LITCHFIELD HILLS
RESEARCH

Unusual Machines Inc.

NYSE American - UMAC

October 14, 2025

The Screaming Eagles Go Shopping at UMAC's RotorRiot.com

Analyst: Barry M. Sine, CFA, CMT

Yesterday, the Army's 101st Airborne Division at Fort Campbell, Kentucky, displayed its new, internally assembled ABE 1.01 drone. The images they provided show that most of the components were bought from UMAC's retail website, RotorRiot.com.

- **101st Airborne Demonstrates Cost-Efficient Drone:** The Attritable Battlefield Enabler (ABE 1.01) was assembled for $750, significantly below commercial alternatives costing ~$2,400.
- **RotorRiot.com Gains Military Credibility:** Majority of drone components sourced from Unusual Machines' retail platform, highlighting institutional adoption beyond FPV hobbyists.
- **Rapid Deployment & Assembly:** Soldiers can construct the drone in roughly 20 minutes, supporting reconnaissance and potential future combat payload applications.
- **Strategic Differentiation:** RotorRiot.com offers NDAA-compliant parts, positioning UMAC ahead of competitors like GetFPV.com in the military market.
- **Growth Opportunity in Defense Sector:** Pentagon policy now allows small-scale credit card purchases, suggesting broader adoption of retail-sourced drones across other units.

Rating	Buy
Target Price	$25.00
Ticker Symbol	UMAC
Market	NASDAQ
Stock Price	$15.35
52 wk High	$23.62
52 wk Low	$1.43
Shares Outstanding:	30.4 M
Public Market Float:	25.7 M
Avg. Daily Volume	4,036,361
Market Capitalization:	$467.4 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	($0.05)
2Q - June	($0.15)	($0.32) A	($0.02)
3Q - September	($0.10)	$0.13	($0.01)
4Q - December	($2.27)	($0.02)	$0.01
Year	**($3.84)**	**($0.27)**	**($0.07)**
Revenue ($mm)	**5.6**	**10.4**	**27.6**
EV/Rev	72.7X	39.0X	14.7X
EBITDA ($mm)	**NM**	**NM**	**NM**

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.

The Screaming Eagles Source High-Value Drone Components from RotorRiot.com

Yesterday, the U.S. Army's 101st Airborne Division publicly demonstrated its internally assembled Attritable Battlefield Enabler (ABE) 1.01, an expendable drone platform. The development was not widely reported, but was picked up by the local *ClarksvilleNow.com*. The majority of the drone's components were purchased through Unusual Machines' retail website, RotorRiot.com, highlighting a cost-effective approach to rapid prototyping.

The total reported cost of the ABE 1.01 was $750, with approximately two-thirds of that spent on RotorRiot.com. Additional expenditures included $93.52 from other suppliers (e.g., Triumph antenna), $28.99 for internally 3D-printed parts (primarily the frame), and $121.63 for other miscellaneous components, likely screws and electrical connectors. Notably, recent price reductions on RotorRiot.com have lowered the total component cost by 7% to $700, representing a significant discount versus commercial alternatives, which historically cost the military approximately $2,400.

The project was led by Brigadier General Travis McIntosh, Deputy Commanding General of Operations for the 101st, who conceptualized the Robotics and Autonomous Integration Directorate (RAID), the innovative staff section responsible for the drone's development. The ABE 1.01 is equipped with a camera for reconnaissance and is expected to support future combat iterations, including payload deployment. The platform is designed for rapid assembly, with soldiers reportedly able to construct the drone in approximately 20 minutes, leveraging small purchases through official unit-issued credit cards.

Strategic Implications for Unusual Machines

This development underscores several key positives for Unusual Machines:

1. **Validation of High-Value Components** – By assembling a list of military-relevant drone parts and achieving Blue List certification, UMAC has positioned itself as a credible supplier for tactical and experimental drone platforms.

