

Action Summary – 17 July 2025

Analyst Theodore R. O'Neill – Initiating coverage of Safe Pro Group with a Buy rating and \$8 PT

- **An emerging leader in artificial intelligence (AI)-powered computer vision software.** Through its cutting-edge platforms, SPAI provides advanced situational awareness tools for defense, homeland security, law enforcement and humanitarian applications globally. It is a leading provider of artificial intelligence (AI) solutions specializing in small object detection using AI to analyze drone-based imagery that can be applied to military/defense, government and commercial applications
- **The need for anti-personnel mine identification and location has ballooned but the technology has not kept pace.** Russia invaded Ukraine again in February 2022 and began mining large sections. The State Emergency Service of Ukraine estimates that ~30% of its territory may be contaminated with mines.
- **A 21st century solution.** The company has developed a patented AI-powered mine detection solution that works with any commonly available drone and optical wavelength cameras to process data in the cloud or locally at the edge.
- **Battle tested.** The company's technology has been proven in real-time in Ukraine, where it has been tested for over two years against existing demining methodologies and competing technologies.
- **Protected moat.** The company has a broad patent on the technology needed to utilize AI to detect, identify and map the location of explosives such as anti-personnel mines in drone-based imagery.
- **Attractive valuation.** The shares currently trade below our discounted future earnings price target model and below peer averages. If it were to trade at \$8.00, our target price, its Market Cap/Sales multiple would be ~9.7X, which would be slightly below average.

7/16 price: \$3.06	Market cap: \$46MM	2026 Market Cap/Sales: 3.81x	2026 EV / Sales: 3.52x
Shares outstanding: 15MM	Insider ownership: 60%	3-mo. avg. trading volume: >1,000	Dividend/Yield: NA/NA

GAAP estimates (EPS in \$ – Revenue in \$000)

Period	EPS	Revenue	Gross Profit Margin
FY23A	<u>\$(0.79)</u>	<u>\$918</u>	<u>34%</u>
FY24A	<u>\$(0.70)</u>	<u>\$2,169</u>	<u>42%</u>
FY25E	<u>\$(0.54)</u>	<u>\$2,585</u>	<u>50%</u>
FY26E	<u>\$(0.18)</u>	<u>\$12,500</u>	<u>73%</u>

Note: Numbers may not add due to rounding. See our full model at the back of this report.

Cash balance (in \$000)

• 2023A	• 703
• 2024A	• 1,971
• 2025E	• 677
• 2026E	• 4,368

Adj. EBITDA (in \$000)

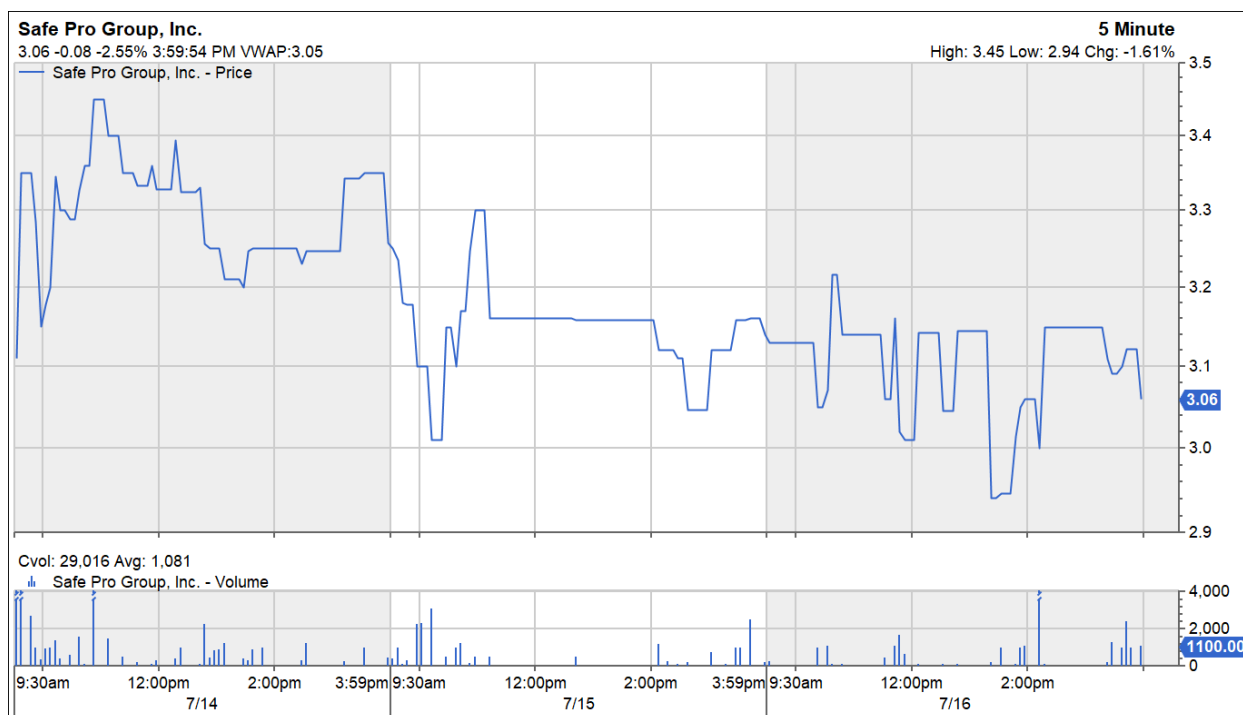
• 2023A	• (2,451)
• 2024A	• (3,958)
• 2025E	• (5,650)
• 2026E	• 5,125

Risks/Valuation

- Risks include Commercialization, government spending and competition.
- Our \$8.00 target is derived using a discounted future earnings model.

