBORNE  
NIGHT MCLANE  
€129 – 54 g



SWING  
€139 – 73 g

AIRBORNE  
NIGHT BLAZE  
€129 – 54 g

AIRBORNE  
NIGHT SWAT  
€129 – 54 g



FLYPAD  
€39

## DRONES



A.R. DRONE 2.0  
€249 - 380 g

A.R. DRONE 2.0  
ELITE EDITION  
€249 - 380 g

A.R. DRONE 2.0  
GPS EDITION  
€299 - 420 g

A.R. DRONE 2.0  
POWER EDITION  
€299 - 420 g



BEBOP 2  
€549 – 500 g

BEBOP 2 FPV  
€699 – 500 g



DISCO FPV  
€1299 - 750g



FPV PACK  
PARROT SKYCONTROLLER 2,  
+ COCKPITGLASSES,  
€349

# Parrot



All Parrot drones are  
smartphone / tablet  
compatible

# Consumer drone market environment

2015 / 2016 main consumer drone players

CONSUMER  
< €500

**Parrot**

Hydrofoil €169 – 247 g

Jumping €199 – 205 g

Airborne €99/129 – 54 g

**Parrot**

Mambo €119 – 63 g

Swing €139 – 73 g

**Silverlit**  
THE FLIGHT EXPERIMENT

Silverlit Discovery  
€79 – 865 g

**Revell**

REVEL CONTROL  
SPACE MOTION  
€115 – 36 g

**SYMA**

SYMA X8HG  
€199 – 200 g

**EHANG**

Ghost 2  
€650-1100 -  
650-1600 g

**Parrot**

Bebop 2  
€499-699 – 500 g

**YUNEEC**  
MULTIMEDIA DRONES

Yuneec Breeze 4k  
€499 – 385 g

**ARI**

Onagofly 1 Plus  
€299 – 230 g

**WINGSLAND**

WingsLand - S6 /  
Selfie 4K  
€489 – 230 g

**HOVER  
CAMERA**

Hover Camera  
Selfie  
€599 – 242 g

**BLADE**

BLADE 200QX  
€229 – 190 g

PROSUMER  
€500 - < 2500

**dji**

Phantom 3 & Pro  
€819-1399 – 1280 g

**YUNEEC**  
MULTIMEDIA DRONES

Yuneec Q500  
€699-1399 – 1600 g

**Parrot**

Disco  
€1299 - 750g

**dji**

Mavic  
€800 - 1200  
743 g

**YUNEEC**  
MULTIMEDIA DRONES

Yuneec Q500  
Typhoon 4K RTF  
€769 – 195 g

**GoPro**  
Be a HERO

GoPro Karma  
€1199 € - 1000 g

**3DR**

3DR SOLO RTF  
€1049 – 1500 g

**YUNE**  
MULTIMEDIA DRONES

Typhoon H  
€1399 € – 1600 g

**dji**

Phantom 4  
€1399 – 1380 g

□ Parrot

□ Other (market position: DJI, Parrot, Yuneec, Hoover)



# Well-established organization

12 to 24-month product lifecycle

1

## Design

- > **Best-in-class software** engineers
  - Drone R&D: 400 engineers
  - Popular brand and market segment help recruit high-level engineers
  - Historical auto expertise in DSP and ISP
- > Solid **component sourcing** capabilities
- > **New product requirements**
  - 40/50% average gross margin achieved in 12mo. product cycle
  - Smartphone environment and integration
  - Widely available and best-in-class components
  - Innovation / differentiation
  - Easy-to-use/ light / mass market tailored

2

## Manufacturing

- > **Fabless model** with products outsourced to leading Asian EMS providers
  - Ability to address strong demand if required
- > Component procurement and manufacturing in 10-14 weeks
  - Mostly wide availability from smartphone component bank

### Key suppliers / manufacturers



3

## Distribution

- > **Solid existing and growing distribution network** with both retail stores and e-commerce
  - 14,000 stores and 300 websites worldwide
  - Growing proprietary online sales platforms

### Key retailers / e-commerce



*Fine tune industrial and logistical processes to serve efficient market coverage and long-term financial balance expectation*

