

Parrot

PRESS RELEASE

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2023 FULL-YEAR EARNINGS

Revenues of €65.0m (-8% at constant exchange rates)

2023 strategic plan effectively reduced costs over the second half of the year

Net cash at end-December of €28.1m, in line with the Group's ambitions for development

New Defense & Security microdrone currently being finalized

The Parrot group, a European leader for professional microdrones, recorded €65m of consolidated revenues in 2023, down 10% (-8% at constant exchange rates). The robust commercial development in 2023, following strong revenue growth in 2022 (+32%), illustrates the current volatility in a changing and complex environment. The Group, in a buoyant geopolitical context for its activities, rolled out some significant changes in 2023. It has effectively adapted thanks to the three core pillars from the strategic plan announced in July: (i) focusing the microdrone technological roadmap on Defense and Security, (ii) improving operations for the photogrammetry business, and (iii) stopping production in China and switching to South Korea, complementing the industrial organization already in place in the United States. Operating expenditure was reduced by more than €11m between the first half and second half of the year, in line with expectations, to reach, at the end of 2023, a level in line with the Group's ambitions for development.

While the interest in secure and autonomous microdrones is highlighted by the preponderance of new technologies in the current conflicts, Parrot is working to meet the technological and operational challenges faced to ensure the success of its new microdrone, a key driver for 2024.

2023 full-year earnings

The consolidated and annual financial statements for the year ended December 31, 2023 were approved by the Board of Directors on March 14, 2024. 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>.

CONSOLIDATED INCOME STATEMENT (IFRS, €m)	Dec 31, 2023 (12 months)	Jun 30, 2023 (6 months)	Dec 31, 2022 (12 months)	Year-on-year change
Revenues	65.0	31.6	71.9	-10%
Microdrones	33.2	15.5	39.2	-15%
Photogrammetry	31.8	16.1	32.7	-3%
Cost of sales	-18.0	-7.4	-16.0	+13%
Gross margin	47.0	24.1	56.0	-16%
% of revenues	72.3%	76.5%	77.8%	
Research and development costs	-45.5	-26.1	-43.6	+4%
% of revenues	-70.0%	-82.8%	-60.6%	
Sales and marketing costs	-12.3	-7.0	-11.1	+11%
% of revenues	-18.9%	-22.1%	-15.4%	
Administrative costs and overheads	-11.7	-7.1	-14.7	-20%

% of revenues	-18.1%	-22.5%	-20.5%	
Production and quality costs	-4.7	-2.5	-5.5	-15%
% of revenues	-7.3%	-8.0%	-7.6%	
Income from ordinary operations	-27.3	-18.5	-19.0	-44%
% of revenues	-42.0%	-58.8%	-26.4%	
Other operating income and expenses	-2.8	-3.2	-0.9	+211%
EBIT	-30.0	-21.8	-19.9	-52%
% of revenues	-46.2%	-68.9%	-27.6%	
Income from cash and cash equivalents	0.0	0.0	0.0	-
Gross finance costs	-0.3	-0.1	-0.5	-
Net finance costs	-0.3	-0.1	-0.5	-
Other financial income and expenses	-2.0	-0.8	2.1	-
Financial income and expenses	-2.3	-0.9	1.6	-
Share in income from associates	-0.5	-0.3	-1.0	-50%
Tax	-0.1	0.0	-0.4	-75%
Net income	-33.0	-22.9	-19.7	-68%
Net income (Group share)	-32.4	-22.5	-19.5	-66%
% of revenues	-50.0%	-71.4%	-27.1%	
Non-controlling interests	-0.5	-0.4	-0.2	-150%

The Parrot group generated €65.0m of consolidated revenues in 2023, down 10% (-8% at constant exchange rates). Revenues for professional microdrones came to €33.2m, compared with €39.2m in 2022 (-15%, and -14% at constant exchange rates). Photogrammetry revenues totaled €31.8m, compared with €32.7m (-3%, and -1% at constant exchange rates).

In 2023, the Group recorded a gross margin of €47.0m, with a rate of 72.3%. This change (-5.5pts) reflects the product mix, with the growth in sales of third-party equipment (with lower margins than software) which aim to expand the addressable market for photogrammetry, and the provisions linked to the new industrial strategy and the launch of a new microdrone.