Company description: Safe Pro Group Inc. is a mission-driven technology company delivering AI-enabled security and defense solutions. Through cutting-edge platforms like SPOTD, Safe Pro provides advanced situational awareness tools for defense, humanitarian, and homeland security applications globally. It is a leading provider of artificial intelligence (AI) solutions specializing in drone imagery processing leveraging commercially available "off-the-shelf" drones with its proprietary machine learning and computer vision technology to enable rapid identification of explosives threats, providing a much safer and more efficient alternative to traditional human-based analytical methods.

Figure 1 – Safe Pro Group Inc. – One-Year Trading snapshot



Source: FactSet

Investment Thesis

We are initiating coverage of Safe Pro Group with a Buy rating and \$8 PT.

SPAI is an emerging leader in artificial intelligence (AI)-powered computer vision software. Through its cutting-edge platforms, SPAI provides advanced situational awareness tools for defense, homeland security, law enforcement and humanitarian applications globally. It is a leading provider of artificial intelligence (AI) solutions specializing in small object detection using AI to analyze drone-based imagery that can be applied to military/defense, government and commercial applications. It also provides drone services for critical infrastructure inspection and monitoring (i.e., power grids) and ballistic protective gear primarily for law enforcement, the military and humanitarian demining. As evidenced in Ukraine, anti-personnel mines and drones have emerged as critical new threats, redefining how future wars will be fought. Following years of declining use and global recognition of the harmful effects, the growing threat of Soviet invasion has left several NATO Ottawa Treaty signatories to break with the agreement not to deploy anti-personnel mines. The defense ministers of Estonia, Latvia, Lithuania and Poland have recommended withdrawing to defend against invasion from Russia or Belarus.

The need for anti-personnel mine identification and location has ballooned but the technology has not kept pace. Russia invaded Ukraine again in February 2022 and began mining large sections. The State Emergency Service of Ukraine estimates that ~30% of its territory may be contaminated with mines. The methodologies used to identify and locate anti-personnel mines have been mostly unchanged since WWII, primarily relying on personnel to “poke and prod” in the field using metal detectors and highly trained dogs.

SPAI has a 21st century solution. The company has developed a patented AI-powered mine detection solution that works with any commonly available drone and optical wavelength cameras to process data in the cloud or locally at the edge.

Battle tested. The company’s technology has been proven in real-time in Ukraine where it has been tested for over two years against existing demining methodologies and competing technologies. It has demonstrated the ability to identify a mine or unexploded ordnance (“UXO”) in both live video and a scanned image in less than 0.2 seconds.

Protected moat. The company has a broad patent on the technology needed to utilize AI to detect, identify and map the location of explosives such as anti-personnel mines in drone-based imagery.

Significant increase in defense spending passed on July 4, 2025. We see significant opportunities for its patented AI-powered computer vision technologies for the rapid analysis of drone-based imagery following the passage of the U.S. government’s One Big Beautiful Bill Act (“OBBA”). The bill allocates as much as \$33 billion in direct spending on drones and artificial intelligence and broader defense modernization for the Department of Defense (“DoD”). Combined with the DoD’s recent pronouncement about further accelerating drone adoption, Safe Pro is well positioned to benefit from the potential proliferation of new platforms in the U.S. military because its AI-powered computer vision technology is hardware agnostic. As the number of drones significantly increases, so does the amount of imagery that needs to be processed and analyzed, creating a massive demand cycle.

Attractive valuation. The shares currently trade below our discounted future earnings price target model and below peer averages. If it were to trade at \$8.00, our target price, its Market Cap/Sales multiple would be ~9.7X, which would be slightly below average. We believe it should trade at a premium to the average because of its high growth profile. Because the shares trade below peer averages and our \$8 price target, this broadly confirms our view that the shares are undervalued.

Business and Company Background

Safe Pro Group was created to provide innovative security and protection products and has strategically acquired and assembled three business units focused on:

- **Military/Defense.** *Safe Pro AI* is focused on the commercialization of a software-based ecosystem for analyzing drone imagery and data utilizing proprietary artificial intelligence (“AI”), machine learning, and applied computer vision software for hyper scalable processing, analysis, and reporting. Leveraging commercially available “off-the-shelf” drones with their proprietary machine learning and computer vision technology enables rapid identification of explosive threats, providing a much safer and more efficient alternative to traditional human-based analysis methods.
- **Public and private sector.** *Airborne Response* is focused on mission critical drone-based inspection and monitoring services combining the capabilities of drones and AI/machine learning to conduct the analysis of infrastructure and structures.