Source: Company

Parrot

# Building long-term value on the commercial UAV market

FOR MINING



FOR SURVEYING



FOR GIS



FOR HUMANITARIAN AID



FOR AGRICULTURE



FOR THE ENVIRONMENT

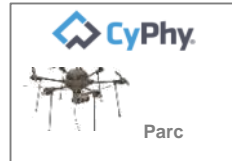


*UAVs are bringing the next level of big data to multiple sectors*

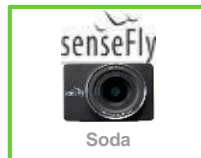
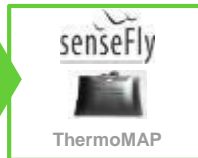
# Commercial UAV market environment

2015 / 2016 main commercial drone players

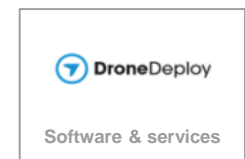
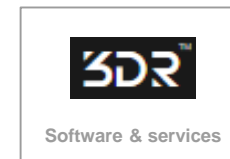
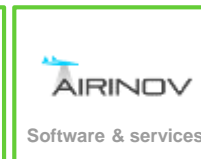
## Hardware



## Payloads



## Software



Parrot

□ Parrot group ■ Parrot minority stake

□ Other (privately owned company, no reporting/pricing available)

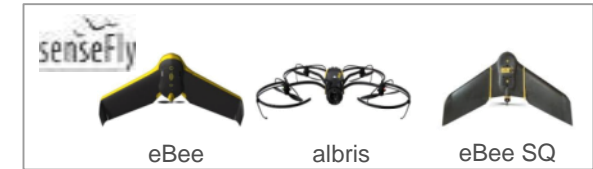
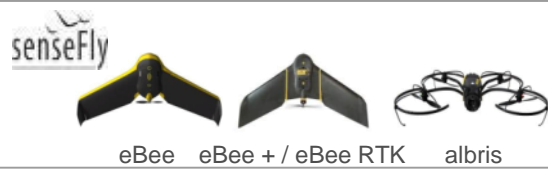
# Uniquely positioned on 3 key value-added markets

## MAPPING

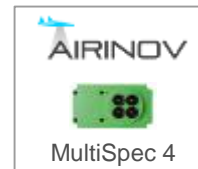
## AGRICULTURE

## INSPECTION

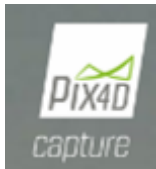
### Hardware



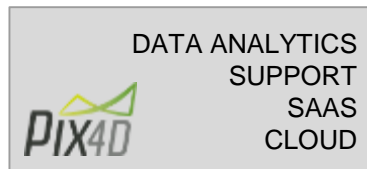
### Payloads



### Software



### Services



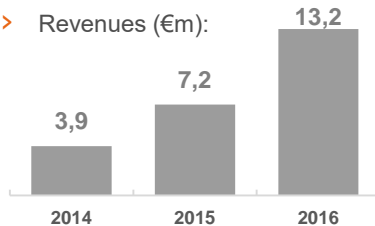
**Parrot provides end-to-end solutions for professionals and institutions, from drone design to software and cloud-based services**



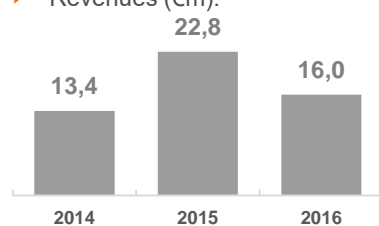
# Successful acquisition-led strategy creating early stage market leaders



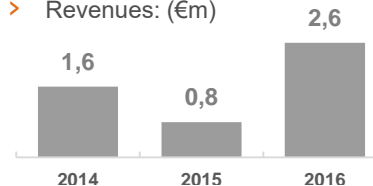
- > Photogrammetry (3D imaging) software (SaaS)
- > Drone image processing market leader
- > Country: Switzerland
- > Initial stake: July 2012 (31%)
- > Investment: €3.9m – 62%<sup>2</sup>
- > Revenues (€m):



