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Unusual Machines Inc.

NYSE American - UMAC

September 24, 2025

Moving at the Speed of Crazy - Reiterating Buy Rating and $20 Price Target

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Unusual Machines CEO Allan Evans recently gave several investor presentations in which he described the company's rate of activity as “Moving at the Speed of Crazy”. In this report, we provide a summary of his comments and recent strategic steps, and an updated financial forecast.

- Opened a drone motor factory with initial output in September, led by the former CEO of Rotor Lab, with an annual revenue potential of $30 million.
- Discussed plans for expanded operations with a second new factory dedicated to headsets, led by another seasoned industry executive.
- Secured new enterprise orders—including a $1.6 million contract for goggles and cameras—supporting visibility into our near-term revenue estimates.
- Booked over 7,000 Brave F7 controllers, representing $4.6 million at retail value, with management signaling additional large components orders on the horizon and two new Blue List products in Q4.
- Strengthened the balance sheet to over $80 million in cash and zero debt following a July capital raise.
- Executed two strategic investments (SafePro (SPAI – BUY) and LightPath (LPTH – NR)) and completed the acquisition of Rotor Lab to secure critical technology and vertical integration.
- More than doubled its headcount, including the new heads of headsets and motors.

Collectively, we believe that these moves set the stage for a step-function in growth, with enterprise revenues expected to nearly triple in 2026.

Rating	Buy
Target Price	$20.00
Ticker Symbol	UMAC
Market	NASDAQ
Stock Price	$14.00
52 wk High	$23.62
52 wk Low	$1.28
Shares Outstanding:	30.4 M
Public Market Float:	25.7 M
Avg. Daily Volume	3,860,858
Market Capitalization:	$426.3 M
Institutional Holdings:	12.2%
Dividend Yield:	0.0%

Earnings Per Share	Normalized to exclude unusual items		
FYE - December	**2024**	**2025E**	**2026E**
1Q - March	($0.11)	($0.21) A	($0.11)
2Q - June	($0.15)	($0.32) A	($0.07)
3Q - September	($0.10)	($0.08)	($0.06)
4Q - December	($2.27)	($0.07)	($0.04)
Year	**($3.84)**	**($0.67)**	**($0.28)**
Revenue ($mm)	**5.6**	**10.4**	**21.1**
EV/Rev	61.5X	33.0X	16.2X
EBITDA ($mm)	**(4.5)**	**(4.2)**	**(2.1)**

Risks/Valuation

- **Execution Risk:** The primary risk for Unusual Machines centers on the execution of its growth strategy. The company is focused on introducing key drone components, such as motors and circuit boards, to supply other drone manufacturers. Success hinges on its ability to effectively develop, market, and sell these components to a growing customer base. Any delays or challenges in production, distribution, or customer adoption could negatively impact its growth trajectory.

- **Valuation Premium:** We currently value UMAC shares at approximately two times the average multiple of its industry peers, reflecting the company's strong growth prospects and strategic positioning within the defense and drone sectors. However, this premium is based on the assumption that execution risks are managed effectively and that acquisitions contribute to long-term growth.

Company description: Unusual Machines operates primarily as a retail drone business under the Rotor Riot brand, catering to the $100 million enthusiast market. The company’s strategic growth focus is on expanding into the multi-billion-dollar drone component market. Introducing new products.

Moving at the Speed of Crazy

Unusual Machines is accelerating growth through a series of new orders, new product introductions, executive hires, and strategic initiatives that position the company as a leading player in the U.S. drone ecosystem. In just the past several weeks, management has:

- Opened a drone motor factory with initial output in September, led by the former CEO of Rotor Lab, with an annual revenue potential of $30 million.
- Discussed plans for expanded operations with a second new factory dedicated to headsets, led by another seasoned industry executive.
- Secured new enterprise orders—including a $1.6 million contract for goggles and cameras—supporting visibility into our near-term revenue estimates.
- Booked over 7,000 Brave F7 controllers, representing $4.6 million at retail value, with management signaling additional large components orders on the horizon and two new Blue List products in Q4.
- Strengthened the balance sheet to over $80 million in cash and zero debt following a July capital raise.
- Executed two strategic investments (SafePro and LightPath) and completed the acquisition of Rotor Lab to secure critical technology and vertical integration.
- More than doubled its headcount, including the new heads of headsets and motors.