- **Ballistic Protection.** *Safe-Pro USA* is focused on the manufacturing of ballistic protective products such as body armor plates for the military and law enforcement and explosive ordnance disposal (“EOD”) suits.

Safe Pro is led by a team of executives and subject matter experts drawn from government and commercial sectors, dedicated to assembling unique safety and security technologies for governments, enterprises, and NGOs, enabling them to respond to evolving threats.

Operating Units

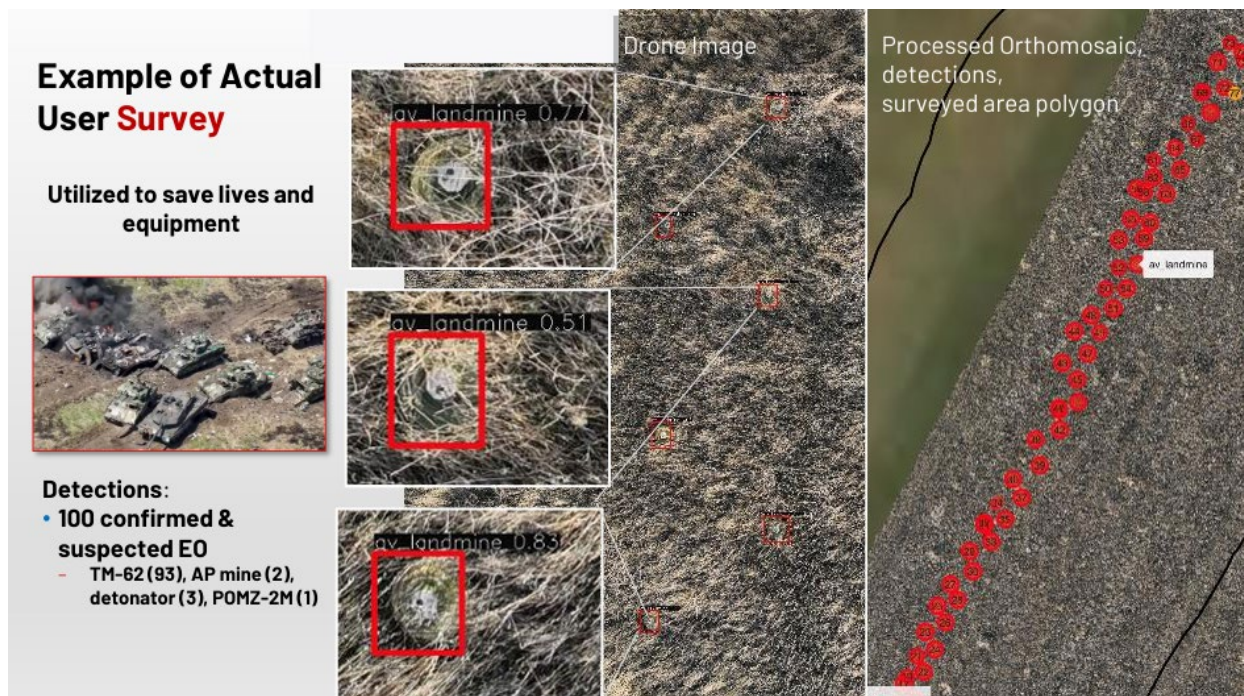
1) Safe Pro AI

Safe Pro AI is a developer of artificial intelligence (“AI”), machine learning (“ML”) and computer vision systems technologies for the rapid processing and analysis of drone-based imagery. Its capabilities enable the rapid, automated processing of aerial imagery making it an ideal solution for a wide array of photogrammetry applications including defense modernization, military force protection and planning, demining, law enforcement and security as well as critical infrastructure inspection and precision agriculture.

Safe Pro AI’s product is a specialized application of artificial intelligence in the large AI image analysis and recognition market, specifically focused on applying machine learning to the processing of drone-based imagery for object detection. It has developed an ecosystem of advanced AI-powered small object detection and data analysis and reporting tools for hyper-scalable, cloud-based or local real-time processing of drone imagery to extract actionable geospatial intelligence. Its machine learning and applied computer vision software technologies, layer AI detection into advanced photogrammetry/mapping applications, specifically, the collection, processing, and analysis of aerial imagery captured by nearly any drone platform, either military or commercial-off-the-shelf (“COTS”). Safe Pro AI’s AI-powered analysis engine and software tools (collectively referred to as “Safe Pro Object Threat Detection” or “SPOTD”) technology enable the rapid detection and identification of small explosive objects present in drone-based images and video feeds. The system utilizes that data and imagery to securely generate detailed, high resolution 2D and interactive 3D orthomosaic maps and display real-time visual indications highlighting objects of interest. Delivered to end users as a detailed report or integrated seamlessly with military communication systems, ground vehicles, and C6ISR (Command, Control, Communications, Computers, Cyber, Combat Systems, and Intelligence, Surveillance, and Reconnaissance) frameworks, its AI data analysis tools, utilizing SPAI’s robust proprietary datasets, can support government/military, humanitarian, enterprise, NGO and first responder markets by providing situational awareness and delivering actionable intelligence. It is now building on its over two years of real-world experience in Ukraine by expanding SPOTD into a broad array of military and defense markets where its integration into existing tactical hardware platforms can be used in force protection and other applications. Currently, the patented software blends AI, machine learning and computer vision capabilities that enable rapid, automated cloud-based or local/edge-based processing of drone imagery for small object detection of threats such as landmines, UXO, and other remnants of war. This current cloud system is called SpotlightAI™. As of July 2025, SpotlightAI™, powered by Amazon Web Services

