

Unusual Machines Inc.

NYSE American - UMAC

March 9, 2026

Significant Beat on 4Q and Strong 2026 Visibility

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- **Q4 Revenue Beat:** Generated \$4.9 million in Q4, surpassing consensus by over 36%.
- **Full-year revenue** hit \$11.2 million with 101% YoY growth and \$142 million in cash reserves.
- **Market Opportunity:** Targeting a \$5 billion U.S.-made drone components market buoyed by December 2025 FCC restrictions on foreign drones and components.
- **Demand and production ramp-up** point to potential for even larger addressable market share.
- **Potential \$24 million mark-to-market gain in Q1**, from holdings in four publicly traded drone companies, with up to \$75 million more from consensus targets.
- **Production Expansion:** Motors output scaling to 100,000 units/month by Q4, with \$60 million annual potential for motors alone.
- **New lines in headsets, batteries, and frames** to fuel diversified growth in 2026-2027.
- **Defense Program Ties:** Over half of the Drone Dominance Gauntlet 1 winners are customers.
- **Positioned for a \$1 billion initiative**, with Gauntlet 2 favoring all-American components.

Rating	Buy	Earnings Per Share	Normalized to exclude unusual items		
Target Price	\$25.00	FYE - December	2024	2025	2026E
Ticker Symbol	UMAC	1Q - March	(\$0.11)	(\$0.21)	(\$0.19)
Market	NYSE	2Q - June	(\$0.15)	(\$0.32)	(\$0.12)
Stock Price	\$16.45	3Q - September	(\$0.10)	\$0.05	(\$0.11)
52 wk High	\$20.15	4Q - December	(\$2.27)	(\$0.84)	(\$0.03)
52 wk Low	\$4.45	Year	(\$3.84)	(\$0.74)	(\$0.45)
Shares Outstanding:	36.8 M	Revenue (\$mm)	5.6	11.2	20.5
Public Market Float:	33.5 M	EV/Rev	79.0X	39.3X	21.4X
Avg. Daily Volume	3,174,895	EBITDA (\$mm)	NM	NM	NM
Market Capitalization:	\$606.6 M				
Institutional Holdings:	34.6%				
Dividend Yield:	0.0%				

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.



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Unusual Machines posted strong fourth-quarter results with revenue of \$4.9 million, well ahead of the consensus of \$3.6 million. Full-year revenue reached \$11.2 million (101% YoY growth). It ended the year with \$142 million in cash and short-term investments, or just under \$4 per share, with no debt. Our 2026 and 2027 estimates were already aggressive, but we bump up our 2026 revenue estimate from \$19 million to \$20 million and retain our \$40 million 2027 estimate. Management estimates roughly a \$3 billion market for U.S.-made drone components following FCC restrictions on foreign UAS. As we discuss in this report, both demand and the company's production capabilities suggest a much higher number, but we will wait until we get a bit more visibility. CapEx appears to have peaked while the company is still spending heavily on raw materials inventory to meet demand, and strategic investments, such as today's Trump family transaction with drone maker Powerus.

By our count, the company now has investments in four publicly traded drone companies, with more announced. Strong market performance, especially by XT1 Aerospace (XTIA) through today, would lead to a significant mark-to-market gain in 1Q if prices hold of roughly \$24 million. If this proves out, 1Q could provide a very strong positive surprise for investors, with our estimate showing \$0.73 in EPS. If we plug in analysts' consensus price targets for each, it implies another \$75 million in gains.

Strong Market Performance on Portfolio Companies Could Produce Strong 1Q EPS Print

Date	Ticker	Company	12/31/2025 Price	Shares	Value	Current	P&L	Return	Target	Addl. P&L @target
12/31/25	SPAI warrants	Safe Pro Group, Inc.	\$4.16	500,000	\$2,080,000	\$4.99	\$415,000	39.9%	\$12.00	3,505,000
			\$4.16	500,000		\$4.99	\$415,000			3,505,000
12/31/25	LPTH	LightPath Technologies,	\$10.80	370,370	\$4,000,000	\$11.07	\$100,000	2.5%	\$9.00	(766,667)
12/31/25	KOPN	Kopin Corporation	\$2.34	2,136,752	\$5,000,000	\$2.17	-\$363,248	-7.3%	\$3.33	2,478,632
12/31/25	XTIA warrants	XTI Aerospace, Inc.	\$1.24	1,721,980	\$2,135,255	\$2.64	\$2,410,772	112.9%	\$6.50	6,646,843
			\$1.24	15,307,735	\$18,981,591	\$2.64	\$21,430,829			59,087,857
\$32,196,847							\$24,408,353	75.8%		\$74,456,666

