LITCHFIELD HILLS RESEARCH

Unusual Machines Inc.

NYSE American - UMAC

October 23, 2025

Burning Man for Drones – UMAC's Rotor Riot Rampage

Analyst: Barry M. Sine, CFA, CMT

- **Premier FPV Event Strengthens Retail Presence**: Rotor Riot Rampage, hosted at the 1,622-acre Barnwell Nuclear Fuel Plant over the weekend, drawing ~250 FPV drone enthusiasts, showcasing UMAC's rotorriot.com as a leading e-commerce platform.
- The event's breakeven operation served as a powerful marketing tool, with NDAA-compliant Brave F7 controllers in VIP gift bags boosting brand exposure.
- **Strategic Venue and Logistics:** The BNFP's abandoned Nixon-era structures and nuclear plant fuel rod cooling ponds created a unique drone racing playground, with UMAC leveraging on-site dorms, RV parks, and executive-driven golf carts for seamless logistics.
- Frequent collisions highlighted Rotor Riot's retail strength, with ample stock of drone parts available for immediate repairs.
- **Key Executives Drive Growth:** Leaders like CRO Stacy Wright and Events Manager Heather Davis exemplified the adage "ask a busy person," efficiently managing Rampage while securing enterprise deals like the 3,500-unit U.S. Army order.
- New hires Nate Kennedy (VP Marketing) and Al Ducharme (VP Engineering) bring e-commerce and technical expertise, ensuring retail competitiveness and innovation.
- **Regulatory Advocacy and Market Positioning:** FPV pilots voiced concerns over tightening FAA/FCC rules, with UMAC's support for the FPV Freedom Coalition reinforcing balanced regulations.
- UMAC's dual-track strategy—retail via rotorriot.com and enterprise NDAA-compliant parts—positions it for growth, with potential for expanded events under Davis's leadership.

Rating	Buy
Target Price	$25.00
Ticker Symbol	UMAC
Market	NYSE
Stock Price	$11.67
52 wk High	$23.62
52 wk Low	$1.43
Shares Outstanding:	31.1 M
Public Market Float:	26.3 M
Avg. Daily Volume	3,202,919
Market Capitalization:	$363.0 M
Institutional Holdings:	12.1%
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	51.8X	27.8X	10.4X
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.

Burning Man for Drones – Rotor Riot Rampage

On October 17an-19, 2025, we attended Unusual Machines' annual Rotor Riot Rampage, dubbed the "Burning Man for Drones," held at the Barnwell Nuclear Fuel Plant (BNFP) in Barnwell County, South Carolina. This unique event drew approximately 250 FPV (first-person view) drone enthusiasts for racing, freestyle flying, and community engagement. We interacted with dozens of customers and key UMAC executives, gaining insights into the company's retail e-commerce strategy, which, despite the spotlight on its burgeoning enterprise business (e.g., a recent 3,500-unit U.S. Army order), accounted for the majority of Q2 2025 revenue. UMAC's investment in this event underscores its commitment to balancing its retail roots with defense-sector ambitions.

Event Venue: Barnwell Nuclear Fuel Plant (BNFP)

The Rotor Riot Rampage took place on the 1,622-acre BNFP site, historically developed by Allied-General Nuclear Services (AGNS), a consortium of Allied Chemical, Gulf Oil, and Royal Dutch Shell. Locals colloquially refer to the site as Agnes. Built in the 1970s to reprocess spent nuclear fuel rods, the facility features 160-foot-deep cooling ponds and Nixon-era buildings, abandoned and unused after policy shifts halted operations in 1983. Today, BNFP serves as a government and military training ground, with empty containers used for police and military rappelling exercises. At Rampage, these structures and ponds transformed into a dynamic playground for drone pilots, complete with obstacles like a nighttime "ring of fire." Collisions were frequent, but UMAC's Rotor Riot brand ensured an ample stock of popular drone parts (e.g., props, antennas) for on-site repairs, reinforcing its retail presence.

Event Highlights

- **Attendance and Format:** Limited to ~250 pilots, the event offered a premium VIP experience, including VIP gift bags with UMAC's Brave F7 flight controller. We observed pilots integrating these NDAA-compliant components into their drones, boosting brand exposure.
- **Logistics:** UMAC utilized BNFP's on-site dormitory, private trailers, and a makeshift RV park. Courtesy golf carts, often driven by executives, shuttled attendees across the expansive site.
- **Activities:** Day-long drone racing, freestyle flying, and obstacle courses run alongside networking. The event operated near breakeven but served as a powerful marketing platform for Rotor Riot's e-commerce site (rotorriot.com).

Rotor Riot's Market Position

In the FPV ecosystem, rotorriot.com trails only GetFPV.com (owned by private equity alongside Lumenier drones) in retail revenue. However, Rotor Riot's Rampage is unmatched as the premier FPV hobbyist event, exclusively branded and operated by UMAC. Its website stands out with a dedicated section for NDAA-compliant (Section 889) parts, appealing to both hobbyists and defense clients. Notably, members of the 101st Airborne Division recently used rotorriot.com to source parts for a prototype drone showcased at the Association of the U.S. Army (AUSA) conference in October 2025, leading to a 3,500-unit enterprise order for NDAA-compliant motors.

