

Q1 2024 Earnings Call

MAY 29, 2024



**VOLATUS
AEROSPACE**

TSXV : VOL | OTCQB : VLTF



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This Presentation refers to certain financial performance measures that are not defined by and do not have a standardized meaning under International Financial Reporting Standards (termed “**Non-IFRS measures**”). EBITDA is one such Non-IFRS measure used. Volatus Aerospace defines EBITDA as earnings before interest tax depreciation and amortisation. Non-IFRS measures are used by management to assess the financial and operational performance of Volatus Aerospace. Volatus Aerospace believes that these Non-IFRS measures, in addition to conventional measures prepared in accordance with International Financial Reporting Standard, enable investors to evaluate Volatus Aerospace’s operating results, underlying performance and prospects in a similar manner to Volatus Aerospace’s management. As there are no standardized methods of calculating these Non-IFRS measures, Volatus Aerospace’s approach may differ from those used by others, and accordingly, the use of these measures may not be directly comparable. Accordingly, these Non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with International Financial Reporting Standards.



Q1 2024 FINANCIAL SUMMARY

In C\$	For three months ending Mar 31, 2024	For three months ended Mar 31, 2023	NOTES
Equipment and Service Revenue	\$6,623,741	\$7,412,480	Overall Revenue decreased by 11%. The impact was due to efficient management of working capital, leading to higher investment in services activities; that increased by 39%
Gross Profit	\$2,225,757	2,366,678	Average equipment margin was lower than average because of sale to public safety and services gross margin increased to 48%. This led to increase in the blended gross margin.
Gross Margin (%)	34%	32%	
Loss from Operations	(\$2,598,748)	(\$2,663,626)	Loss from operations is flat due to higher depreciation expense (from \$745K in Q123 to \$1.1M in Q124).
Net and Comprehensive (Loss) - Adjusted	(\$2,991,319)	(3,003,365)	Expense Trend: Marketing expense reduced by 28% IT & Tech increased by 39% Personnel cost is flat (2% increase) R&D reduced by 88% Office and cost reduced by 35% Travel reduced by 39% External Partner Reduced by 27%
Adjusted EBITDA ¹ Drain	(\$1,380,119)	(\$1,758,335)	The Company has improved its Adjusted EBITDA profitability by \$378,215 due to increased gross margin and reduced SG&A
Earnings/(Loss) Per Share (diluted)	(\$0.02)	(\$0.02)	

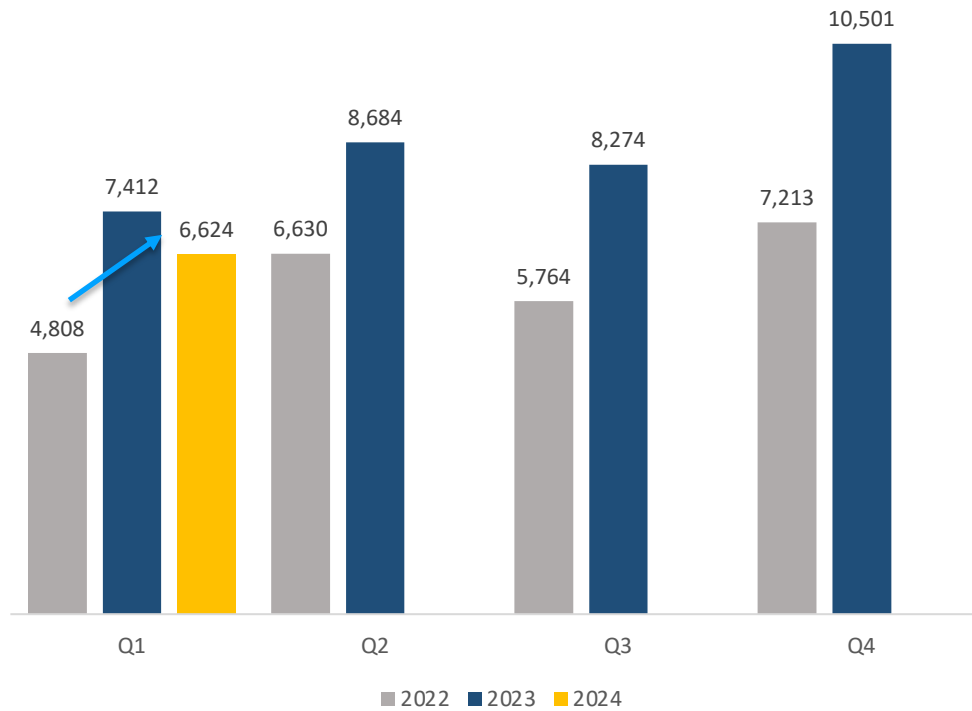
1 – Refer to GAAP Vs. Non-GAAP Adjusted EBITDA Reconciliation on Appendix A



