

# Investor half-year report

Avy Group B.V. – March 2024



## About Avy

Avy is a Dutch aviation pioneer based in Amsterdam. Avy specializes in building automatic Drone Networks used by emergency services during incidents and disasters, as well as drones for urgent medical deliveries, and for autonomous inspections.

## Introduction

We are pleased to share the preliminary financial results over the past year with accompanying explanations. Additionally, this bi-annual report will provide an update on the year 2023, present an outlook for the year 2024, and discuss the latest developments. The final annual report for 2023 is expected within the next few months.

## Preliminary financial results for 2023

Revenues & costs	1 Januari - 31 December 2023	1 Januari - 31 December 2022
Revenues	654.929	961.118
Cost of sales	-232.529	-197.238
Gross margin	<b>422.399</b>	<b>763.880</b>
Operating costs	-2.676.687	-2.401.083
EBITDA	<b>-2.254.287</b>	<b>-1.637.203</b>
Depreciation & amortization	-508.572	-207.114
EBIT	<b>-2.762.860</b>	<b>-1.844.317</b>
Financial income and expenses	-189.308	-81.814
EBT	<b>-2.952.168</b>	<b>-1.926.131</b>
Taxation	0	0
Result after taxation	<b>-2.952.168</b>	<b>-1.926.131</b>

Balance sheet	31-dec-23	31-dec-22
Intangible fixed assets	1.369.401	762.605
Tangible fixed assets	276.508	482.935
Financial fixed assets	1.221.236	778.563
Total fixed assets	2.867.145	2.024.104
Inventories	117.905	150.579
Receivables	181.298	723.802
Other current assets	13.817	17.663
Cash at bank	4.297	50.948
Total current assets	317.316	942.992
<b>Total</b>	<b>3.184.461</b>	<b>2.967.096</b>

<b>Balance sheet (continued)</b>	<b>31-dec-23</b>	<b>31-dec-22</b>
Shareholder equity	-3.922.803	-1.413.308
Debt to shareholders	1.242.253	1.214.503
Non-current liabilities	295.261	338.325
Convertible loans	3.542.686	1.300.000
Current liabilities	2.027.064	1.527.576
<b>Total</b>	<b>3.184.461</b>	<b>2.967.096</b>

## Explanation of the preliminary results for 2023

### Revenue

Although the number of customers, deals and the total pipeline value increased significantly in 2023, Avy's total revenue of 2023 declined (compared to 2022) primarily due to less subsidy income. The total subsidy revenue was € 68k (2022: € 343k) and is significantly lower because a large subsidized project ended in 2022. We did receive € 190k in subsidy in 2023 for the WildDrone program, aiming to minimize drone noise emission for increased market deployability. However, only €19k of the granted subsidy was realized in costs as the project started later than planned.

Revenue from sales totalled € 586k which is slightly less than 2022 (€ 618k) and significantly lower than initially forecasted. The main reason for this lower-than-expected revenue was a delay in delivering our new product. The new aircraft, Aera 4, was scheduled to be ready for production in the summer of 2023, but due to complications in supply chain and the design phase, Aera 4 was delivered almost 9 months later than scheduled. This resulted in a significant revenue delay, shifting the revenue from 2023 to 2024.

### Cost and result

The incurred costs (and Avy's burn rate) were relatively high in 2023 and could not easily be reduced due to the necessary developments for Aera 4. Additionally, Avy faced various incidental costs, including extra development costs, commission costs for attracting new informals, interest costs on these loans and costs associated with the NPEX emission. The result after taxation in 2023 is € -2.9 million compared to € -1.9 million in 2022. At the end of 2023, with development near completion, we were able to take measures to reduce our headcount and bring the monthly burn rate down. The effects will be visible from March 2024 onwards.

### Shareholder's equity and investor loans

In 2023 we were able to attract a total of € 2.1 million from informal investors (2022: € 1.3 million). Two outstanding loans from shareholder Orange Wings Investments for a total amount of € 1.1 million have been converted into convertible loans. The outstanding loans from informals will convert into equity mid this year. We therefore consider these loans as part of equity.

