Volatus Aerospace Corp. Announces Fiscal 2022 Financial Results

Proforma Revenue of $39 million, with a gross margin of 31%

TORONTO, ON / April 27, 2023 / Volatus Aerospace Corp. (TSXV:VOL)(OTCQB:VLTTF) ("Volatus" or "the Company"), a global leader in the drone industry, is pleased to announce its fourth quarter and fiscal 2022 financial results.

Key Financial Highlights for Fiscal Year 2022:

- Total 2022 reported revenues increased by $19,857,187, up 200% from $9,913,953 in 2021 to $29,771,139 in 2022. The Company generated total proforma revenue of $39,085,183 in 2022 after completing five acquisitions in 2022.
- For the year ended December 31, 2022, product mix consisted of equipment sales at 77% and services 23% in 2022 compared to, equipment sales of 79%, services at 21% in 2021. On a proforma basis for the year ended 2022, equipment sales were 58%, services revenue at 42%.
- The reported gross margin achieved in FY 2022 averaged 28% compared to 26% in FY 2021. On a proforma basis, FY 2022 gross margin averaged 31%. Higher margins were due to increase in service activities.
- The gross profit in FY 2022 increased by $5,816,643 from $2,528,710 in 2021 to $8,345,353 in 2022. The increase in gross profit was due to the scale of services revenue.
- The comprehensive loss for FY 2022 was ($6,974,830). This was due to increased investment in human resources in the defense and integrated solutions segments, expansion in the UK, Latin America, and the aviation segment, increased share-based payments, and increased advertisement and marketing expenses.
- The non-GAAP adjusted EBITDA for FY 2022 was ($3,710,639)
- The cash on hand as of December 31, 2022 was $3,684,581.
- In a subsequent event, the Company closed two acquisitions in the US and launched a brokered financing of $3 million, scheduled to close early May 2023.

Key Financial Highlights for Fourth Quarter of 2022:

- Revenue for Q4 2022 was $7,213,129, up 146% year on year. The revenue increase in Q4 2022 was driven by organic growth in equipment sales and inorganic growth in services activities.
- For Q4 2022, on reported basis, product mix consisted of 61% equipment sales and 39% service revenue.
- The reported gross margin achieved in Q4 2022 averaged 28% compared to 23% in Q4 2021. The gross profit increased by $1,344,902 from $677,248 in Q4 2021 to $2,022,150 in Q4 2022.
- The comprehensive loss for Q4 2022 was ($3,221,331). This was due to increased investment in human resources in research and development and higher depreciation due to addition of aircrafts as part of acquisitions.

Notable Operational Accomplishments During the Quarter:

- **Expansion in Oil and Gas Pipeline Segment:** Volatus added more than 500,000 km of oil & gas pipeline right of way surveillance with the acquisition of Synergy Aviation Ltd. solidifying Volatus' position in Western Canada and providing privileged access to much of the oil and gas industry.
- **Expansion in the UK:** Volatus completed the acquisition of iRed Limited, based in Emsworth, England, a drone services provider specializing in thermography, optical gas imaging, and training. This acquisition provided a foundation for continued growth in the region and reinforced Volatus' overall thermographic capabilities. In addition, iRed enables Volatus to expand its international reach as a value-added reseller and distributor of Volatus' own technologies.
- **Introduction of New Technology - Hydra:** Volatus introduced its new 'Hydra' robotic crawler. Although the Hydra was originally designed and sold to the mining industry, its ability to handle challenging terrains, its modularity, and its ability to the keep crew out of dangerous situations makes it compelling for use in a variety of industries in civil, public safety, and defense.
- **Targeting a Larger Market and Increased Margins for USA Equipment Sales**: Volatus announced a definitive agreement to acquire New York based Empire Drone Company LLC. Empire is a rapidly growing, value-added reseller focused on equipment and solution sales in the commercial and public safety markets in the United States. This acquisition was closed on January 31, 2023 and will accelerate Volatus' growth in the vast USA market by maximizing gross margin performance through domestic supply and offer improved after sales support, maintenance, and repair by eliminating the need for cross-border shipments.
- **$500k Grant from Research Manitoba for Scientific Experiential Aerial Research Program (SEAR):** Research Manitoba and the Government of Manitoba approved a $500k grant to Volatus to expand its Science Experiential Aerial Research (SEAR) Program with additional funding from industry partners to prepare high school students for careers in STEAM and the drone industry, aviation, and aerospace. The Company's SEAR program is designed to partner high school students with industry to research unique alternatives to solving community challenges.

"2022 was a high growth year for Volatus. The Company not only beat the revenue guidance of $38M but also scaled in the industrial and defense segments by expanding in new geographies, introducing new products, and establishing ourselves as a significant player in the oil and gas industry," said Glen Lynch, CEO of Volatus. "Q4 marked the beginning of the transition for our Aviation division as we moved away from passenger activities toward long linear inspections."

FISCAL 2023 - OUTLOOK FOR THE FULL YEAR

For the fiscal year 2023, the Company now expects revenue of around $52 million, with gross margin of 32%, break even net income and, Non-GAAP adjusted EBITDA of between $1 million and $2 million, which excludes amortization of intangible assets, other non-cash purchase accounting expenses and share-based payments.

The foregoing estimates are forward-looking and reflect management's view of current and future market conditions, subject to certain risks and uncertainties, and including certain assumptions with respect to our ability to efficiently and on a timely basis integrate our acquisitions, obtain and retain more contracts, changes in the timing and/or amount of spendings, changes in the demand for our products and services, activities of competitors, changes in the regulatory environment, and general economic and business conditions in the Canada, United States and elsewhere in the world. Investors are reminded that actual results may differ materially from these estimates.