REVENUE SNAPSHOT

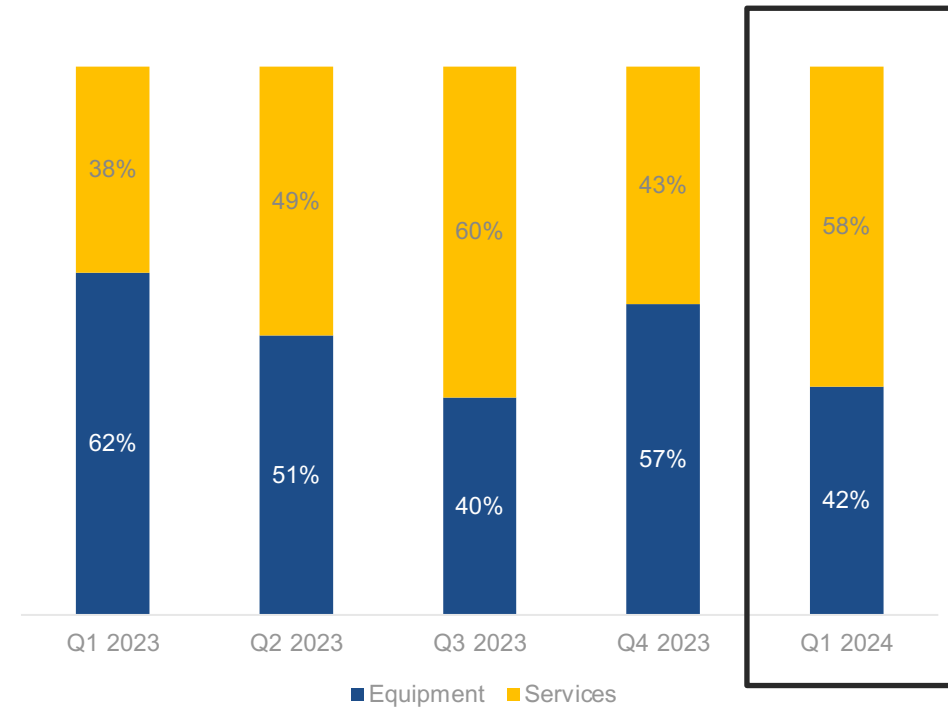
Revenue (C\$ in Millions)

YoY Quarterly Revenue Growth



Product Mix (Equipment Vs. Services)