2. **Expansion Beyond FPV Hobbyists** – RotorRiot.com, historically focused on the FPV hobbyist market, is now serving institutional customers, including military units. While drone manufacturers have previously purchased small lots to prototype new builds, this represents the first confirmed military procurement via a retail website. Notably, RotorRiot.com features a dedicated section for NDAA-compliant parts, differentiating it from competitors such as GetFPV.com, which does not provide this service.

3. **Alignment with Pentagon Policy** – As the Department of Defense mandates the integration of drones into training programs and allows units to make small-scale purchases via credit cards (bypassing lengthy procurement procedures), we anticipate that the 101st is unlikely to be the only unit sourcing from RotorRiot.com. This creates a potential expanding market opportunity for UMAC within the military sector.

The ABE 1.01 initiative represents a highly cost-efficient, rapidly deployable drone solution and demonstrates the practical application of RotorRiot.com components in military operations. For UMAC, this signals not only brand validation among institutional buyers but also strategic differentiation in a competitive drone component market, reinforcing its growth potential in both the commercial and defense sectors.

Litchfield Hills Research

Unusual Machines Inc.

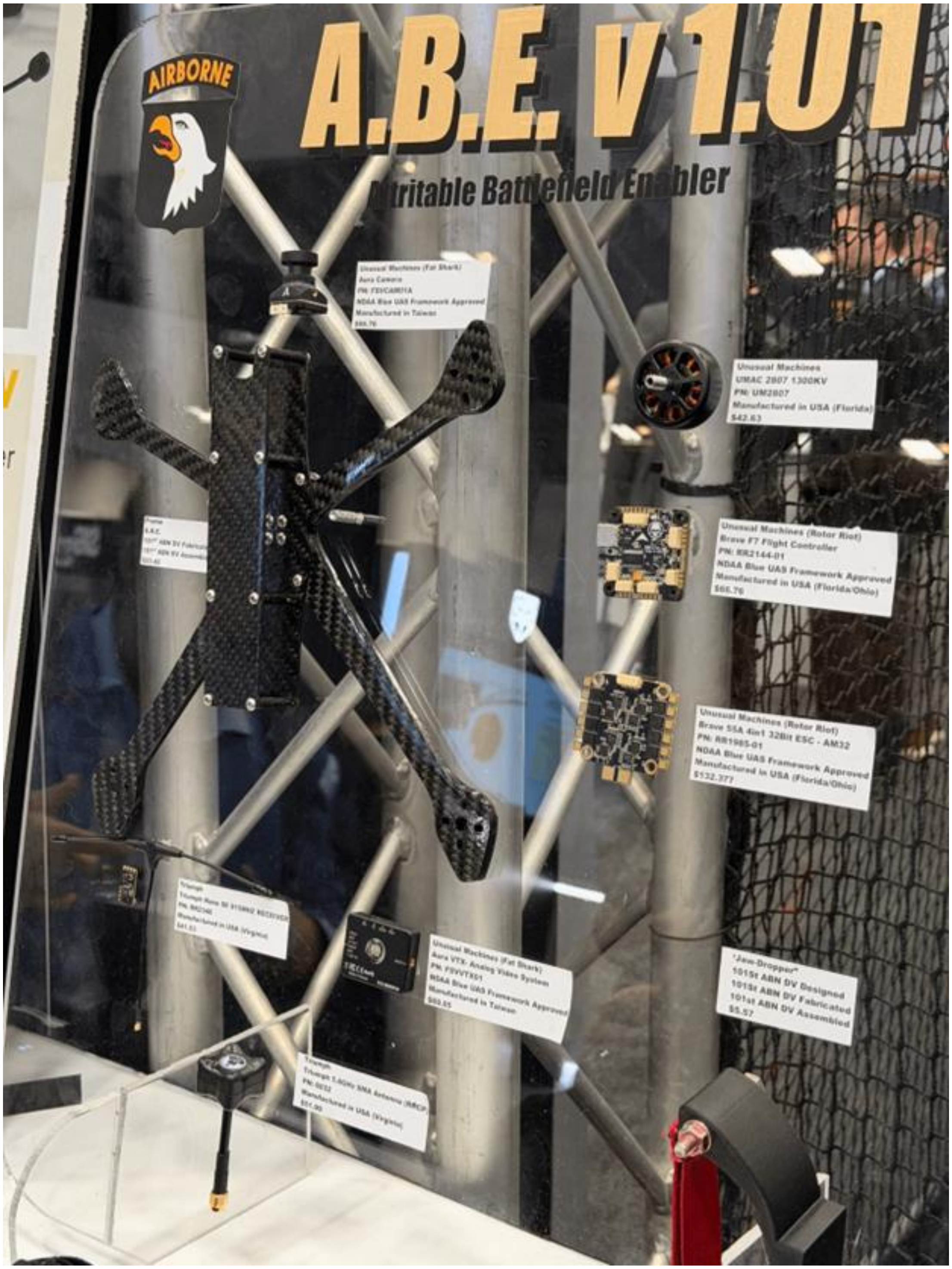
NYSE American - UMAC

The Screaming Eagle's New Drone Uses 67% UMAC Parts

	Quantity	Unit Cost	Total Cost	Blue List	Current Price
UMAC Parts					
UMAC 2087 Motor	4	$42.63	$170.52	NO	not on RotorRiot.com
Brave F7 Flight Controller	1	$66.76	$66.76	YES	$58.00
Brave 55A ESC	1	$132.77	$132.77	YES	$115.00
Fat Shark Aura Camera	1	$66.76	$66.76	YES	$58.00
Fat Shark Aura VTX	1	$69.05	$69.05	YES	$59.99
Total UMAC Parts			**$505.86**		**$461.51**
Other Provider Parts					
Triumph Nano Receiver	1	$41.53	$41.53	NO	$35.95
Triump 5.8 GHz antenna	1	$51.99	$51.99	NO	not on RotorRiot.com
Other Providers			**$93.52**		**$87.94**
U.S. Army manufactured parts					
Frame	1	$23.42	$23.42	NO	$23.42
Jaw Dropper	1	$5.57	$5.57	NO	$5.57
U.S. Army manufactured parts			**$28.99**		**$28.99**
Other parts			$121.63	NO	$121.63
Total Cost			**$750.00**		**$700.07**

Source: Company reports and U.S. Army

The Screaming Eagle's New Drone Uses Mainly UMAC Parts



Source: U.S. Army

LITCHFIELD HILLS
RESEARCH

Unusual Machines Inc.