(“AWS”), has processed over 1.66 million drone images and detected over 28,000 real-world explosive threats in Ukraine (see Figure 2).

Figure 2 – Safe Pro Group Inc. – Land mine identification and location



Source: Company presentation

The SPOTD technology is also integrated into a locally processed Windows-based personal computer application called SpotlightAI™ OnSite, which enables real-time visual indications and alerts of threats. Built with an extensive proprietary landmine and unexploded ordnance (“UXO”) dataset, Safe Pro AI and its SPOTD technology can rapidly detect and identify threats present in drone imagery, plot detections on maps, and relay precise GPS location and actionable reporting information to decision makers and ground personnel. This capability greatly increases situational awareness for soldiers as well as helps address the scale and improve the efficacy of remediation efforts versus existing human and dog-based identification methods. Through the combination of AI, ML, and drone technologies, Safe Pro AI’s new solutions directly address the limitations of current mine/UXO threat detection and clearance methodologies which can be slow, expensive, and dangerous. SpotlightAI™ landmine analysis is ~900x faster than the traditional method (see Figure 3).

Figure 3 – Safe Pro Group Inc. – Real-World Task Comparison

TASK	HUMAN GIS ANALYST	SPOTLIGHTAI™
Images Processed	499,172	499,172
Minutes per image	3 MIN (EST) = 180 SEC	0.2 SEC
Analyst Time in Minutes	1.49M MINUTES	1,663 MIN
Analyst Time in Hours	24,833 HOURS	27.7 HOURS
Analyst Workdays (8hr.)	3,104 DAYS	1.15 DAYS
TOTAL TIME	124 Work Months (5 Years)	1.15 Days

Source: Company presentation

The Company's SPOTD technology can integrate seamlessly with military communication systems, ground vehicles, and C6ISR (Command, Control, Communications, Computers, Cyber, Combat systems, Intelligence, Surveillance, and Reconnaissance) frameworks enabling soldiers to access real-time threat alerts on mobile devices, vehicle displays, and tactical networks, providing unmatched precision in navigating hazardous environments.

The software ecosystem can support a wide array of applications and use cases where the ability to rapidly analyze drone-based imagery can significantly improve geospatial situational awareness, operational effectiveness and safety such as:

- Integrating with military mobile devices, vehicle displays, and tactical networks used by soldiers to provide access to real-time threat alerts, providing unmatched precision in navigating hazardous environments
- Allowing security and first responder personnel to detect items of interest including contraband or weapons at an incident location
- Providing enhanced border security through integrating with mobile devices, vehicle displays, and tactical networks used by border agents to provide access to real-time alerts and detect potential threats and evidence of recent unusual or unauthorized activity
- Detecting items of interest in applications where hazardous items and contraband can be detected on critical infrastructure, such as roads or bridges, which can indicate potentially hazardous conditions
- Analyzing agricultural vegetation for growth or signs of crop damage, as well as collecting data to generate topographical maps

The Company is also utilizing its AI, ML and computer vision analysis and reporting technology to create and analyze large datasets for several uses outside of demining. The flexibility of the platform can allow it to be utilized to rapidly analyze imagery collected from drones to provide actionable intelligence on the area of interest through the creation of detailed, high resolution orthomosaic maps and real-time visual detection indications.

2) Airborne Response Corp.

Aerial Managed Services and Mission-Critical Uncrewed Solutions

Through its subsidiary, Airborne Response Corp., it provides a wide range of contracted aerial platform-based technology services using drones. This includes critical infrastructure inspection, storm and emergency response, Drone-as-a-First Responder (DFR) and other customized aerial remote sensing, sometimes combined with machine learning and artificial intelligence (“AI”) processing, to provide comprehensive data-driven insights and detailed reporting to allow its customers to improve decision making surrounding their core operations. Services offered include:

- Critical infrastructure inspection (ex: telecommunications networks and power grids) utilizing visual and/or IR thermal sensors
- DFR solutions providing autonomous drone operations in support of public safety, emergency management, security, and other rapid incident response and assessment needs
- Data capture, analytics and processing powered by machine learning and artificial intelligence (“AI”) to provide customers with comprehensive data-driven insights and reporting
- Aerial mapping of ground-based infrastructure and other targeted assets
- Drone related training and consultation services
- Other customized and/or specialized services upon request by key customers
- Drone-based, aerial services are provided to customers across multiple industries including critical infrastructure, enterprises such as public utilities, insurance and telecommunication network operators, state and local/municipal governments and agencies, and first responders including police, fire, and other public safety organizations.

