



Volatus Announces Revenue Growth, Increased Gross Margins and Cost reductions in Q3 2023

Q3 2023 Revenue of \$8.27M and first 9 months revenue at \$24.37M

TORONTO, ON / November 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 financial results for the quarter ending Sept 30, 2023 ("Q3 2023").

The Company generated revenues of \$8,274,349 for the three months ending Sept 30, 2023, with a 36% gross margin, and adjusted EBITDA improvement of \$961,874 from (\$1,417,437) in Q3 2022 to (\$455,563) in Q3 2023.

- Overall revenue increased by 44% from \$5,763,869 in Q3 2022 to 8,274,349 in Q3 2023, after adjusting for a one-time aircraft sale in Q3 2022.
- Service revenue (also called our Aerial Intelligence and Data Segment, a key long-term strategic focus area) for Q3 2023 increased by 349%, from \$1,112,678 in Q3 2022 to \$4,991,856 in Q3 2023.
- The Company has an estimated unfulfilled demand exceeding \$10M in equipment sales due to working capital constraints.
- Gross profit for Q3 2023 was \$3,008,574 an increase of \$1,541,542 over the same period in 2022 on an adjusted basis after excluding an aircraft sale in Q3 2022. The increase in gross profit was due to higher gross margins from the service segment.
- The Company has increased gross margins to 36%, representing an increase of 600 basis points (6%) over the third quarter of 2022. The gross margin performance is higher than our expectations due to higher service revenue. As equipment sales increase in the coming quarters, we expect gross margins in line with our expectations.
- Available working capital, as of Sept 30, 2023, was \$4,687,918. The Company estimates a similar level of working capital in the next few quarters as EBITDA drain is reduced.
- Volatus recorded a comprehensive loss of (\$1,920,403) in Q3 2023 compared to (\$2,458,211) in Q2 2023. The losses were reduced by 22% compared to the previous quarter, with a continued trend of reducing losses quarter over quarter.
- The Company had an EBITDA drain of (\$455,563) in Q3 2023 with estimated unfulfilled demand exceeding \$10M in equipment sales due to working capital constraints. Without those constraints, the Company considers that it would have generated a positive EBITDA in Q3 2023, ahead of its schedule. Due to these constraints we expect to actually generate a lower amount of between \$31M and \$34M in revenue in 2023. Our Q4 2023 forecast could be exceeded if contracts with longer sales cycles are realized, subject to macroeconomic events.

- The Company has an estimated order book of \$80M and management expects to generate \$10M in revenue in Q1 2024, representing a growth of 35% compared to Q1 2023, with gross profit exceeding \$3.3M and 2% in Adjusted EBITDA.
- The Company completed a cost optimization program in Q3 2023 and has confirmed annualized cost savings of \$3M. The full impact of this will be effective in Q4 2023.

"Our Q3 results demonstrates partially our recent efforts to achieve near-term profitability and that we're on track for immediate and long-term efficiencies across all our business lines," said Glen Lynch, Volatus Aerospace CEO. "Our team has successfully landed long-term recurring contracts across utility and oil and gas segments that are due to start in 2024, which support direct and recurring contribution on our EBITDA as we achieve economies of scale and full-scale asset utilization."

Notable Operational Accomplishments During the Quarter:

- The Company continues to penetrate larger, more lucrative and longer-term power utility markets, expanding into the US and winning an additional contract with a value up to \$60 million.
- The Company successfully entered the U.S. oil and gas pipeline surveillance market contracting with a leading energy company in the U.S. The value of the contract is expected to be up to \$4M in 2024. The contract is set to launch in Q1 2024.
- The Company entered a strategic partnership to automate airborne gas leak detection, which includes small liquid leaks, airborne photo documentation, right-of-way threat detection, terrain management, geo-hazard change detection and vegetation management. The system enables the Company to detect quickly and accurately what may not be visible to the human eye with other technologies, catching threats to our environment such as leaks and erosion.
- The Company has marked a key milestone by expanding its successful Science Experiential Aerial Research (SEAR) Program in the US. High school students in Florida began the course and learned the basics of machine learning and aerial intelligence collection with drones and other essential science disciplines that will help prepare them for future work in aviation, technology, and science.

