

Action Summary – 17 September 2025

Analyst Theodore R. O'Neill – Raising price target to \$12 from \$8 – Reiterate our Buy rating

- **Raising price target to \$12 from \$8.** We are raising our price target to reflect what we believe is a lower level of risk to achieving our earnings estimates. Our price target is based on the discounted sum of future earnings. Our discount rate is meant to include an equity risk premium adjusted for the near-term need to raise funds, execution on meaningful new product sales and protection from larger firms taking share, among others. In the case of SPAI, we used a 10% discount rate to reach our \$12 price target. The 10% rate reflected both questions about the timing or need for funding and the time it would take to gain traction with its drone-based AI small object detection platform.
- **Recent news has reduced some of our perceived risk.** Notably, the company has gained traction and funding from two drone industry leaders: Ondas (ONDS-NR) and Unusual Machines (UMAC-NR). On Sept. 15, the company announced a collaboration with Red Cat (RCAT-NR). Through this collaboration, Safe Pro's patented AI-powered image analysis technology will be embedded into Red Cat's Black Widow short range reconnaissance drones, enabling U.S. and allied ground personnel to rapidly identify and locate explosive threats including landmines, anti-personnel mines, cluster munitions, and unexploded ordnance (UXO) in real-time. These three events raise our confidence in SPAI's future earnings, allowing us to lower our discount rate by 2 percentage points to 10%.
- **Increasing confidence in estimates.** Our forecast assumes the company will reach BE in late 2026 or early 2027. The RCAT business is a big step forward. Based on Pentagon Directives that every Army squad is outfitted with drones, we estimate that alone could result in \$6 million to \$15 million in sales under our assumption of \$2.5K - \$5K SPAI content per drone for 2,500-3,000 squads.
- **Attractive valuation.** The shares currently trade below our discounted future earnings price target model and below peer averages. If it were to trade at \$12.00, our target price, its 2026 Market Cap/Sales multiple would be ~18x, which would be slightly above the average of 15x.

9/16 price: \$7.20	Market cap: \$137MM	2026 Market Cap/Sales: 11.15x	2026 EV / Sales: 11.28x
Shares outstanding: 19MM	Insider ownership: 60%	3-mo. avg. trading volume: >100,000	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>\$(0.45)</u>	<u>\$2,585</u>	<u>50%</u>
FY26E	<u>\$(0.15)</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 \$12.00 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

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 2)
- 2) Valuation relative to peers (see Figure 3)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$12.00 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 10%, 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 2 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 \$11.61, which we round to \$12.00.

Figure 2 – Safe Pro Group Inc. – Price Target Calculation

Discounted Future Earnings: \$11.61		
Year	EPS	Discounted EPS
2025	(0.45)	(0.45)
2026	(0.15)	(0.14)
2027	0.20	0.17
2028	0.40	0.30
2029	0.80	0.55
2030	1.00	0.62
2031	1.10	0.62
2032	1.20	0.62
2033	1.30	0.61
2034	1.34	0.57
Terminal Value:		8.16

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 3 is a summary of our SPAI peer comparison. If it were to trade at \$12.00, its Market Cap/Sales multiple would be ~18x, which would be slightly above the average of 15x. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

Figure 3 – 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.	\$251.04	12,535	12,543	5.74	5.46
ONDS-US	Ondas Holdings, Inc.	\$6.38	2,048	2,382	29.10	13.31
BBAI-US	BigBear.ai Holdings, Inc.	\$5.09	1,887	1,697	14.52	10.73
ATRO-US	Astronics Corp. (US Listing)	\$40.00	1,417	1,763	1.58	1.81
RCAT-US	Red Cat Holdings Inc	\$10.52	1,050	1,064	7.00	6.12
BYRN-US	Byrna Technologies Inc.	\$20.03	455	472		
UMAC-US	Unusual Machines Inc.	\$10.95	333	307	15.91	9.64
PDYN-US	Palladyne AI Corp	\$7.22	303	324	40.95	29.84
TAKOF-US	Volatus Aerospace Inc.	\$0.45	260		5.14	5.00
KULR-US	KULR Technology Group Inc	\$4.50	185	171		
ZENA-US	ZenaTech, Inc.	\$4.88	161	167	10.13	13.22
UAVS-US	AgEagle Aerial Systems, Inc.	\$1.69	58	193		
XTIA-US	XTI Aerospace, Inc.	\$1.51	31	11		
DPRO-US	Draganfly Inc (US Listing)	\$5.22	28	22	1.86	1.63
RKT-AU	RocketDNA Ltd	\$0.01	8	7		
AVERAGE					14.80	11.87
SPAI	Safe Pro Group, Inc.	\$7.41	139	141	11.15	11.28
SPAI Premium/(Discount) to peers:					-25%	-5%

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 traction in defense sales. While it is possible that the company has no limited success, we feel it is more likely that 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.

Figure 4 – 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	607	1,263	1,283	3,325
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	6,618	8,058	9,522	12,190
Operating income	(6,307)	(7,152)	(8,221)	(3,015)
Operating income %	-687%	-330%	-318%	-24%
Adj. EBITDA	(2,451)	(3,958)	(5,650)	5,125
Total other income/(expense)	(8)	(276)	71	40
Earnings before taxes	(6,315)	(7,428)	(8,150)	(2,975)
Tax expense/(benefit)	0	0	0	0
Net income	(\$6,315)	(\$7,428)	(\$8,150)	(\$2,975)
GAAP EPS	(\$0.79)	(\$0.70)	(\$0.45)	(\$0.15)
Diluted Shares Outstanding	7,985	10,613	17,949	19,550

Source: Company reports and Litchfield Hills Research LLC

Figure 5 – 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 6 – 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

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