Airborne Response currently serves an existing base of enterprise customers, including Florida Power & Light (“FPL”), Citizens Property Insurance Corporation, and Motorola Solutions under long-term contracts. It was actively engaged in supporting state and local agency response, relief, and recovery efforts in the aftermath of Category 4 Hurricane Ian in October 2022. In November 2023, Airborne Response was awarded its first DFR services contract by a city police department in South Florida under which, it provides operational support for law enforcement, public safety, and other first responders, assisting them to utilize advanced, U.S. Government-approved (Blue-UAS) drone technologies.

It currently maintains a fleet of eleven drones through Airborne Response Corp. In the aftermath of natural disasters, if its clients require additional support, it will bring on outside contractors that have obtained a Remote Pilot Certificate from the FAA. These outside contractors supply their own drones to complete fieldwork that is then reviewed by the Airborne Response team. Further, it provides a system for analyzing imagery data from third-party drones operated by outside contractors.

3) Safe-Pro USA LLC

Bullet and Blast Resistant Personal Protection Equipment.

Through its subsidiary, Safe-Pro USA LLC, it is a specialist in the manufacturing of ultra-premium bullet and blast resistant protection equipment utilized by domestic and international customers in the military, law enforcement, and humanitarian/peacekeeping markets. It offers a full array of bullet and blast resistant personal protection equipment including body armor & ballistic plates complete Explosive Ordnance Disposal (“EOD”) Systems (see Figure 4), demining aprons and bomb blankets, to government, security, law enforcement and first responders, as well as armor systems for ground vehicles and aircraft including helicopters. It has more than 30 years of combined experience in the U.S. defense industry with a proven expertise and strength in the design, engineering, and manufacture of advanced armor composites. All bullet and blast resistant protection equipment are proudly designed, engineered, and manufactured in the United States and meets or exceeds the United States Government and NATO standards including the latest U.S. National Institute of Justice (“NIJ”) and STANAG standards.

Figure 4 – Safe Pro Group Inc. –Ultra-Lightweight Body Armor Plate & EOD Suit



Source: Company website

Growth opportunities within Safe Pro AI

The Company intends to utilize Safe Pro AI's technology which enables the rapid processing of substantial amounts of visual imagery to create high-fidelity maps and data outputs utilizing AI

and proprietary datasets for customers to analyze their existing data. These AI datasets and related software tools and reporting capabilities would help enterprise and government customers quickly assess the situation around critical infrastructure, sensitive facilities, in agricultural fields, or any location of interest (ex: borders, ports, runways, etc.).

Force Protection Opportunities for the Military

Operations by ground personnel (i.e., soldiers) are inherently dangerous. Troop movement, on foot or by vehicle, exposes soldiers and assets to the risk of a wide array of explosive threats including landmines, anti-personnel mines and improvised explosive devices (IEDs). Currently, we believe there are no well-adapted real-time systems fielded to alert personnel to the presence of potentially deadly small threats. To address this gap in force protection and safety, Safe Pro is utilizing its AI, ML and computer vision capabilities with drones to enable the real-time, automated processing of aerial imagery to detect and identify possible threats and use that information to provide enhanced force protection through better situational awareness. Utilizing the SPOTD technology, it is seeking to provide potentially lifesaving “know before you go” information on discrete threats which may be present in operations. The Company’s SPOTD technology can integrate seamlessly with military communication systems, ground vehicles, and C6ISR (Command, Control, Communications, Computers, Cyber, Combat systems, Intelligence, Surveillance, and Reconnaissance) frameworks. Acting like a back-up camera in modern automobiles, with SPOTD, soldiers can gain access to real-time threat alerts on mobile devices, vehicle displays, and tactical networks, providing unmatched precision in navigating hazardous environments. The capability is immediately synergistic with the increased utilization of technologies such as the Tactical Assault Kit (TAK) for restricted US Army/military users or Team Awareness Kit (TAK) for non-restricted government users, which facilitate real-time coordination between team members including the sharing of video feeds and/or mapping applications.

Aerial Managed Services

The adoption of drone-based remote sensing technology has been rapid, enabled by its ability to capture and relay high-resolution visual information and data quickly and accurately. Beyond the use of drones in military applications, this technology is increasingly utilized in applications by government and commercial enterprise markets. These commercial markets include a wide array of sectors including agriculture, real estate, insurance, and the inspection of critical infrastructure such as telecommunications towers, rail and roadways, bridges, and power and utility grids.

Customers

It manufactures and sells its products and services globally to commercial/enterprise, government, military, and humanitarian aid organizations. Customers include a Canadian Humanitarian Aid organization, as well as enterprises such as Florida Power & Light, Citizen’s Insurance and Motorola Solutions, and various State and municipal governments and agencies.

