



DELAIR

Information Memorandum



Dealteam



Paul Magliola

Partner

07 49 35 51 09

paul.magliola@smart-entrepreneurs.fr



Eric de Blignières

Partner

06 15 55 20 05

eric.deblignieres@smart-entrepreneurs.fr



Christophe Gouriou

Partner

07 83 95 32 10

christophe.gouriou@smart-entrepreneurs.fr

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Smart Entrepreneurs Partners, located at 59 rue de Ponthieu 75008 Paris, is a corporate finance advisory firm, advising companies and their shareholders in buy and sell-side transactions and fundraising.

UAV : Unmanned Aerial Vehicle, commonly known as a drone, is an aircraft without any human pilot, crew or passengers on board. Also sometime referred as UAS for Unmanned Aerial System

ADIF : "Association des Drones de l'Industrie Française" is a professional federation representing the drone industry in France

BVLOS : Beyond Visual Line of Sight is a term relating to the operation of UAVs and drones at distances outside the normal visible range of a pilot

ISR : Intelligence, Surveillance and Reconnaissance

GIMBAL : a pivoted support that permits rotation of an object about an axis. Gyrostabilized gimbals which house multiple sensors are also used for airborne surveillance applications including airborne law enforcement, pipe and power line inspection, mapping, and ISR

LiDAR : Lidar is a method for determining ranges by targeting an object with a laser and measuring the time for the reflected light to return to the receiver

ROEM : "Renseignement d'origine électromagnétique" is intelligence-gathering by interception of signals, whether communications between people (communications intelligence—abbreviated to COMINT) or from electronic signals not directly used in communication (electronic intelligence—abbreviated to ELINT).

RGB sensor : Metering sensor that helps the camera analyse the scene being captured and determines the amount of light needed to produce a well-exposed image. By analysing each and every pixel in the frame, this technology creates an overall image that has been meticulously crafted

DGAC : "Direction Générale de l'Aviation Civile" or the French Civil Aviation Authority, is responsible for ensuring the safety and the security of French air transport, as well as maintaining a balance between the development of the air transport sector and environmental protection.

VTOL : a "Vertical Take-off and Landing" aircraft is one that can hover, take off and land vertically without relying on a runway.

SMDM : Mini drone systems for the marines.

DGA : "Direction Generale de l'Armement", France's defence procurement agency

EASA : European Union Aviation Safety Agency

RAPID : « Régime d'Appui à l'Innovation Duale » is a grant which supports companies of less than 2000 employees, either on their own or in a consortium, innovating on both military and civil markets

EC135 : The Eurocopter EC135 is a twin-engine civil light utility helicopter produced by Airbus Helicopters

RF sensor : The term radio frequency (often abbreviated to RF) refers to an electromagnetic wave frequency between 3 kHz and 300 GHz, which includes frequencies used by various means of radio communication.

ARP4761 : Guidelines and Methods for Conducting the Safety Assessment Process on Civil Airborne Systems and Equipment is an Aerospace Recommended Practice from SAE International.

EASA : The European Union Aviation Safety Agency is an agency of the European Union with responsibility for civil aviation safety. It carries out certification, regulation and standardization and performs investigation and monitoring



I.

E

xecutive summary

I. Executive Summary

2011

Creation

€ 6,6m

Revenues 2021e

€ 1,3m

EBITDA 2021e

€ 1,2m

EBIT 2021e

70

Distributors
worldwide

3000

In service &
operational drones
worldwide

MADE IN FRANCE

A COMPLETE OFFER OF PROFESSIONAL DRONES

- The Company is a well established and worldwide supplier of last-generation fixed-wing drones designed and manufactured in France
- The drones are used for a variety of large-area imaging, mapping, monitoring and maintenance tasks not previously possible with other terrestrial or airborne approaches
- Its solutions are sold over c. 70 countries with a network of more than 85 resellers in various industries

A LEADER IN ITS KEY MARKETS WITH BIG OPPORTUNITIES

- After having developed its business on many different markets and activities for 8 years and assessed technical feasibility, the Company is now focused on two markets that have proven their profitability and accessibility for the Company and that now represent the biggest opportunities for the Company : Security / Defence and Infrastructure
- Commercial drones are revolutionizing the B2B drone businesses, especially with new favourable regulation trends that will spread to Business Operation in 3 to 5 years
- One of the only factory in the world with experience of manufacturing volumes of several hundreds of drones per year with strong quality requirements

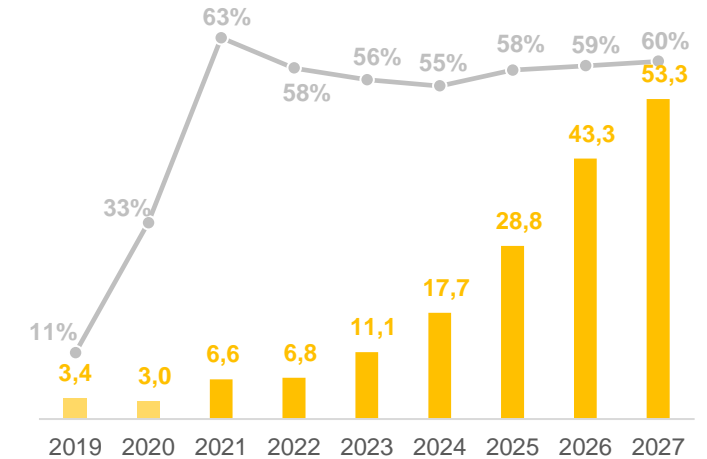
INNOVATION DRIVEN COMPANY WITH A WORLDWIDE RECOGNIZE KNOW-HOW

- Its know-how is well recognized as one of the best in the world to design reliable and industrialized drones. Both large companies and governmental organizations have signed engineering deals with the Company to accelerate their innovation cycle
- The Company currently addresses its markets with two drones, of which one can be hydrogen powered
- With a strong innovative philosophy, the Company is already working on enlarging its range of products with a drone that will have a fully hydrogen powered version available

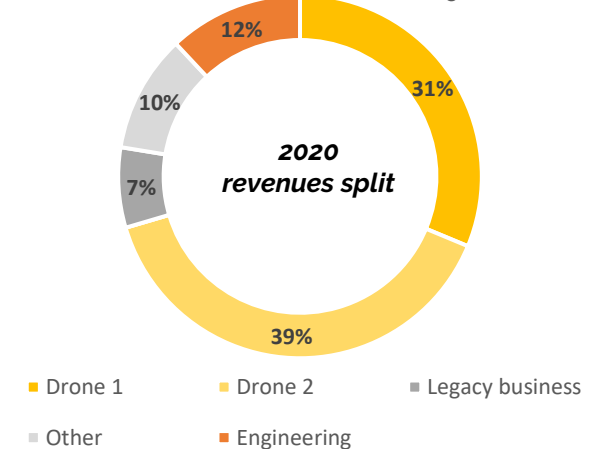
A TEAM OF EXPERTS WITH AN EXTERNAL GROWTH EXPERTISE

- The Company was founded in 2011 by experts in the aerospace industry and is one of the very few profitable drone company. The teams are composed by key people with strong experiences in their respective fields
- The Company has already strengthened its leader position through strategic acquisition in the past

Revenues and gross margin historical evolution



Revenues — % Gross Margin



The European leader of aerial observations vehicles for Industry and Surveillance

I. Executive Summary

Aerial observations will be unmanned
The Company has all the ingredients to become the European leader in providing solutions to a booming market

1 A proven technology

- All the Firm's sensors are using the same in-house technology allowing it to integrate strong technical and functional differentiators. They are Simple (Automatic, small, easy) , Connected (4G everywhere, real-time images), Intelligent (processing pictures on-board), Safe (compliant with regulation) and Versatile (carrying a wide range of cameras)
- The Company masters all the technical aspects of the design and the production process and is the sole European system in its segment that is proven, reliable and with an industrial quality. It is specialized in aerodynamics, aeronautical grade electronics, hydrogen, GUI and simulator, industrial manufacture and MRO

2 Exclusive capabilities

- With 10 years of existence, 30,000+ flight hours, 2 millions of km and more than 3,000 operational drones with worldwide recognition, the Company has proven its capacity to tackle technological challenges in a young industry through innovation
- The Company is the sole system of its size having Civil Certification and ranks among a very short list of firms that can design, manufacture and support a reliable professional drone in volumes at reasonable cost
- Thanks to what the company has done for its previous products, the production capacity is now quickly scalable for a range of 5 to 6 products with quality strictly scrutinized with a unique in-house label applicable for all drones

3 Superior performances due to Hydrogen

- The firm is a pioneer of hydrogen applications in the drone industry, thus bringing additional performances to the drone, both in terms of autonomy and noise
- The Company already produces a hydrogen-compliant version of one of its drone and expects to launch a new drone with a 100% hydrogen-propelled version in 2023

4 A French champion and soon to be European

- As EMEA markets are composed of several small actors with revenues below € 1m, the Company, that designs and products all of its sensors in France, acts as a leader and a consolidator of the drone industry and has already made several actions in that direction, either as a representative of the drone industry or in its external growth strategy
- The Company also aims at weighing in overall European drone regulation and is now, within an association of drone manufacturers, registered as interest representatives in Brussels to influence the European Aviation Safety Agency (EASA)

I. Executive Summary

The European leader of aerial observations vehicles for Industry and Surveillance

1

COMMERCIAL ACCELERATION

- Deployment of the commercial strategy on the Security & Defence and Industry businesses to seize market opportunities
- Reach critical size in order to grow as fast as the market and replicate its leading position

2

REINFORCEMENT OF TECHNOLOGY

- Accelerating R&D efforts on technology to tackle new opportunities and maintain leadership in key markets
- Obtain further certifications to remain the most referenced drone manufacturer in Europe for Industry and Security & Defence

3

SECTOR CONSOLIDATION

- Seizing consolidation opportunities in the European market which is comprised of several small players with various capabilities in specific technologies

Development strategy

The management wishes to accelerate organic growth, extend the Company's product range and seize consolidation opportunities to integrate new technologies and grow bigger

This strategy relies on :

- Extending the range of drones on a limited number of verticals (Industry, Security & Defence)
- Securing the financial means enabling the company to engage in organic and external growth opportunities
- Pushing the R&D on the main strategic sectors as well as the production capacity in order to minimize the time to market lead time with the latest technologies
- The development of innovative technologies such as Hydrogen propelled drones and VTOL ("Vertical Take Off and Landing")

Financial requirement

In order to pursue its strategic development, the Company wishes to collaborate with a financial and strategic partners able to accompany it throughout this new development phase

Seasoned management and operating teams



CEO, co-founder

Co-founded the Company in 2011
Polytechnique School graduate



CTO

20 years in aeronautical industry, managed €60m/year programs for Airbus



VP Sales

10 years+ in customer service for a major aeronautical system supplier

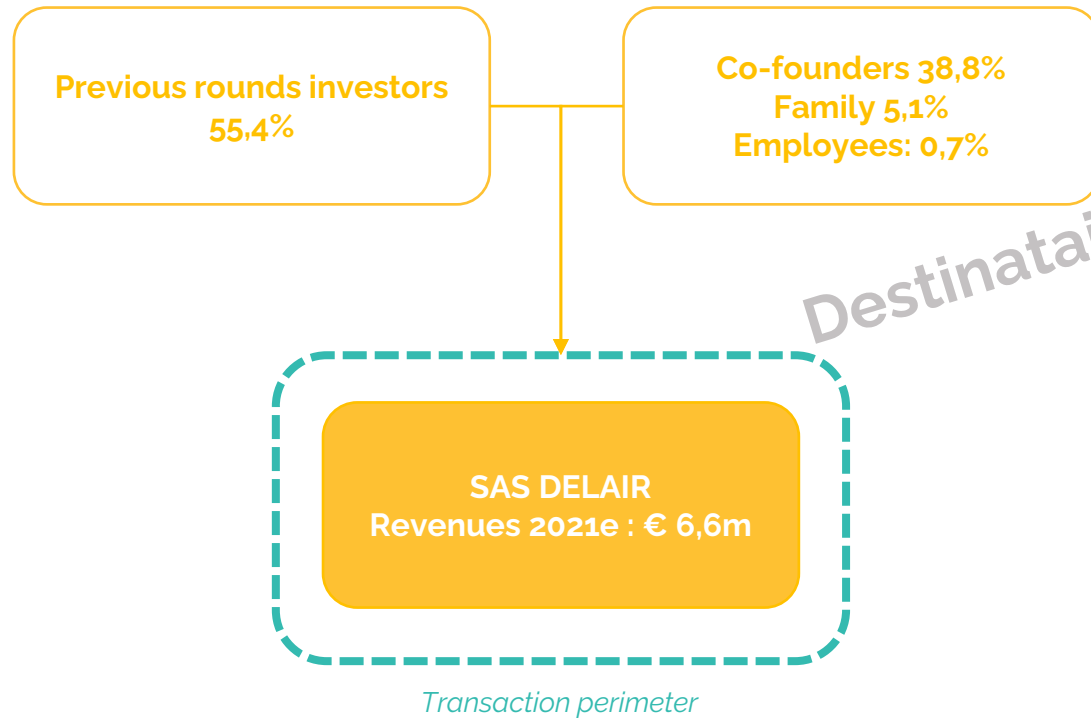


Production Manager

10 years+ in Automotive & Aerospace Industry
Mechanical Engineering degree

I. Executive Summary

Targeted opportunity



Considered transaction

Amount
Up to € 15m

Objective
Accelerate organic growth, scale-up and M&A

Perimeter
Direct investment in the Company's share capital

Timing
Closing expected for S1 2022



II.

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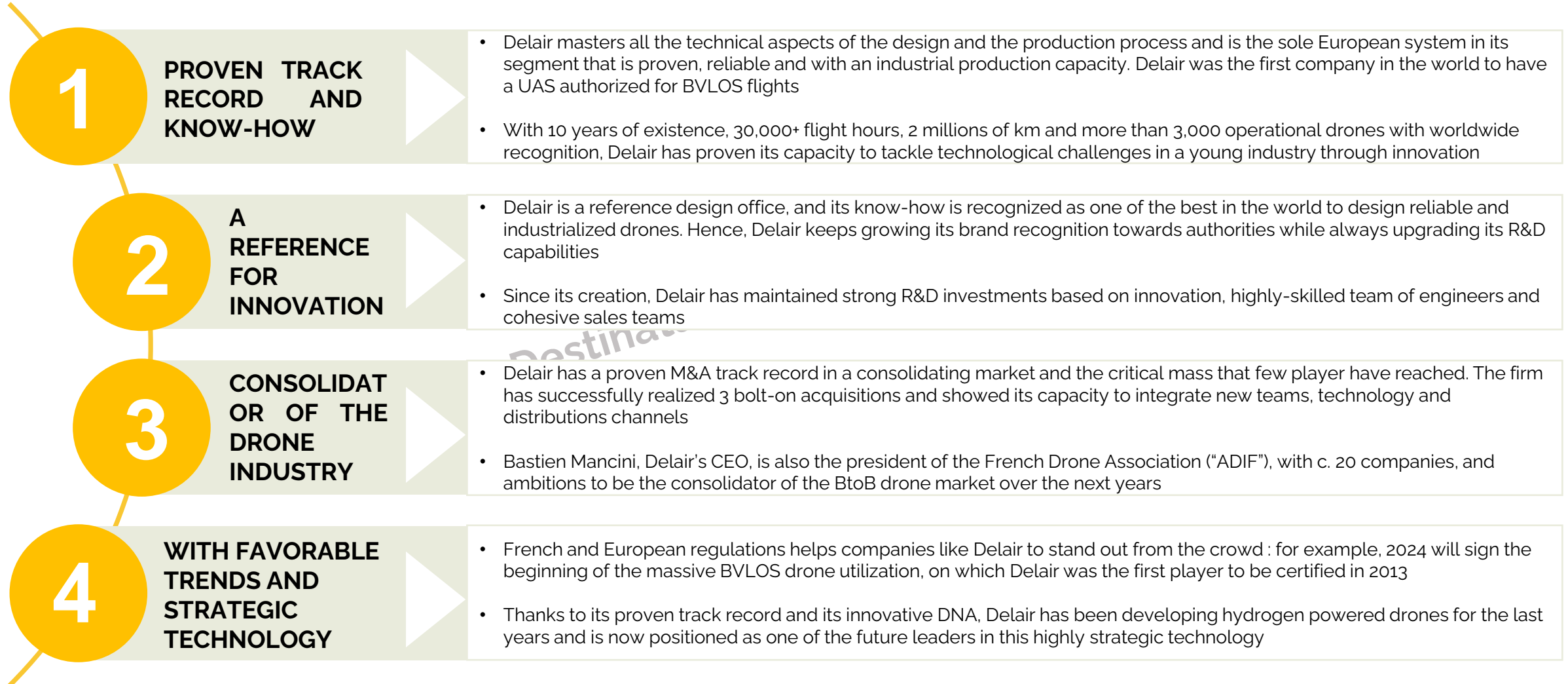
usiness description



***The European leader of aerial observations
vehicles for Industry and Surveillance***

II. Business description

2.1 Delair is a pure player in the EMEA drone industry with proven track-record



II. Business description

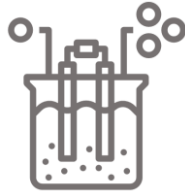
2.2 Delair is a global leader of the autonomous unmanned aerial vehicles industry

Delair's key selling points



6,3 m€

Revenues
2021e



Hydrogen

Technology



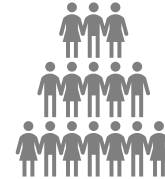
Distribution

85 countries



Made in France

Designed and
made in France



45

FTE

Proven track-record in 8 sectors and now focused on Security & Defence and Industry



Oil & Gas



Security &
defence



Agriculture
& forests



Mining



Surveillance &
Mapping



Energy



Construction



Transport



Security &
defence

Border control

Reconnaissance

Surveillance

Intelligence gathering

Facilities protection

Mapping



Industry

A word from the CEO



"Aerial observations will be unmanned.