Webinar

In conjunction with this release, Volatus investor relations will host a webinar on Monday, November 27th, at 5 PM EST at which time Glen Lynch, CEO, and Abhinav Singhvi, CFO, 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_8b1mNo7tR0Wxfzajwz3VxQ

Audio Replay Options

An audio replay of the event will be archived on the Investor Relations page of the company's website [here](#).

SUMMARY OF QUARTERLY RESULTS

	Q3 2023	Q2 2023	Q1 2023	Q4 2022
Revenue	8,274,349	8,684,991	7,412,480	7,213,129
Cost of goods sold	(5,265,775)	(5,724,516)	(5,045,801)	(5,190,979)
GROSS PROFIT	3,008,574	2,960,475	2,366,679	2,022,150
<i>Gross Margin</i>	36%	34%	32%	28%
OPERATING EXPENSES				
Audit fees	-	1,001	1,866	90,000
Advertising & marketing	541,365	629,686	406,118	575,539
IT & tech	243,602	211,960	185,095	164,260
Personnel	1,727,086	1,788,347	2,156,297	1,552,913
Research & development	104,832	364,263	100,420	541,023
Office cost	722,223	505,832	712,481	490,740
Travel	90,804	167,364	94,285	144,372
External partner cost	243,443	325,978	272,147	512,171
Depreciation	843,744	797,487	745,136	604,849
Share based Payments	195,372	178,361	176,401	340,761
Total Operating Expense	4,712,740	4,970,279	4,850,247	5,016,629
(Loss) from operations	(1,704,166)	(2,009,804)	(2,483,568)	(2,994,479)
OTHER ITEMS - NCOME/(EXPENSE)				
Finance cost	(425,671)	(368,635)	(312,982)	(249,798)
Other income (expense)	(39,229)	41,237	(1,558)	192,498
Unrealized loss on investment	(53)	(104,818)	(180,058)	-
Gain (loss) on disposal of drones	228,769	-	(10,511)	414
Foreign exchange translation	(3,848)	(5,995)	(28,590)	(195,277)
Net loss	(1,944,197)	(2,448,015)	(3,017,267)	(3,246,645)
OTHER COMPREHENSIVE LOSS				
Foreign operations - foreign currency translation differences	23,794	(10,196)	13,902	25,314
Comprehensive loss	(1,920,403)	(2,458,211)	(3,003,365)	(3,221,331)

**Comprehensive (Loss)
per share**

Basic	(0.016)	(0.021)	(0.023)	(0.030)
Diluted	(0.016)	(0.021)	(0.023)	(0.030)

RECONCILIATION OF ADJUSTED EBITDA TO NET LOSS

	Three months ended Sept 30		Nine months ended Sept 30	
	2023	2022	2023	2022
Adjusted EBITDA (loss)	(455,563)	(1,417,437)	(3,053,266)	(3,511,670)
Interest	425,671	121,672	1,107,288	276,440
Depreciation	843,744	270,081	2,386,367	779,816
Share-based Payments	195,372	330,918	550,134	904,097
Loss from Investment in JV	(53)	-	(284,929)	-
Profit on sale of aircraft	-	(1,787,902)	-	(1,787,902)
Net Loss	(1,920,403)	(352,206)	(7,381,983)	(3,684,121)

About Volatus Aerospace:

Volatus Aerospace Corp. is a leading provider of integrated drone solutions throughout North America 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 we describe certain income and expense items that are unusual or non-recurring. 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, gross profit, gross margin, and Adjusted EBITDA 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," "gross margin," and "Adjusted EBITDA" which are non-IFRS measures. Management believes that gross profit, defined as revenue less operating expenses, is a useful supplemental measure of operations. 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. Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"). The Company defines Adjusted EBITDA as IFRS comprehensive loss excluding interest expense, depreciation and amortization expense, share-based payments, income tax expense, integration and due diligence costs, one time profit or loss (non-recurring), and impairment of goodwill, property, plant, and equipment and right-of-use assets (ROU). The Company believes that Adjusted EBITDA is a meaningful financial metric as it measures cash generated from operations which the Company can use to fund working capital requirements, service future interest and principal debt repayments and fund future growth initiatives. 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"). Adjusted EBITDA does not have any standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers and should not be construed as alternatives to comprehensive loss or income determined in accordance with 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.

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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