

Action Summary – 4 February 2026

Analyst Theodore R. O'Neill — Leveling up our outlook into 2026 - Reiterate our Buy rating

- **Rapid strategic execution.** Over the last five months, the company has transformed itself into an important strategic or business partner with four public companies valued at nearly \$7 billion. Those companies are, in order of date of announcements: Ondas, Inc. (ONDS-NR), Unusual Machines (UMAC-Buy rated), Red Cat (RCAT-NR) and Lantronix (LTRX-NR).
- **Looking into 2026. Solid cash position.** We forecast that the company will begin the year with ~\$18MM in cash and no debt. Based on our projections, even if our 2026 loss estimate is correct, the company will be in solid shape financially going into the following year.
- **Revision to estimates and price target.** The improved strategic position of the company notwithstanding our initial estimates had wrongly assumed a quicker monetization of the company's products. We are pushing out the assumed commercialization timeline by 12 months from our initial expectations. Our new 2025 revenue and EPS loss estimates are now \$0.5MM and \$0.88, respectively, down from \$2.6MM and \$0.45, respectively. For 2026, our new revenue and EPS loss estimates are now \$6.5MM and \$0.51, respectively, from \$12.5MM and \$0.15, respectively. Because our price target is driven by our earnings forecast, these revisions lead us to lower our target to \$10 from \$12. Our forecast assumes the company will reach BE in late 2027.
- **Attractive valuation.** The shares currently trade below our discounted future earnings price target model and below peer averages. If it were to trade at \$10.00, our target price, its 2027 Market Cap/Sales multiple would be ~12x, which would be above the average by a single standard deviation.

2/3 price: \$4.88	Market cap: \$101MM	2027 Market Cap/Sales: 5.50x	2027 EV / Sales: 5.09x
Shares outstanding: 21MM	Insider ownership: 38%	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>\$(0.88)</u>	<u>\$479</u>	<u>38%</u>
FY26E	<u>\$(0.51)</u>	<u>\$6,500</u>	<u>77%</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 | • \$17,573 |
| • 2026E | • \$7,458 |

Adj. EBITDA (in \$000)

- | | |
|---------|--------------|
| • 2023A | • (\$2,451) |
| • 2024A | • (\$3,958) |
| • 2025E | • (\$12,210) |
| • 2026E | • (\$3,225) |

Risks/Valuation

- Risks include Commercialization, government spending and competition.
- Our \$10.00 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 analysis methods. Built on a cloud-based ecosystem and powered by Amazon Web Services (AWS), Safe Pro Group's scalable platform is targeting multiple markets that include commercial, government, law enforcement and humanitarian sectors where its Safe Pro AI software, Safe-Pro USA protective gear and Airborne Response drone-based services can work in synergy to deliver safety and operational efficiency.

Figure 1 – Safe Pro Group Inc. – One-Year Trading snapshot



Source: FactSet

Valuation

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)

Price Target

Our 12-month price target of \$10.00 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 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 \$9.71, which we round to \$10.00.

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

Discounted Future Earnings: \$9.71		
Year	EPS	Discounted EPS
2026	(0.51)	(0.51)
2027	(0.20)	(0.18)
2028	0.10	0.08
2029	0.23	0.17
2030	0.38	0.26
2031	0.50	0.31
2032	0.80	0.45
2033	1.00	0.51
2034	1.20	0.56
2035	1.24	0.52
Terminal Value:		7.53

Source: Litchfield Hills Research LLC

Figure 3 is a summary of our SPAI peer comparison.

If it were to trade at \$10.00, its Market Cap/Sales multiple would be ~12x, which would be above the average by a single standard deviation. This broadly confirms our view that, along with our discounted earnings model, the shares are undervalued.

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	\$479	\$6,500
YoY growth		136%	-78%	1257%
Total cost of revenue	607	1,263	297	1,525
Gross profit	311	906	182	4,975
Gross profit %	34%	42%	38%	77%
Operating expenses:				
Salary, wages and payroll taxes	2,303	4,278	5,045	6,000
R&D	374	90	228	400
Professional fees	3,309	2,162	6,612	7,200
SG&A	450	1,255	1,929	2,400
Depreciation and amortization	182	273	335	340
Total Operating Expenses	6,618	8,058	14,148	16,340
Operating income	(6,307)	(7,152)	(13,967)	(11,365)
Operating income %	-687%	-330%	-2916%	-175%
Adj. EBITDA	(2,451)	(3,958)	(12,210)	(3,225)
Total other income/(expense)	(8)	(276)	(743)	40
Earnings before taxes	(6,315)	(7,428)	(14,710)	(11,325)
Tax expense/(benefit)	0	0	0	0
Net income	(\$6,315)	(\$7,428)	(\$14,710)	(\$11,325)
GAAP EPS	(\$0.79)	(\$0.70)	(\$0.88)	(\$0.51)
Diluted Shares Outstanding	7,985	10,613	16,761	22,050

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.	\$7,458	\$17,573	\$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	8,208	18,273	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>\$10,508</u>	<u>\$20,388</u>	<u>\$4,950</u>	<u>\$3,430</u>
Current Liabilities				
Accounts payable	\$1,000	\$250	\$120	\$169
Accrued expenses	1,000	260	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	1,110	894	1,417
Note payable	0	146	146	146
Lease liability - non-current	<u>100</u>	<u>100</u>	<u>36</u>	<u>91</u>
Total Liabilities	2,800	1,356	1,075	1,654
Stockholders' Equity				
Preferred stock	0	0	0	1
Common stock	0	0	1	1
Additional paid-in-capital	48,000	48,000	18,124	8,597
Retained earnings	(40,285)	(28,961)	(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>7,708</u>	<u>19,032</u>	<u>3,874</u>	<u>1,776</u>
Total Liabilities and equity	<u>\$10,508</u>	<u>\$20,388</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	FY23A
Net Income	(\$11,325)	(\$14,710)	(\$7,428)	(\$6,315)
Receivables	\$50	(\$26)	\$40	\$452
Inventories	(\$100)	\$42	\$17	\$7,435
Other assets	\$0	\$64	(\$266)	\$451
Net PP&E	(\$185)	(\$0)	\$6	\$242
Right-to-use asset	\$0	\$2	\$52	\$3,743
Other non-current	\$0	\$83	(\$101)	(\$1,606)
Accounts payable	\$750	\$130	(\$49)	(\$530)
Accrued expenses	\$740	\$54	(\$139)	\$102
Due related party	\$100	(\$22)	\$16	(\$17,088)
Lease obligations and other	\$0	\$53	(\$350)	\$43
Note payable	(\$146)	\$0	\$0	(\$354)
Lease liability - non-current	\$0	\$64	(\$56)	(\$3,799)
Preferred stock	\$0	\$0	(\$1)	\$1
Common stock	\$0	(\$1)	\$1	(\$2)
Additional paid-in-capital	\$0	\$29,876	\$9,527	\$8,597
Accum. Other Comprehensive loss	\$0	(\$7)	\$0	\$0
Dividends and transition adjustments				(\$3,278)
Total Cash Flow	(\$10,116)	\$15,603	\$1,267	(\$11,904)

Source: Litchfield Hills Research LLC

Disclosures:

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Safe Pro Group Inc.

SPAI- Buy-USD \$10 PT

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