The needs for aerial observations are booming, driven by the world's context : border tensions, digital transformation, decarbonation targets in the industry and environment-friendly agriculture.

The market is there. Already, a few actors have reached €300m+ revenues, but none of them is European.

The challenges and locks consist in Safety, Security, Societal acceptance, and need high capitalistic investments to reach the acceptable levels required.

Regulation is becoming harmonized with a known calendar. Delair is one of the established leaders in Aerial observation vehicles, with a strong reputation of robustness and reliability, healthy financials, and a super skilled and experienced team, and aims to become the European leader of unmanned aerial observation vehicles for Industry, Security & Defence."

Bastien Mancini – President of Delair

II. Business description

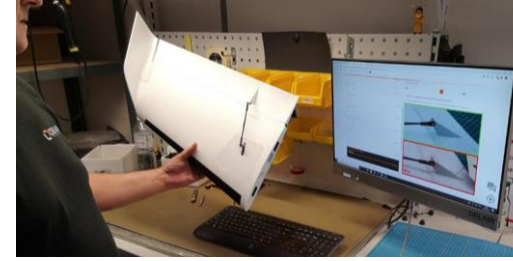
2.3 Delair designs and manufactures in France all of its drones that fly all around the globe

Delair's drones fly from everywhere in the world



● Flight zones, with size indicating the number of flight hours for the last 3 years

A manufacturing team composed of experts...



- The manufacturing team is composed of experts in industrial painting, composite materials lamination, electronics soldering, and mechanical assembly, with over 10 years of experience in manufacturing and delivering high quality and reliable products
- Delair's methods, tools and teams have flourished from this experience and Delair currently has manufacturing capacity from a few prototypes to thousands of drones per year

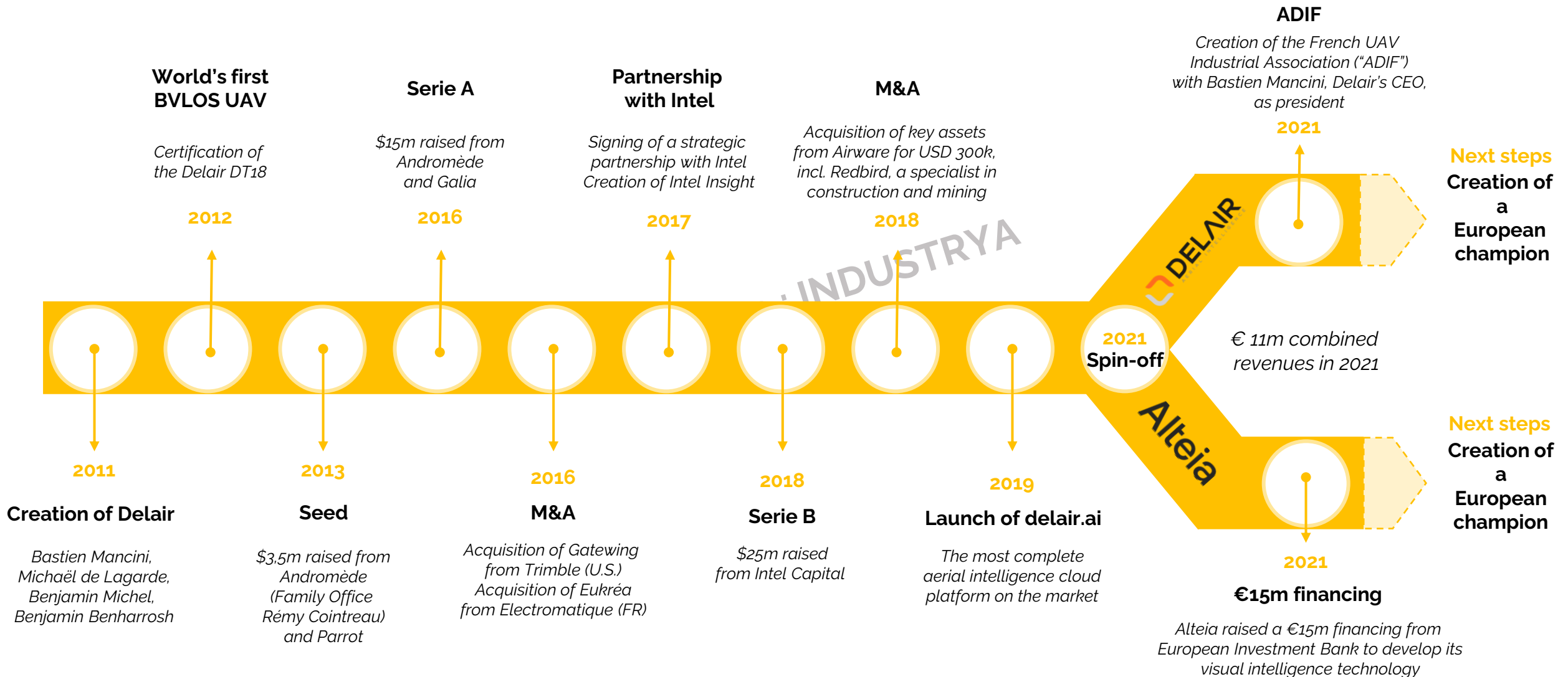
... and based in south-west of France



- Delair designs and manufactures all of its drones in its dedicated 1,500 m² production facility in Toulouse, France
- In 10 years Delair has manufactured several thousand of drones which are now operated all around the world. The support services team manages, from France, a worldwide drone fleet with tens of thousands of flight hours

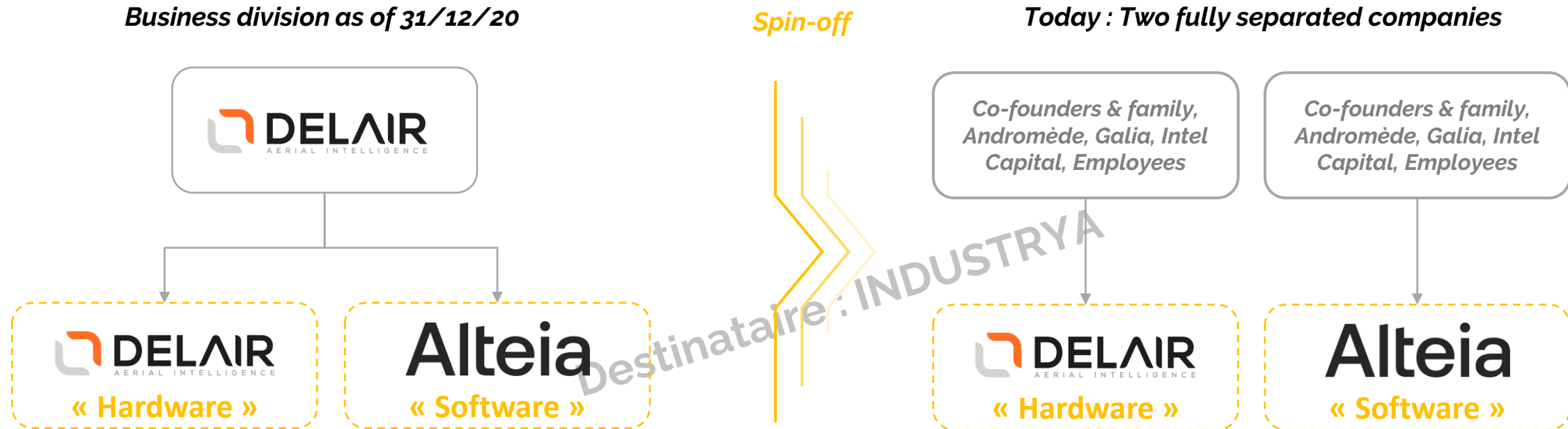
II. Business description

2.4 Delair has a proven track record in the UAV industry for the last 10 years



II. Business description

2.5 Delair's has recently reorganized its business units to gain flexibility

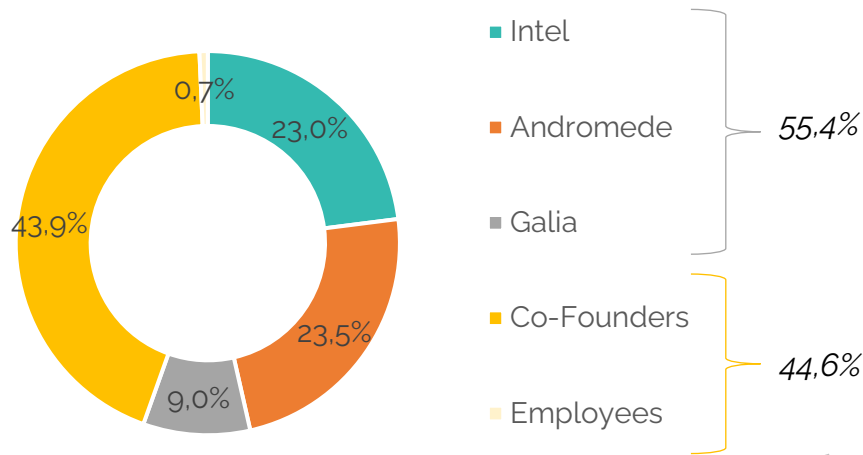


- At its creation in 2011, Delair was 100% dedicated to the design, production, marketing and operation of UAV for businesses and governments ("Hardware")
- The Group then started to develop software solutions to process and analyse collected data based on artificial intelligence and machine learning techniques ("Software") that gradually rose to a significant part of overall revenues. The Group then realized that the two divisions encounters diverging interests on their respective most profitable markets
- In March 2021, in order to facilitate fundraising from the European Investment Bank ("EIB") necessary to finance the growth of the Software solution, Delair's management and shareholders decided to split its activity between Hardware and Software with retrospective effect from January 1st 2021
- Therefore, the two business units have then been separated and each shareholder of the former Delair received one share of Delair "Hardware" and one share of Alteia "Software". The two business units are now separated in two wholly independent companies

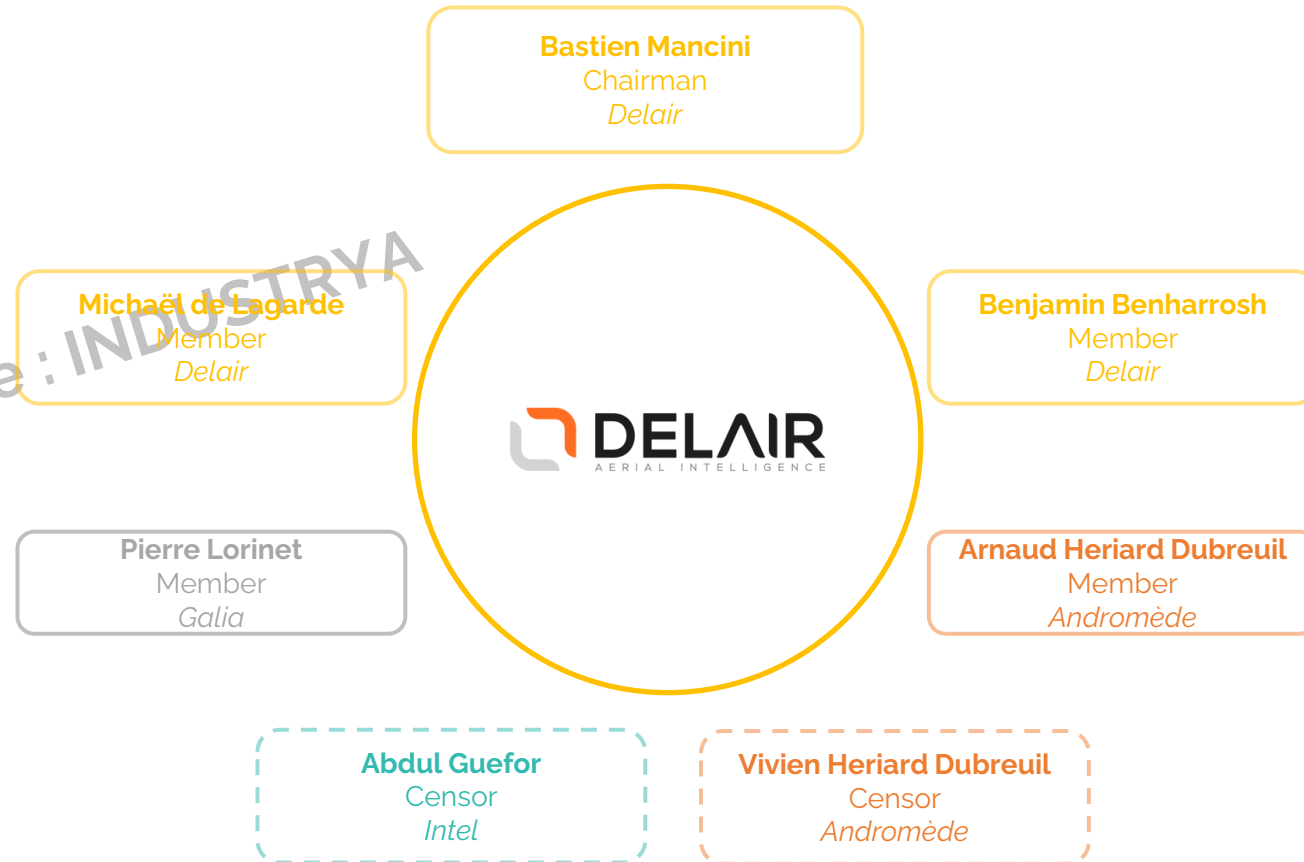
II. Business description

2.6 Since its creation, Delair keeps generating strong interest from financial investors

Shareholder's breakdown



Board's composition



- Delair's 4 co-founders and their relatives hold 43,9% of Delair

ANDROMÈDE

- Andromède (Rémy Cointreau's Family Office) was among Delair's first investors and joined the adventure in 2012 for its seed financing and renewed its investment in Delair's Serie A in 2016. Andromède currently holds 23,5% of Delair's share capital

GALIA

- Galia Holding has been shareholder of Delair since its Serie A in 2016 and is represented by Pierre Lorinet, one of the key executives of Trafigura, a huge success story in the Oil & Gaz industry. Galia holds 9,0% of Delair

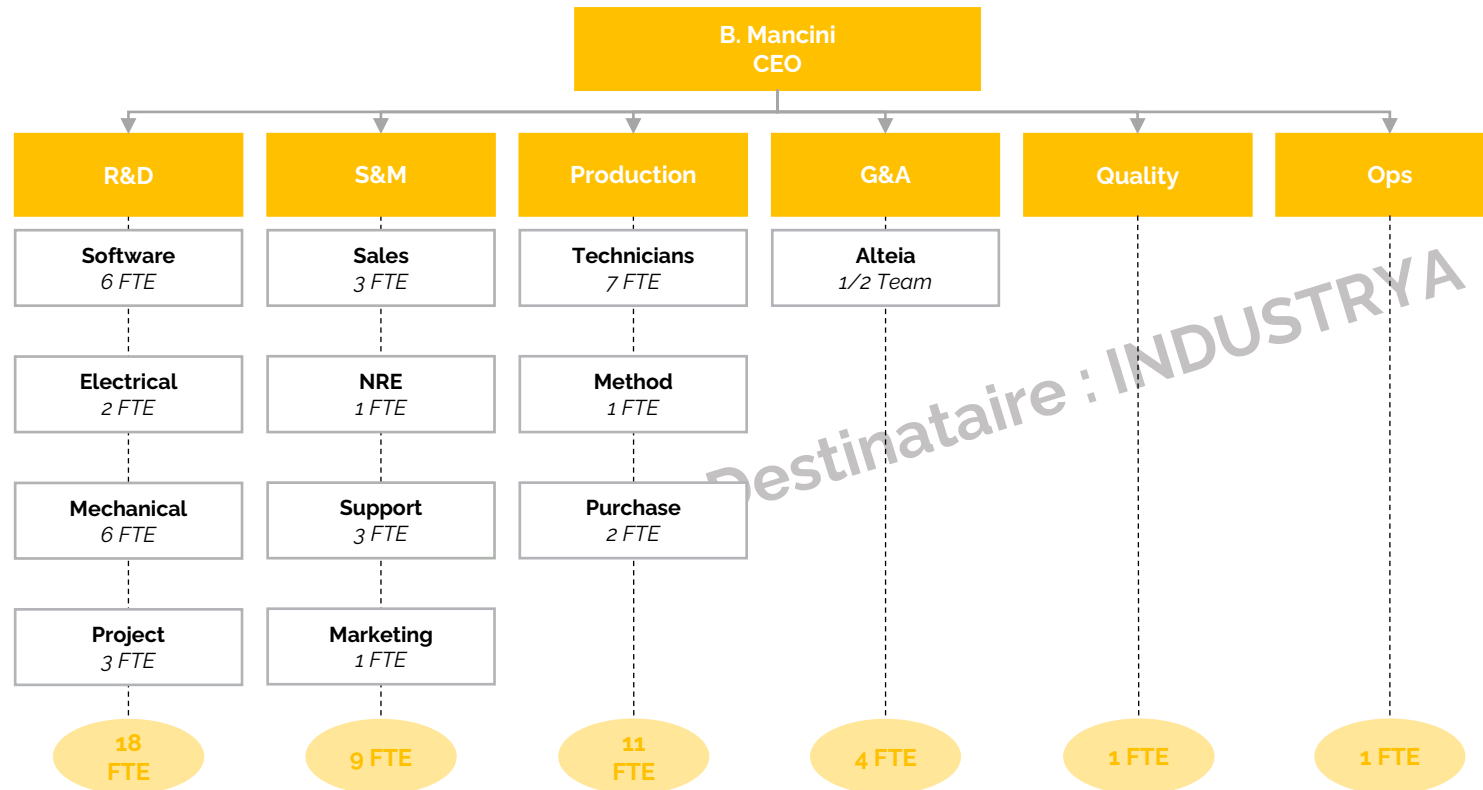


- Intel Capital invested in Delair in 2017 after signing a partnership for the launch of its cloud platform. It currently holds 23,0% of Delair

