

Parrot

PRESS RELEASE

March 16, 2023, 8:00am CET

2022 FULL-YEAR EARNINGS

64% growth like-for-like and at constant exchange rates⁽¹⁾

€68.5m of net cash at end-2022

Growth to continue in 2023

The Parrot group, a European leader for professional civil drones, recorded €71.9m of consolidated revenues in 2022, up 32% (+24% at constant exchange rates).

Parrot has continued to capitalize on the strategy rolled out at the end of 2018 focused on its hardware and software offering on the market for professional microdrones. Sales of microdrones, primarily the ANAFI for security (ANAFI USA) and inspection (ANAFI Ai), are up 88% to represent 55% of the group's revenues. The 11 Pix4D software solutions focused on image analysis (photogrammetry) for mapping, inspection, security and precision farming represent 45% of revenues and are up 25%. Based on the "New Scope" monitored since the start of 2022⁽¹⁾, the group's revenues came to €70.7m, with year-on-year growth of +75% (+64% at constant exchange rates).

2022 business

In 2022, Parrot met the challenges linked to the general environment (electronic and industrial components shortage, inflation, health context) to respond to the growing interest in its technologies. In line with the change in the group's positioning and the monitoring of its performance, the group now has two operating segments: the microdrones business and the photogrammetry business (details appended).

REVENUES (€m and % of revenues)	FY 2022 12 months		FY 2021 12 months		Change
A Microdrones	39.2	55%	20.9	38%	+88%
B Of which, consumer products ⁽²⁾	1.3	2%	6.2	11%	-79%
C Photogrammetry	32.7	45%	26.2	48%	+25%
D Parrot SA	0.7	1%	0.3	1%	+174%
E Intragroup eliminations	(0.7)	(1)%	-0.8	-2%	-7%
F SenseFly (activity divested in October 2021)	-	-	7.7	14%	-100%
CONSOLIDATED PARROT GROUP TOTAL	71.9	100%	54.3	100%	+32%
NEW SCOPE TOTAL⁽¹⁾ (=A-B+C+D+E)	70.6	98%	40.4	74%	+75%

(1) "New Scope Total" is a performance indicator reflecting the impact of the strategy rolled out since end-2018. It corresponds to the Parrot group's consolidated revenues after deducting revenues from consumer products (see 2) and revenues from the subsidiaries divested (Micasense in January 2021, with no revenues in 2021, and SenseFly SA and SenseFly Inc in October 2021).

(2) Consumer products: in 2022, remaining accessories (batteries, spare parts) for consumer drones (all ranges), whose sales were finalized in 2021.

Microdrones business

With revenues of €39.2m, the microdrones business recorded annual growth of +88% (+82% at constant exchange rates). Parrot has responded to the growing demand for its microdrones by securing its purchases and production capacity.

The ANAFI USA, focused on the security and defense markets, has been acquired by various institutions in NATO countries (including the United States, the United Kingdom, France, Northern Europe and Japan). With its easy deployment, robust design, reliability and high level of cybersecurity, it is the leading microdrone for reconnaissance and surveillance missions. It accounts for the majority of the microdrone sales. The geopolitical context has highlighted the strategic nature of microdrones, and this certainly represents an accelerating factor¹.

The ANAFI Ai, designed for inspection and mapping professionals, was rolled out commercially from the first quarter of 2022, supported by a gradual promotion strategy and the deployment of professional client services around the world. Its performance features, including its image precision (48 MP sensor), its 4G connectivity, its capabilities for automating missions (Ai) and its protection of user data, are proving very popular. Thanks in particular to its extensive ecosystem of software partners, the ANAFI Ai covers a growing number of use cases for the inspection of strategic infrastructures (telecoms, energy, engineering works), architecture and construction.

Photogrammetry business

With revenues of €32.7m, the photogrammetry business recorded annual growth of 25% (+15% at constant exchange rates). Photogrammetry is a technique based on the robust modeling of the geometry of images and their acquisition to recreate an exact 3D copy of the reality, which is used as a basis for calculations, analysis and monitoring by many professionals. The offering is made up of eight business software solutions and three applications from the Pix4D brand, combined with optional equipment (sensors, GPS) supplied by third parties. The solutions have been adopted by 55,000 users to date.

