



**DRONESHIELD**

## Quarterly Report

For the period ending  
31 March 2024

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*Image: DroneGun Mk4 handheld drone defeat system*

**DroneShield Limited (ASX:DRO)**

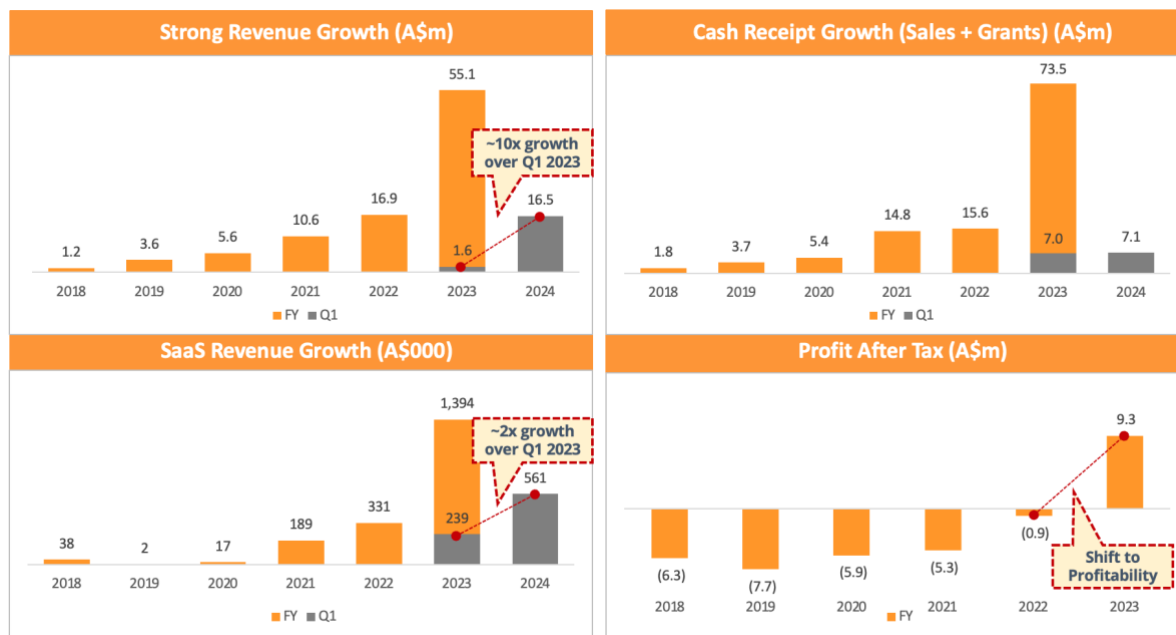
ASX Release

ABN 26 608 915 859

## Quarterly Activities/Appendix 4C Cash Flow Report

DroneShield Limited (ASX:DRO) ("DroneShield" or the "Company") is pleased to release its business update and Appendix 4C for the three-month period ended 31 March 2024.

### Highlights



SaaS model was fully introduced in 2021

- 1Q24 revenues of **\$16.4 million, up 10x** vs 1Q23 (\$1.6 million)
  - Exceptional ongoing momentum, following reaching \$9.3m profit after tax in 2023
- 1Q24 customer cash receipts of **\$7.1 million**, up vs 1Q23 (\$7 million)
  - Highest ever March quarter**
- The main difference between revenues and cash receipts in 1Q24 was due to US Government orders where deliveries took place in 1Q24, and payments due in 2Q24 (30 days past delivery), a substantial portion of which has now been received
- Strong start to 2024 given strong seasonality in revenues and cash receipts, with the March quarter being the slowest period
  - This is due to most payments being from US Government, with typical net30 payment terms (and December and January being generally quieter months), hence only one "business as usual" month of February being captured under net30 in the March quarter cash receipts)
  - End of calendar year often corresponds to the start of a new budget cycle for many customers
  - Accordingly, the cost base of the business reflects annual rather than first quarter revenues
- 1Q24 **SaaS revenues doubled** to \$561k vs 1Q23 (\$239k)
  - SaaS growth underpinned by customers requiring Company's latest AI software engines, upgraded quarterly, in response to a rapidly evolving drone threat

