

Mobilicom Ltd.

NASDAQ – MOB – sponsored ADS

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Pentagon Cybersecurity Concerns at Anduril Underscore Mobilicom's Competitive Advantage – Reiterating Buy

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A recent *Breaking Defense* report revealed significant cybersecurity deficiencies in Anduril's NGC2 Army program. By contrast, we understand that Mobilicom's systems have passed Army testing without such issues, reflecting years of exposure to real-world adversarial threats in Israel. We believe this validates Mobilicom's competitive position in drone cybersecurity, particularly as Tier 1 U.S. defense contractors increasingly adopt its solutions.

- **Pentagon Memo on NGC2 Deficiencies:**
 - Signed Sept. 5 by Army CTO Gabriele Chiulli.
 - Cited "critical deficiencies" in security controls, governance, and oversight.
 - Warned of risks to data, operations, and personnel from insider and external threats.
- **Mobilicom Contrast:**
 - To our knowledge, there were no reported deficiencies in Army testing of Mobilicom's products.
 - Technology hardened in Israel against advanced cyber and electronic warfare threats from Russia, China, Iran, and North Korea.
 - Over a decade of operational deployment versus U.S. peers facing a rapid "catch-up" cycle.
- **Strategic Positioning:**
 - SkyHopper datalink system approved for Pentagon's "Blue List," enabling U.S. military integration.
 - Provides cybersecurity at both the edge (individual drones) and in cloud control systems.
 - Active contracts with undisclosed Tier 1 U.S. defense primes; partnerships with Aitech, ARK Electronics, and Palladyne AI.

Rating	Buy	Earnings Per ADS			
Target Price	\$10.00	Normalized to exclude unusual items			
Ticker Symbol	MOB	FYE - December	2024	2025E	2026E
Market	NASDAQ				2027E
Stock Price	\$9.90	1H - June	(\$0.16)	\$0.00	A
52 wk High	\$11.02	2H Dec.	(\$0.62)	(\$0.52)	
52 wk Low	\$1.08	Year	(\$0.78)	(\$0.52)	(\$0.05)
Fully Diluted Shares Outstanding:	12.7 M				\$0.63
Public Market Float:	12.0 M	Revenue (\$mm)	3.2	5.0	10.0
Avg. Daily Volume	516,456	FD EV/Rev	39.5X	25.2X	12.6X
Fully Diluted Market Capitalization:	\$125.8 M				5.0X
Institutional Holdings:	58.9%	EBITDA (\$mm)	(3.4)	(3.0)	0.2
Dividend Yield:	0.0%	EV/EBITDA	NM	NM	NM
					14.3X

Risks/Valuation

- **Risk Factors:** Mobilicom provides highly secure military equipment to the U.S. and Israeli militaries as its end customers. As such, it is a target of the most prominent government and terrorist organization cyberattacks. However, cybersecurity is the company's business, and they have a proven track record. Another risk factor is that they may not be selected to provide their products to the major UAS programs for which they are competing.
- **Valuation:** We value MOB ADS on a multiple of revenue using the average revenue multiple of a large group of comparable companies.

Company description: Mobilicom Ltd. is an Israeli drone technology company offering a range of hardware and software products, as well as support and integration services. It has supplier relationships with some of the major drone defense contractors in the United States, Europe, and Asia, and all three of the major Israeli defense contractors.

Pentagon Cybersecurity Concerns at Anduril Underscore Competitive Advantage

On October 1, *Breaking Defense* reported on a Pentagon memo highlighting significant cybersecurity deficiencies in the testing of Anduril's systems under the Army's Next Generation Command and Control Initiative (NGC2). Subcontractors on the program reportedly include Palantir, Striveworks, Govini, Instant Connect Enterprise, Research Innovations, Inc., and Microsoft. Both Anduril and the Pentagon have since stated that corrective actions were taken.

By contrast, we understand that Army testing of Mobilicom's drone cybersecurity solutions found no such deficiencies. A key differentiator is that Mobilicom's technology has been stress-tested in real-world combat environments in Israel, where systems regularly face advanced cyber and electronic warfare threats from state-backed actors, including Russia, China, Iran, and North Korea. In our view, this operational track record represents a competitive advantage relative to U.S. Silicon Valley-based peers, whose products have not been subjected to such hostile conditions.

The Pentagon memo, signed by Army Chief Technology Officer Gabriele Chiulli on September 5, explicitly cited "critical deficiencies in fundamental security controls, processes, and governance," warning that these gaps pose "significant risk to data, mission operations, and personnel." Chiulli further cautioned against the apparent rush to deploy capabilities without adequate oversight, which increases exposure to cyber vulnerabilities. Mobilicom does not need to rush; it has been doing this for most of the last decade.