The flagship products in the geomatics and mapping sectors (PIX4Dmapper, PIX4Dmatic and PIX4Dsurvey) are still the main contributors. Recognized as market-leading solutions, they enable surveyors and drone service providers to handle increasingly large-scale projects. The use of the business solutions (Pix4Dreact, Pix4Dfields) launched at the end of 2019 is gradually ramping up. The Cloud solutions deployed in businesses and major groups from the architecture, engineering and construction (AEC) or telecommunications sectors are meeting the needs for digital twins and building information modeling (BIM), which are becoming the standard for work in these industries. The photogrammetry footprint is also expanding thanks to the diversification of compatible equipment (fixed cameras, mobile phones).

2022 earnings

The consolidated and annual financial statements for the year ended December 31, 2022 were approved by the Board of Directors on March 15, 2023. The audit procedures have been carried out by the statutory auditors and the reports will be issued once the necessary procedures have been completed. The Universal Registration Document will then be published on: <https://www.parrot.com/uk/corporate/reports>.

An adjustment for an error has been applied to the 2021 consolidated accounts relating to a difference in the accounting treatment between the Swiss Code of Obligations and IFRS that concerned the recognition of Pix4D SA's employee benefit plans. In accordance with IAS 19, the commitment relating to this plan was recognized at January 1, 2021 against equity. Non-current liabilities (provisions for pensions and other employee benefits) for 2021 increased by €1.7m. This adjustment did not impact 2021 revenues and is notably reflected in a reduction in 2021 income from ordinary operations by €0.8m and 2021 net income by €0.6m. This adjustment will be detailed in a dedicated note in the notes to the 2022 consolidated financial statements. All references to the results for 2021 in this press release are based on the adjusted figures.

(1) The deliveries identified and linked directly to the war in Ukraine represented €1.6m of revenues in 2022.

CONSOLIDATED INCOME STATEMENT (IFRS, €m)	Dec 31, 2022	Dec 31, 2021 (adjusted)	Change
Revenues	71.9	54.3	+32%
Cost of sales	-16.0	-15.2	+5%
Gross margin	56.0	39.1	+43%
<i>% of revenues</i>	<i>77.8%</i>	<i>72.0%</i>	
Research and development costs	-43.6	-40.7	+7%
<i>% of revenues</i>	<i>-60.6%</i>	<i>-75.0%</i>	
Sales and marketing costs	-11.1	-14.1	-21%
<i>% of revenues</i>	<i>-15.4%</i>	<i>-26.0%</i>	
Administrative costs and overheads	-14.7	-13.7	+8%
<i>% of revenues</i>	<i>-20.5%</i>	<i>-25.3%</i>	-
Production and quality costs	-5.5	-5.4	-1%
<i>% of revenues</i>	<i>-7.6%</i>	<i>-10.0%</i>	-
Income from ordinary operations	-19.0	-34.9	+46%
<i>% of revenues</i>	<i>-26.4%</i>	<i>-64.4%</i>	-
Other operating income and expenses	-0.9	30.4	-103%
EBIT	-19.9	-4.5	-
<i>% of revenues</i>	<i>-27.6%</i>	<i>-8.3%</i>	
Income from cash and cash equivalents	0.0	0.0	-
Gross finance costs	-0.5	-0.2	-
Net finance costs	-0.5	-0.2	-
Other financial income and expenses	2.1	1.8	-
Financial income and expenses	1.6	1.5	+7%
Share in income from associates	-1.0	0.4	-
Tax	-0.4	0.0	-
Net income	-19.7	-2.5	-
Net income (group share)	-19.5	-2.5	-
<i>% of revenues</i>	<i>-27.1%</i>	<i>-4.6%</i>	-
Non-controlling interests	-0.2	0.0	-

In 2022, based on €71.9m of revenues and €16.0m for the cost of sales, the Parrot group recorded a gross margin of €56.0m, representing 77.8% of its revenues. The group's two operating segments contributed to this on a virtually equivalent value basis. The effective management of component purchases for professional microdrones, despite the shortage, made it possible to preserve the level of the group's margin.