Collectively, we believe that these moves set the stage for a step-function in growth, with enterprise revenues expected to nearly triple in 2026.

Revenue Momentum Building

UMAC's $1.6 million order for goggles and cameras effectively supports out enterprise revenue estimates for the next three quarters. Combined with orders for over 7,000 Brave F7 controllers, the company is positioned to meet or exceed our enterprise revenue forecast of $2.5 million in the second half of 2025, bringing the full-year total to $3.5 million.

Looking ahead, management's commentary and visible order pipeline suggest that another major contract could be announced shortly. Our 2026 enterprise forecast calls for nearly 300% year-over-year growth, driving revenue to $13.5 million. Importantly, this growth is diversified across at least four major customers—including former parent Red Cat (RCAT – NR)—with two additional Blue List–approved products (a speed controller and FPV camera) expected to be launched in Q4.

Strong Balance Sheet Supports Strategic Expansion

Following its July capital raise, UMAC holds more than $80 million in cash with no debt, giving the company significant flexibility to scale production, fund R&D, and pursue opportunistic acquisitions. While current revenues remain below breakeven, operating leverage should shift the company toward profitability as sales volumes surpass fixed costs in 2026.

Strategic Investments and Acquisition Pipeline

CEO Allan Evans, a respected figure within the drone industry, is actively leveraging long-standing relationships to accelerate shareholder value creation. Three major deals have been executed to date:

1. **SafePro (SPAI – BUY)**
   - $8 million co-investment with Ondas (ONDS – NR) in August 2025 at $4 per share, including warrants at $6.
   - Shares have already appreciated to >$7, validating the deal's structure and strategic fit.
   - SafePro's AI-driven vision systems, currently deployed in Ukraine for land mine detection, are expected to be integrated into UMAC's camera and goggle platforms.
2. **LightPath Technologies (LPTH – NR)**
   - $8 million investment at $5 per share, again alongside Ondas.

- Shares now trade above $7, giving UMAC an immediate gain.
- LightPath is a leader in optical and infrared components, which complement UMAC's imaging product line.

3. **Rotor Lab (Australia)**
    - Acquired on September 3rd at an announced price of $7 million ($4 mm stock plus $3 mm earn-out), with the CEO remaining to lead UMAC's motor division. With UMAC share appreciation, the actual price was $9 mm at closing.
    - Rotor Lab's expertise accelerates UMAC's vertical integration in motors, a critical differentiator for drone performance and supply-chain resilience.

Motor Manufacturing: A New Growth Engine

UMAC's new 17,000 sq. ft. motor facility produced its first units in September, exactly on schedule. The company has shared imagery of the advanced machinery now online, underscoring execution capability. By January, the facility is expected to reach a capacity of 50,000 motors per month—equating to as much as $30 million in annualized revenue potential, significantly above our current company-wide forecast for 2026.

Headset Manufacturing: The Next Growth Engine

The CEO also noted that its customers have requested that it open a U.S. headset manufacturing plant. It recently hired a new executive to run this business, and its two recent strategic investments have technology that can be incorporated into headsets.

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Unusual Machines Income Forecast