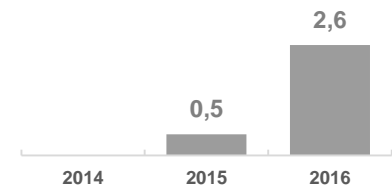
- > Drones, flight planning and payloads
- > Fixed-wing market leader
- > Initial stake: July 2012 (56%)
- > Country: Switzerland
- > Investment: €33.3m – 100%<sup>1</sup>
- > Revenues (€m):



- > Precision Ag sensor, software and services
- > Leading in France, developing internationally since 2016
- > Initial stake: Feb. 2014 (47%)
- > Country: France
- > Investment: €9.1m – 59% (100% by 2019)
- > Revenues: (€m)



- > Precision Ag sensor, software and services
- > Initial stake: Sept. 2014 (35%)
- > Country: United States
- > Investment: €8.2m – 51% (100% by 2019)
- > Revenues (€m):



**Parrot has been able to identify the most promising startups early and integrate relevant technologies within the Group**

Source: Company

Note: (1) Acquisition finalized in May 2016 (2) Acquisition to be finalized in May 2017

# Growing services: flexible and opportunistic approach

1

## Drones: AERIAL DATA COLLECTION

- > Professional or consumer-grade drones, used to capture aerial data
  - Adapt drone to mission spec.
  - 3D mapping, crop and construction surveying, thermal inspection, etc.



2

## Sensors & payloads: PRECISION

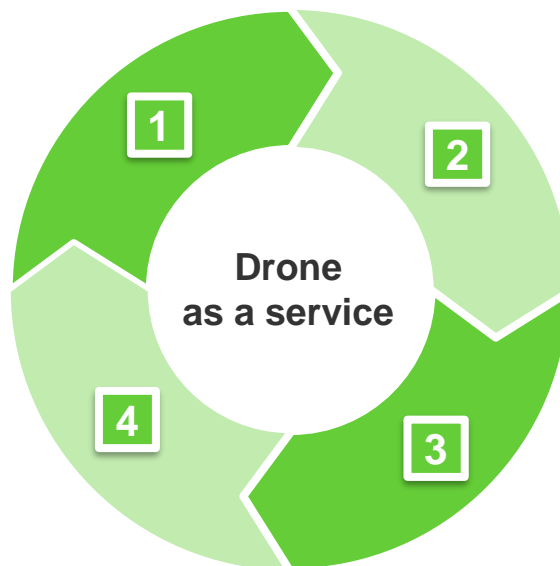
- > Various sensors adapted for different use-cases (thermal, photogrammetry, multispectral, etc.)
- > Recognized expertise in innovation, precision and speed



4

## Network of INDEPENDENT PILOTS

- > Network of >1000 operators on three platforms
  - Training, processes and quality standards
  - Administrative/regulatory support



3

## Software: DATA ANALYSIS

- > Range of proprietary software to process, analyze and present data
  - Precision Ag: elevation modeling, plant counting, soil property & moisture analysis, crop health/stress analysis, water management, erosion analysis, maturity evaluation, yield forecasting...
  - Surveying: high resolution 2D/3D digital maps, elevation models, contour lines, break lines, volumes and stockpiles calculation, feasibility studies, export to third-party software...
  - GIS: progress tracking, feature identification, flood simulation, project planning...





