



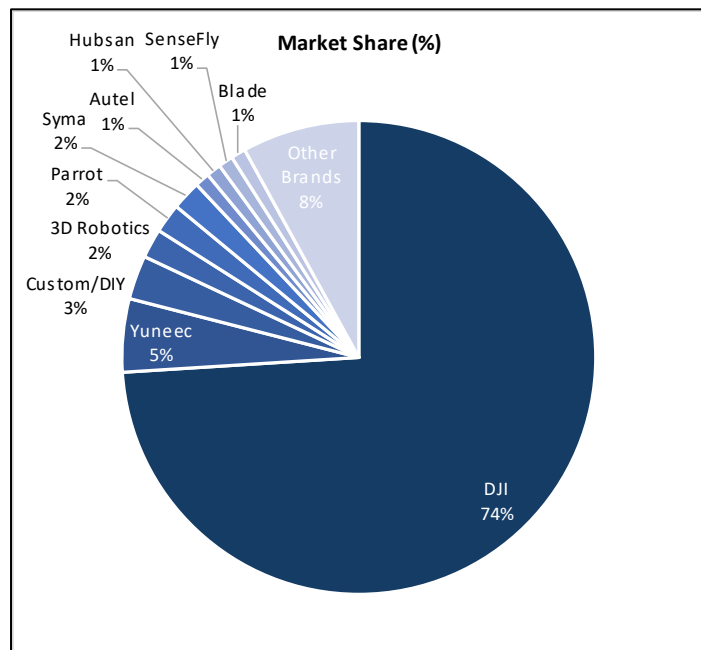
## PRZ enters consumer market

### SafeAir for the world's most popular drone

With the launch of its latest autonomous drone safety system, the 'SafeAir Phantom', Parazero Limited (ASX:PRZ) expands into the high-volume, consumer-oriented drone market. This new product widens the scope of PRZ's customer base from commercial drone users to include the consumer market as well.

Gartner estimates that in 2019, 4.5 million drones will be sold for commercial and consumer usage. The global drone market is expected to grow to almost US\$ 40BN by 2025, and we believe the introduction of the SafeAir Phantom will enable PRZ to capture a substantial chunk of the market for drone safety systems.

Figure 1: DJI dominates the global drone market (2017 shares)



Source: Skylogic Research

### Distribution and retail worldwide

The SafeAir Phantom will be sold in Australia and Europe through distribution partners, is available to US customers via retailers and is available online via Amazon. Initial inventory is already in place with mass manufacturing expected to commence in the coming months. So far, PRZ has sold 550 units.

Share Price: A\$0.085

ASX: PRZ

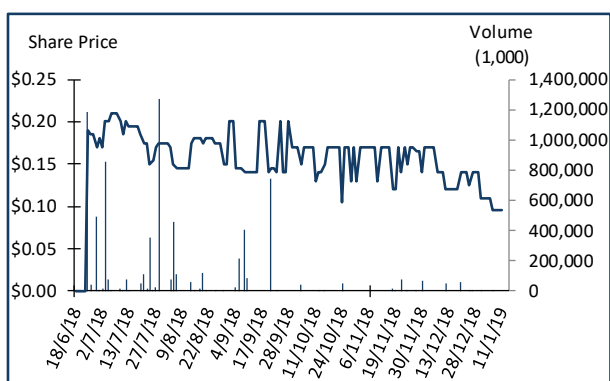
Sector: Industrial Goods

15 January 2019

Market Cap. (A\$ m)	7.5
# shares outstanding (m)	87.8
# share fully diluted (m)	155
Market Cap Ful. Dil. (A\$ m)	13
Free Float	100%
12 months high/low	A\$ 0.23 - 0.085
Website	<a href="http://www.parazero.com">www.parazero.com</a>

Source: Company, Pitt Street Research

### Share price (A\$) and avg. daily volume (k, r.h.s.)



Source: FactSet, Pitt Street Research

Year to December (US\$ M)	2015A	2016A	2017A
Revenues	0.13	0.44	0.54
EBITDA	-0.87	-1.20	-1.96
Profit before Tax	-0.88	-1.31	-2.48
Earnings per share	-0.01	-0.01	-0.03
Dividend per share	N/A	N/A	N/A

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## Easily accessible and affordable solution

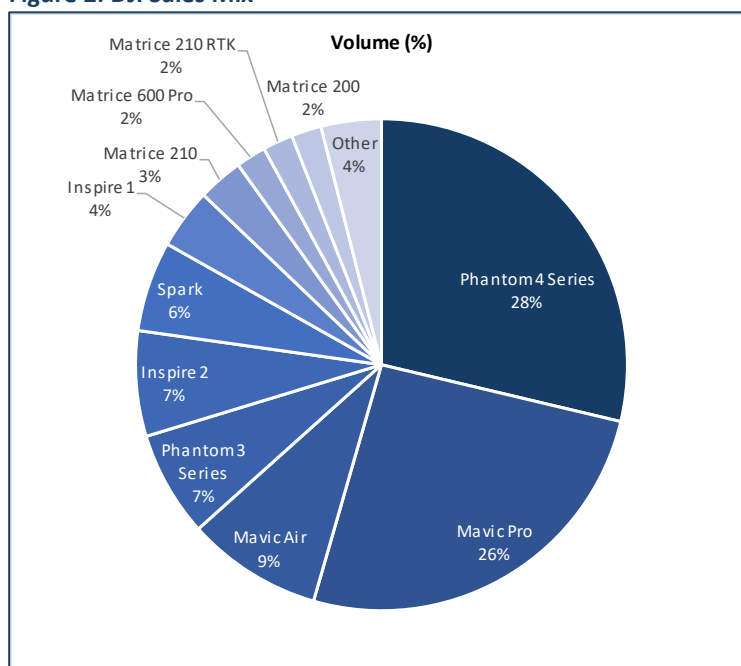
In the US, PRZ's SafeAir Phantom retails for US\$399, which we believe is an affordable price point for drone users to ensure the safety of their drones while reducing the risk of accidents involving third parties. SafeAir Phantom is compatible with the DJI Phantom 4 Series of consumer drones, which retail at AUD 2,399 on the DJI website.

## DJI is a global market leader

According to the 2018 Drone Market Sector Report by Skylogic Research, DJI's market share in drone sales stands at a whopping 74% (Figure 1), up from 72% in 2017. The Phantom 4 Series is by far DJI's most popular drone with 29% share in volumes followed by the Mavic Pro series with 26% share. Hence, targeting the Phantom 4 user base seems like a good way to enter this high-end consumer segment.

Using Skylogic's market share estimates coupled with the projected drone sales of 2019, SafeAir Phantom is looking at an addressable market of 913,500 new Phantom 4 units sold in 2019.

Figure 2: DJI Sales Mix



Source: Skylogic Research

## Safety system for Mavic to be available soon

A new PRZ product that will be compatible with DJI's Mavic 2 and Pro series, will become available soon as well. Phantom and Mavic together are the world's best-selling consumer drones. We believe that safety will be a key driver for growth of the drone market, and PRZ should be able to leverage that growth by addressing the most popular drone models worldwide.

## Conclusion: addressing the largest segment in the drone market

We believe PRZ's entry into safety systems for high-end consumer drones will enable the company to address the largest segment of the global drone market. Drone safety systems are increasingly required by regulation and the affordable price level of the SafeAir Phantom as well as the numerous benefits for users should lead to attractive unit sales numbers going forward, in our view.

*SafeAir Phantom addresses a market of nearly 1M DJI Phantom drones to be sold just in 2019.*

*SafeAir will soon become available for the world's second most popular drone as well*

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