Building on the success of its strategy, the Parrot group continued to allocate major resources to further strengthening its position as a European leader, with operating expenditure of €75.0m, up from €74.0m in 2021 (including €9.1m allocated to the companies that were sold in October 2021). At end-2022, the group had 542 employees (permanent and fixed-term contracts), split between the microdrones sector and the photogrammetry sector (versus 440 at December 31, 2021). The group also employs 44 external contractors (52 at December 31, 2021).

R&D spending totaled €43.6m, compared with €40.7m in 2021. In 2022, 53% was allocated to microdrones, with 47% for photogrammetry. In these still young markets for professional drones, innovation continues to be at the heart of the group's development strategy and 60% of the workforce is focused on this. The objective is to offer customers a strong level of automation for data capture and analysis. This involves continuously improving the capacity to process high volumes of information, combined with the development of artificial intelligence in equipment. With this roadmap, the integration of drone technologies is being simplified, while ensuring the quality and relevance of the data acquired, particularly in terms of recurrence. This commitment is also reflected in the continued development of the partners ecosystem. In 2022, this was made up of more than 30 suppliers of solutions, players from the drone industry in Europe and the United States, which are perfectly integrated into the group's products.

Sales and marketing costs came to €11.1m, compared with €14.1m in 2021. They have continued to benefit from the elimination of the resources previously allocated to the companies divested in 2021 (-€2.2m) and the realignment around professional activities. They are focused on growing the group's international footprint, present in 12 countries. Professional client support is being set up with local partners offering specific business expertise. The equipment and solutions are being promoted through demonstrations of various use cases presented during Tech Days, industry conferences or webinars for instance.

Administrative costs and overheads represent €14.7m, compared with €13.7m in 2021. The reduction made possible by the divestments (-€1.8m) was offset by the strengthening of support functions, particularly for photogrammetry, and the spending rolled out by the parent company. They also aim to demonstrate the better level of transparency, personal data protection and cybersecurity (organization of bug bounties, hacking competitions and independent audits).

Production and quality spending totaled €5.5m, compared with €5.4m in 2021. The outsourced production process continues to be effectively under control despite managing complex manufacturing and assembly logistics to ensure alignment with the highest standards of quality and security.

Thanks to its sales growth, combined with the proactive and effectively managed allocation of resources, the group reduced its annual current operating losses to €(19.0)m, compared with €(34.9)m at end-2021. Other operating income and expenses totaled €(0.9)m, with €(19.9)m of EBIT in 2022, while the 2021 figure benefited from €29.9m of non-recurring income recorded in connection with the subsidiaries divested in January and October 2021.

Change in the cash position

The group had €68.5m of net cash at end-December 2022. Cash, cash equivalents and other current financial assets came to €68.5m, down €14.4m compared with the previous year's closing position.

Cash flow from operating activities totaled €20.1m, reflecting the resources allocated to operations, as well as the increase in working capital requirements. This is linked to an increase in inventory in response to the continued supply chain disruption.

Cash flow from investment activities totaled €8.9m, linked primarily to the collection of outstanding receivables following the divestment of Micasense and SenseFly, as well as the payments for the interests sold in the companies Planck Aerosystems (\$3.2m) and Chouette (€0.6m), less €1.9m of investments in IT infrastructure and equipment.

Cash flow from financing activities came to €4.2m, including €3.3m for the repayment of lease liabilities with the application of IFRS 16.

A presentation of the balance sheet and cash flow statement is appended.

Outlook

The Parrot group is deploying on professional markets that are expanding rapidly, from microdrones to photogrammetry, on which it has solid technological capabilities and offers robust responses to the geopolitical and industrial challenges seen today. However, the technological disruption and the deep changes in operational practices are making it difficult to assess and forecast rates of growth. To consolidate its positioning, Parrot is moving forward with a demanding technological roadmap, focused primarily on automation, cybersecurity and respect for user data. The expression of its assets is reflected in its sales and marketing strategy.