## **Q4/FY 2016 KEY FINANCIAL DATA**

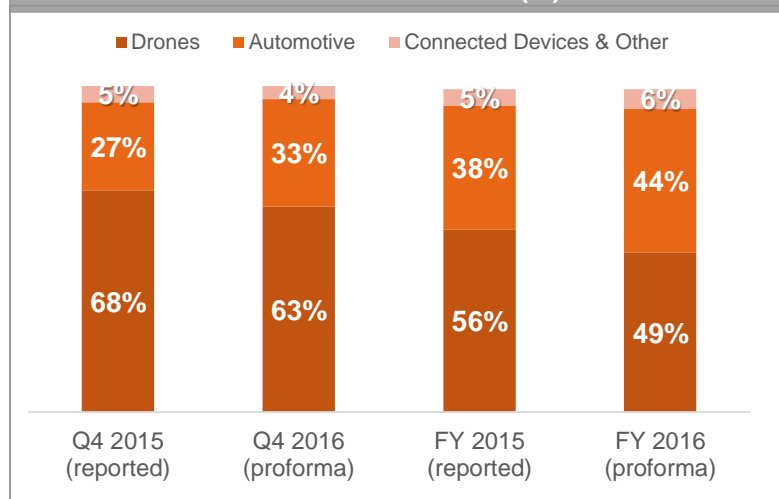
*Following the proposed strategic and capital partnership with Faurecia, announced on November 23, 2016, the OEM Automotive business (Parrot Automotive SAS and its subsidiaries Parrot Automotive Asia Pacific and, indirectly, Parrot Automotive Shenzhen) is presented as held for sale (IFRS 5). To ensure the continuity of information, the comments presented in this presentation relate to pro forma earnings, in line with the information from the previous quarters. The financial information presented in the tables under IFRS 5 is set to become, when the deal is signed shortly, the main references from Q1 2017.*

# Profit & loss

## Income statement (€m)

Consolidated accounts - IFRS (€m)	Q4 2015 Reported	Q4 2016 Pro forma	Q4/Q4	FY 2015 Reported	FY 2016 IFRS	FY 2016 Pro forma
<b>Revenues</b>	<b>108.2</b>	<b>85.1</b>	-21%	<b>326.3</b>	<b>166.4</b>	<b>233.2</b>
<b>Gross margin</b>	<b>50.4</b>	<b>20.4</b>	-60%	<b>152.7</b>	<b>26.8</b>	<b>64.0</b>
% of revenues	46.6%	23.9%	-	46.8%	16.1%	27.5%
<b>R&amp;D costs</b>	<b>-13.9</b>	<b>-20.9</b>	50%	<b>-57.7</b>	<b>-52.7</b>	<b>-71.5</b>
% of revenues	12.9%	24.6%	-	17.7%	31.7%	30.7%
<b>Sales and marketing costs</b>	<b>-22.9</b>	<b>-25.2</b>	10%	<b>-59.3</b>	<b>-68.4</b>	<b>-74.8</b>
% of revenues	21.1%	29.7%	-	18.2%	41.1%	32.1%
<b>G&amp;A costs</b>	<b>-5.2</b>	<b>-1.4</b>	-73%	<b>-19.5</b>	<b>-20.4</b>	<b>-23.3</b>
% of revenues	4.8%	1.6%	-	6.0%	12.2%	10.0%
<b>Production and quality costs</b>	<b>-5.2</b>	<b>-6.0</b>	15%	<b>-16.6</b>	<b>-16.5</b>	<b>-19.4</b>
% of revenues	4.8%	7.0%	-	5.1%	9.9%	8.3%
<b>Income from ordinary operations</b>	<b>3.3</b>	<b>-33.1</b>	-1103%	<b>-0.4</b>	<b>-131.2</b>	<b>-124.9</b>
% of revenues	3.1%	-38.9%	-	-0.1%		
<b>EBIT</b>	<b>5.1</b>	<b>-38.8</b>	-861%	<b>2.1</b>	<b>-136.5</b>	<b>-130.3</b>
% of revenues	4.7%	-45.6%	-	0.6%	-82.0%	-55.9%
<b>Financial income / expense</b>	<b>0.7</b>	<b>0.5</b>	-29%	<b>0.9</b>	<b>-2.0</b>	<b>-0.9</b>
Corporate income tax	-0.2	-7.8	3800%	-0.2	-8.1	-10.2
Income from associates	-1.0	0.7	-170%	-1.1	ns	ns
<b>Net income</b>	<b>4.6</b>	<b>-45.4</b>	-1087%	<b>1.6</b>	<b>-141.4</b>	<b>-141.4</b>
Minority interests	0.1	-0.7	-800%	1.1	-3.5	-3.5
<b>Net income (Group share)</b>	<b>4.5</b>	<b>-44.7</b>	-1093%	<b>0.5</b>	<b>-137.9</b>	<b>-137.9</b>
% of revenues	4.1%	-52.5%	-	0.2%	-82.9%	-59.1%