Under contracts with Florida Power & Light (FPL), the principal electric utility in Florida, it, through its operating subsidiary, Airborne, provides UAS services related to the inspection of power poles and lines for both “Blue Sky” normal business operations as well as “Gray Sky” rapid incident management and disaster response operations. The first contract is for the provision of UAS teams to inspect power lines and poles after a storm. This contract has a term beginning on March

25, 2024, and goes through December 30, 2026. Under this contract, FPL will call upon Airborne to respond and provide UAS teams after a storm. They are not obliged to call upon Airborne Response and there is no assurance that it will derive any income from this agreement. Under a previous version of this agreement, it was called upon and provided services to FPL in the aftermath of storms.

It also has contracts with FPL to provide UAS teams to inspect power lines and poles with respect to regular maintenance. Under this contract, it receives a fee per pole inspected or per mile of power line inspected. The fee can vary depending upon the level of service selected. It has four such contracts with FPL covering four regions of Florida in FPL's coverage areas. Pursuant to these contracts, FPL is not obligated to call upon SPAI and there is no assurance that it will derive any income from this agreement. The terms of these agreements are from August 25, 2023, through August 24, 2026, with a right to renew until August 24, 2028.

Finally, we believe that the scale and scope of the conflict in Ukraine has created a significant near-term opportunity for several of its products and services, in particular, its AI-powered, drone-based solution for the identification and locating of UXO and personal protective equipment ("PPE") such as its high-performance body armor plates and Explosive Ordnance Disposal and Blast and Fragmentation protective suits. We believe its demonstrated AI-powered capabilities and experience in the design and manufacture of PPE have positioned the company to compete effectively for a number of projects currently being proposed by various governmental organizations involved with land reclamation, remediation and reconstruction efforts in Ukraine including units of that country's government as well as international humanitarian aid organizations such as the United Nations Development Programme, the HALO Trust and Norwegian People's Aid, among others. This opportunity is further enhanced by the proposed United States-Ukraine Reconstruction Investment Fund for the Reconstruction of Ukraine announced by the U.S. Treasury on April 20, 2025.

Competition

There are no peers with exact product lines/services like SPAI. It faces potential competition from many different sources. These sources include both domestic and international manufacturers of body armor and protective gear (such as Armor Express, MIRA Safety, RTS Tactical, Spartan Armor Systems), providers of drone services (such as Phoenix Drone Services LLC, Cyberhawk, Sky-Futures, DroneDeploy, Terra Drone Corporation, AgEagle Aerial Systems Inc., Aerodyne Group, Aerial Drone Services Inc., Sharper Shape Inc., Arch Aerial LLC, Australian UAV Pty Ltd., Drone Services Canada Inc., Dronegenuity, and FlyGuys.) and a large number of software technology development organizations.

Intellectual Property

On November 19, 2024, it was granted its first patent from the United States Patent and Trademark Office ("USPTO"), for the technology that identifies, locates and maps explosives. The newly issued patent, US Patent No. 12,146,729 includes all 21 claims made in the Company's original patent application entitled, "Systems and Methods for Detecting and Identifying Explosives." These claims cover autonomous detection, identification, and labeling of explosives

in orthomosaic images using AI processing of drone imagery. The patent expires in 2043. In December 2024, the Company filed a provisional patent application titled, “Object Detection Precision Enhancement Methods, Tools and Systems” which seeks intellectual property (IP) protection for the Company’s technology which utilizes drones and artificial intelligence and proprietary algorithms to reduce the false positive rate when identifying objects such as small explosives, landmines and unexploded ordnances.

It controls access to and use of its software, technology and other proprietary information through internal and external controls, including contractual protection with employees, contractors, customers and partners. The software is protected by U.S. and international copyright, patent and trade secret laws.

Employees

As of December 31, 2024, it employed eleven full-time employees, two part-time employees, and seventeen independent contractors. Certain of its employees are licensed to fly drones. Currently, two part-time employees of its subsidiary, Airborne Response Corp., are licensed drone operators with FAA Part 107 Remote Pilot Certificates.

Valuation Methodology

We believe SPAI is undervalued, and we support that belief with an absolute and relative valuation. To determine our price target, we use a discounted future earnings model. The following valuation techniques are being used:

- 1) The discounted value of all future earnings was used for our price target (see Figure 5)
- 2) Valuation relative to peers (see Figure 6)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$8.00 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 12%, which we feel adequately addresses the risk. We assume the company reaches GAAP breakeven in late 2026 or early 2027 and exhibits strong topline growth for several years. Our valuation model is shown in Figure 5 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$8.41, which we round to \$8.00.