The Group reduced its operating expenditure by -€11.2m (-26%) between the first half and second half of 2023. At end-December 2023, the Group's workforce - permanent and fixed-term contracts - represented 404 people, compared with 542 at December 31, 2022. 51% are deployed on microdrones and 49% on photogrammetry. In line with the progress with its technological roadmap, the Group limited its use of external providers (16 versus 44 at December 31, 2022).

Over the year, R&D, at -€45.5m was maintained to respond to the challenges involved with the new generations of products. Nevertheless, the completion of various development projects enabled the Group to reduce this area of spending by €6.7m (-26%) between the first half and second half of 2023. 62% of the Group's workforce, based exclusively in Europe, are focused on innovation.

Sales and marketing costs came to €12.3m for 2023, with a €1.7m (-24%) decrease between the first half and second half of 2023. They support an organization that generated 42% of its sales on the American continent, 38% in Europe and 20% elsewhere around the world. This breakdown changed only slightly between 2022 and 2023.

Administrative costs and overheads represent €11.7m for 2023, with a €2.5m (-35%) reduction between the first half and second half of 2023, thanks to the combined efforts of all of the Group's business units.

Production and quality costs totaled €4.7m in 2023, with a €0.3m (-12%) reduction between the first half and second half of 2023. This level is moderated by the non-recurring costs linked to the industrial organization's transfer from China to South Korea.

2023 current operating incomes came to -€27.3m. The microdrones business represented -€17.4m, including -€6.0m for the second half of the year. The photogrammetry business came to -€6.4m, with -€0.8m for the second half of the year. The other expenses (-€3.5m in 2023) are attributable to Parrot SA.

The -€2.8m of other operating income and expenses for 2023 include the reorganization costs for -€6.3m, in line with the estimates published in July 2023, partially offset by the +€3.4m of income generated by the disposal of a minority interest.

Change in the cash position

The Group had €28.1m of net cash at end-December 2023 (compared with €44.8m at end-June 2023 and €68.5m at end-December 2022). The Group does not have any financial debt. Over the second half of the year, operational cash consumption was reduced to €16.9m, with €5.3m in relation with the strategic plan, partially offset by the research tax credit of €1.4m.

Cash flow from operating activities totaled €40.7m, reflecting the resources allocated to operations and the increase in working capital requirements (+€11.0m, including +€9.6m in H1 2023), linked primarily to the strategic plan and particularly the new industrial organization and the finalization of a new generation of microdrones.

Cash flow from investment activities came to €4.5m in 2023. Parrot sold its interest in the company Sky-Hero, receiving €5.5m, which offset the €0.9m of investments made in 2023.

Cash flow from financing activities came to €4.4m, including €2.5m for the repayment of lease liabilities with the application of IFRS 16 and €1.5m of capital investments in two minority interests.

Outlook

While the interest in secure and autonomous microdrones is highlighted by the preponderance of new technologies in the current conflicts, Parrot is working to meet the technological and operational challenges faced to ensure the success of its new microdrone, which is driving trends in 2024.

In the photogrammetry sector, the expansion of the addressable market, capitalizing in particular on complementary equipment, is a key area for growth, as in 2023.

Efficient implementation of the strategic plan, coupled with rigorous management of operations and investments, ensure that the Group has the financial capacity to pursue its development ambitions.

Next financial date

2024 first-quarter revenues: Thursday May 16, 2024

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, www.pix4d.com

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APPENDICES

Quarterly revenues

REVENUES €m and % of revenues	Q3 2023 3 months		Q4 2023 3 months		Q3 2022 3 months		Q4 2022 3 months	
A Professional microdrones	8.0	53%	*9.8	54%	13.9	63%	10.0	51%
C Photogrammetry	7.1	47%	8.5	46%	8.1	37%	9.5	49%
D Parrot SA	0.2	-	0.2	-	0.3	-	0.2	1%
E Intragroup eliminations	-0.2	-	-0.2	-	-0.3	-	(0.2)	(1)%
PARROT GROUP TOTAL	15.1	100%	18.3	100%	21.9	100%	19.5	100%

* Including -€0.2m from legacy products.

Segment reporting for 2023

IFRS (€'000 and % of revenues)	Microdrones	Photogrammetry	Other ⁽¹⁾	Total
Revenues	33,256	31,762	(37)	64,981
Income from ordinary operations	(17,379)	(6,429)	(3,459)	(27,267)

⁽¹⁾ Parrot S.A. and ancillary or non-strategic activities.