## Revenue breakdown (%)

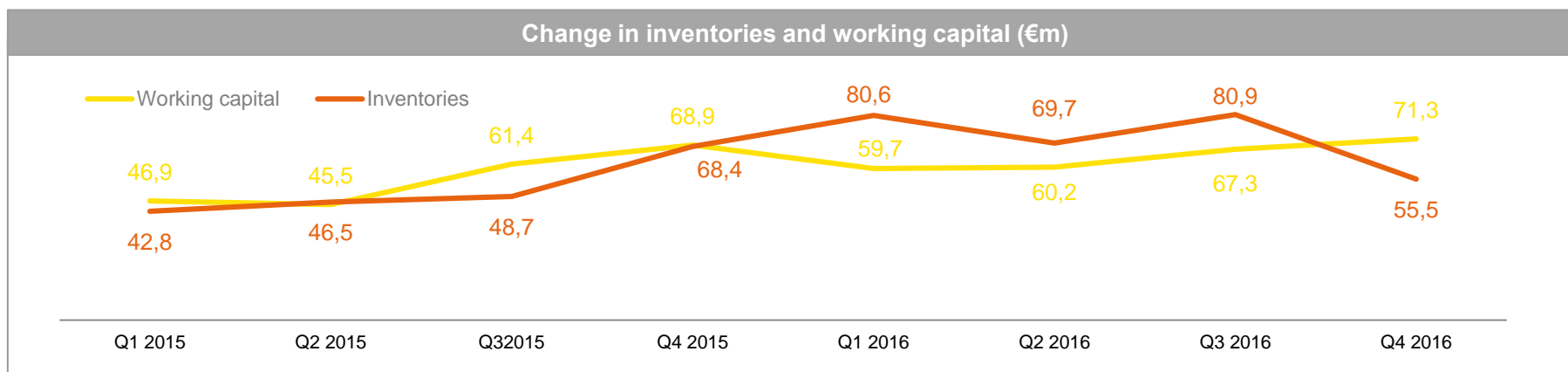
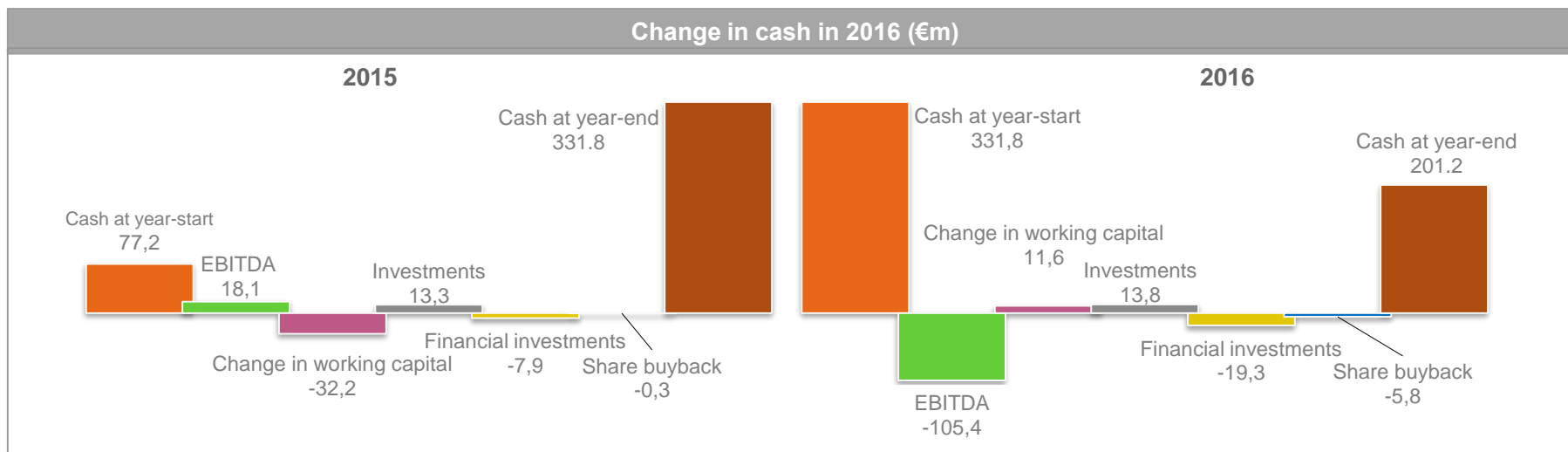