			2024					2025E					2026E		
Fiscal years ended December 31	1Q	2Q	3Q	4Q	YEAR	1QA	2QA	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
Revenue															
Retail	618,915	1,411,124	1,531,264	1,703,414	5,264,717	1,735,955	1,465,539	1,760,954	1,958,926	6,921,374	1,909,551	1,612,093	1,937,049	2,154,818	7,613,511
percent of total				85.0%	94.6%	85.0%	69.0%	63.8%	56.6%	66.6%	48.8%	39.2%	32.6%	30.1%	36.1%
YoY growth						180.5%	3.9%	15.0%	15.0%	31.5%	10.0%	10.0%	10.0%	10.0%	10.0%
Enterprise				300,602	300,602	306,345	658,431	1,000,000	1,500,000	3,464,776	2,000,000	2,500,000	4,000,000	5,000,000	13,500,000
percent of total				15.0%	5.4%	15.0%	31.0%	36.2%	43.4%	33.4%	51.2%	60.8%	67.4%	69.9%	63.9%
YoY growth									399.0%	1052.6%	552.9%	279.7%	300.0%	233.3%	289.6%
	618,915	**1,411,124**	**1,531,264**	**2,004,016**	**5,565,319**	**2,042,300**	**2,123,970**	**2,760,954**	**3,458,926**	**10,386,149**	**3,909,551**	**4,112,093**	**5,937,049**	**7,154,818**	**21,113,511**
Year-over-year growth						230.0%	50.5%	80.3%	72.6%	86.6%	91.4%	93.6%	115.0%	106.9%	103.3%
Sequential growth			8.5%	30.9%	177.7%	1.9%	-61.8%	30.0%	25.3%		13.0%	5.2%	44.4%	20.5%	
Total cost of revenue	414,748	1,022,684	1,131,777	1,449,859	4,019,068	1,545,493	1,329,291	2,070,715	2,594,194	7,539,693	2,736,685	2,796,223	3,859,082	4,650,632	14,042,622
As a percent of revenue	67.0%	72.5%	73.9%	72.3%	72.2%	75.7%	62.6%	75.0%	75.0%	72.6%	70.0%	68.0%	65.0%	65.0%	66.5%
Gross margin	204,167	388,440	399,487	554,157	1,546,251	496,807	794,679	690,238	864,731	2,846,456	1,172,865	1,315,870	2,077,967	2,504,186	7,070,888
As a percent of revenue	33.0%	27.5%	26.1%	27.7%	27.8%	24.3%	37.4%	25.0%	25.0%	27.4%	30.0%	32.0%	35.0%	35.0%	33.5%
Operations	112,322	213,772	218,126	415,520	959,740	302,602	404,277	331,314	207,536	1,245,729	781,910	411,209	593,705	357,741	2,144,565
As a percent of revenue	18.1%	15.1%	14.2%	12.0%	17.2%	14.8%	19.0%	12.0%	6.0%	12.0%	20.0%	10.0%	10.0%	5.0%	10.2%
Research and development	16,796	10,282	15,000	48,506	90,584	7,903	62,731	27,610	34,589	132,833	39,096	41,121	59,370	71,548	211,135
As a percent of revenue	2.7%	0.7%	1.0%	1.0%	1.6%	0.4%	3.0%	1.0%	1.0%	1.3%	1.0%	1.0%	1.0%	1.0%	1.0%
Selling and marketing	157,058	386,332	252,253	295,625	1,091,268	207,616	302,358	386,534	276,714	1,173,222	781,910	493,451	712,446	858,578	2,846,385
As a percent of revenue	25.4%	27.4%	16.5%	14.0%	19.6%	10.2%	14.2%	14.0%	8.0%	11.3%	20.0%	12.0%	12.0%	12.0%	13.5%
General and administrative	998,874	1,349,587	1,374,989	2,527,489	6,250,939	3,225,904	7,195,193	1,700,000	1,800,000	13,921,097	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000
As a percent of revenue	161.4%	95.6%	89.8%	70.0%	112.3%	158.0%	338.8%	61.6%	52.0%	134.0%	51.2%	48.6%	33.7%	28.0%	37.9%
Depreciation and amortization	5,470	171	171	66,349	72,161	20,593	20,593	20,593	20,593	82,372	65,000	65,000	65,000	65,000	260,000
Loss on impairment of goodwill				10,073,326	10,073,326										
Operating Income	**(1,086,353)**	**(1,571,704)**	**(1,461,052)**	**(12,872,658)**	**(16,991,767)**	**(3,267,811)**	**(7,190,473)**	**(1,775,812)**	**(1,474,700)**	**(13,708,797)**	**(2,495,051)**	**(1,694,912)**	**(1,352,554)**	**(848,681)**	**(6,391,197)**