Figure 5 – Safe Pro Group Inc. – Price Target Calculation

Discounted Future Earnings: \$8.41		
Year	EPS	Discounted EPS
2025	(0.54)	(0.54)
2026	(0.18)	(0.16)
2027	0.20	0.16
2028	0.40	0.28
2029	0.80	0.51
2030	1.00	0.57
2031	1.10	0.56
2032	1.20	0.54
2033	1.30	0.53
2034	1.34	0.48
Terminal Value:		5.48

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 6 is a summary of our SPAI peer comparison. If it were to trade at \$8.00, its Market Cap/Sales multiple would be ~9.7X, which would be slightly below average. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Figure 6 – Safe Pro Group Inc. – Comp Tables

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2026 Consensus	
					Market Cap / Sales	EV /Sales
AVAV-US	AeroVironment Inc.	\$263.89	13,021	13,023	5.76	3.30
BBAI-US	BigBear.ai Holdings, Inc.	\$7.10	2,067	2,177	11.01	9.56
ATRO-US	Astronics Corp. (US Listing)	\$35.29	1,254	1,545	1.36	1.83
BYRN-US	Byrna Technologies Inc.	\$22.18	504	524		
RCAT-US	Red Cat Holdings Inc	\$10.27	1,011	1,094	7.45	6.61
ONDS-US	Ondas Holdings, Inc.	\$2.29	400	501	7.43	5.13
PDYN-US	Palladyne AI Corp	\$9.17	327	393	28.53	29.83
KULR-US	KULR Technology Group Inc	\$6.15	237	221	6.22	5.04
TAKOF-US	Volatus Aerospace Inc.	\$0.61	325		6.08	5.85
UMAC-US	Unusual Machines Inc.	\$11.23	279	286	14.44	9.03
ZENA-US	ZenaTech, Inc.	\$5.97	153	112	11.89	15.34
XTIA-US	XTI Aerospace, Inc.	\$2.05	33	25		
DPRO-US	Draganfly Inc (US Listing)	\$3.61	20	22	1.59	1.52
UAVS-US	AgEagle Aerial Systems, Inc.	\$1.26	18	119		
RKT-AU	RocketDNA Ltd	\$0.01	8	6		
AVERAGE					10.88	10.25
SPAI	Safe Pro Group, Inc.	\$3.14	48	44	3.81	3.52
SPAI Premium/(Discount) to peers:					-65%	-66%

Source: Litchfield Hills Research LLC and FactSet

Financial Estimates and Guidance

The company does not provide financial guidance. Our model assumes that the company reaches BE in late 2026 or early 2027 and this will be dependent on achieving contract awards that estimate will annualize to ~\$24MM/year. We also assume 2025 is a transition year as the company commercializes its product set. Our forecasts for 2026 assume some traction in defense sales. While it is possible that the company has no success, we feel it is more likely it will either be successful or wildly successful. Assigning probabilities to the possible outcomes, we feel our \$12.5MM of revenue in 2026 is conservative, especially since any single contract may exceed that. For that reason, we are not projecting quarterly earnings at this time as we expect early contracts to generate lumpy revenue quarter to quarter. Under our current assumptions, the company will likely need to raise some capital in 2025, and we show this on the balance sheet as Notes Payable, but it could come from many different sources, such as warrant conversion, partner investment, equity, etc.

Management

Dan Erdberg, Chairman and CEO

20+ years as C-Level technology executive, led recent NASDAQ listings in the Drone, 5G, and SatCom sectors where he led organizations in Executive Capacities including CEO, President and COO.

Theresa Carlise, Chief Financial Officer, Treasurer and Assistant Secretary

Over 30 years of experience as a Chief Financial Officer for publicly traded companies. Her skill set includes equity-based transactions, strategic and tactical financial management with strong qualifications in all areas of accounting, financial analysis, reporting, restructuring and planning.

Pravin Borkar, Director and President of Safe-Pro USA

Over 30 years of experience in the design, engineering and manufacturing of bullet and blast resistant personal protection equipment for the U.S. DoD having been responsible for the development and manufacture of body armor plates for military personnel as well as ballistic protection armor systems for Blackhawk, Chinook and CH-53 transport helicopters for the U.S. Army, Marines and Air Force.

Christopher Todd, President of Airborne Response

Over 30 years of business tech & marketing experience, subject matter expert focused on uncrewed aviation in public safety & disaster response, President of the Association of Unmanned Vehicle Systems International (AUVSI) Florida Chapter, and Certified Emergency Manager (CEM®) and FAA-certified Remote Pilot, and member of emergency response organizations including InfraGard, the public-private partnership between U.S. industry and the FBI.

Young J. Bang, Chairman, Strategic Advisory Board

Over 20 years' experience in US Army acquisition and Federal contracting, having recently served for three years as the Principal Deputy Assistant Secretary of the Army (PDASA) Acquisition, Logistics & Technology (ASALT) where he was responsible for advising Army leadership on all matters related to Army product and services acquisitions. He is a recognized authority in AI, quantum computing, and digital transformation, and brings decades of expertise in modernizing defense systems having assisted in the management of the Army's Research Development Test & Evaluation (RDT&E) and procurement budget.