II. Business description

2.7 Delair has a lean internal organization around the drone value chain

Delair's organizational chart



A seasoned management team with a strong industrial background



Bastien MANCINI,
CEO, co-founder

Polytechnique School graduate
10 years at the CNES
President of the French Industrial UAV Organization (« ADIF »)



Alexis PRADILLE,
VP Sales

Engineering school and master's degree graduate
12 years at Liebherr Aerospace as head of Airbus and Boeing fleets technical support



Luc ARNAUD,
Production Manager

Mechanical Engineering Degree
Over 10 years of experience in Automotive and Aerospace Industry



Nicolas de RETZ,
Chief Technical Officer

20 years in aeronautical industry,
managed €60m/year programs for Airbus

- Given the previous experiences of its management and its operational teams, Delair is organized with a perfect combination between business and technical profiles
- The recruitment of a new CFO is currently under process and should be effective before year-end

II. Business description

2.8 Delair designs, produces and commercializes high end and accurate fixed wing drones



DELAIR
UX11

Professional Small UAV
Survey & Map with ease

- The Delair UX11 is an ideal drone solution for highly precise and easy mapping. It delivers integrated features for before, during and after flight operations. The drone's operational performance (allowing flights of up to 59 minutes covering over 300 acres at 400 feet) significantly lower the total cost of ownership compared to other surveying and mapping options



DELAIR
DT26E

Long-range UAV
Laser mapping, survey, monitor & inspect

- The DT26 fixed wing platform is based on field proven technology and has for many years supported the intelligence collection for infrastructure monitoring as well as military intelligence, border police and special operations forces. This systems' characteristics ensures that the end user needs no support infrastructure, has a long flight time up to 170 min, long range of communication up to 50km, and versatile payloads



DELAIR
DT45

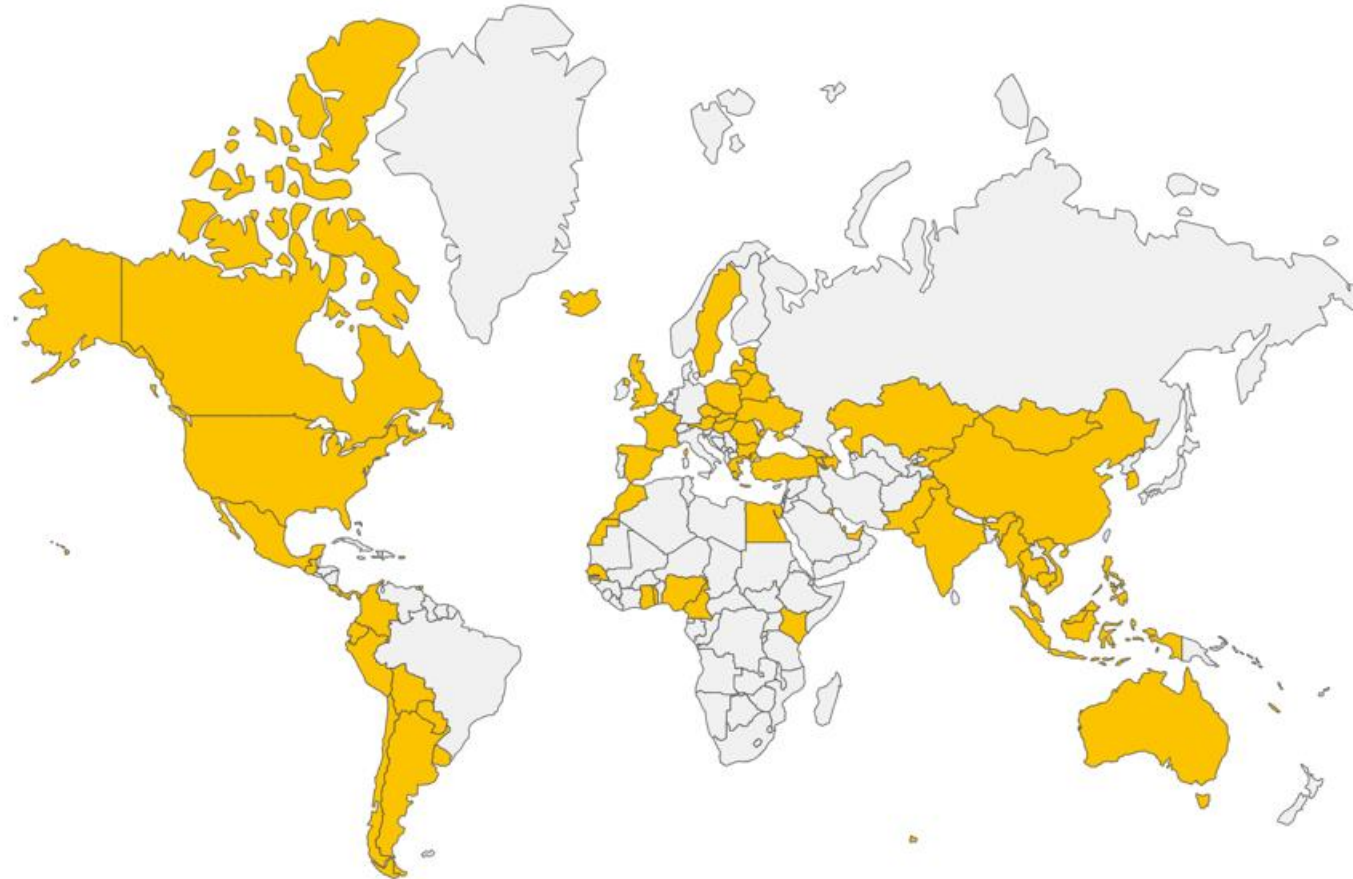
Long-range UAV
Next generation of long-range UAV

- The Delair DT45 is the next generation of long-range UAV and is currently in an advanced development stage. Thanks to its bigger structure and enhanced mechanic friability, this new drone will fly for even longer distances and within a more hostile environment (i.e. frontier surveillance in the mountains or oversea). A VTOL option will also be integrated to answer the market's specific needs. A hydrogen version will also be available

- Delair designs, produces and commercializes a line of the most efficient drones on the market and its fixed wing drones are the ideal tool for aerial data acquisition on long range / duration missions. They can cover large surfaces per flight, flying smoothly and stable along the way

II. Business description

2.9 Delair ranks among the BtoB drone producers with the most extensive global presence



- With a presence in c. 70 countries, Delair has managed to become one of the world's most spread BtoB drone manufacturer thanks to its organic and external growth strategies

II. Business description

2.10 Indicative timeline of Delair's drone project development



~5 M€

Costs



Up to 1 000

Volume / year



30 months

Total duration



12 months

Initial design and prototype

18 to 24 months

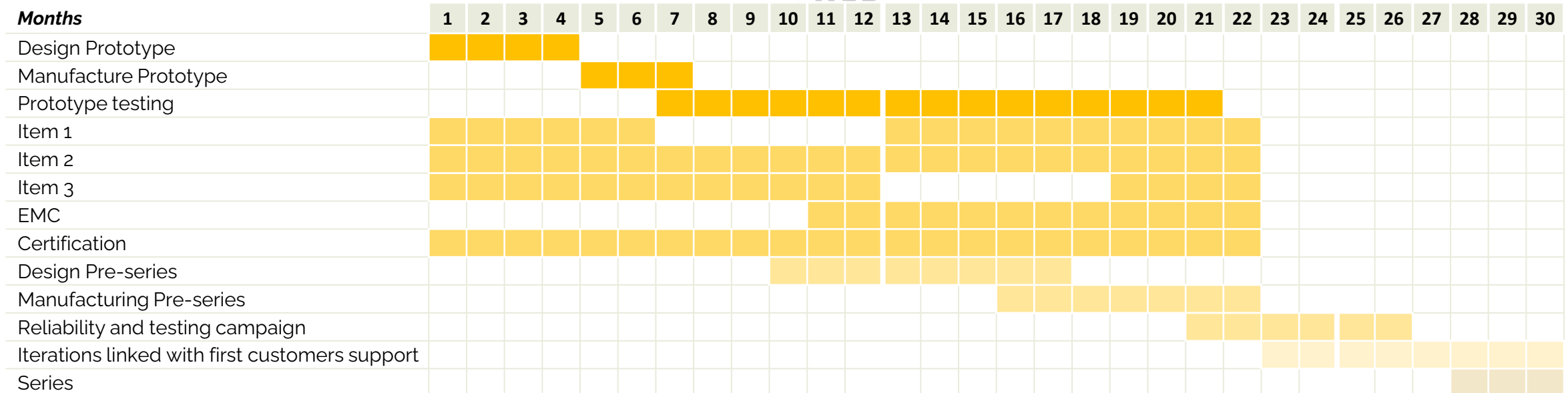
Risk management

12 months

Manufacturing and testing

9 months

Industrialization



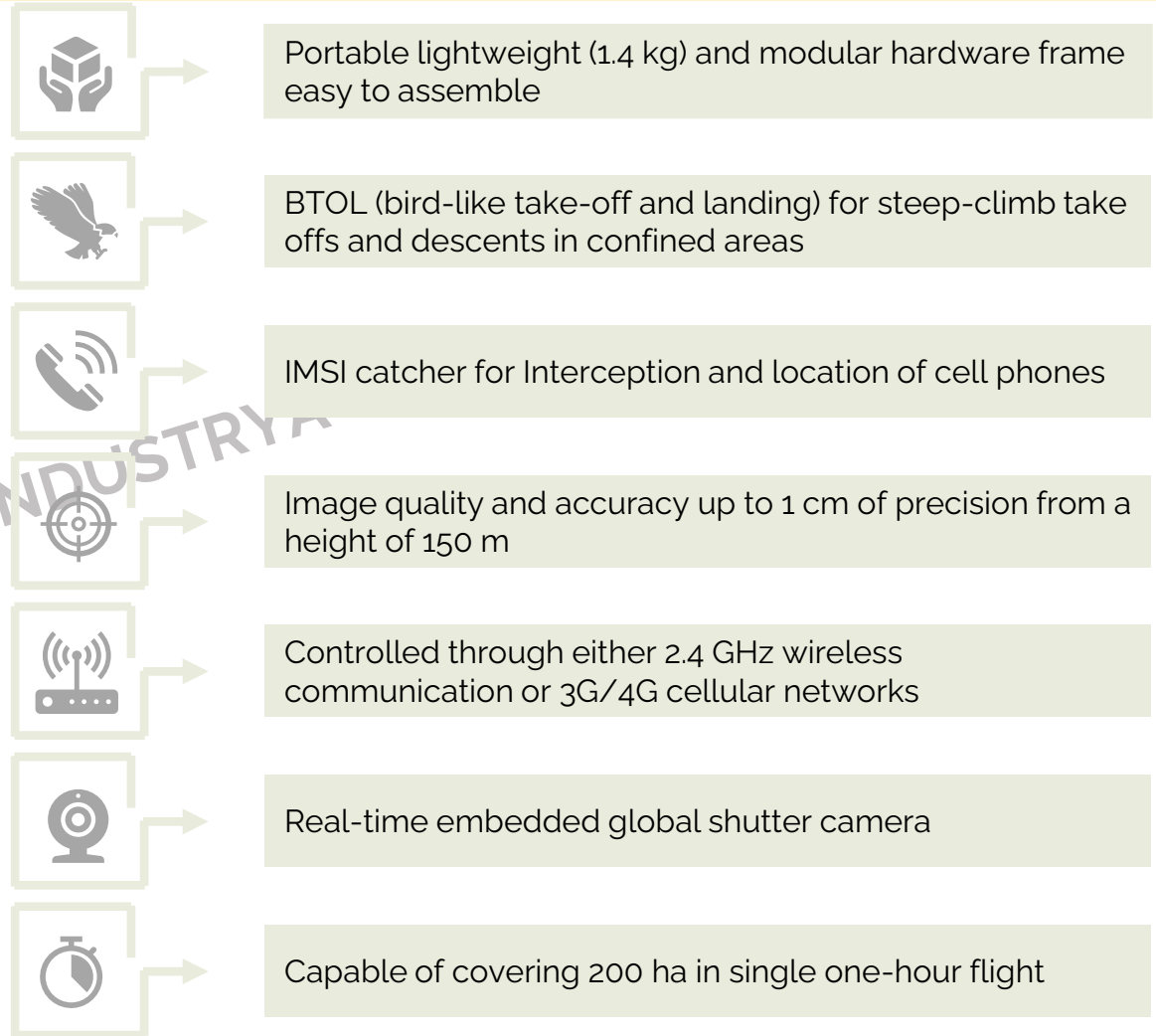
II. Business description

2.11 UX11 : an ideal drone solution for highly precise and easy mapping



Launched in 2018, the Delair UX11 is a fixed-wing professional mapping drone offering significant productivity gains, unprecedented ease of use and high-quality aerial acquisition of critical data

Designed for lowest Total Cost of Ownership (TCO) with an endurance up to 59 min covering over 1.2km² at 122m, the UX11 combines different features and innovations that make it the best solution for highly precise mapping



UX11 is a hand-launched fixed-wing tactical mapping drone solution that helps users in disconnected environments accurately map their surroundings from the air

II. Business description

2.12 The UX11 : the most easy-to-use professional mapping drone



DELAIR
UX11

Highly precise and easy mapping

✓ Endurance : **Up to 59 min**

✓ Weight : **1,4 kg**

✓ Flight range : **53 km**

✓ Deployment time : **5 min**



Global shutter, fully integrated industrial-grade RGB camera

Wide scale surveillance

Long range, easy and automated flights

Tracking

Easy flight management on tablet

Fast mapping

Fast and easy transport and setup as well as accurate and automatic landing

Intelligence

Cloud-based data processing included



UX11AG

The smartest plant-mapping drone

✓ Endurance : **Up to 52 min**

✓ Weight : **1,6 kg**

✓ Flight range : **47 km**

✓ Deployment time : **5 min**



High-end multispectral camera for plant level measures



II. Business description









2.13 Case study : UX11 as part of French Intelligence's innovation strategy

”

The UX is mainly used for reconnaissance missions in rural areas requiring a high level of discretion. Indeed, this type of vector allows, through adapted strategies, to emit only a weak sound impact on the targeted zones

”

User experience

-  Easy to use app and ergonomic interface
-  Pre-light check list to avoid errors
-  Product quality : well finished and resistant
-  Easy transportation
-  Easy deployment under 5 min by 2 operators
-  Easy recovery
-  High resolution RGB sensor
-  High resistance to wind and rain



Strategic opportunities

The UX 11 has demonstrated its outstanding capabilities by adapting to the various situations and the tasks required

Ongoing cooperation efforts between DELAIR and service Ministry of Interior are expected to contribute positively to the improvement of the drone, especially in the fields of reconnaissance and rescue

II. Business description

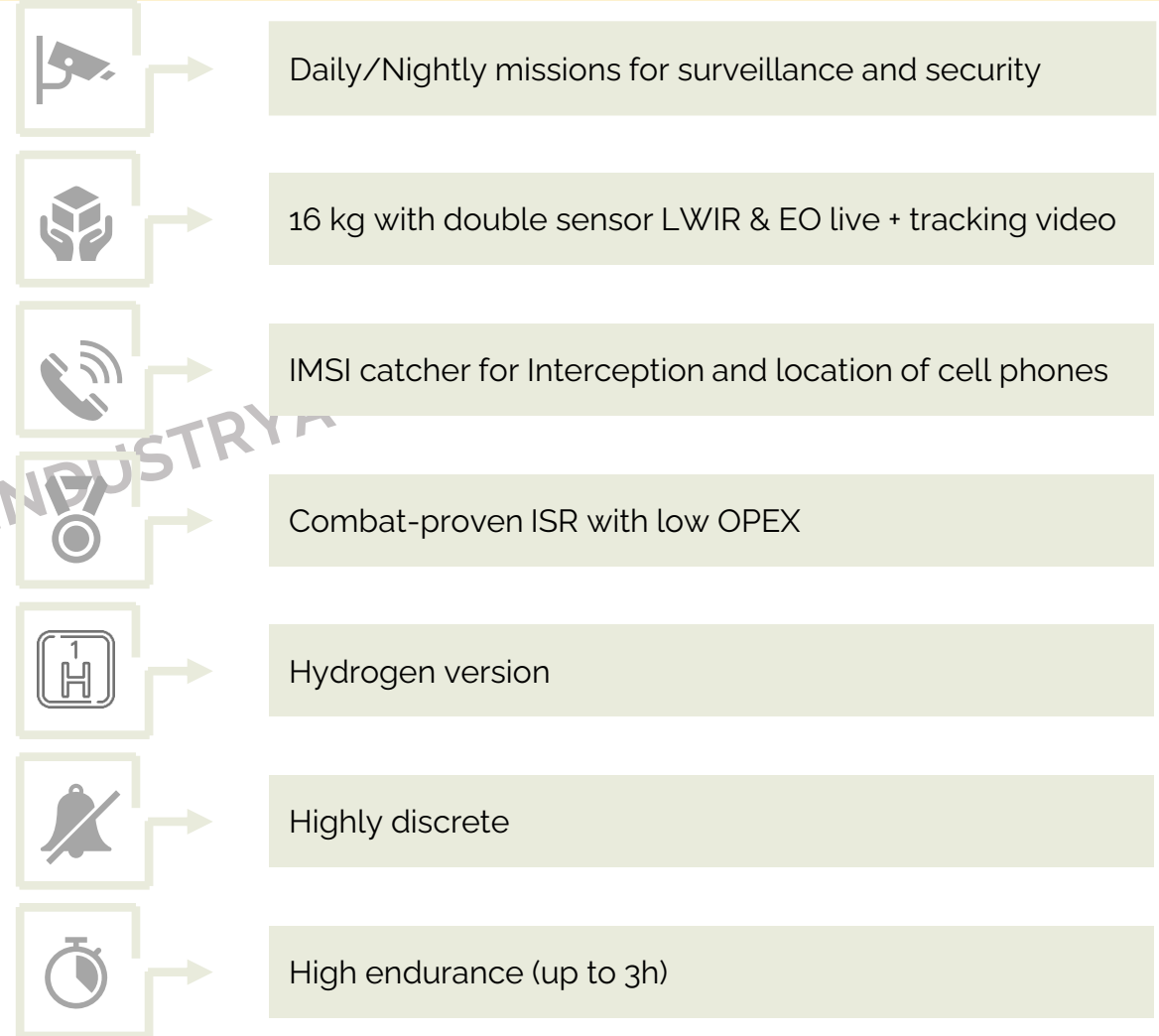
2.14 The DT26 Line : high-end, long-lasting performance and versatile drone (1/2)