## Funding

Through the issuance of convertible bonds via the NPEX platform, currently a total of € 750k in investments have been raised that will be used as working capital and for the necessary investments for the certification of the parachute system of the new aircraft. In the first quarter of this year two new angel investors also joined Avy with a total investment of € 200k and discussions with investment firms to raise € 5.0 million capital in a new funding round are ongoing.

# Updates and Outlook

## Focus for 2024

We've selected three areas of focus for our team in 2024.

1. Emergency Response market
2. Product Maturity over new product development
3. Selectively opening the Avy Drone Network for other OEMs

## Key figures

Total # flown kilometers	51.427
Total # current customers	7
Total # potential customers in pipeline	59
Total pipeline value	16 million euro unweighted 3 million euro weighted
Total # people	30

## Sales, Projects and pipeline

- We recently signed three agreements: a new agreement with the Dutch Police for the purchase of a new system, another agreement with the Dutch Institute for Public Safety for the lease of 2 systems as well as a new agreement with the Joint Fire Department for the purchase of 2 new systems.
- The Port of Rotterdam project has been extended and is progressing as expected, with weekly flights in Europe's busiest port.
- Our current pipeline looks promising with 59 potential customers primarily in Europe and a pipeline value of 16 million euro unweighted and 3 million euro weighted. Discussions are ongoing for the purchase of a larger number of systems with existing customers and new customers.
- Agreements have been made with two resellers to also trial this new route to market.
- Talks are also underway with high-potential new customers about starting pilot projects.

## Subsidies:

- The MIT R&D Collaboration Subsidy has been approved by RVO at the end of 2023 (€ 100k subsidy for Avy). In 2024 and 2025, we will collaborate with LiveOp on new image recognition algorithms for emergency services and further automate drone deployment for these services.
- The Growth Fund / Groiefonds: Avy leads the drone hardware development work package in the application process for the growth fund, where the Dutch drone sector collaborates with the Ministry of Water and Infrastructure to make new subsidy funds available for the development and rollout of drone networks. A final decision on allocation is expected at the end of 2024.

## Product, Services, and Technology

- The first maiden flights with our new aircraft, the Aera 4, have taken place successfully.
- In addition, we focus on the incorporation and certification of the parachute and implementation of automatic fast charging (Aera 4 + Docking station).
- We are updating our software to improve performance, add gimbal control, 3rd party integrations, telemetry, and stream sharing.
- We focus on scaling up: Update and improve how we work: organization, documentation and processes.
- Non-core outsourcing: Production of docking station (DS) and control tower (CT), Flight Academy.

# Relevant Changes within the Company

## Organization

- Avy was selected as a participant in the AFAS Young Business Awards and won the award for "Best Scale-up in the Netherlands" in the final.
- Our shareholder Orange Wings Investments BV recently merged with Orange Wings Investments Coöperatief I UA, where Orange Wings Investments Coöperatief I UA is the remaining entity. All assets and obligations (including agreements) of Orange Wings Investments BV were included in the merger. This decision was made because they structured the portfolio as a fund, hence the choice for a cooperative.

## Regulations & Permits

- After about 3 years of work, Avy became the first Dutch entity to receive the coveted LUC license for BVLOS operations. This allows Avy to independently authorize its own flights/operations throughout the European Union.

## Team

- As of December 1, a new Chief of Operation, Sigrid Valckx, started at Avy. With her extensive experience at companies like Booking.com and other scale-ups, she is ideal for scaling up Avy's operations.
- Avy streamlined the team from around 45 FTE to about 30 FTE in December and January to reduce the monthly burn rate. The effects of this will be visible from March 2024.

On behalf of the entire Avy team, I want to sincerely thank you for your trust and participation in Avy.

Avy Group B.V.  
Patrique Zaman  
CEO