Figure 7 – Safe Pro Group Inc. – Income Statement (\$'000)

December ending year	2023A Year	2024A Year	2025E Year	2026E Year
Total Revenue	\$918	\$2,169	\$2,585	\$12,500
YoY growth		136%	19%	384%
Total cost of revenue	<u>607</u>	<u>1,263</u>	<u>1,283</u>	<u>3,325</u>
Gross profit	311	906	1,302	9,175
Gross profit %	34%	42%	50%	73%
Operating expenses:				
Salary, wages and payroll taxes	2,303	4,278	4,825	6,000
R&D	374	90	0	0
Professional fees	3,309	2,162	2,802	4,000
SG&A	450	1,255	1,556	1,850
Depreciation and amortization	182	273	340	340
Total Operating Expenses	<u>6,618</u>	<u>8,058</u>	<u>9,522</u>	<u>12,190</u>
Operating income	<u>(6,307)</u>	<u>(7,152)</u>	<u>(8,221)</u>	<u>(3,015)</u>
Operating income %	-687%	-330%	-318%	-24%
Adj. EBITDA	<u>(2,451)</u>	<u>(3,958)</u>	<u>(5,650)</u>	<u>5,125</u>
Total other income/(expense)	<u>(8)</u>	<u>(276)</u>	<u>71</u>	<u>40</u>
Earnings before taxes	<u>(6,315)</u>	<u>(7,428)</u>	<u>(8,150)</u>	<u>(2,975)</u>
Tax expense/(benefit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net income	<u>(\$6,315)</u>	<u>(\$7,428)</u>	<u>(\$8,150)</u>	<u>(\$2,975)</u>
GAAP EPS	<u>(\$0.79)</u>	<u>(\$0.70)</u>	<u>(\$0.54)</u>	<u>(\$0.18)</u>
Diluted Shares Outstanding	7,985	10,613	15,210	16,400

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – Safe Pro Group Inc. – Balance Sheet (\$000)

December ending year	FY2026E	FY2025E	FY2024A	FY2023A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$4,368	\$677	\$1,971	\$703
Accounts receivable	100	150	124	163
Inventories	400	300	342	359
Other assets	<u>250</u>	<u>250</u>	<u>314</u>	<u>48</u>
Total Current Assets	5,118	1,377	2,750	1,274
Net PP&E	500	315	315	321
Right-to-use asset	100	100	102	153
Other non-current	<u>1,700</u>	<u>1,700</u>	<u>1,783</u>	<u>1,682</u>
Total Assets	<u>\$7,418</u>	<u>\$3,492</u>	<u>\$4,950</u>	<u>\$3,430</u>
Current Liabilities				
Accounts payable	\$1,000	\$800	\$120	\$169
Accrued expenses	1,000	400	206	345
Due related party	500	400	422	406
Other current liabilities	<u>200</u>	<u>200</u>	<u>147</u>	<u>497</u>
Total current liabilities	2,700	1,800	894	1,417
Note payable	0	2,000	146	146
Lease liability - non-current	<u>100</u>	<u>100</u>	<u>36</u>	<u>91</u>
Total Liabilities	2,800	3,900	1,075	1,654
Stockholders' Equity				
Preferred stock	0	0	0	1
Common stock	0	0	1	1
Additional paid-in-capital	30,000	22,000	18,124	8,597
Retained earnings	(25,375)	(22,401)	(14,251)	(6,822)
Cum. trans. adj. and treasury stock	<u>(7)</u>	<u>(7)</u>	<u>0</u>	<u>0</u>
Total stockholders' equity	<u>4,618</u>	<u>(408)</u>	<u>3,874</u>	<u>1,776</u>
Total Liabilities and equity	<u>\$7,418</u>	<u>\$3,492</u>	<u>\$4,950</u>	<u>\$3,430</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 9 – Safe Pro Group Inc. – Cash Flow (\$000)

	FY26E	FY25E	FY24A
Net Income	(\$2,975)	(\$8,150)	(\$7,428)
Receivables	\$50	(\$26)	\$40
Inventories	(\$100)	\$42	\$17
Other assets	\$0	\$64	(\$266)
Net PP&E	(\$185)	(\$0)	\$6
Right-to-use asset	\$0	\$2	\$52
Other non-current	\$0	\$83	(\$101)
Accounts payable	\$200	\$680	(\$49)
Accrued expenses	\$600	\$194	(\$139)
Due related party	\$100	(\$22)	\$16
Lease obligations and other	\$0	\$53	(\$350)
Note payable	(\$2,000)	\$1,854	\$0
Lease liability - non-current	\$0	\$64	(\$56)
Preferred stock	\$0	\$0	(\$1)
Common stock	\$0	(\$1)	\$1
Additional paid-in-capital	\$8,000	\$3,876	\$9,527
Accum. Other Comprehensive loss	\$0	(\$7)	\$0
Dividends and transition adjustments			
Total Cash Flow	\$3,690	(\$1,293)	\$1,267

Source: Litchfield Hills Research LLC

Disclosures:

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SPAI- Buy-USD\$8 PT

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