NYSE American - UMAC

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%	28.7%	24.4%	21.2%	27.6%
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	4,000,000	6,000,000	8,000,000	20,000,000
percent of total				15.0%	5.4%	15.0%	31.0%	36.2%	43.4%	33.4%	51.2%	71.3%	75.6%	78.8%	72.4%
YoY growth									399.0%	1052.6%	552.9%	507.5%	500.0%	433.3%	477.2%
	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**	**5,612,093**	**7,937,049**	**10,154,818**	**27,613,511**
Year-over-year growth						230.0%	50.5%	80.3%	72.6%	86.6%	91.4%	164.2%	187.5%	193.6%	165.9%
Sequential growth			8.5%	30.9%	177.7%	1.9%	-61.8%	30.0%	25.3%		13.0%	43.5%	41.4%	27.9%	
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	3,816,223	5,159,082	6,600,632	18,312,622
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%	66.3%
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	1,795,870	2,777,967	3,554,186	9,300,888
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%	33.7%
Operations	112,322	213,772	218,126	415,520	959,740	302,602	404,277	331,314	207,536	1,245,729	781,910	561,209	793,705	507,741	2,644,565
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%	9.6%
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	56,121	79,370	101,548	276,135
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	673,451	952,446	1,218,578	3,626,385
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%	13.1%
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%	35.6%	25.2%	19.7%	29.0%
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)**	**(1,559,912)**	**(1,112,554)**	**(338,681)**	**(5,506,197)**
Operating margin	-175.5%	-111.4%	-95.4%	-642.3%	-305.3%	-160.0%	-338.5%	-64.3%	-42.6%	-132.0%	-63.8%	-27.8%	-14.0%	-3.3%	-19.9%
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			(43,238)	(16,102,967)	(16,146,205)	-	-	5,000,000	-	5,000,000	-	-	-	-	-
Pretax Income	(1,066,704)	(1,531,170)	(777,854)	(28,618,100)	(31,993,828)	(3,266,279)	(6,964,739)	4,024,188	(674,700)	(6,881,531)	(1,695,051)	(759,912)	(312,554)	461,319	(2,306,197)
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)**	**4,024,188**	**(674,700)**	**(6,881,531)**	**(1,695,051)**	**(759,912)**	**(312,554)**	**461,319**	**(2,306,197)**
Net income margin	-172.4%	-109.6%	-44.6%	-1426.6%	-574.6%	-159.9%	-327.9%	145.8%	-19.5%	-66.3%	-43.4%	-13.5%	-3.9%	4.5%	-8.4%
Diluted shares outstanding	10,000,000	10,040,741	7,147,866	12,600,000	8,325,128	15,902,473	21,771,954	31,771,954	32,771,954	25,554,584	32,871,954	32,971,954	33,071,954	33,171,954	33,021,954
Seq change			(2,892,875)	-	(4,274,872)	15,902,473	5,869,481	10,000,000	1,000,000		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)**	**$0.13**	**($0.02)**	**($0.27)**	**($0.05)**	**($0.02)**	**($0.01)**	**$0.01**	**($0.07)**
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)	(1,559,912)	(1,112,554)	(338,681)	(5,506,197)
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)**	**(542,466)**	**(494,912)**	**(47,554)**	**726,319**	**(1,246,197)**
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)**	**(642,466)**	**(594,912)**	**(147,554)**	**626,319**	**(1,646,197)**

Source: Company reports and Litchfield Hills Research

Unusual Machines, Inc. NYSE - UMAC

Disclosures:

Analyst Certification
We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

FINRA Compliant Research Report
We, the Litchfield Hills Research Department, hereby certify that this report is compliant with FINRA research rules 2241, 3110.

MiFID II Compliant Research Report
Our research is classified as minor non-monetary benefit under MiFID II. This applies to all forms of transmission, including email, website, and financial platforms such as Bloomberg, FactSet, S&P Global, Refinitiv and 13 others. We do not seek payment from the asset management community and do not have any execution function. Investors can continue to receive our research under the MiFID II regime without the need for a contract for services to be put in place. This applies to all forms of transmission, including email, website, and financial platforms.

Litchfield Hills Research LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.
HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.
SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.
Total return is defined as price appreciation plus dividend yield.

Other Disclosures
Litchfield Hills Research, LLC ("LHR") is not a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission nor a member of Financial Industry Regulatory Authority. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LHR or any divisions, subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LHR and the subject company. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied, or distributed to any other party, without the prior express written permission of LHR or the subject company. All trademarks, service marks and logos used in this report are trademarks, service marks, registered trademarks, or service marks of LHR or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. LHR may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable, appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. LHR does not offer advice on the tax consequences of investment, and you are advised to contact an independent tax adviser. LHR believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. Information and opinions presented in this report were obtained or derived from sources LHR believes are reliable, but LHR makes no representations as to their accuracy or completeness.

Ownership and Material Conflicts of Interest
The analyst owns no shares of the subject company. The analyst and his family have no known material conflicts of interest in authoring this report.

Investment Banking and Fees for Services
Litchfield Hills Research has not received compensation for advisory or investment banking services from the Company in the past 12 months. Litchfield Hills Research LLC has received compensation from the subject company for distribution and investor targeting services.

Market Making
Litchfield Hills Research, LLC does not make a market in the subject company's securities.

Additional information is available upon request. LHR accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to LHR. This report is not to be relied upon in substitution for the exercise of independent judgment.