Global conflict has accelerated the urgency of drone deployment. In Ukraine and Gaza, drone warfare is central to modern combat, pushing militaries to prioritize rapid fielding of capabilities. However, Israeli drones—both military and civilian—have long contended with sophisticated anti-drone systems deployed by adversaries. Mobilicom, working closely with the Israeli government, has helped mitigate these threats for over a decade. We believe this extensive, real-world experience gives Mobilicom a meaningful credibility advantage over U.S. defense primes that may be racing to catch up.

Importantly, Mobilicom's flagship SkyHopper datalink system has been approved by the Pentagon's Defense Innovation Unit (DIU) for inclusion on the DoD's "Blue List," authorizing integration into U.S. military platforms. The SkyHopper line provides cybersecurity at both the edge (individual drones) and in the cloud, directly addressing the categories of vulnerabilities the Army flagged in the NGC2 program. The company has already secured contracts with unnamed Tier 1 U.S. defense contractors, in addition to disclosed partnerships with Aitech, ARK Electronics, and Palladyne AI.

While our report does not take a view on Anduril, Palantir, or the other vendors cited in the NGC2 program, we note that the Pentagon's identification of systemic vulnerabilities underscores the importance of proven cybersecurity capabilities. Mobilicom's solutions are already deployed in active conflict zones and are gaining traction with Tier 1 defense suppliers, suggesting significant upside potential as the need for hardened drone communications becomes increasingly urgent.

Beyond military applications, we believe drone cybersecurity will be equally critical in commercial markets such as logistics, surveying, and infrastructure inspection. Vendors with defense-grade solutions, such as Mobilicom, should be well-positioned to capture share as these markets mature.

Investment Takeaway: In our view, Mobilicom remains underappreciated by U.S. investors despite demonstrated differentiation in cybersecurity, inclusion on the DoD's Blue List, and growing Tier 1 traction. We expect recognition of its competitive advantages to increase as cybersecurity vulnerabilities continue to make headlines. We reiterate our Buy rating and believe Mobilicom merits inclusion in drone-focused portfolios.



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Mobilicom Ltd. Income Forecast

Fiscal years ended December 31	2022	2023	2024	2025E			2026E	2027E
				1H	2H	YEAR		
Revenue	1,616,612	2,193,791	3,180,565	1,450,561	3,549,439	5,000,000	10,000,000	25,000,000
Year-over-year growth	-35.0%	35.7%	45.0%	-10.3%	61.8%	57.2%	100.0%	150.0%
Total cost of revenue	610,012	902,006	1,348,711	653,381	1,446,619	2,100,000	3,800,000	8,750,000
As a percent of revenue	37.7%	41.1%	42.4%	45.0%	40.8%	42.0%	38.0%	35.0%
Gross margin	1,006,600	1,291,785	1,831,854	797,180	2,102,820	2,900,000	6,200,000	16,250,000
As a percent of revenue	62.3%	58.9%	57.6%	55.0%	59.2%	58.0%	62.0%	65.0%
Selling and marketing	1,738,918	2,088,200	1,965,426	903,353	1,455,158	2,358,511	2,358,511	2,830,213
As a percent of revenue	107.6%	95.2%	61.8%	62.3%	41.0%	47.2%	23.6%	11.3%
Research and development	1,773,245	1,936,802	2,127,409	1,274,687	2,125,313	3,400,000	2,552,891	3,063,469
As a percent of revenue	109.7%	88.3%	66.9%	87.9%	59.9%	68.0%	25.5%	12.3%
General and administrative	1,869,389	2,256,408	1,970,849	1,150,596	2,349,404	3,500,000	2,365,019	2,838,023
As a percent of revenue	115.6%	102.9%	62.0%	79.3%	66.2%	70.0%	23.7%	11.4%
Operating Income	(4,374,952)	(4,989,625)	(4,231,830)	(2,531,456)	(3,827,055)	(6,358,511)	(1,076,421)	7,518,295
Operating margin	-270.6%	-227.4%	-133.1%	-174.5%	-107.8%	-127.2%	-10.8%	30.1%
Government grants	641,233	197,041	187,718	101,493	98,507	200,000	200,000	200,000
Interest received	117,296	293,478	269,771	108,054	141,946	250,000	250,000	250,000
Foreign exchange	848,575	359,218	203,593	(49,114)	49,114	-	-	-
Fair value gains from financial liability	2,550,563	-	-	2,517,148	(2,517,148)	-	-	-
Finance costs	(10,217)	(14,734)	(27,052)	(90,258)	(9,742)	(100,000)	(30,000)	(30,000)
Fair value loss from financial liability	-	(330,209)	(4,251,756)	-	-	-	-	-
Pretax Income	(227,502)	(4,484,831)	(7,849,556)	55,867	(6,064,378)	(6,008,511)	(656,421)	7,938,295
Taxes	9,716	80,923	160,802	23,120	16,880	40,000	-	-
Tax rate	-4.3%	-1.8%	-2.0%	41.4%	-0.3%	0.0%	0.0%	0.0%
Net income to common	(237,218)	(4,565,754)	(8,010,358)	32,747	(6,081,258)	(6,048,511)	(656,421)	7,938,295
Net income margin	-14.7%	-208.1%	-251.9%	2.3%	-171.3%	-121.0%	-6.6%	31.8%
Diluted shares outstanding	664,158,704	1,328,152,166	1,670,912,794	2,069,708,742	2,069,708,742	2,069,708,742	2,344,708,742	2,344,808,742
Seq change	-	663,993,462	342,760,628	398,795,948	-	-	275,000,000	100,000
EPS diluted - continuing	(\$0.0004)	(\$0.0034)	(\$0.0048)	\$0.0000	(\$0.0029)	(\$0.0029)	(\$0.0003)	\$0.0034
EBITDA								
Operating income	(4,374,952)	(4,989,625)	(4,231,830)	(2,531,456)	(3,827,055)	(6,358,511)	(1,076,421)	7,518,295
Addback:								
Depreciation and amortization	217,985	233,984	252,524	124,393	125,607	250,000	275,000	300,000
Share-based compensation	189,499	610,303	610,395	541,197	2,558,803	3,100,000	1,000,000	1,000,000
Other	-	-	-	-	-	-	-	-
EBITDA	(3,967,468)	(4,145,338)	(3,368,911)	(1,865,866)	(1,142,645)	(3,008,511)	198,579	8,818,295
							2.0%	35.3%
Capital expenditures	3,152	12,760	26,926	13,565	26,435	40,000	50,000	60,000
Free cash flow	(3,970,620)	(4,158,098)	(3,395,837)	(1,879,431)	(1,169,080)	(3,048,511)	148,579	8,758,295