- Additional SaaS based solutions planned for launch in the next 12 months
- **Cash balance of \$56.4 million** as of 31 March 2024, no debt or convertibles
  - Committed supply chain payments for inventory of \$35.4 million over the next 9 months
  - DroneShield hardware carries sophisticated componentry (which assists high margins and competitive differentiation), driving requirement for componentry purchasing in advance due to the build time
- **\$27 million** contracted **backlog** and **pipeline of over \$519 million<sup>1</sup>** (as at 31 March 2024)
- **Ongoing investment into ready to sell inventory** during the quarter
  - Inventory book value of \$24 million at 31 March 2024 vs \$19 million at 31 December 2023
- Following expansion of DroneShield's Sydney facility and its supply chain network, the current **manufacturing capacity is \$400 million per annum**
  - 120 team members including over 95 engineers
  - A number of hires are recent, with productivity expected to get a further significant boost as they ramp up their contribution to the business
- [Launch](#) of the Expeditionary Fixed Site (EFS) Kit for DroneSentry-X Mk2. DroneSentry-X Mk2 is a multi-mission C-UAS solution providing AI driven detection, identification and next generation electronic defeat capabilities engineered for mobile and expeditionary use cases. DroneShield's EFS Kit enables rapid deployment of the DroneSentry-X Mk2 across a wide range of operations, setting a new standard for ease of use among tactical end users.

## Outlook and Key Themes

Small drones continue to be used extensively in virtually every conflict around the world today, taking advantage of their low cost, ease of use, and versatility. They are used to deliver explosive payloads, battle reconnaissance, directing artillery strikes, and more. Outside of the military applications, drones are used to deliver contraband into prisons, disrupt airports, conduct terrorist attacks, disrupt critical infrastructure and shipping, and conduct corporate espionage. This is expected to continue to rapidly rise, as the drone technology continues to improve. Geopolitics and conflicts are generally expected to further deteriorate over coming years, by most commentators.

Counterdrone/ Counter-UAS ("C-UAS") market is at a negligible saturation point today, due to how new the drones are. This is in contrast to markets such as helmets, body armour and tactical radios, as those markets have existed for a relatively long time, and are saturated as a result.

This means the buyers of C-UAS systems, such as military planners and security acquirers are rapidly starting to be aware of the need to fulfil their counterdrone requirements, and are presently gearing up for large acquisitions of C-UAS equipment, following smaller purchases and trials over recent years.

## DroneShield's Positioning

As a pioneer and global leader in the C-UAS sector, DroneShield has a number of technical and commercial differentiators compared to its competitors. These differentiators have been developed over years and are challenging to disrupt. On the commercial side, this includes deep trusted relationships and being written into multi-year requirement plans with key customers across the U.S. Department of Defense ("DoD") and other organisations directly, and the defence prime contractors working with the DoD, to support current and coming priorities. Global defence primes are often customers and partners, as opposed to competitors for DroneShield, as they prefer to leverage DroneShield's expertise and organisational structure to operate and deliver at the required speed of innovation for the C-UAS sector.

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<sup>1</sup> There is no assurance that any of the Company's sales opportunities will result in sales.

With current annual production capacity of \$400 million in hardware value, the Company is well positioned for the quickly growing demand.

Technically, with over 95 hardware and software engineers, DroneShield is able to continue to rapidly innovate and build on its unique differentiators, which include a dedicated Data Engineering team with a substantial proprietary database of data samples feeding its Artificial Intelligence software engines, growing through the ability of the field deployed devices with the customer option to relay the data back to DroneShield for prioritisation of new functionality and capabilities.

The United States is expected to continue to be the largest market for DroneShield (around 70% of its 2023 revenues), with a growing customer base across numerous government agencies, including both military and non-military federal agencies. With numerous customers and supporting several different C-UAS use cases, DroneShield is poised for continued diversified growth. The Company is actively progressing opportunities, both directly and as a subcontractor, across all its major accounts.