DELAIR
DT26E

The DT26 ranks among Delair's top seller and is the result of several years of R&D and adaptation to market's needs and regulation

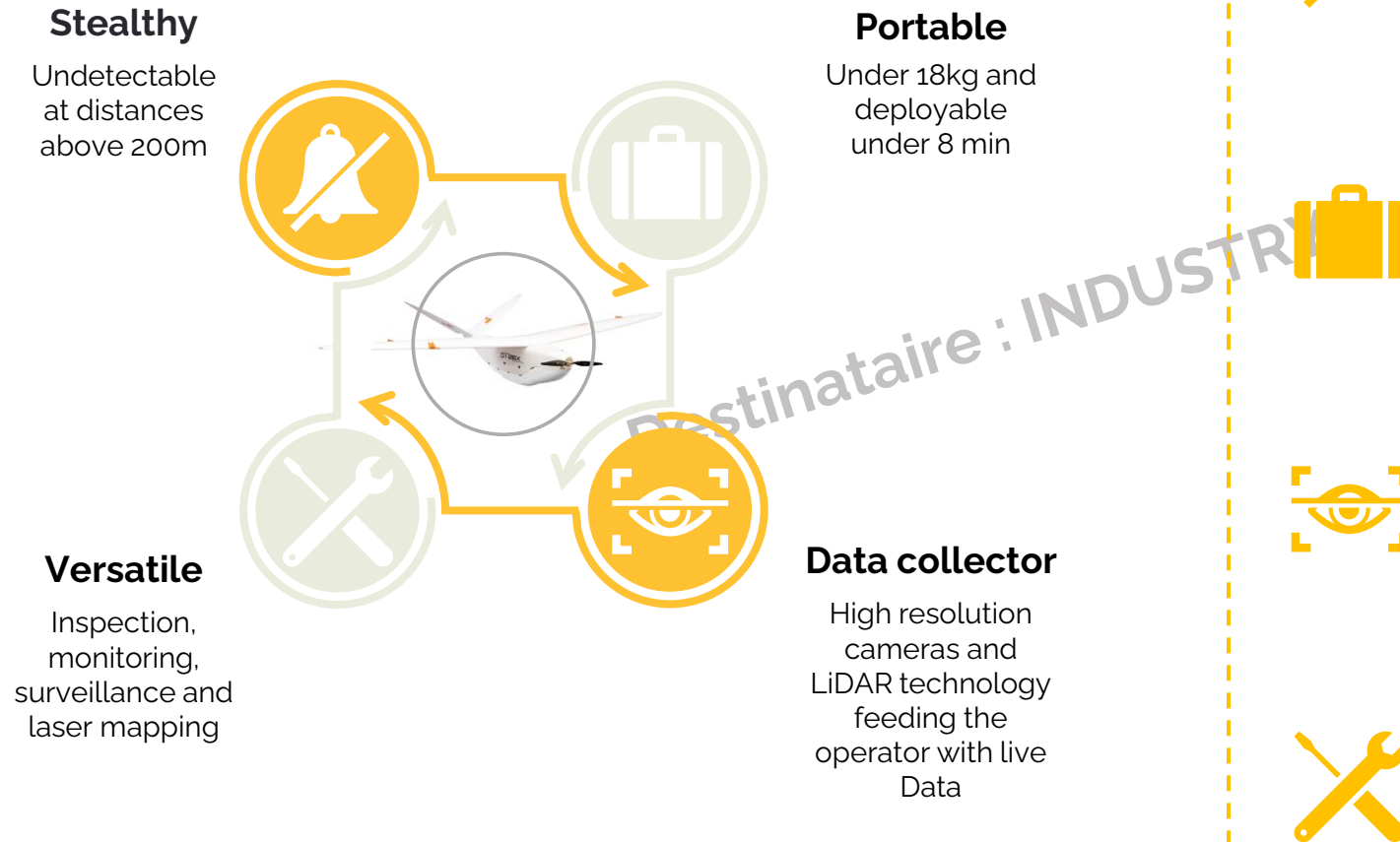
The DT26 fixed wing platform is based on field proven technology and has for many years supported the intelligence collection for infrastructure monitoring as well as military intelligence, border police and special operations forces. This systems' characteristics ensures that the end user needs no support infrastructure, has a long flight time up to 170 min, long range of communication up to 50km, and versatile payloads



A high-performance, long endurance UAV with the ability so support complex missions such as defense, surveillance and border control

II. Business description

2.15 The DT26 Line : high-end, long-lasting performance and versatile drone (2/2)



Unlike its competitors, Delair's DT26 drones rank among the stealthiest in the market. They're undetectable by radar and thanks to the inaudible electric motor as well as high cruising altitudes, they are practically undetectable through noise



Held in a light suitcase and deployable by two people in under 8 minutes, the DT26 line is highly valuable in many critical situations and circumstances














The Delair system is a multi purpose mini UAV, which can be delivered in three configurations (developed for different specific operations); Operators have the possibility to switch from surveillance mission with the EO/IR gimbal to reconnaissance mission with the LiDAR and finally intelligence mission with a COMINT sensor



The DT26 line offers a complementary product line that assure the best surveillance, reconnaissance and information gathering in different situations and environments

II. Business description

2.16 The DT26 Line : a drone adapted to every specific needs

DT26E LiDAR	DT26E Surveillance	DT26E Tactical	DT26E Open Payload
Laser Mapping, Surveillance, Monitoring, Inspection	Night and day long range surveillance	Secure sensitive areas over large distances <i>DT26E Tactical UAV systems embeds a high-end military datalink for very long and secured communication</i>	Custom payload
 Density up to 70 pts/m ²	 Vehicle detection at 8 500m	 Vehicle detection at 8 500m	 Up to 3 kg
 Accuracy down to 5 cm	 Human detection at 1 800m	 Human detection at 1 800m	 374 x 182 x 240 mm max
 5 target echoes	 <80 dBA : low acoustic signature	 <80 dBA : low acoustic signature	
✓ Endurance : Up to 110 min	✓ Endurance : Up to 170 min	✓ Endurance : Up to 170 min	✓ Endurance : Up to 170 min
✓ Weight : 17 kg	✓ Weight : 15 kg	✓ Weight : 15 kg	✓ Weight : 18 kg
✓ Communication range : 30 km	✓ Communication range : 30 km	✓ Communication range : 50 km	✓ Communication range : 30 km
✓ Deployment time : 8 min	✓ Deployment time : 8 min	✓ Deployment time : 8 min	✓ Deployment time : 8 min

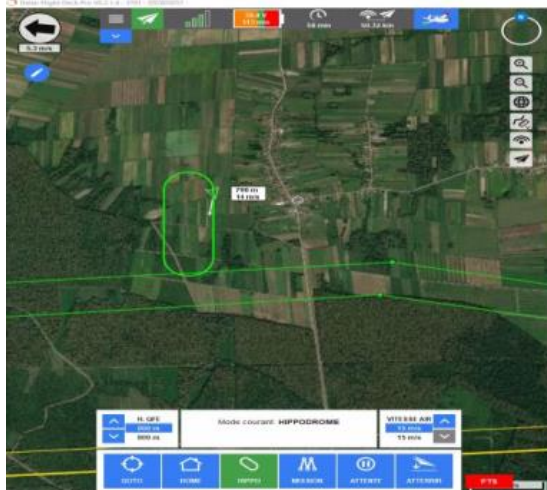
Either for control by the authorities, tactical analysis and surveillance by special forces or for the surveillance of critical industrial sites and infrastructures by companies, the DT26 line offers a wide range of versatile and specialized drones that cover these needs in the most efficient and optimal way

II. Business description







2.17 Case study : DT26 is used for frontier surveillance all around the globe

Context : Within the framework of a tender from the Croatian Ministry of Interior to equip the Border Police with UAV solutions, Delais has supplied a fleet of 3 DT26E Tactical systems.

The Police aims to strengthen security and surveillance at the European borders for entry into the EU (over 1000km)



Context

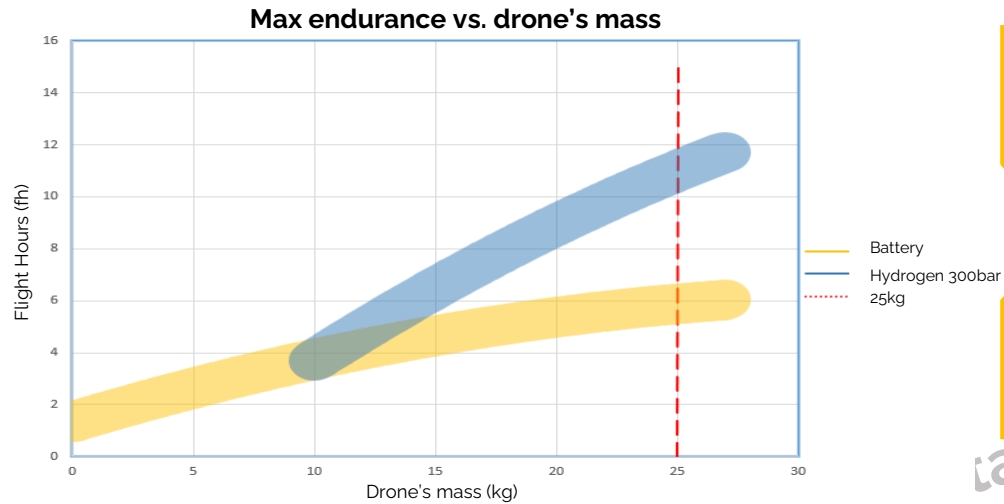
-  Acquisition of 3 DT26E TACTICAL systems
-  On-site performance tests based on the tender requirements. (170 min)
-  Training of 40 operators and 10 maintenance technicians in 15 days
-  On-site support with a DELAIR instructor
-  Weekly routine calls
-  Privileged contact with a DELAIR instructor



II. Business description

2.18 Delair's Hydrone : a technological breakthrough

How the drone's weight impacts its endurance



By removing the constraint of putting a pilot on board of the observation vehicle, Delair's drones remove 100kg of payload which divides the mass of the vehicle by 40

A fixed-wing UAV consumes about 3 times less energy than a rotary-wing UAV in level flight

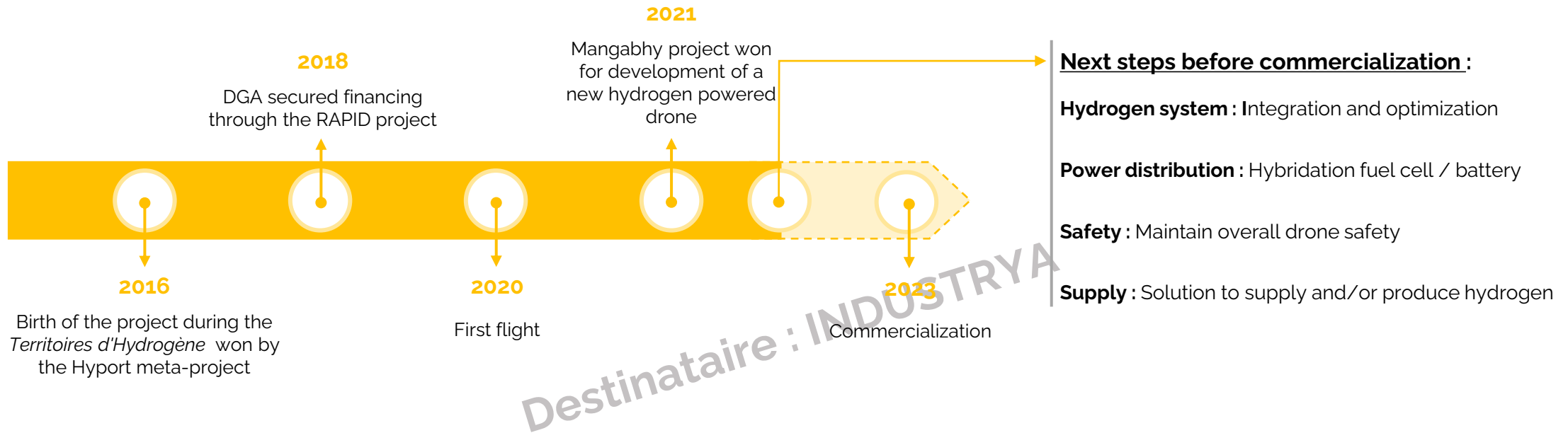
The mass energy density of a hydrogen gas system is 2 to 3 times better than that of batteries capable of delivering the necessary currents for flight, and almost equivalent to that of gasoline

Comparison with current surveillance sensors

	Helicopter	Thermal mini drones	Electric mini drones	Delair's Hydrone POC	Delair's next hydrogen-propelled drone
Energy	Kerosene	Kerosene	Electric	Hydrogen	Hydrogen
Consumption	100kg/fh	1kg/fh	-	25g/fh	25g/fh
Endurance	3 to 6h	6 to 10h	2 to 3h	4 to 5h	6 to 8h
Discretion	5km	5km	0,2km	0,2km	0,2km
Cost	1500€/fh	700€/fh	200€/fh	200€/fh	200€/fh
CO2 emissions	315kg/fh	3kg/fh	-	0,1kg/fh	0,1kg/fh
Human risk	High	Low	Low	Low	Low

II. Business description

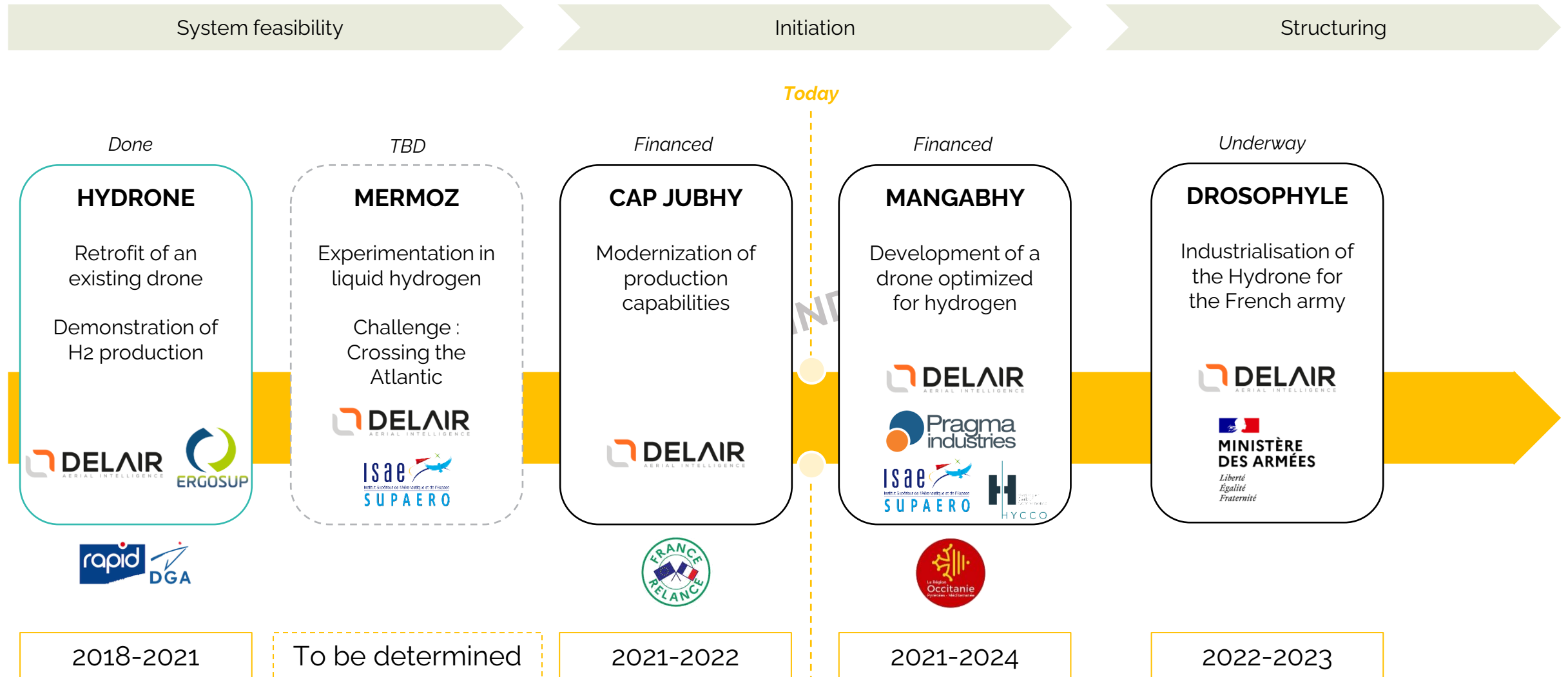
2.19 Delair's Hydrone : a technological breakthrough



- The Hydrone is born from a simple straightforward observation: **Electric drones lack endurance for long-distance flights**. The answer, however, can be found in one of the **aviation industry's greatest ambitions for the future: hydrogen**. Hydrogen provides an energy density that is 2 to 3 times better than the best lithium batteries thanks to its fuel cells. As a result, Delair decided to transform its DT26 to be hydrogen-powered
- The Hydrone is **silent** (less than 50 dBA at 100m) as the DT26 and **reaches the flight time of a helicopter**. These advantages combined with its radar signature which makes it **nearly undetectable**, allow for a wide range of applications in both the civil and the military sectors. In addition, the Hydrone has **very little to no impact on the environment**, compared to a helicopter
- **Delair's Hydrone was financed by the French Directorate General of Armaments (DGA)** through the RAPID « Régime d'Appui à l'Innovation Duale » grant which supports companies of less than 2000 employees, either on their own or in a consortium, innovating on both the military and civil markets and includes two parts : the drone, carried by Delair and a mini hydrogen station to locally produce the hydrogen to refill the drone, designed by Ergosup