Source: Company reports and Litchfield Hills Research



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Mobilicom Ltd. Comparables

Ticker	Company	Price Last	Cap \$M	EV \$M	2024 Rev. \$M	2025E Rev. \$M	Growth vs. 2024E	2026E Rev. \$M	Growth vs. 2025E	EV/Rev. 2026E
MOB	Mobilicom Ltd. Sponsored ADR	\$5.64	71.65	64.72	3.18	5.00	57.2%	10.00	100.0%	6.5x
MOB	Mobilicom @ target price	\$10.00	127.04	99.63	3.18	5.00	57.2%	10.00	100.0%	10.0x
AMBA	Ambarella, Inc.	\$82.48	3,498	3,461	285	377	32.4%	408	8.2%	8.5x
AVAV	AeroVironment, Inc.	\$241.35	12,051	12,050	821	1,995	143.1%	2,295	15.1%	5.2x
DCO	Ducommun Incorporated	\$91.22	1,361	1,589	787	827	5.1%	893	8.0%	1.8x
DPRO	Draganfly Inc	\$4.87	26	18	5	7	44.0%	15	132.1%	1.2x
DUOT	Duos Technologies Group Inc	\$6.40	124	163	7	28	284.6%	35	25.0%	4.7x
KSCP	Knightscope, Inc. Class A	\$6.04	62	60	11	11	1.8%	14	29.6%	4.2x
KTOS	Kratos Defense & Security Solutions, Inc.	\$65.84	11,113	10,752	1,136	1,308	15.1%	1,541	17.8%	7.0x
ONDS	Ondas Holdings, Inc.	\$5.86	1,595	1,891	7	27	274.5%	63	135.6%	29.8x
PDYN	Palladyne AI Corp.	\$7.56	317	343	8	5	-32.9%	9	66.8%	39.4x
RCAT	Red Cat Holdings Inc	\$8.94	892	841	5	76	1477.0%	154	100.9%	5.5x
TDY	Teledyne Technologies Incorporated	\$538.17	25,234	27,905	5,670	6,064	6.9%	6,389	5.4%	4.4x
UMAC	Unusual Machines Inc.	\$9.60	292	264	6	11	95.0%	22	105.7%	11.8x
Average							195.6%		54.2%	10.3x
MOB vs. Comps at current price									1.85x	0.63x

Source: Company reports and Litchfield Hills Research



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HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within 12 months.

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