Webinar

In conjunction with this release, Volatus investor relations will host a webinar on Monday, May 1st at 4:30 PM EST at which time Glen Lynch, Chief Executive Officer, and Abhinav Singhvi, Chief Financial Officer, will review the quarterly results and major milestones with Danielle Gagne, Head of Corporate Communications as moderator. Investors are invited to register for the webinar **here.**

https://us06web.zoom.us/webinar/register/WN_uAeXAvY2SySzMEJf8FIi5g

Audio Replay Options

An audio replay of the event will be archived on the Investor Relations page of the company's website **here**.

About Volatus Aerospace:

Volatus Aerospace Corp. is a leading provider of integrated drone solutions throughout North America, UK, and growing into Latin America and globally. Volatus serves civil, public safety, and defense markets with imaging and inspection, security and surveillance, equipment sales and support, training, as well as R&D, design, and manufacturing. Through our subsidiary, Volatus Aviation, we are introducing green and innovative drone solutions to supplement and replace traditional aircraft and helicopters for long-linear inspections such as pipeline, energy, rail, and cargo services. Volatus is committed to carbon neutrality; the fostering of a safe, equitable and inclusive workplace; and responsible governance.

Note Regarding Non-GAAP Measures

In this press release, there are terms not defined by International Financial Reporting Standards (IFRS). Our usage of these terms may vary from the usage adopted by other companies. Specifically, proforma revenue, gross profit and gross margin are undefined terms by IFRS that may be referenced herein. We provide this detail so that readers have a better understanding of the significant events and transactions that have had an impact on our results.

Throughout this release, reference is made to "gross profit" and "gross margin," which are non-IFRS measures. Management believes that gross profit, defined as revenue less cost of goods sold, is a useful supplemental measure of operations. The gross profit helps provide an understanding on the level of costs needed to create revenue. Gross margin illustrates the gross profit as a percentage of revenue. The reference for proforma revenue represents total revenue after including acquisitions from the beginning of the year. This reference is helpful in measuring the growth of the Company. Readers are cautioned that these non-IFRS measures may not be comparable to similar measures used by other companies. Readers are also cautioned not to view these non-IFRS financial measures as an alternative to financial measures calculated in accordance with International Financial Reporting Standards ("IFRS"). For more information with respect to financial measures which have not been defined by GAAP, including reconciliations to the closest comparable GAAP measure, see the "Non-GAAP Measures and Additional GAAP Measures" section of the Company's most recent MD&A, which is available on SEDAR.

Selected financial information is outlined below and should be read with Volatus consolidated financial statements for the fiscal year ended December 31, 2022 and associated management discussion and analysis, which will be available under the Company's profile on SEDAR at www.sedar.com

GAAP TO NON-GAAP RECONCILIATION OF REVENUE (in C$ thousands)

	For twelve months ended Dec 31, 2022
GAAP Revenue	29,771
Add:	
Acquisition of Businesses	9,314
Non-GAAP Revenue	**39,085**

GAAP TO NON-GAAP RECONCILIATION OF ADJUSTED EBITDA (in C$)

	Three months ended December 31		**Twelve months ended December 31**	
	2022	**2021**	**2022**	**2021**
Adjusted EBITDA (loss)	**(2,051,237)**	(2,219,398)	**(3,710,639)**	(2,379,196)
Interest	**249,798**	146,066	**526,238**	438,954
Depreciation	**604,849**	127,536	**1,384,665**	401,433
Share-based Payments	**340,761**	251,768	**1,244,858**	459,152
Due diligence cost	**-**		**133,774**	-
Net Loss	**(3,246,645)**	(2,744,768)	**(7,000,144)**	(3,678,734)

	2022	2021
Total Revenue	**29,771,139**	**9,913,953**
Gross Profit (as a % of revenues)	**28%**	26%
Net loss	**(7,000,144)**	(2,044,763)
Comprehensive loss	**(6,974,830)**	(3,678,734)
Adjusted EBITDA (loss)	**(3,710,639)**	(2,379,195)
Comprehensive loss per share, basic and diluted		
- Basic	**(0.063)**	(0.033)
- Diluted	**(0.063)**	(0.033)
Change in Cash and Cash Equivalents	**(5,122,254)**	8,616,863

Forward-Looking Statement

This news release contains statements that constitute "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs, and current expectations of the Company with respect to future business activities and operating performance. Often, but not always, forward-looking information and forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or statements formed in the future tense or indicating that certain actions, events or results "may", "could", "would", "might" or "will" (or other variations of the foregoing) be taken, occur, be achieved, or come to pass. Forward-looking information includes information regarding: (i) the business plans and expectations of the Company; and (ii) expectations for other economic, business, and/or competitive factors. Forward-looking information is based on currently available competitive, financial, and economic data and operating plans, strategies, or beliefs as of the date of this news release, but involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors may be based on information currently available to the Company, including information obtained from third-party industry analysts and other third-party sources, and are based on management's current expectations or beliefs. Any and all forward-looking information contained in this news release is expressly qualified by this cautionary statement. Investors are cautioned that forward-looking information is not based on historical facts but instead reflects expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Forward-looking information and forward-looking statements reflect the Company's current beliefs and is based on information currently available to it and on assumptions it believes to be not unreasonable in light of all of the circumstances. In some instances, material factors or assumptions are discussed in this news release in connection with statements containing forward-looking information. Such material factors and assumptions include, but are not limited to: the commercialization of drone flights beyond visual line of sight and potential benefits to the Company; and meeting the continued listing requirements of the TSXV. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. The forward-looking information contained herein is made as of the date of this news release and, other than as required by law, the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accept responsibility for the adequacy or accuracy of this release.

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