II. Business description

2.20 Delair has been integrating hydrogen in its development roadmap since 2018



II. Business description

2.21 Delair has won the contract for the inspection of the Charles de Gaulle Aircraft Carrier

Delair has developed the first ever automated end to end drone system for the Charles de Gaulle Aircraft Carrier inspection



Delair's drones POC as an **automated inspection** tool of the **Charles de Gaulle aircraft carrier**

Solution realized in only 6 months by **leveraging on Delair's strong scaling capabilities**

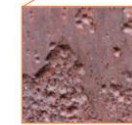
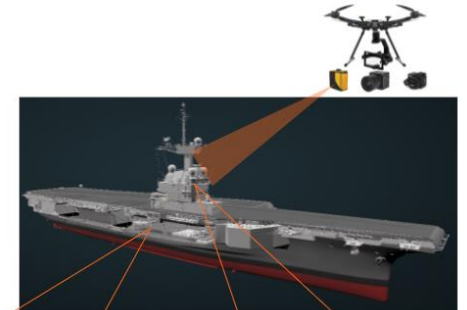
An **end-to-end solution** provided ; From Data acquisition to processing

Extension **already sold to other French vessels**

Upcoming **full industrialization** of the process with the development **already financed**



First ever mobile inspection system on water

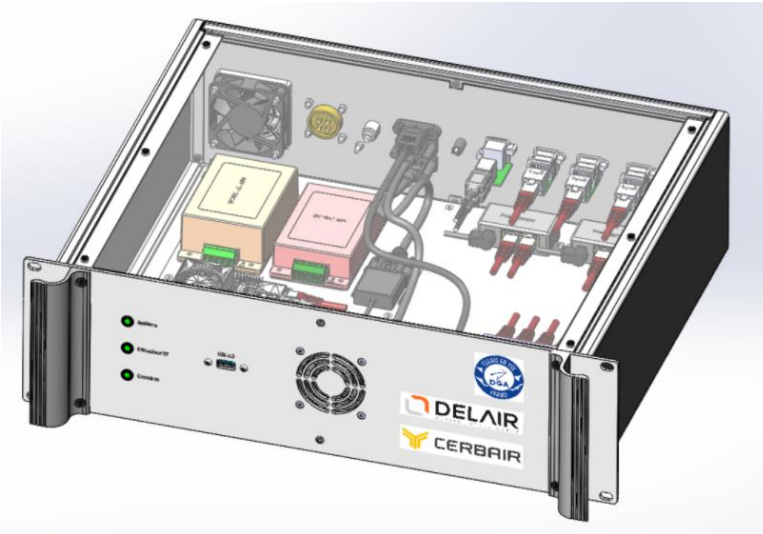


Creation of steady and recurrent revenue lines

II. Business description

2.22 D-CAS Project – Delair's upcoming anti-drone solution

Development of a new technology allowing to detect drones of more than 250g at 2km



Attachable to military helicopters

An embedded **Artificial Intelligence** module

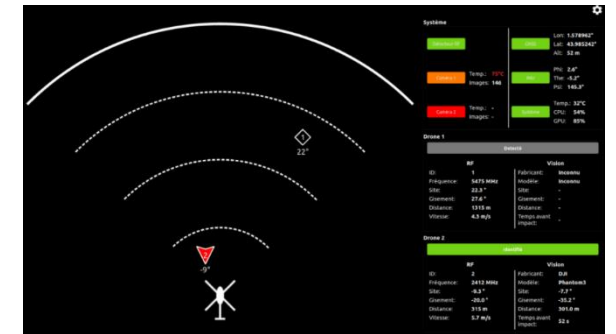
Imagery and **RF sensor**

User interface with **visual and audible alarms**

Projected **prototype** by the **summer of 2022**



Enabling helicopters to detect
drones weighing more than
250g at 2 km

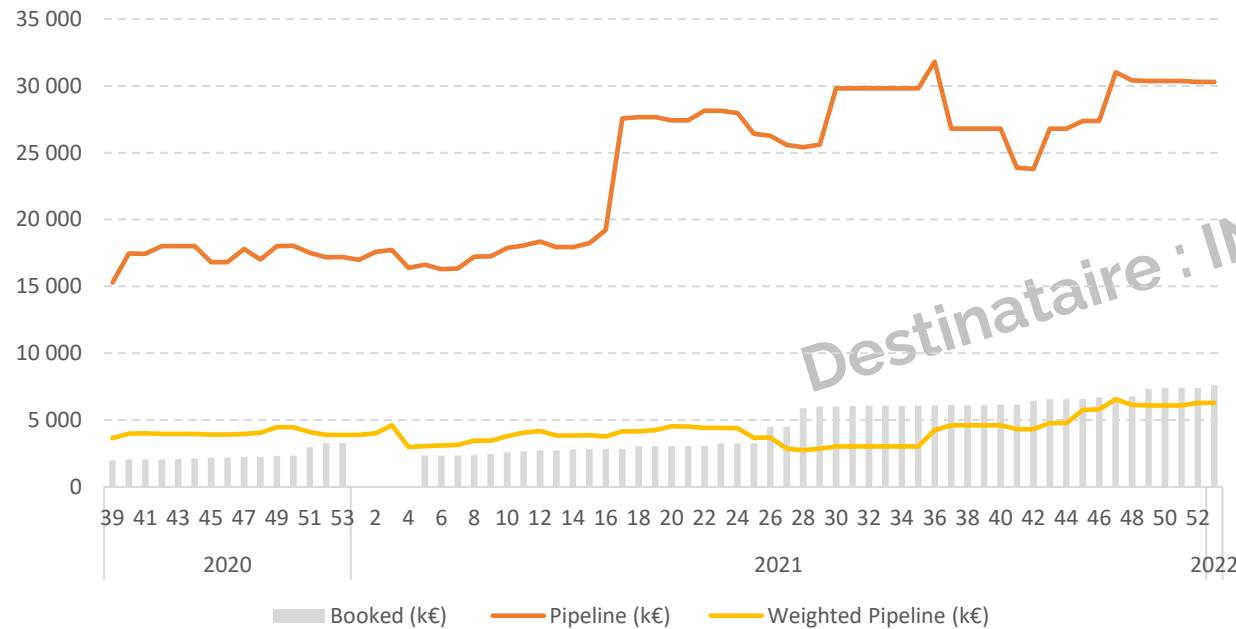


Huge market potential with
commercialisation expected
before upcoming Rugby World
Cup in 2023 and Paris' Olympics
in 2024

II. Business description

2.23 Delair monitors closely the well-oriented evolution of its pipeline

Pipeline evolution



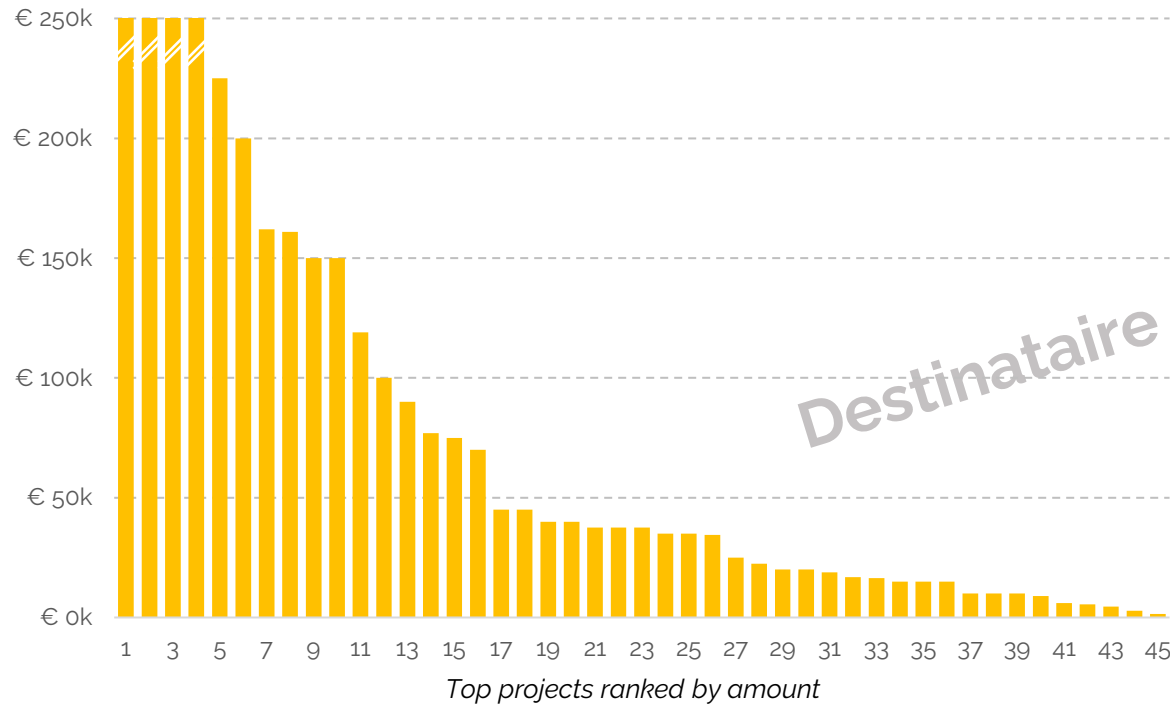
- The Company monitors closely its pipeline with a « pessimistic » weight in order to keep a base case scenario with minimum revenue. Every success is then considered as potential upside for Delair's revenue
- Decrease both in pipeline and weighted pipeline is explained either by the fact that the company has confirmed an opportunity (then booked) or that the opportunity is lost
- The relationship between weighted pipeline and cumulative booked orders is closely monitored by the Company. Their close results show how realistic Delair is regarding its markets

- **Delair has a steady and well-oriented pipeline that will allow the Company to keep growing its international recognition and extend its production capabilities**

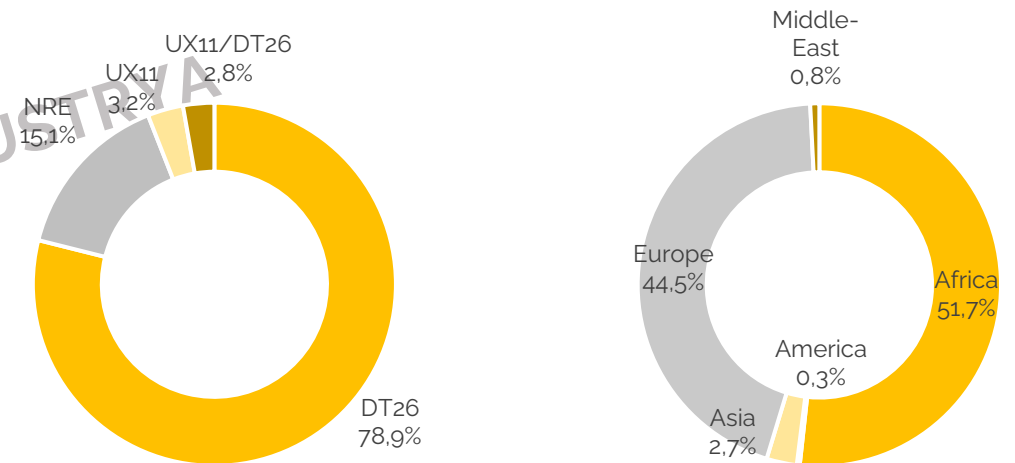
II. Business description

2.24 Strong and diversified pipeline

2022 Weighted pipeline Pareto



2022 Pipeline per type and region

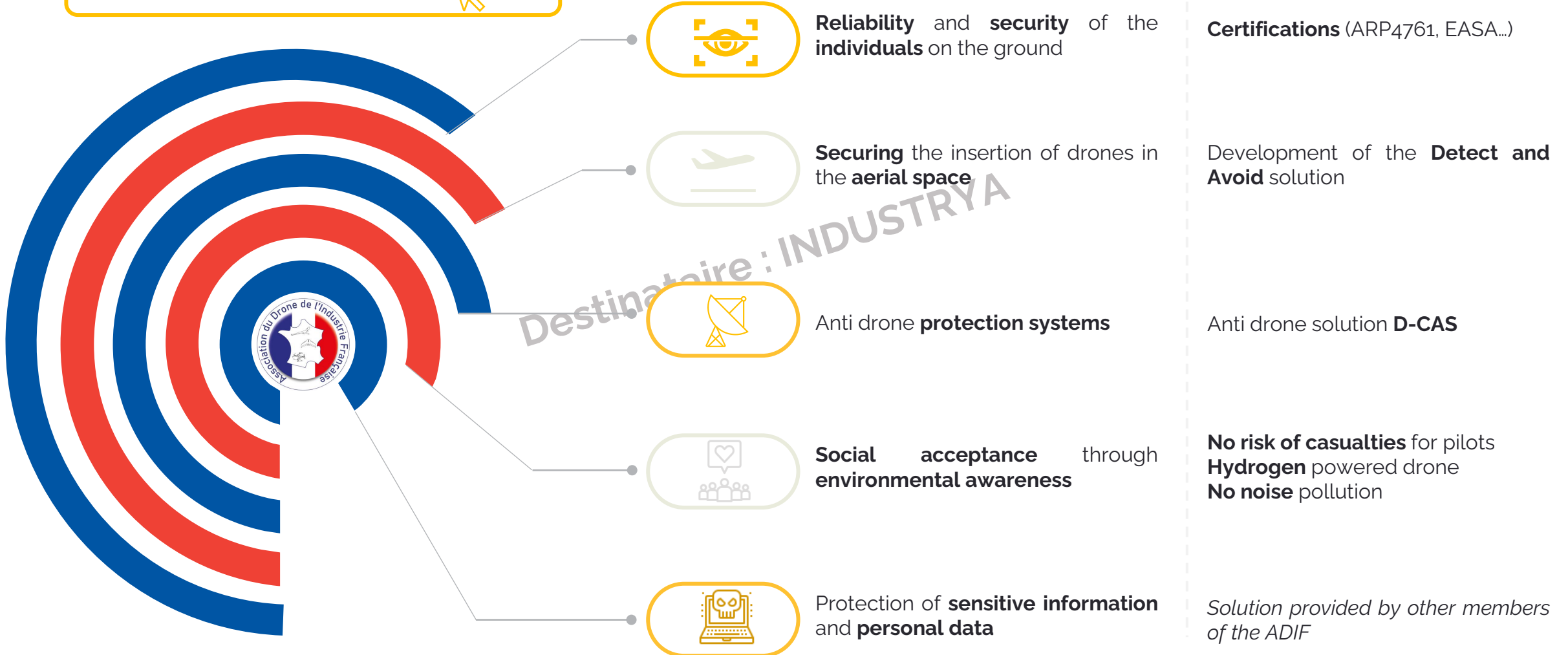


- Delair's pipeline is diversified and counts more than 40 projects, with the 10 first projects representing c. 75% of total 2022 weighted pipeline
- DT26 represents c. 80% of total pipeline while Africa and Europe represent more than 95% of the overall weighed pipeline

II. Business description

2.25 Delair answers the vast majority of the challenges raised by the drone industry

[ADIF Position Paper](#)



II. Business description

2.26 Drone utilisation is more and more accepted by the society thanks to all the solutions it brings

Environment



Examples of positive impacts of the drone industry

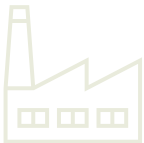
- Reduce the use of pesticides and weed killers in agricultural fields by targeting specific areas
- Digitalisation of buildings under construction to better assess all modifications and strongly lower environmental impact
- Reduce the environmental impact in mines and quarries, for ex. by optimizing road's slope and lowering gas consumption
- Installing bird scarecrows around powerlines for the wildlife protection to avoid electrocution
- Vegetation control around powerlines to prevent damage and the rapid spread of fire
- Inspection of buried pipes transporting dangerous materials, hence lowering human risk

Society



- Reduce the need for scaffolding while protecting workers and passers-by from falling pipes
- Preserving human lives of workers inspecting power lines by promoting remote monitoring and inspection
- Saving human lives in natural disasters with swift search and rescue missions thanks to quick deployment times and the wide reach of the drones
- Protection of communities through the surveillance and control of the borders and illegal immigration

Industry



- A solution facilitating the digital transition of companies thanks to advanced imagery and mapping technologies
- A more efficient solution to secure industrial infrastructures compared to the risky and costly on-site surveillance
- Improve processes and decision making within companies due to the information presented and the speed it is communicated at

- **Drones play a considerable role in the protection of the environment, the preservation of human lives as well as enabling corporations to enhance processes and decision-making tools**










III.