Operating margin	-175.5%	-111.4%	-95.4%	-642.3%	-305.3%	-160.0%	-338.5%	-64.3%	-42.6%	-132.0%	-63.8%	-41.2%	-22.8%	-11.9%	-30.3%
Interest income			(180)	1,326	1,146	1,532	225,734	800,000	800,000	1,827,266	800,000	800,000	800,000	800,000	3,200,000
Interest expense	19,649	40,534	41,465	(218,629)	(116,981)	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt			685,151	574,828	1,259,979	-	-	-	-	-	-	-	-	-	-
Change in fair value of derivatives			(43,238)	(16,102,967)	(16,146,205)	-	-	-	-	-	-	-	-	-	-
Pretax Income	(1,066,704)	(1,531,170)	(777,854)	(28,618,100)	(31,993,828)	(3,266,279)	(6,964,739)	(1,775,812)	(1,474,700)	(13,708,797)	(2,495,051)	(1,694,912)	(1,352,554)	(848,681)	(6,391,197)
Taxes	-	15,828		(29,188)	(13,360)			-	-	-	-	-	-	-	-
Tax rate	0.0%	-1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income to common	**(1,066,704)**	**(1,546,998)**	**(683,198)**	**(28,588,912)**	**(31,980,468)**	**(3,266,279)**	**(6,964,739)**	**(1,775,812)**	**(1,474,700)**	**(13,708,797)**	**(2,495,051)**	**(1,694,912)**	**(1,352,554)**	**(848,681)**	**(6,391,197)**
Net income margin	-172.4%	-109.6%	-44.6%	-1426.6%	-574.6%	-159.9%	-327.9%	-64.3%	-42.6%	-132.0%	-63.8%	-41.2%	-22.8%	-11.9%	-30.3%
Diluted shares outstanding	10,000,000	10,040,741	7,147,866	12,600,000	8,325,128	15,902,473	21,771,954	22,071,954	22,671,954	20,604,584	22,771,954	22,871,954	22,971,954	23,071,954	22,921,954
Seq change			(2,892,875)	-	(4,274,872)	15,902,473	5,869,481	300,000	600,000		100,000	100,000	100,000	100,000	
EPS diluted - continuing	**($0.11)**	**($0.15)**	**($0.10)**	**($2.27)**	**($3.84)**	**($0.21)**	**($0.32)**	**($0.08)**	**($0.07)**	**($0.67)**	**($0.11)**	**($0.07)**	**($0.06)**	**($0.04)**	**($0.28)**
EBITDA															
Operating income	(1,086,353)	(1,571,704)	(1,461,052)	(12,872,658)	(16,991,767)	(3,267,811)	(7,190,473)	(1,775,812)	(1,474,700)	(13,708,797)	(2,495,051)	(1,694,912)	(1,352,554)	(848,681)	(6,391,197)
Addback:										-					-
Depreciation and amortization	5,470	171	171	66,349	72,161	20,593	20,593	20,593	20,593	82,372	65,000	65,000	65,000	65,000	260,000
Share-based compensation	64,344	425,767	398,240	1,431,855	2,320,206	1,906,373	5,513,328	700,000	700,000	8,819,701	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Other	-	-	641,913	10,073,326	10,073,326	300,000	300,000	-	-	600,000	-	-	-	-	-
EBITDA	**(1,016,539)**	**(1,145,766)**	**(420,728)**	**(1,301,128)**	**(4,526,074)**	**(1,040,845)**	**(1,356,552)**	**(1,055,219)**	**(754,107)**	**(4,206,724)**	**(917,466)**	**(629,912)**	**(287,554)**	**216,319**	**(2,131,197)**
Capital expenditures						-	262,751	300,000	300,000	862,751	100,000	100,000	100,000	100,000	400,000
Free cash flow						**(1,040,845)**	**(1,619,303)**	**(1,355,219)**	**(1,054,107)**	**(5,069,475)**	**(1,017,466)**	**(729,912)**	**(387,554)**	**116,319**	**(2,531,197)**

Source: Company reports and Litchfield Hills Research

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