Product Mix



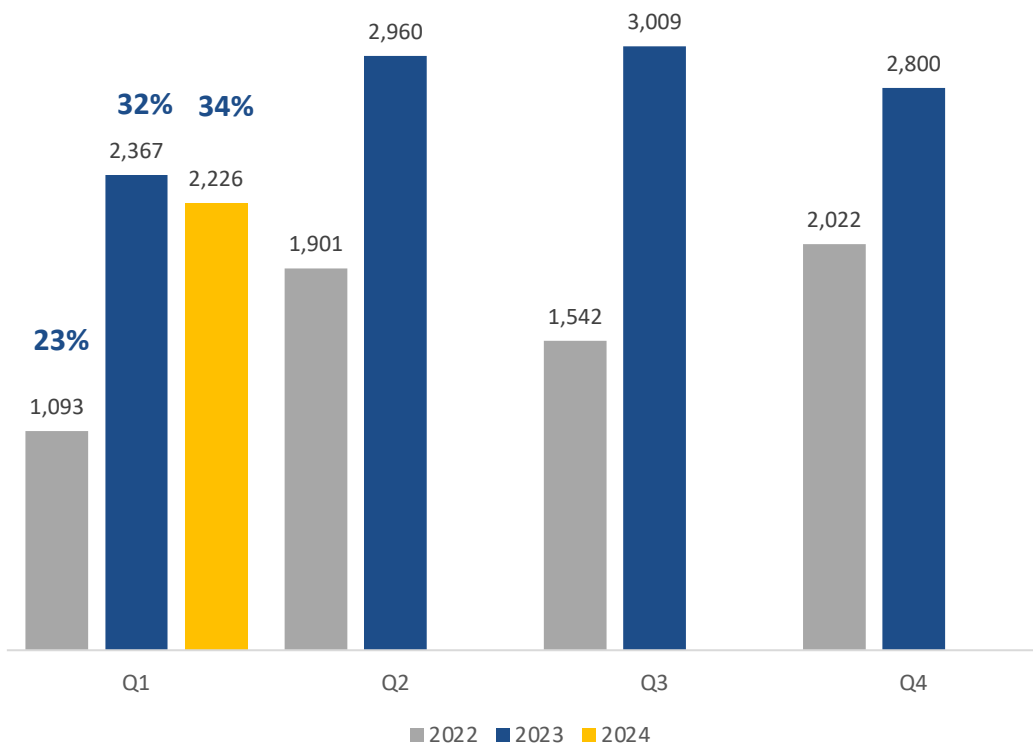
Revenue excludes aircraft sale and Product Mix includes proforma revenue and adjusted to aircraft sale to facilitate comparison



GROSS PROFIT SNAPSHOT

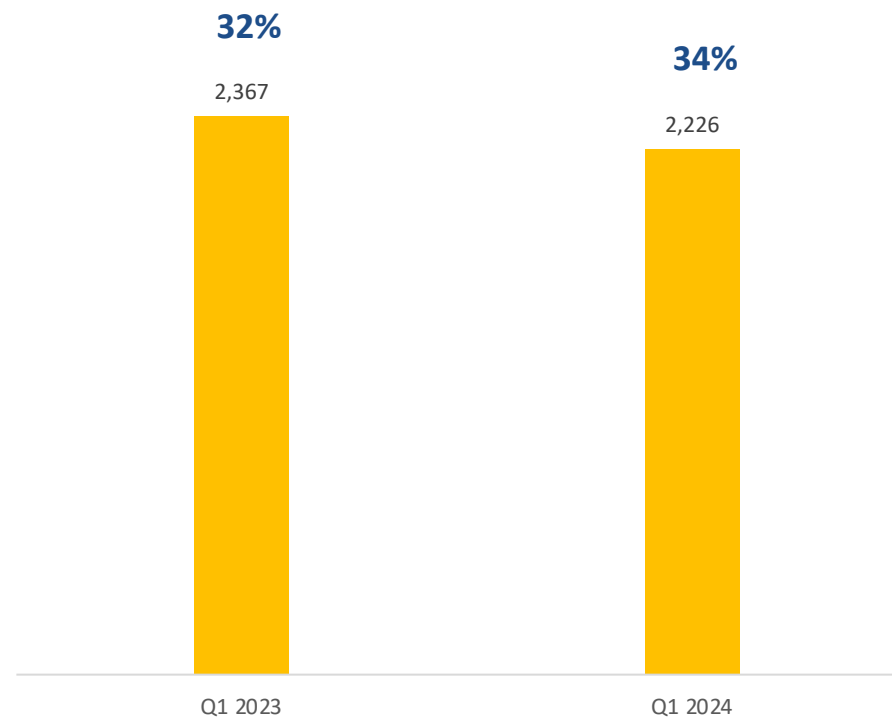
Quarterly Gross Profit (C\$ in Millions)

YOY Quarterly GP Growth



Gross Profit (C\$ in Millions)

Gross Profit Trend



2022 is adjusted to aircraft sale to facilitate comparison



Q1 2024 BUSINESS HIGHLIGHTS

Milestone 1

DRONE SERVICES

- Scaled DaaS by 39% in Q1 2024.
- 11,000 utility structures inspections planned in 2024