Key Executive Interactions

We met several UMAC leaders, including three recent hires, whose contributions align with the adage, "If you want to make something happen, ask a busy person"—busy professionals like these drive efficiency and impact.

Stacy Wright, Chief Revenue Officer (CRO)

Wright is a linchpin across retail and enterprise operations, overseeing both e-commerce and major defense contracts (e.g., the $12.8M Strategic Logix order). Her hands-on approach was evident as she distributed Halloween candy via golf cart, engaging attendees while supporting event logistics. A mother to a top young drone pilot, Wright leverages her personal connection to the FPV community to foster UMAC's culture. Her effectiveness embodies the "busy person" adage, balancing high-stakes enterprise deals with retail engagement.

Nathaniel "Nate" Kennedy, Vice President of Marketing

Hired on September 19, 2025, Kennedy brings 25+ years of e-commerce expertise from Horizon Hobby, where he spearheaded a NASCAR marketing deal. At UMAC, he manages rotorriot.com's Shopify backend and will likely hold P&L responsibility for the retail business. During a golf cart ride that he chauffeured, we discussed innovative ideas for scaling e-commerce, such as targeting the U.S. Army recruiting as a sponsor to tap Rampage's skilled pilots. His hire alleviates our prior concerns about retail neglect amid enterprise growth, ensuring rotorriot.com remains competitive.

Al Ducharme, Ph.D., Vice President of Engineering

Ducharme, a recent hire, brings expertise in photonics, optics, and UAV technologies from founding Hoverfly Technologies. His role focuses on advancing UMAC's in-house manufacturing, particularly for sophisticated components like digital radios, elevating the company beyond basic motors and controllers. Our discussion highlighted his vision for next-gen drone tech, positioning UMAC for defense and commercial innovation.

Heather Davis, Events and Partnerships Manager

Hired on August 18, 2025, Davis finalized the logistics for Rampage just two months into her tenure, a testament to her operational prowess and Wright's support. She coordinated the event's complex logistics, from dorm assignments to obstacle setups, ensuring a seamless experience. Davis credited Wright's mentorship, echoing the "busy person" adage: Wright's packed schedule didn't hinder her ability to empower Davis. We see potential for Davis to expand Rotor Riot's event portfolio, possibly with one-day regional events to grow brand reach.

Regulatory Landscape and Advocacy

FPV pilots at Rampage expressed concerns about tightening FCC and FAA regulations, driven by commercial drone fleets (e.g., Amazon's delivery programs). These rules, aimed at corporate users, risk limiting hobbyist freedoms. Rotor Riot's community-building and UMAC's support for the FPV Freedom Coalition (FPVFC)—a non-profit advocating for balanced FPV regulations—are critical. FPVFC's guidelines (e.g., visual observer protocols, Remote ID compliance) help pilots navigate FAA rules while lobbying against overly restrictive policies.

Rotor Riot Rampage showcases UMAC's dual-track strategy: maintaining retail dominance through rotorriot.com while scaling enterprise sales. The event's success, driven by "busy" leaders like Wright and Davis, highlights operational efficiency. Kennedy's e-commerce expertise and Ducharme's technical innovation position UMAC for growth in both markets. With NDAA-compliant parts gaining traction (e.g., 101st Airborne orders), UMAC is well-placed to capture defense contracts while nurturing its FPV community. We recommend monitoring rotorriot.com's sales metrics and future event expansions for retail upside.

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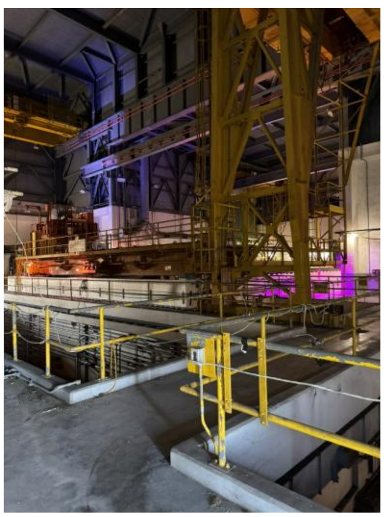
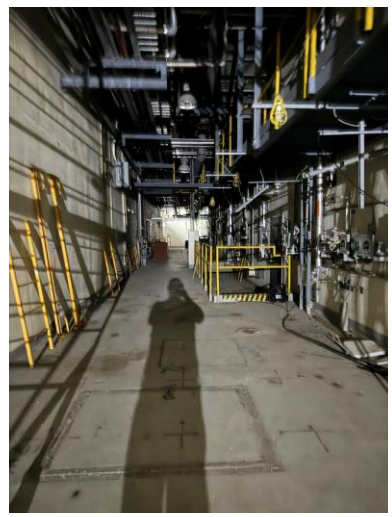
Rampage Gave Drone Pilots a Chance to Fly Through an Abandoned Nuclear Plant





Source: Litchfield Hills Research

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Unusual Machines Income Forecast

Fiscal years ended December 31	2024					2025E					2026E				
	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

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