For the **microdrones serving the defense and security markets**, the geopolitical situation highlights the need for equipment ensuring high levels of both performance and security in a context of increased sovereignty. The ANAFI USA is now a world front-runner in this area. However, the cycles for sales to government institutions are long and the multi-year contracts cover different scales. With this type of contract, the frequency and volumes of renewals of orders are subject to adjudication by the contracting authorities. At a time when many countries have announced significant growth in their military budgets, Parrot is mobilizing to continue expanding its client portfolio.

For industrial sectors, in which microdrones and photogrammetry are combined, the disruption and changes in operational practices have gradually taken shape over several years, particularly for telecoms, energy and construction, as well as more generally the inspection sector. The improvements in terms of productivity, traceability and security (people, infrastructure and data), and the reduced carbon footprint (vs. aeronautical or satellite imaging) that they make possible are at the heart of the needs of businesses and major groups today. The capacity for investment of these clients and prospects continues to be guided mainly by the general environment.

In terms of photogrammetry solutions, the ramping up of the various markets will also involve the diversification of dedicated equipment. Mobile phones, tablets and cameras, which are widely adopted by users, require the marketing of specific equipment that must enable these technologies to be used on a larger scale. The group intends to incorporate them into its range of solutions with a view to further extending its user base.

In this context, following a first quarter of 2023 marked by a consolidation of sales trends, Parrot is taking action to continue moving forward with its growth. This is the group's core focus to gradually financially balance its operations, and it will be able to adapt its cash consumption if necessary to the pace of its growth.

Next financial dates

2023 first-quarter business: Thursday May 11, 2023

Parrot's general shareholders' meeting: Wednesday June 14, 2023

2023 first-half business and earnings: Friday July 28, 2023

ABOUT THE PARROT GROUP

Parrot is Europe's leading commercial UAV 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) Inspection, 3D mapping and Geomatics, (ii) Defense and Security, and Precision agriculture.

Its ANAFI range of micro UAVs, recognized for their performance, robustness and ease of use, features an open source architecture and meets the highest safety 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, www.pix4d.com

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APPENDICES

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Fourth-quarter revenues

REVENUES (€m and % of revenues)	Q4 2022 3 months		Q4 2021 3 months		Change
A Parrot Drones	10.0	51%	6.8	44%	+47%
B Of which, consumer products ⁽²⁾	0.0	0%	(0.2)	(1)%	ns
C Pix4D	9.5	49%	8.7	56%	+9%
D Parrot SA	0.2	1%	0.1	0%	-
E Intragroup eliminations	(0.2)	(1)%	(0.1)	(1)%	-
F SenseFly (activity divested in October 2021)	-	-%	0.1	1%	-
CONSOLIDATED PARROT GROUP TOTAL	19.5	100%	15.5	100%	+25%
NEW SCOPE TOTAL⁽¹⁾ (=A-B+C+D+E)	19.5	100%	15.7	101%	+24%

(1) "New scope total" is a performance indicator reflecting the impact of the strategy rolled out since end-2018. It corresponds to the Parrot group's consolidated revenues after deducting revenues from consumer products (see 2) and revenues from the subsidiaries divested (Micasense in January 2021, with no revenues in 2021, and SenseFly SA and SenseFly Inc in October 2021).

(2) Consumer products: remaining accessories (batteries, spare parts) for consumer drones (all ranges), whose sales were finalized in 2021.

Segment reporting

The group has adapted the monitoring of its performance following the sale of several subsidiaries in 2021 and the repositioning of Parrot around the professional drones business. The segment reporting reflects the view of the chief operating decision-maker ("CODM") (Chairman-CEO) and is based on the group's internal reporting. The internal reporting elements are prepared in accordance with the accounting principles applied by the group. It now has two operating segments: the microdrones business and the photogrammetry business. To make it possible to reconcile the elements presented with the consolidated accounts, the parent company Parrot S.A. is incorporated into the review. The performance for each segment is analyzed by the CODM based on the revenues and income from ordinary operations recorded. The assets and liabilities are not specifically presented to the CODM. Only the group's cash position is regularly monitored.