IFRS consolidated balance sheet

ASSETS (IFRS, €m)	Dec 31, 2023	Dec 31, 2022	Jun 30, 2023
Non-current assets	20.6	18.2	17.8
Other intangible assets	0.1	0.2	0.1
Property, plant and equipment	1.7	2.1	1.9
Right of use	8.2	9.9	8.6
Investments in associates	3.5	2.5	3.8
Financial assets	6.6	3.0	3.1
Non-current lease receivables	-	-	-
Deferred tax assets	0.5	0.4	0.4
Other non-current assets	0.0	0.0	0.0
Current assets	66.6	102.5	85.5
Inventories	19.4	14.9	22.3
Trade receivables	5.7	6.4	5.6
Tax receivables	7.4	5.9	6.4
Other receivables	6.1	6.6	6.4
Current lease receivables	0.0	0.1	-
Cash and cash equivalents	28.1	68.5	44.8
Assets held for sale	-	2.5	-
Total assets	87.2	123.2	103.4

SHAREHOLDERS' EQUITY AND LIABILITIES (IFRS, €m)	Dec 31, 2023	Dec 31, 2022	Jun 30, 2023
Shareholders' equity	55.2	84.0	61.3
Share capital	4.7	4.6	4.6
Additional paid-in capital	331.6	331.7	331.7
Reserves excluding earnings for the period	-258.4	-242.6	-262.0
Earnings for the period - Group share	-32.5	-19.5	-22.5
Exchange gains or losses	9.3	8.9	8.9
Equity attributable to Parrot SA shareholders	54.7	83.1	60.7
Non-controlling interests	0.5	1.0	0.6
Non-current liabilities	11.6	12.5	11.4
Non-current financial liabilities	0.0	-	-
Non-current lease liabilities	6.4	7.6	6.6
Provisions for pensions and other employee benefits	2.3	1.9	1.8
Deferred tax liabilities	0.0	0.0	0.0
Other non-current provisions	0.1	0.1	0.0
Other non-current liabilities	2.6	3.0	3.0
Current liabilities	20.5	26.7	30.6
Current financial liabilities	-	-	-
Current lease liabilities	1.9	2.6	2.2
Current provisions	3.0	2.2	9.1
Trade payables	5.3	9.2	7.3
Current tax liabilities	0.1	0.1	0.1
Other current liabilities	10.2	12.6	11.9
Liabilities held for sale	-	-	-
Total shareholders' equity and liabilities	87.2	123.2	103.4

Consolidated cash-flow statement

IFRS, €m	Dec 31, 2023	Dec 31, 2022	Jun 30, 2023
OPERATING CASH FLOW			
Earnings for the period	-33.0	-19.7	-22.9
Share in income from associates	0.5	1.0	-0.3
Depreciation and amortization	4.4	4.8	8.9
Capital gains and losses on disposals	-3.3	0.6	-3.3
Tax expense	0.1	0.4	0.0
Cost of share-based payments	1.3	1.3	1.1
Other non-cash items		3.1	-
Net finance costs	0.3	0.5	0.1
Cash flow from operations before net finance costs and tax	-29.7	-8.0	-15.9
Change in working capital requirements	-11.0	-12.0	-9.6
Tax paid	0.0	-0.1	-0.1
Cash flow from operating activities (A)	-40.7	-20.1	-25.7
INVESTING CASH FLOW			
Acquisition of property, plant and equipment and intangible assets	-0.8	-1.9	-0.4
Acquisition of financial assets	-0.2	-0.1	-0.1
Disposal of property, plant and equipment and intangible assets	0.0		
Disposal of subsidiaries, net of cash divested		5.8	-
Disposal of investments in associates		1.8	-
Disposal of financial assets	5.5	3.3	5.6
Cash flow from investment activities (B)	4.5	8.9	5.1
FINANCING CASH FLOW			
Equity contributions	-1.6	-1.3	-1.6
Net finance costs	-0.3	-0.5	-0.1
Repayment of short-term financial debt (net)	-2.5	-3.3	-1.4
Repayment of other financing		0.9	-
Cash flow from financing activities (C)	-4.4	-4.2	-3.1
NET CHANGE IN CASH (D = A+B+C)	-40.6	-15.4	-23.5
Impact of change in exchange rates	0.2	1.1	-0.2
CASH AND CASH EQUIVALENTS AT START OF PERIOD	68.5	82.8	68.5
CASH AND CASH EQUIVALENTS AT END OF PERIOD	28.1	68.5	44.8