Milestone 2

ACQUISITION

- Expanded in the UK.
- Acquired UAV Hub and Drone Mentor
- Positioned strongly in the drone training segment
- Eliminates Seasonality

Milestone 3

OIL & GAS

- Positioning strongly in the Oil & Gas Sector
- Expanding in the US
- Scaling in methane Gas Detection

Milestone 4

MERGER WITH DDC

ROBUST SYNERGY OPPORTUNITIES

	Operational Efficiency	Expanded Solutions	Market Expansion
Business Synergies	<ul style="list-style-type: none"> Leveraging DDC's remote operation capabilities, technologies, and experience to further enhance combined organization service margins and competitive edge. 	<ul style="list-style-type: none"> Merging Volatus' robust commercial presence with DDC's drone delivery capabilities and innovations to position as a market-leading, tech-enabled solutions provider. 	<ul style="list-style-type: none"> Broadened geographic reach, expanding into the cargo sector, which is expected to become economically significant in the near future.
Corporate Synergies	<ul style="list-style-type: none"> Reduce corporate and overhead services costs, resulting in an estimated annualized operating expense reduction of approximately 35%. 		
Total Synergies <i>(Annual Run-Rate Synergies Expected to be Achieved by F2026E)</i>	\$3M+	\$1M+	~\$5M

Combining Volatus and DDC provides a unique opportunity to unlock significant operational and strategic synergies.

POSITIONED FOR GROWTH



- 2023 Sales: \$35M
- Diversified Customer Base
- Civil & Defense Sectors
- Service Offerings & Value-Added Resale
- Licensed Commercial Aircraft Operator
- \$80M+ in Signed Drones-as-a-Services Agreements
- \$289M Sales Pipeline, Rolling 12 Month Forecast
- Presence: Canada, USA, & UK



- 2024 Order Book of \$3M
- Advanced Drone-Agnostic Ecosystem
- Multiple Patents
- Remote Operations Control Center: 7,000+ Flights, 18,500+ km
- First Transport Canada-Certified Operator
- \$40M Invested in Development & Tech
- Leader in the Canadian Drone Delivery Market

Aerial Solutions (Drones & Piloted Aircraft)

- Core services business poised for growth in short and long term.
- Drivers: increased adoption and technological advancements.
- Expected Revenue % of Combined Company in 2025E: 38%; Gross Margin: 43%.

Drone Equipment Sales

- Supports the sale of turn-key services.
- Drivers: increasing demand across various sectors, technological advancements, and declining prices of drones.
- Expected Revenue % of Combined Company in 2025E: 41%; Gross Margin: 26%.

Drone Cargo Services

- Poised to commercialize as technology and regulations evolve.
- Drivers: growing e-commerce sector, technology advancements, and supportive regulations for drone operations.
- Expected Revenue % of Combined Company in 2025E: 21%; Gross Margin: 26%.

WHY OWN THE COMBINED ENTITY?

- **Enhanced Capabilities:** Leverage DDC's remote operation technologies to enhance Volatus' data service offerings, which is expected to improve gross margins and market positioning.
- **Profitability & Cost Reduction:** \$2M+ of day-one synergies from overlapping activities. The combined organization is anticipated to be cash flow neutral by Q4 2024, and the transaction is expected to accelerate achievement of profitability goals in 2025.
- **Revenue Synergies:** Expected to deliver accelerated revenue growth by leveraging DDC's innovative technology to expand Volatus' existing contracts and bolster its sales pipeline.
- **Market Expansion:** Capture new markets by combining Volatus' commercial base and geographical reach with DDC's delivery technology, focusing on the burgeoning cargo drone sector.
- **Capital Markets:** A combined investor pool of ~147,000 shareholders with an anticipated increase in market presence. Enhance investor relations to improve market understanding and liquidity.



Q & A



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APPENDIX A: GAAP TO NON-GAAP RECONCILIATION OF ADJUSTED EBITDA

	Three months ended Mar 31,	
	2024	2023
Adjusted EBITDA (loss)	(1,380,119)	(1,758,335)
Interest	379,106	312,982
Depreciation	1,098,088	745,136
Share-based Payments	126,822	176,401
Loss from Sale of Drones	7,184	10,511
Net Loss	(2,991,319)	(3,003,365)