S

strategy

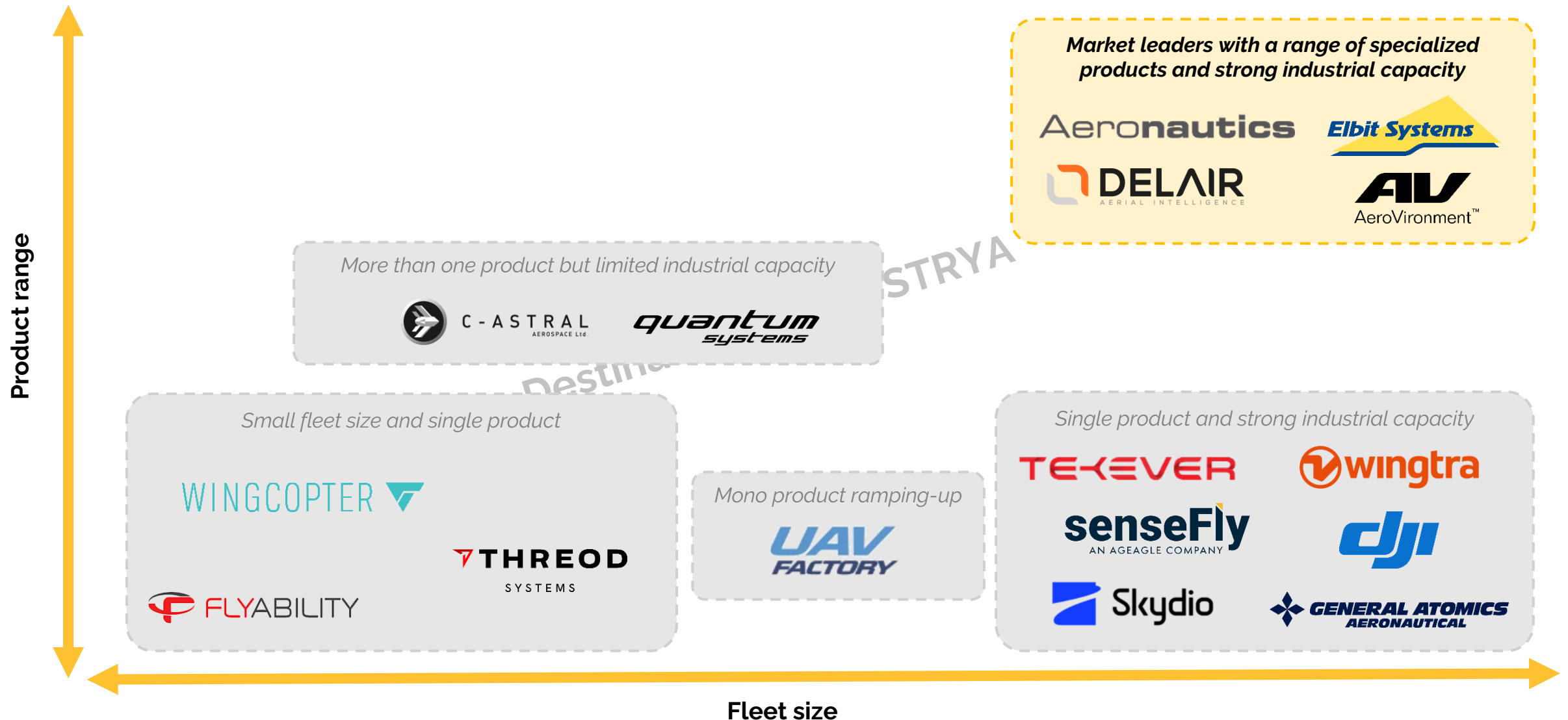
III. Strategy

3.1 Delair is the best positioned to tackle the global industry's challenges

	>1000 drones in operation	Civilian & military	Profitable	Hydrogen propelled	Civil Certification
	✓	✓	✓	✓	✓
	✓		✓		
			✓		
					
		✓			
		✓			
	✓		✓		
		✓	✓		
		✓			
					
			✓		
					

III. Strategy

3.2 Delair ranks among the biggest global players both in terms of fleet size and product range



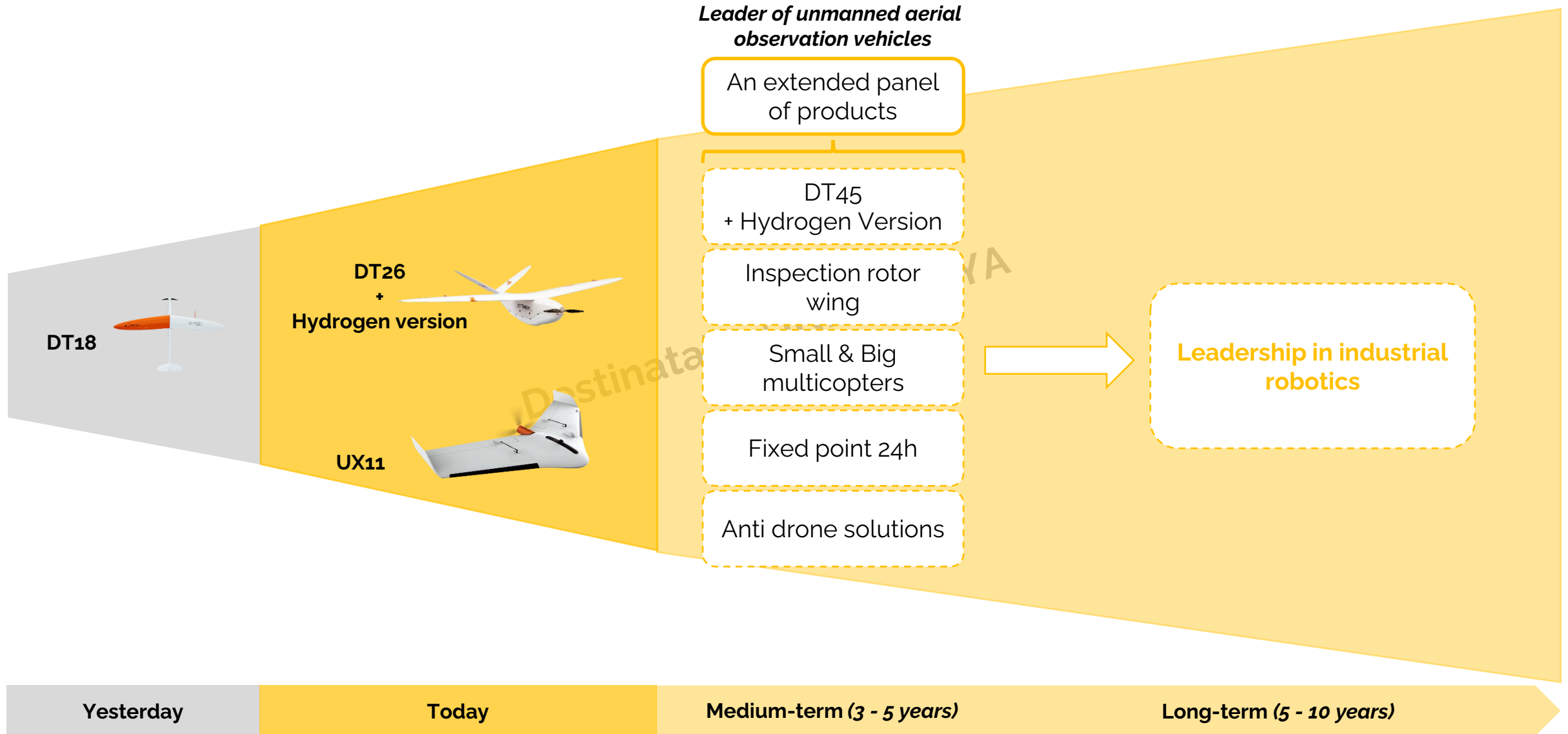
III. Strategy

3.3 One of the most renown, structured and trusted drone companies in the world



III. Strategy

3.4 Delair ranks as one of tomorrow's leaders in industrial robotics

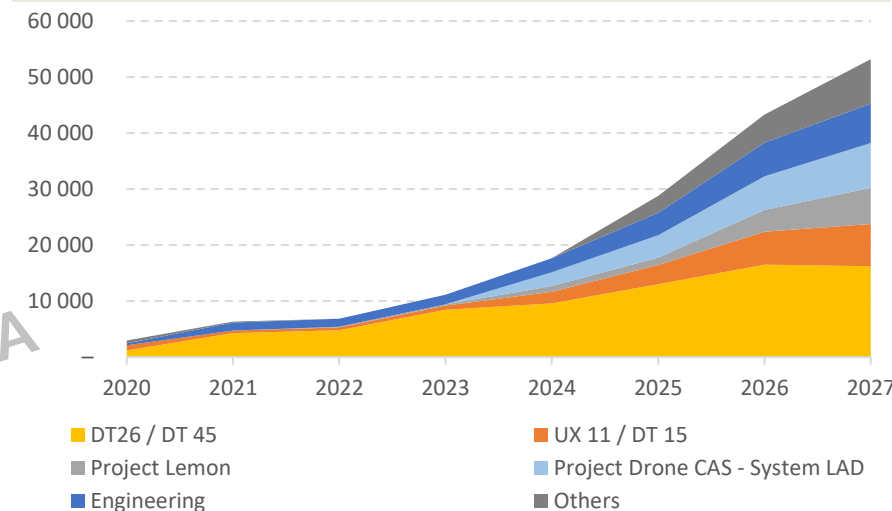


III. Strategy

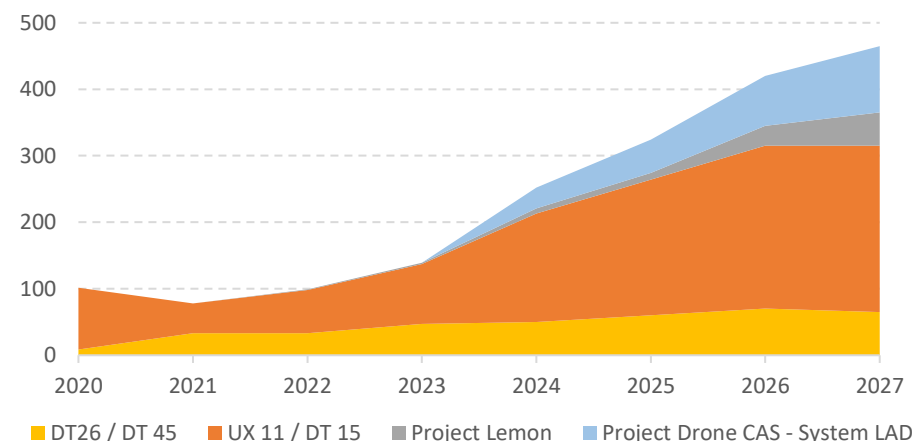
3.5 Delair's ongoing projects to widen its product range

1	DT45	<ul style="list-style-type: none"> The next generation of long-range UAV with higher performances that will replace the DT26 within Delair, with the overall objective of replacing helicopters for surveillance missions Hydrogen version and VTOL version (highly demanded) available Commercialisation in 2023
2	DT15	<ul style="list-style-type: none"> The next generation of the small long range backpack UAV with higher performances that will gradually replace the UX11 Commercialisation in 2024
3	Project Lemon	<ul style="list-style-type: none"> Development started with the surveillance contract for the French aircraft carrier Charles de Gaulle and then for a vessel, with the objective of 9 other vessel contracts signed and another aircraft carrier within 3 years. Creation of recurring revenues thanks to the development of a wider range for the surveillance of civil vessels and more complex structures such as dams, offshore wind turbines, oil platforms...
4	Drone CAS – System LAD	<ul style="list-style-type: none"> Anti-drone detection that will allow to ensure big events security thanks to its ability to detect drones weighing more than 250g at 2 km Commercialisation in Q3 2023, in line with Rugby's world cup and Paris' Olympic Games (Q2 2024)
5	Engineering	<ul style="list-style-type: none"> Various projects based on Delair's strong know-how in the field of Drone design. Among these projects some will probably lead to products, but it is too early to know which one. Though this activity will remain as a (small) portion of Delair's revenue in order to stay in touch with specific go-to-markets (big industrials) and new technologies. Currents opportunities are projects with take-off and landing from boats, retractable wings, navigation without GPS, etc...

Evolution of Delair's total revenues by category

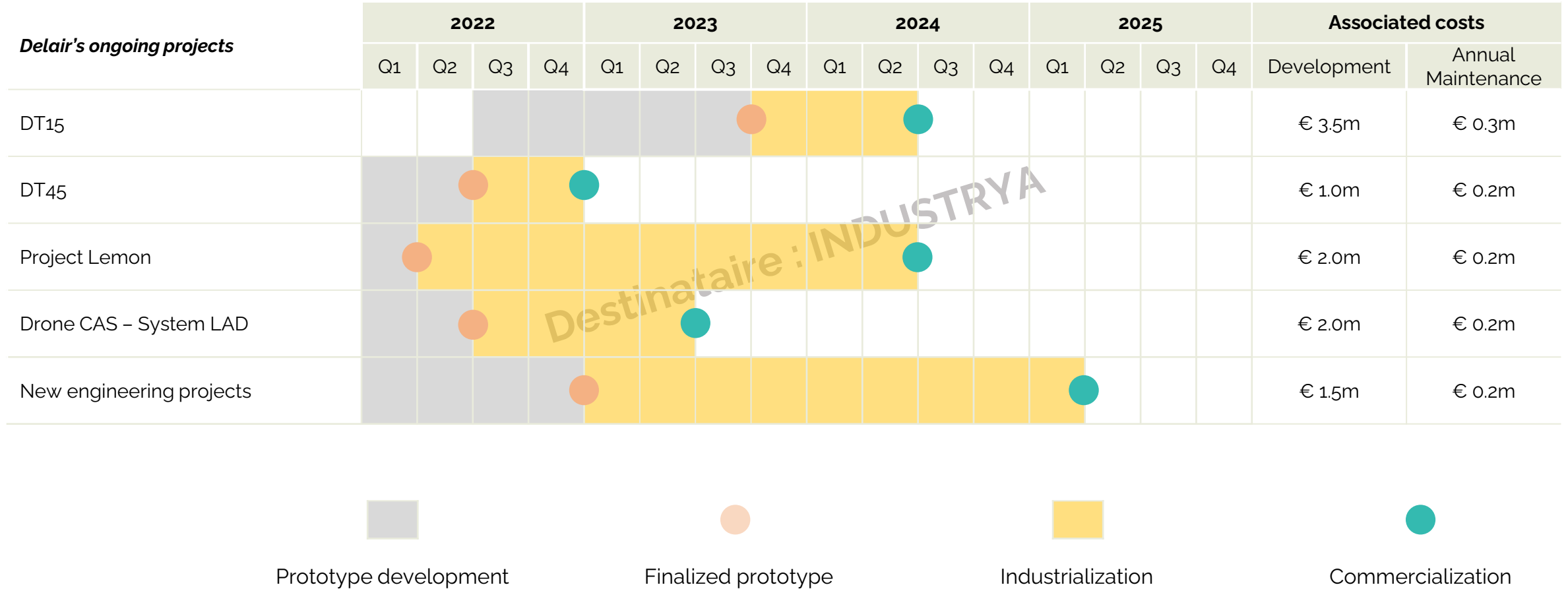


Evolution of number of drones produced (excl. Engineering & Other)



III. Strategy

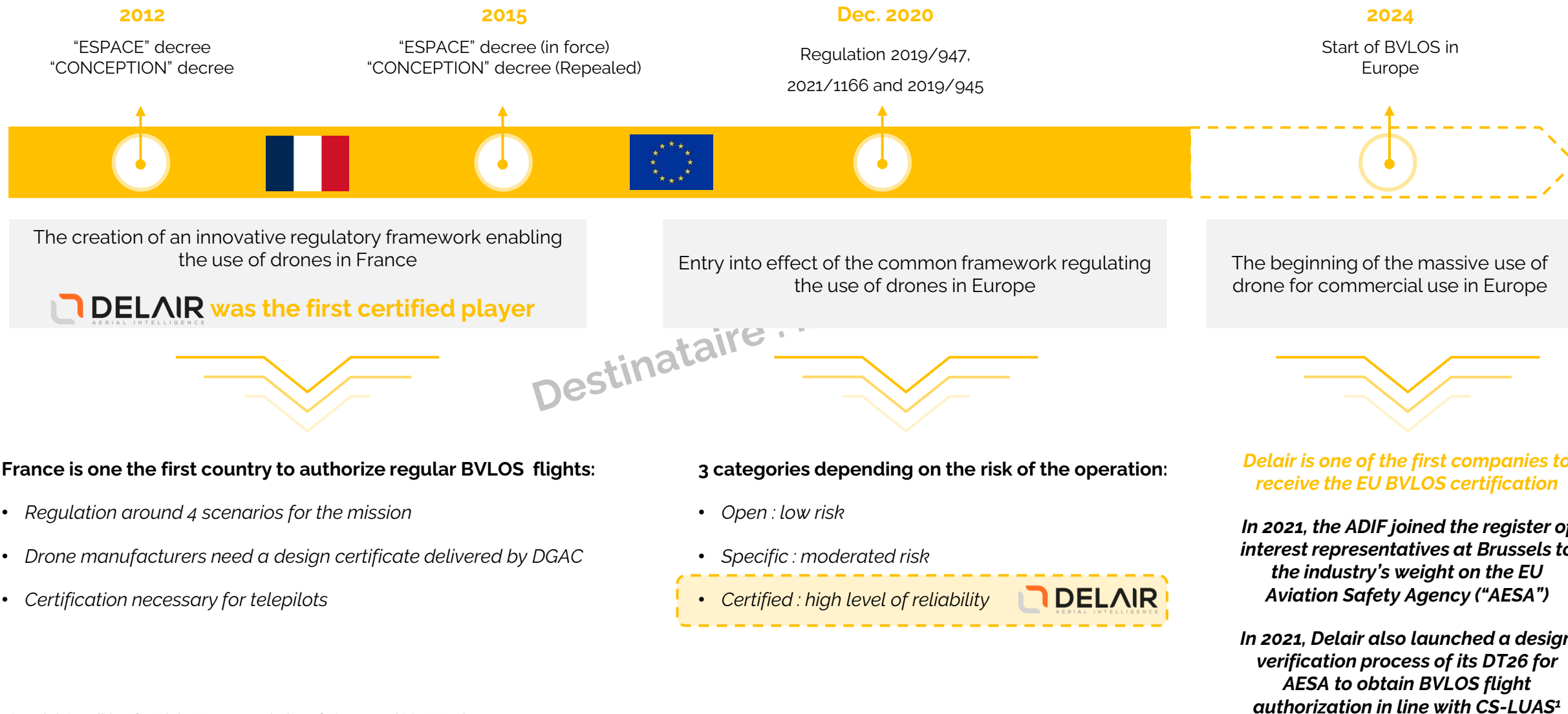
3.6 Overview of Delair's upcoming projects' development timeline