## Comments

- > 2015: strong growth (+120% in 2015) controlled in line with financial constraints (balanced operating profit). Capital increase of €300m.
- > 2016: additional resources for R&D, sales & marketing, new EMS for consumer drones, automotive ROI focus.
  - H1 2016: channel inventory handling, higher spending
  - H2 2016: legacy product impact, aggressive pricing market environment
    - Q4: high season for consumer drone sales, sales and inventory management, volume growth (+30%), market share gains (+2pts), poor margins



# Cash and working capital



# Parrot

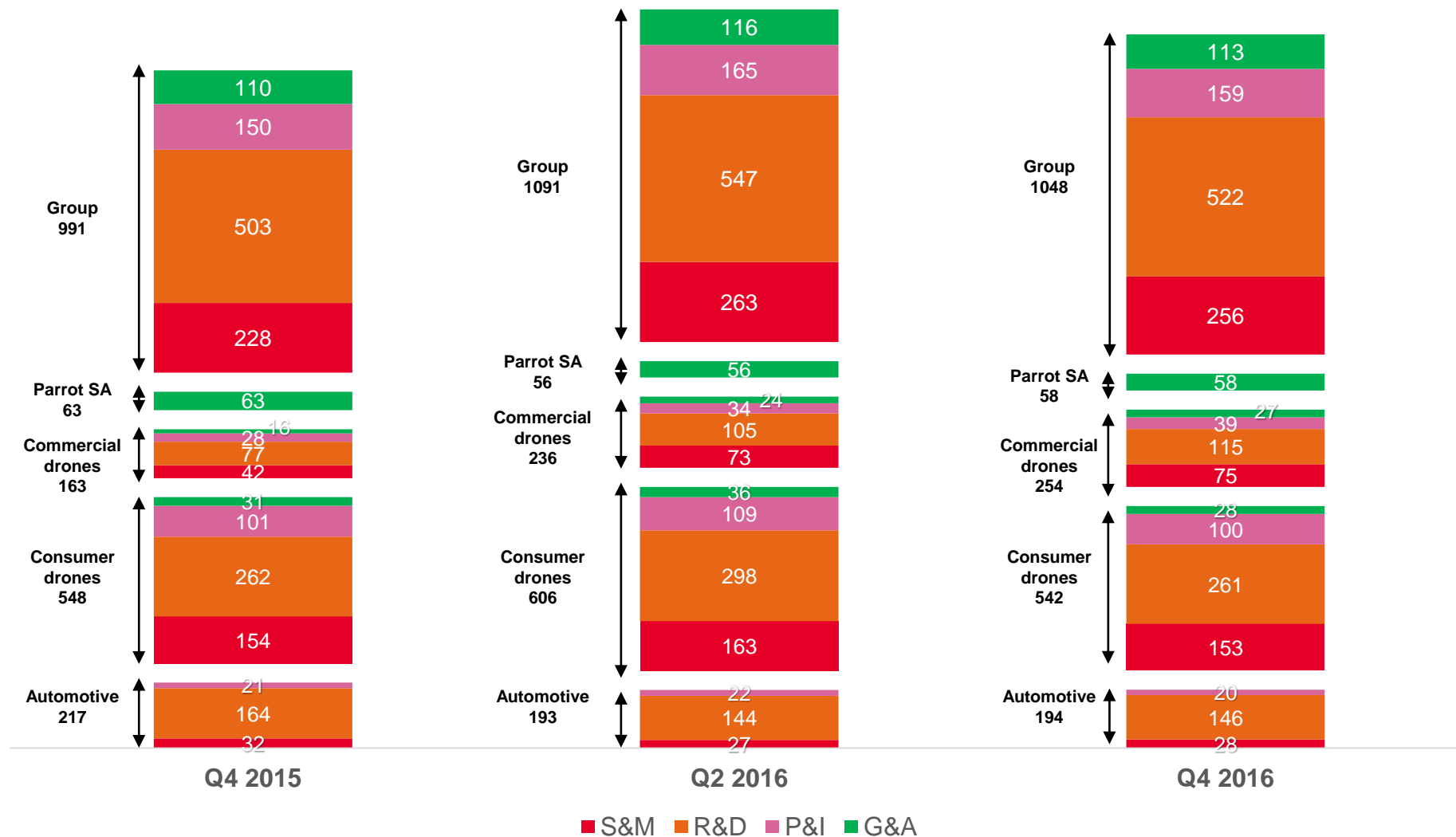
**At December 31, 2015: €653.6m**



**At December 31, 2016: €499.3m**



# Headcount





## **2017 STRATEGY & OUTLOOK**



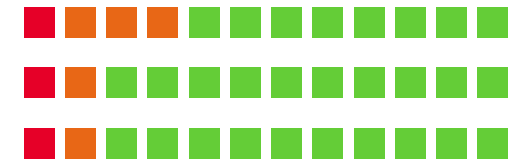
# Consumer drones: reorganize and redeploy

*Strong and agile organization rapidly adapting to market changes and opportunities*

## Reduce cost structure by 40% (excl. transition and direct marketing as % of sales costs)

- > Reduce workforce by 1/3 (approx. 250 people)
- > Reorganize salesforce on 3 main platforms (Europe, Asia, Americas)
- > Moderate all spending and reinforce control

*Progress tracking*



## Focus strategy on best market opportunities

- > Realign R&D on breakthrough project
- > Enhance product offering
- > Focus salesforces on selected growth prospects (incl. online)

*Progress tracking*



## Expected financial outcome

- > Increase sales
- > Reestablish growth margin
- > Demonstrate financial balance by the end of 2017

*Expectations*



# Professional drones: accelerate and support growth

## Equipment (drones and sensors)

- Accelerate fixed-wing penetration building on most recent technologies (eBee +, eBee RTK) at lower prices
- Expand with payloads (photogrammetry, thermal, multispectral, etc.)
- Develop distribution, territories and partnerships



## Software and analytics

- Expand leadership in photogrammetry with core (Pix4Dmapper) and newest solutions (Ag, bim, model, capture)
- Develop workflow within industries' benchmark products
- Address multiple platforms and use-cases (mobile, cloud, desktop, enterprise, rental, trial, education, etc.)