There are also a number of large non-US leads being pursued, with 2024 expected outcomes.

### **Payments to related parties of the entity and their associates**

- Board fees paid to Non-Executive Directors and salary to CEO amounted to \$154k.

This announcement has been approved for release to ASX by the Board.

### **For enquiries, please contact:**



Oleg Vornik  
CEO and Managing Director  
E: oleg.vornik@dronesield.com  
P: +61 2 9995 7280

### **About DroneShield Limited**

DroneShield (ASX:DRO) provides Artificial Intelligence based platforms for protection against advanced threats such as drones and autonomous systems. We offer customers bespoke counterdrone (or counter-UAS) and electronic warfare solutions and off-the-shelf products designed to suit a variety of terrestrial, maritime or airborne platforms. Our customers include military, intelligence community, Government, law enforcement, critical infrastructure, and airports.

To learn more about DroneShield click here: [www.dronesield.com/about](http://www.dronesield.com/about)

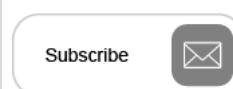
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### **For more information**

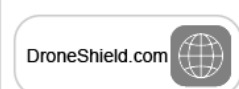
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## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

DRONESHIELD LIMITED

**ABN**

26 608 915 859

**Quarter ended ("current quarter")**

31 March 2024

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A</b>	<b>Year to date (3 months) \$A</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	7,094,946	7,094,946
1.2	Payments for		
	a) research and development	(594,573)	(594,573)
	b) product manufacturing and operating costs	(8,243,209)	(8,243,209)
	c) advertising and marketing	(1,429,660)	(1,429,660)
	d) leased assets	-	-
	e) staff costs	(4,559,497)	(4,559,497)
	f) administration and corporate costs	(3,025,546)	(3,025,546)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	67,679	67,679
1.5	Interest and other costs of finance paid	(8,520)	(8,520)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	25,916	25,916
1.8	Other	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(10,672,464)</b>	<b>(10,672,464)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	a) entities	-	-
	b) businesses	-	-



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A</b>	<b>Year to date (3 months) \$A</b>
	c) property, plant and equipment <i>\$320k relates to leasehold improvements at DroneShield's new Sydney premises. IT equipment and production tools contribute to the remainder of the balance.</i>	(494,662)	(494,662)
	d) investments	-	-
	e) intellectual property	-	-
	f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	a) entities	-	-
	b) businesses	-	-
	c) property, plant and equipment	-	-
	d) investments	-	-
	e) intellectual property	-	-
	f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
	Other		
2.5	<i>Leasing incentives received in relation to DroneShield's new Sydney premises.</i>	532,678	532,678
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>38,016</b>	<b>38,016</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities) <i>Repayments of loans provided by the Company to employees and Directors for the exercise of options.</i>	8,289,189	8,289,189
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A</b>	<b>Year to date (3 months) \$A</b>
3.9	Other <i>Lease liability principal repayments relating to DroneShield's Office lease in Virginia</i>	(48,937)	(48,937)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>8,240,252</b>	<b>8,240,252</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	57,889,056	57,889,056
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,672,464)	(10,672,464)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	38,016	38,016
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,240,252	8,240,252
4.5	Effect of movement in exchange rates on cash held	913,952	913,952
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>56,408,812</b>	<b>56,408,812</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A</b>	<b>Previous quarter \$A</b>
5.1	Bank balances	34,362,714	36,780,960
5.2	Call deposits	841,725	20,832,380
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits)	21,204,373	275,716
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>56,408,812</b>	<b>57,889,056</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1 <i>Payments to CEO and Non-Executive Directors</i>	154,408
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A</b>	<b>Amount drawn at quarter end \$A</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-

<b>8. Estimated cash available for future operating activities</b>	<b>\$A</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(10,672,464)
8.2 Cash and cash equivalents at quarter end (item 4.6)	56,408,812
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	56,408,812
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	<b>5.3</b>
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	



## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 15 April 2024

Authorised by: Board of Directors

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.