Destinataire : INDUSTRYA

III. Strategy

3.7 Delair was the first certified player in France and is ready for new European regulations



¹ Special Condition for Light Unmanned Aircraft Systems (CS-LUAS)

III. Strategy

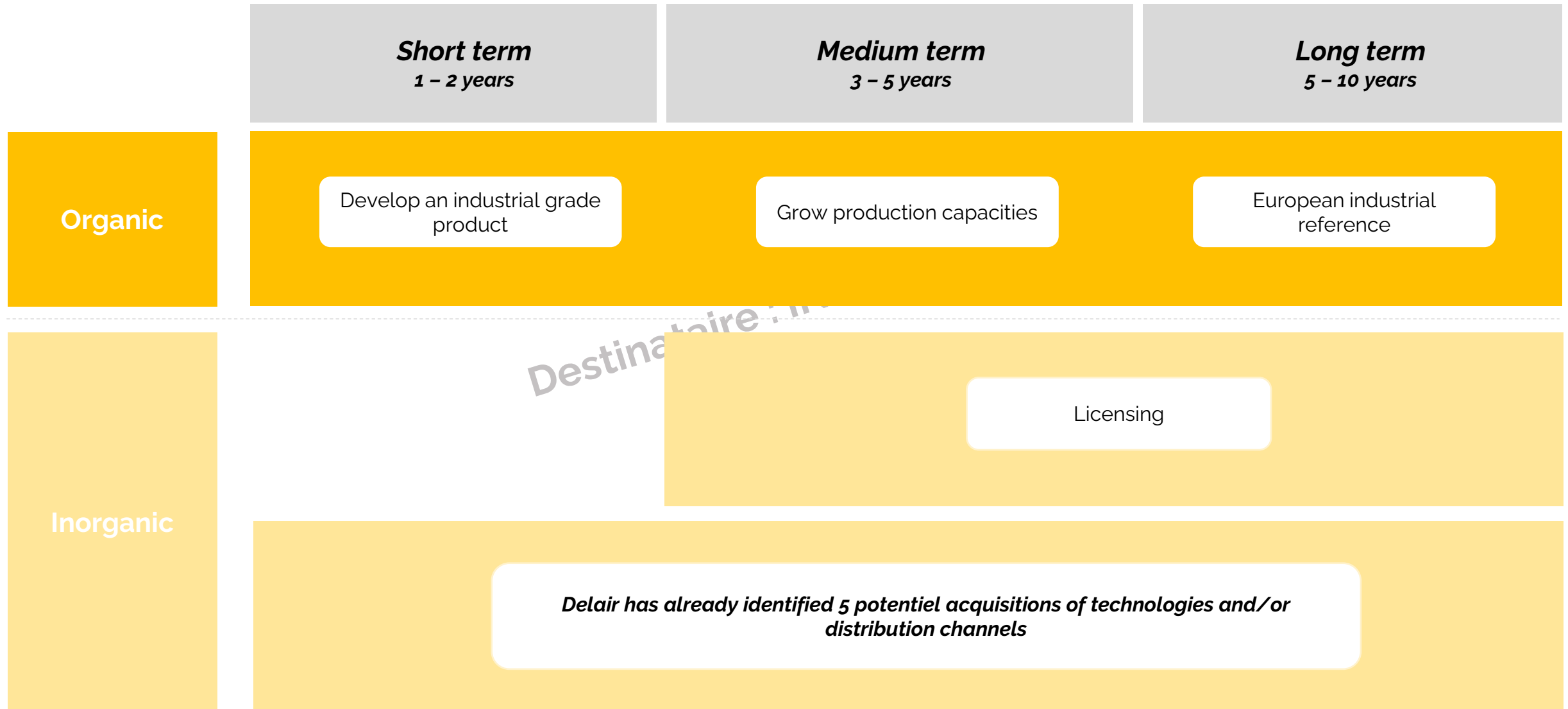
3.8 Delair has a proven M&A track-record and positions itself as the drone industry consolidator



- Delair combines financial leeway, a strong M&A track record and integration capacity, and the critical mass that very few players have reached
 - Delair ambitions to be the consolidator of the B2B drone market over the 5 coming years

III. Strategy

3.9 A round to finance a proven model through various strategies



III. Strategy

3.10 A clear and practical go to market strategy



Security & defence

Context

- It takes time to be identified and certified as a reliable partner for Security & Defence. Delair now aims at international deployment

Market

- Keep penetrating governmental markets and win mid and large size tenders (alone or with partners)
- Partnership with large Security System Integrators in which Delair's solutions fit perfectly for surveillance and CCTV networks

Positioning

- Identified as a reliable supplier
- Combat-proven technology
- Most affordable and cost efficient ISR solutions

Distribution

- Distribution through well-established security system integrator
- Usual Agents for Surveillance for real-time mapping



Industry

- Aerial imagery has been identified as the best solution for Utilities to inspect and control the railways, power lines and networks

- Selling UAV to end users and operators

- Affordable data collecting solution
- Capable of processing data on the edge
- Long range BVLOS

- Sell sensors to airplanes and helicopter companies using specialized reseller
- Leverage software companies to create bundle
- Direct sales

III. Strategy

3.11 Security and Defence : strategic deals in the pipeline thanks to well identified opportunities



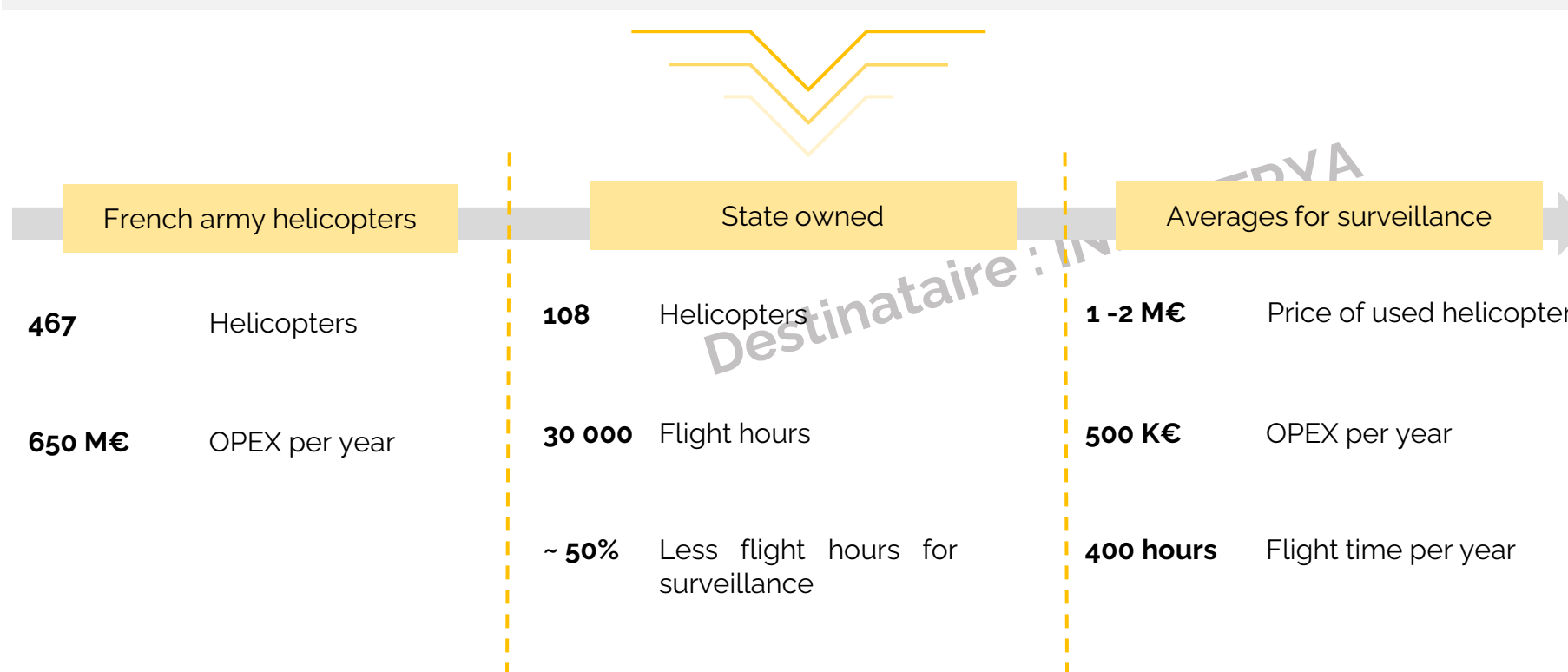
Destinataire : INDUSTRIE

III. Strategy

3.12 Delair's solutions can bring a significant cost reduction : ex. of the French army

23 % of the French army helicopters are state owned. These helicopters are mainly used for surveillance missions.

In this field drones are considered a cost saving, human lives saving and a more efficient tool. On top of that, the French government is pushing for the creation of a French champion in the field of S&D



The average flight cost per hour is **1 500 €**

And with **60 000 hours** of flights per year

The French government surveillance market is estimated at **90 M€** per year

III. Strategy

3.13 Industry: Delair perfectly identified yesterday and tomorrow's needs for the sector

Key levers for growth

Cost control

Drones are a huge cost saving measure for companies, reducing the costs of maintenance as well as the check ups

Growing market

Being on this market since 2012, Delair has a good understanding of this market. Delair is prepared to conquer the market once it's fully matured

Modernizing equipment

On top of being costly, most helicopters flying today are not equipped with modern surveillance systems

Data awareness

Companies are switching from man operated surveillance systems which are susceptible to human error and tend to focus on observation rather than analysis

They trust Delair's solutions



Example of delair's success stories



Enedis has been a user of Delair's drones since 2012



RTE has been using the DT26 for the surveillance and protection of its power lines grid for years



Working together since 2015 and ongoing talks to create the perfect drone for infrastructure surveillance



Ongoing talks with **Orange** for various needs:

- Security (cable theft & vandalism)
- Recurring inspection
- Crisis management



is the only player able to answer all this needs thanks to its adaptability



IV.

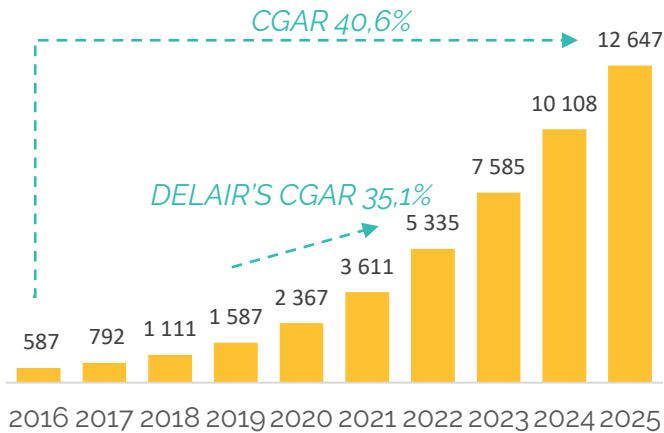
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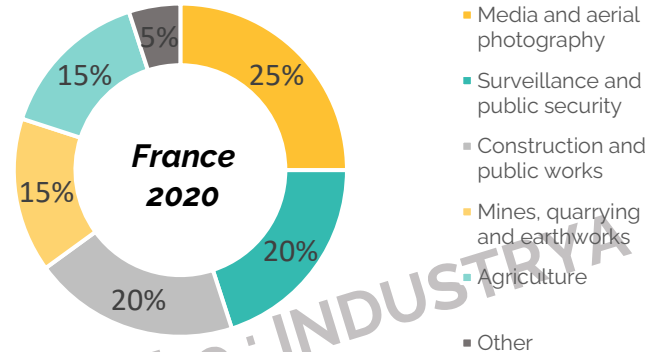
IV. Market

4.1 The commercial global drone market is expected to strongly expand in the next years

The growth of the global market in m\$



The drone's applications



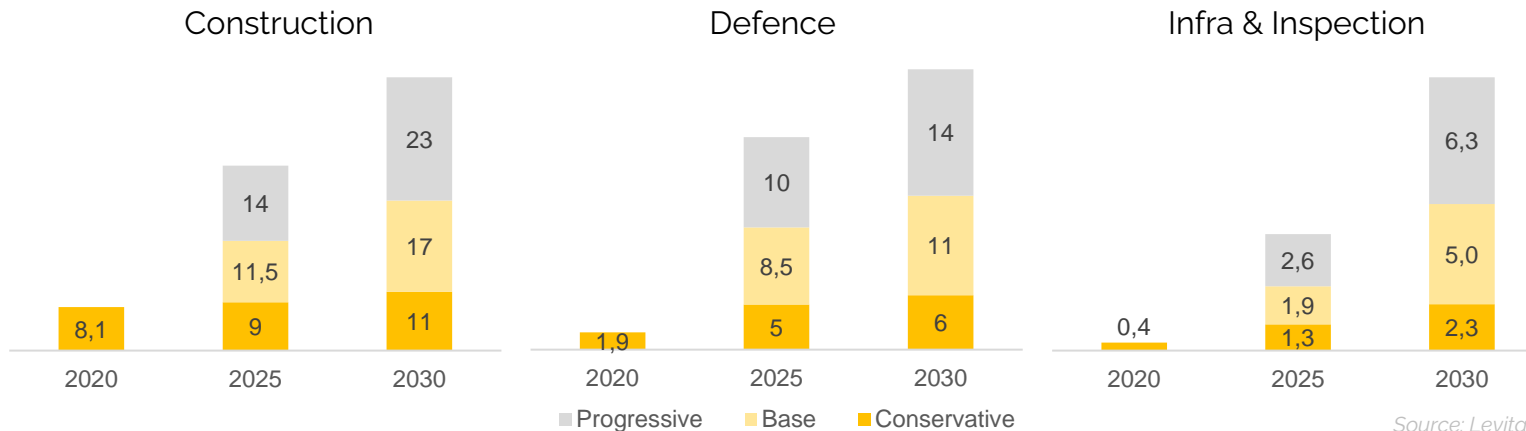
Source: Statista, drones in France

Formerly applied exclusively in the military field, drone technology has been democratized in recent years and has succeeded in introducing itself into several sectors and various fields. Indeed there are more and more potential applications allowed, **ranging from civil protection to 3D imaging for the evaluation of extracted minerals.**

The global professional drone market is growing at **a high CAGR of 41.7% during 2016-2020** and is expected to continue its expansion to reach a value of \$ 12.6bn by 2025. **Civilian drones for professional use are therefore transforming the industrial landscape** by enhancing companies' operational capabilities and providing them with a new strategic advantage.

The French market is also developing. In addition, it should take off in the coming years with **the European harmonization of regulations**, lower component costs and improved software.

Global market's growth B\$ per category

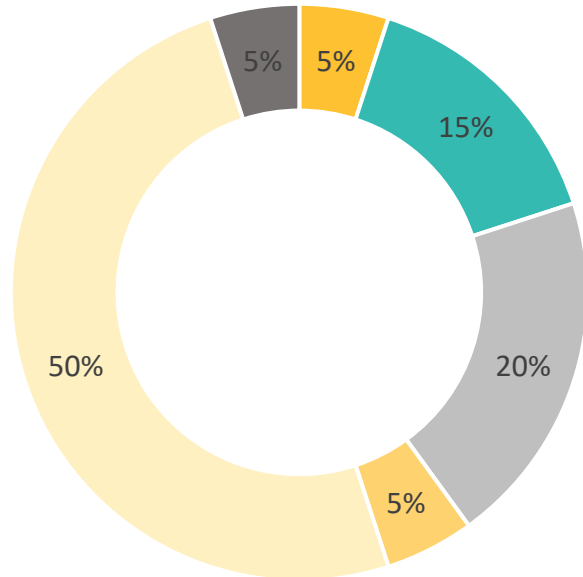


Source: Levitate capital

IV. Market

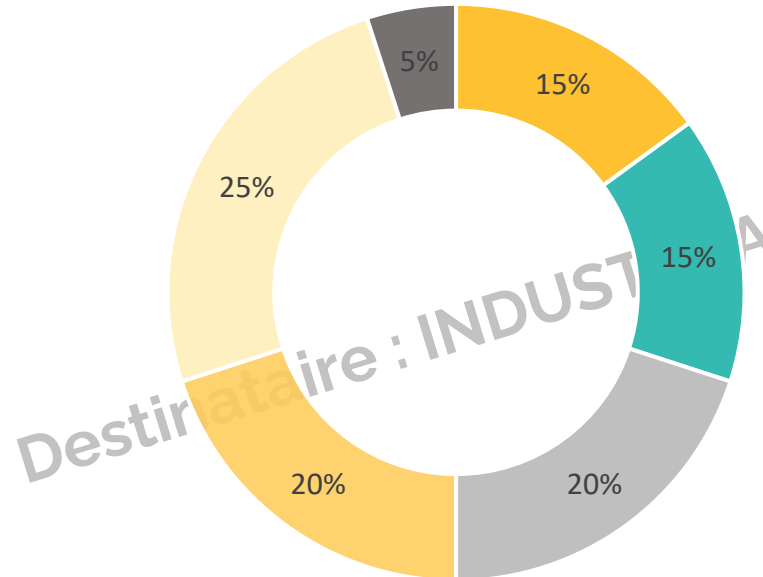
4.2 Delair's drones are positioned on the most strategic segments in France

French civilian drones in 2014



- Agriculture
- Mines, quarrying and earthworks
- Construction and public works
- Surveillance and security
- Media
- Other

French civilian drones in 2020



The French civilian drones market is shifting in various ways. On top of the growth in volume, **users are opening up to various uses and applications** of civilian drones

Surveillance and security uses of drones registered the highest growth, representing 20% of the market in 2020 vs. 5% in 2014

Industrial use of drone (i.e. Construction and Mining) still represents a **total of 35% of the overall French market**

Segments such as mines, earthworks and construction are expected to continue their a steady growth as the drones have proven their efficiency in these activities