## Services and usage

- Support precision ag market expansion in France and selectively abroad
- Build up scalable drone service platform through simple online processes, partnerships and prepare international expansion



# 2017 outlook

## **Resume growth in consumer drones**

- Low basis for comparison in H1
- Enhanced product portfolio
- Optimized sales and marketing efficiency

## **Accelerate growth in commercial drones**

- Best-in-class product offering and strong organization
- Solution launched in 2016 to contribute to sales in 2017
- International expansion

## **Scale back other retail products (automotive and connected devices)**

- Manage global decrease through margins

## **Improve growth margin**

- Better product mix for Consumer drones
- Increase % of sales of Commercial drones

## **Maintain investment/divestment strategy**

**Resume growth and significantly reduce operating losses to demonstrate balanced operational structure by the end of 2017.**

### **Short-term focus**

- Pace and execution of reorganization
- Finalize Faurecia / Parrot Automotive project
- Finalize Pix4D acquisition (€27m in Q2)
- Low basis for comparison in Q1 and Q2 2017
- Product and service launches and partnership development

Source: Company

# Key investment highlights

- > Well-established technology company with **strong innovation DNA and 23-year history**
- > **Pioneer and leader in the fast-growing Drone industry** with an established position on all civil drone market segments
- > Unique integrated player **active across the entire value chain** (hardware, software, applications and services) with worldwide presence **on both consumer and commercial drones**
- > **Flexible and experienced organization** thanks to capacity to adjust the company's industrial and commercial organization (fabless model)
- > **Outstanding track record** identifying opportunities in the commercial drone sector and integrating specialized startups into the Group
- > **Strong and experienced management team** led by highly motivated founder and entrepreneurs with a great track record