€m and % of revenues	Microdrones	Photogrammetry	Other ⁽¹⁾	Total
Revenues	39.2	32.7	0.1	71.9
Income from ordinary operations	(10.6)	(4.0)	(4.3)	(19.0)

Consolidated balance sheet

ASSETS (IFRS, €m)	Dec 31, 2022	Dec 31, 2021 (adjusted)	Change
Non-current assets	18.2		-34%
Other intangible assets	0.2		-34%
Property, plant and equipment	2.1		18%
Right of use	9.9		14%
Investments in associates	2.5		-55%
Financial assets	3.0		-53%
Non-current lease receivables	0.0		-100%
Deferred tax assets	0.4		-54%
Other non-current assets	0.0		-100%
Current assets	102.5		-13%
Inventories	14.9		203%
Trade receivables	6.4		24%
Tax receivables	5.9		-14%
Other receivables	6.6		-61%
Current lease receivables	0.1		-78%
Cash and cash equivalents	68.5		-17%
Assets held for sale	2.5		
Total assets	123.2		-15%

SHAREHOLDERS' EQUITY AND LIABILITIES (IFRS, €m)	Dec 31, 2022	Dec 31, 2021 (adjusted)	Change
Shareholders' equity	84.0	98.8	-15%
Share capital	4.6	4.6	1%
Additional paid-in capital	331.7	331.7	0%
Reserves excluding earnings for the period	-242.6	-242.8	0%
Earnings for the period - Group share	-19.5	-2.5	679%
Exchange gains or losses	8.9	7.4	20%
Equity attributable to Parrot SA shareholders	83.1	98.4	-16%
Non-controlling interests	1.0	0.4	121%
Non-current liabilities	12.5	12.2	3%
Non-current financial liabilities	0.0	0.0	-
Non-current lease liabilities	7.6	6.7	12%
Provisions for pensions and other employee benefits	1.9	2.8	-34%
Deferred tax liabilities	0.0	0.2	-100%
Other non-current provisions	0.1	0.4	-69%
Other non-current liabilities	3.0	1.9	52%
Current liabilities	26.7	34.0	-21%
Current financial liabilities	-	0.8	-
Current lease liabilities	2.6	2.7	-4%
Current provisions	2.2	1.2	87%
Trade payables	9.2	9.9	-7%
Current tax liabilities	0.1	0.1	31%
Other current liabilities	12.6	19.4	-35%
Liabilities held for sale	-	-	-

Total shareholders' equity and liabilities	123.2	145.0	-15%
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Consolidated cash-flow statement

IFRS, €m	Dec 31, 2022	Dec 31, 2021 (adjusted)	Change
OPERATING CASH FLOW			
Earnings for the period	-19.7	-2.5	682%
Share in income from associates	1.0	-0.4	-360%
Depreciation and amortization	4.8	3.1	55%
Capital gains and losses on disposals	0.6	-32.9	-102%
Tax expense	0.4	0.0	-1046%
Cost of share-based payments	1.3	1.3	-4%
Other non-cash items	3.1	-	-
Net finance costs	0.5	0.2	108%
Cash flow from operations before net finance costs and tax	-8.0	-31.2	-74%
Change in working capital requirements	-12.0	6.2	-292%
Tax paid	-0.1	-0.3	-63%
Cash flow from operating activities (A)	-20.1	-25.3	-21%
INVESTING CASH FLOW			
Acquisition of property, plant and equipment and intangible assets	-1.9	-1.6	20%
Acquisition of financial assets	-0.1	-2.7	-97%
Disposal of subsidiaries, net of cash divested	5.8	24.0	-76%
Disposal of investments in associates	1.8	-	-
Disposal of financial assets	3.3	3.2	1%
Cash flow from investment activities (B)	8.9	23.0	-61%
FINANCING CASH FLOW			
Equity contributions	-1.3	0.0	-
Net finance costs	-0.5	-0.2	108%
Repayment of short-term financial debt (net)	-3.3	-3.9	-15%
Repayment of other financing	0.9	-	-
Cash flow from financing activities (C)	-4.2	-4.1	3%
NET CHANGE IN CASH POSITION (D = A+B+C)	-15.4	-6.4	140%
Impact of change in exchange rates	1.1	1.3	-17%
CASH AND CASH EQUIVALENTS AT YEAR-START	82.8	88.0	-6%
CASH AND CASH EQUIVALENTS AT YEAR-END	68.5	82.8	-17%