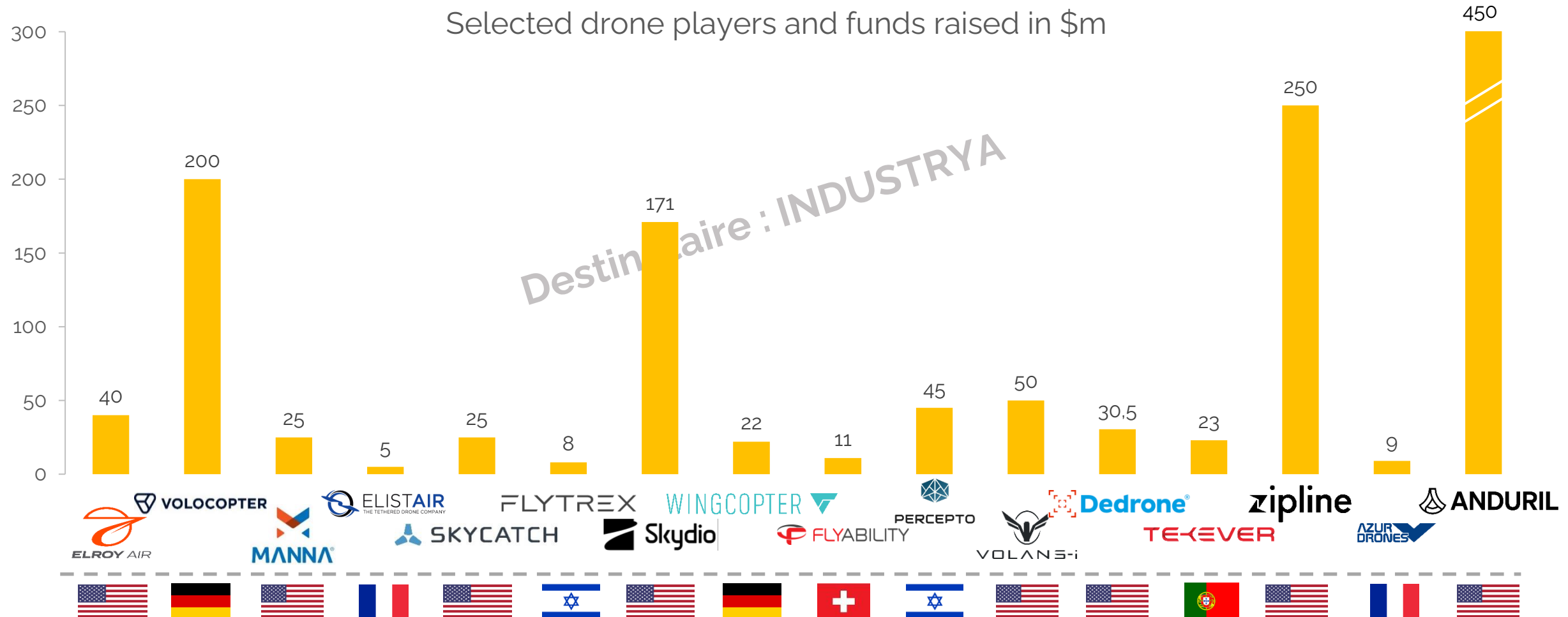
Source: Présent et futur des drones civils, AAE et 3AF, 2015

IV. Market

4.3 The drone industry is booming worldwide and raising funds to address the market

The global drone industry is **live and well**. Numerous **American, Chinese and Israeli** companies have gone through multiple fund raising rounds with many of them exceeding the **billion dollar valuation threshold**. The **European** and especially the **French** sector is lagging behind and companies are in need of **financing** to be able to **address the global market** with their **proven business models**

Selected drone players and funds raised in \$m



IV. Market

4.4 France provides a highly favorable environment for drones and is waiting for a champion

Main challenges of UAV's insertion in the aerial space	Security with respect to third parties on the ground	Protection of information and Data	Social acceptance of civilian drones and it's usefulness	The protection against offensive drones and anti drone systems
Why drones are increasingly used for commercial purposes	A great digital transition tool for companies	Securing industrial infrastructures against vandalizing	Reducing costs by replacing gas powered vehicles in doing surveillance and check ups	Essential tool for law enforcement in crowd control as well as border control
The French environment favoring drones	The French ecosystem is flourishing thanks to the 2012 French regulation of drones	Historical expertise in this field through many French aeronautic champions	Well developed and competent R&D labs specialized in Aeronautics	A favorable environment for innovation thanks to government support

The French drone industry has benefited from the support of the French government and the need of the big French companies to upgrade their technologies

Today, a few French drones' specialist have emerged and are steadily positioning themselves on the global market

Therefore, these contenders are in need of financing to support this growth

Destinataire INDUSTRIE

IV. Market

4.5 Delair acts as the recognized consolidator of the drone industry in France and in Europe

The stakes of ADIF



The players of the drone industry within the ADIF

Creation of a federation around the French drone industry to realize the immense economic potential of the sector

- Nearly ten years after the 2012 French regulation that launched the development of civil drones, but without succeeding in really bringing about the emergence of a sector, drone manufacturers have begun **a first structuring stage in May 2021**. Created with c. 15 innovative players who until then were answering tenders individually, hence struggling to gain weight, the Association aims to **define a roadmap to 2030 to establish an industrial sector and bring out a European champion**.
- The association is open to all companies involved in all types of UAVs, civilian or military, their equipment, or associated subassemblies and software. It is **open to all players in the field with a strong and proven commitment to "designed and produced in France"**.
- The objectives and values of the project are clearly identified from the beginning: the uncompromising respect of the rules of security, safety and ethics of use; the promotion of useful uses to society and participation in the ecological transition and a **spirit of collaboration to achieve joint projects and defend a French industry**.
- In June 2021, ADIF registered with **the Brussels Register of Interest Representatives** to begin demonstrating the importance of the industry to the European Aviation Safety Agency (EASA). **Thales, a major player in the market, joined the group** while presenting its UAS1000 high elongation UAV developed in partnership with Hionos, Aeromapper and Atechsys, other ADIF players.



IV. Market

4.6 The French drone industry is ready to tackle the market opportunity

Current framework of the French drone industry



400 people



5 established companies and
15 emerging ones



40 M€ in revenue



Future framework of the French drone industry thanks to consolidation and regulation



The creation of a French champion
generating 300m€ in revenues



An estimated revenue of 1 000 m€ for the
French drone industry



10 000 of mainly highly qualified jobs for the
long run



Up to hundreds of thousands of UAVs
produced in France



Extended services based in France such as
training, maintenance and operations



v.

B

usiness plan

V. Business Plan

5.1 Profit & Loss

Profit & Loss (in € k)	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027
	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Revenues	2 974	6 610	6 835	11 130	17 650	28 780	43 320	53 250 [1]
UX11 / DT15	930	530	520	720	2 030	3 480	5 920	7 500
DT26 / DT45	1 165	4 550	4 785	8 450	9 600	13 000	16 500	16 250
Project Lemon	-	-	130	260	1 040	1 300	3 900	6 500
Project Drone CAS - System LAD	-	-	-	-	2 480	4 000	6 000	8 000
Engineering	356	1 345	1 400	1 700	2 500	4 000	6 000	7 000
Others	523	185	-	-	-	3 000	5 000	8 000
COGS	(2 003)	(2 418)	(2 844)	(4 849)	(7 872)	(12 079)	(17 858)	(21 557)
Gross margin	971	4 192	3 991	6 281	9 778	16 701	25 462	31 693 [2]
Gross margin %	33%	63%	58%	56%	55%	58%	59%	60%
Personal costs	(2 770)	(1 458)	(2 351)	(4 502)	(7 858)	(9 607)	(11 541)	(12 792)
G&A	(418)	(341)	(410)	(591)	(836)	(961)	(1 079)	(1 151)
R&D	(1 330)	(697)	(1 002)	(1 890)	(3 622)	(4 044)	(4 437)	(4 681)
S&M	(1 022)	(420)	(939)	(2 020)	(3 400)	(4 603)	(6 025)	(6 960)
Opex	(596)	(1 546)	(832)	(2 417)	(4 828)	(6 389)	(8 158)	(9 294)
G&A	(561)	(521)	(392)	(515)	(666)	(876)	(1 098)	(1 223)
R&D	215	(98)	185	(289)	(904)	(1 102)	(1 287)	(1 402)
S&M	(250)	(927)	(625)	(1 613)	(3 258)	(4 411)	(5 773)	(6 669)
EBIT	(2 395)	1 188	808	(638)	(2 908)	705	5 762	9 606
% revenues	-81%	18%	12%	-6%	-16%	2%	13%	18%
Add-back D&A	(801)	(112)	(299)	(334)	(353)	(374)	(380)	(474)
EBITDA	(1 594)	1 300	1 107	(304)	(2 555)	1 079	6 142	10 080
% revenues	-54%	20%	16%	-3%	-14%	4%	14%	19%
EBIT	(2 395)	1 188	808	(638)	(2 908)	705	5 762	9 606
Interests	(117)	(75)	(52)	(29)	(9)	(0)	-	-
Others	-	(9)	-	-	-	-	-	-
Tax	-	(29)	-	-	-	-	(720)	(1 201)
Net income	(2 513)	1 076	756	(667)	(2 917)	705	5 042	8 405 [4]
% revenues	-84%	16%	11%	-6%	-17%	2%	12%	16%

[1] Revenues are expected to grow from € 6,6m in 2021 to c. € 53m in 2027, mainly driven by :

- Organic growth on its existing drones and their next generations (UX11 gradually switching to DT15, and DT26 to DT45)
- New projects as part of Delair's range widening with products that already generate traction on their respective markets : boat surveillance, Anti-drone system and diversified engineering projects for third parties

[2] Gross Margin is expected to soften on the 2023-24 period due to a COGS increase, mainly due to the change in the product mix (decrease of the Engineering revenue and ramp-up of both DT45 and DT15)

[3] EBITDA is impacted on a short-term basis by the increase in both personal costs (from € 2.3m in 2022e to € 4.5m in 2023e and € 7.8m in 2024e) and OPEX (from € 0.8m to € 2.4m and € 4.8m) to achieve Delair's roadmap and reach industrial and commercial acceleration goals

EBITDA margin is expected back to positive territory as soon as 2025e and to reach 14% in 2026e and 19% in 2027e

[4] Net Income : Due to a healthy financing structure with very low impact of debt, net income will act symmetrically to the overall profitability and is expected to reach €0.7m in 2025e, then respectively € 5.0m and € 8.4m in 2026e and 2027e

V. Business Plan

5.2 Balance Sheet

Balance Sheet (in € k)	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027
	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Assets								
Goodwill	-	-	-	-	-	-	-	-
Intangible assets	938	1 561	1 561	1 561	1 561	1 561	1 561	1 561
Property, plant and equipment	212	110	61	77	224	250	270	396
Other non-current assets	2	3	3	3	3	3	3	3
Total non-current assets	1 152	1 674	1 625	1 641	1 788	1 814	1 834	1 960
Inventories	983	1 020	1 200	1 670	2 648	4 317	6 498	7 988
Account receivables	739	870	684	1 113	1 765	2 878	4 332	5 325
Cash and bank	500	3 414	1 121	(264)	(4 288)	(5 981)	(3 282)	3 336
Other current assets	916	2 345	1 411	1 225	1 274	1 891	1 982	2 039
Total current assets	3 138	7 649	4 415	3 744	1 398	3 105	9 530	18 688
TOTAL ASSETS	4 290	9 323	6 040	5 385	3 186	4 919	11 364	20 647
Liabilities								
Capital	189	189	1 846	2 603	1 936	(982)	(277)	4 765
Retained earnings	-	-	-	-	-	-	-	-
Net income/(loss) for the year	-	1 657	756	(667)	(2 917)	705	5 042	8 405
Subventions	-	119	-	-	-	-	-	-
Total Equity	189	1 965	2 603	1 936	(982)	(277)	4 765	13 170
Contingencies & provisions	317	26	-	-	-	-	-	-
Long term financial debt	1 912	2 888	1 392	747	325	290	290	290
Other long term debt	-	-	-	-	-	-	-	-
Total non-current liabilities	2 229	2 914	1 392	747	325	290	290	290
Advance	197	655	-	-	-	-	-	-
Account payable	371	1 741	775	1 433	2 574	3 637	5 040	5 918
Short term financial debt	3	-	-	-	-	-	-	-
Other liabilities	1 301	2 048	1 269	1 269	1 269	1 269	1 269	1 269
Total current liabilities	1 872	4 444	2 045	2 702	3 843	4 906	6 309	7 187
TOTAL LIABILITIES	4 290	9 323	6 040	5 385	3 186	4 919	11 364	20 647

Fixed assets: As of 2021, fixed assets are mainly composed of industrial machinery (including moulds and prototypes), fixtures and fittings as well as IT equipment. The part of equipment is expected to increase over the period due to Delair's strong investment policy as part of its go-to-market strategy

Current assets: due to its industrial acceleration, Delair's current assets' increase will be mainly driven by higher stocks and account receivables while cash will be burnt to finance the activity

At the end of 2021, Delair records a healthy cash position of € 3,4m following satisfactory results and good management of its pipeline and costs

Financial debt includes loans granted by BPI and banks, specifically dedicated to finance R&D

Tax risk: Delair is subject – through Alteia – to a tax control on FY 2016-17-18. A tax adjustment on CIR ("Crédit d'Impôt Recherche") for € 1,2m has been notified by the French tax administration in Q3 2021 and has been fully contested by Delair. No provision has been booked as of Dec. 21 and the claim process won't be solved before at least 24 months.

- A balance sheet structure that needs to be strengthened with new money in order to execute the business plan

V. Business Plan

5.3 Free Cash Flows

Free cash flows (in € k)	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2027
	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated	Estimated
Net income	1 076	756	(667)	(2 917)	705	5 042	8 405
Depreciation	112	299	334	353	374	380	474
Change in working capital	(2 159)	(1 603)	(57)	(537)	(2 337)	(2 323)	(1 661)
% of revenue	-33%	-23%	-1%	-3%	-8%	-5%	-3%
% of revenue variation	-59%	-712%	-1%	-8%	-21%	-16%	-17%
Cash flows from operating activities	(971)	(548)	(390)	(3 101)	(1 258)	3 099	7 218
Acquisition of intangible/ fixed assets	-	(250)	(350)	(500)	(400)	(400)	(600)
Cash flows from investments	-	(250)	(350)	(500)	(400)	(400)	(600)
Alteia Financing	-	-	-	-	-	-	-
Change in financial debt	-	(1 496)	(645)	(423)	(35)	-	-
Cash flows from financing activities	-	(1 496)	(645)	(423)	(35)	-	-
Net cash flows	(971)	(2 294)	(1 385)	(4 024)	(1 693)	2 699	6 618
Opening cash	500	3 414	1 121	(264)	(4 288)	(5 981)	(3 282)
Closing cash	(471)	1 121	(264)	(4 288)	(5 981)	(3 282)	3 336
Free Cash flow	(971)	(798)	(740)	(3 601)	(1 658)	2 699	6 618

[1] Working Capital assumptions : As part of its go-to-market strategy, working capital will be impacted by higher stocks and account payables, hence impacted negatively cash flow from operating activities

[2] Capex : Delair has regularly invested in plastics moulds and machinery used to manufacture the drone foam frame

In addition, a new increase of Capex is expected to support Delair's new projects development

[3] Financing: Cash flows from financing activities will gradually soften after Delair's reimbursement of Alteia's €500k financing and general financial debt, reaching only €35k in 2025e

[4] Cash burn for the 2022e – 2025e period is **expected to amount € 10m**. This cash requirement is expected to be covered through a capital increase, with an additional buffer of €2m, to finance organic growth

Delair's external growth assumptions are also not represented in the overall projections and should be assumed in order to allow Delair to integrate new technologies and/or distribution channels

- Overall cash need of € 15m in order to finance Delair's both organic and external growth over the period and enhance financial flexibility to seize a maximum of opportunities



VI.

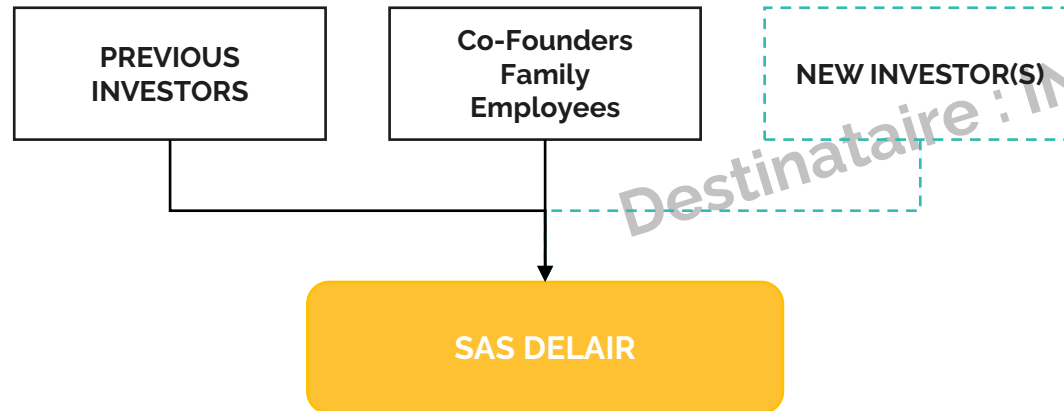
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onsidered transaction

VI. Considered transaction

6.1 Access to capital directly at Delair's level through a capital increase

Post-transaction organizational chart



General considerations

Overall transaction

- Total transaction amount of up to € 15m
- Transaction type: Mix between Equity and Convertible Bonds

Perimeter

Access to capital directly at Company level

Transaction rationale

- Accelerate growth and develop industrial grade production
- Reinforce Sales & Marketing with strategic recruitment
- External growth

Timing

S1 2022



+ de 200 clients
accompagnés



40 opérations par an



Taux de
transformation
de 90 %



Paris
Lyon
Marseille
Toulouse
Montpellier
Nice