Source: Company reports, FactSet Research Systems, and Litchfield Hills Research

We reiterate our Buy rating on UMAC shares. The company did an excellent job of preparing for the demand surge in 2025, including raising \$158 million in equity capital. The capital has been invested in increasing headcount from 15 at the beginning of 2025 to 81 at year-end and over 140 now, CapEx for new facilities, and a \$4 million increase in raw materials inventories. The Pentagon is now signing actual customer orders and Unusual Machines has relationships with nearly every major vendor. 2026 then becomes a year of execution, getting production capacity ramped up and starting to fulfill orders. By year-end, we expect that the company could be in a position to ship \$100 million in revenue in 2027, which would support our \$25 price target.

CEO Spotlights: Trio of Pentagon Power Plays in Drone Procurement

On the earnings call, CEO Allan Evans mentioned three defense drone procurement programs with a highlight on one:

Short-Range Reconnaissance (SRR) Program

The Short-Range Reconnaissance (SRR) program is a \$300 million U.S. Department of Defense initiative to equip small military units with lightweight, backpack-portable drones for tactical scouting and battlefield awareness.



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PBAS (Portable Battlefield Aerial System)

PBAS refers to a next-generation class of portable tactical drones designed for frontline ISR, electronic warfare resilience, and rapid deployment by individual soldiers or small teams. The program is estimated at \$500 million.

Drone Dominance Initiative

The Drone Dominance initiative is a recently announced \$1 billion Pentagon effort aimed at rapidly scaling the production and deployment of low-cost autonomous drones to maintain U.S. battlefield superiority. The program is expected to accelerate procurement across multiple drone platforms and suppliers, benefiting companies positioned within the U.S. drone component ecosystem—particularly those already serving defense customers.

There was a major announcement from this program on Friday, March 6th, with significant implications for Unusual Machines. The Pentagon announced that 11 companies had met the minimum 70-point score to qualify as vendors for the program under Gauntlet 1. They were collectively awarded \$150 million in contracts for 30,000 drones to be delivered by July. For this Gauntlet, vendors were allowed to use foreign components, but the next round will even more strongly favor Unusual Machines by requiring all American-made components. Another 15 companies were accepted into the program, but did not achieve the minimum 70 points for the first Gauntlet. Gauntlet 2 is expected to be around \$250 million, with an announcement expected in September, with all 26 companies, plus any new ones, eligible.

On the call, the CEO noted that over half (6+) of the Drone Dominance Gauntlet 1 winners were Unusual Machines customers in some way. With the order just announced on Friday and a rapid shipping deadline, Unusual Machines is scrambling to sign orders. He also said that the company's goal is to have enough capacity to meet the requirements of all of the participants in the program.

Product Line Keeps Expanding

Unusual Machines is rapidly expanding its drone components catalog with several new ones added:

Motors – This is the company's main focus, and it now has a semi-automated factory up and running in Orlando. They are now producing 15,000 motors per month on three shifts, representing about \$9 million in annual revenue. In July, it expects to receive full production equipment for a fully automated line that should go live in the fourth quarter with the capacity for 100,000 motors per month or about \$60 million in annual revenue. We expect this to be the dominant revenue driver going forward. We note that the CEO mentioned several times that revenue is demand-driven, and our 2027 revenue forecast is only \$40 million, so just on motors alone, it should exceed this. We will revisit our estimate as the year progresses and we gain more visibility.

- **Headsets** – In January, the company began producing headsets in the U.S., and by April they expect to be up to 100 headsets per shift per day or about \$5 million in annual revenue.
- **Batteries** – In the second half of the year, the company also plans to open its battery production facility.
- **Frames** – The company has contracted with a local Orlando-based carbon composites company to produce frames which it will sell under its brand.
- **Flight controllers** – Unusual Machines has sold its own flight controllers for over a year now, utilizing a U.S. manufacturer for assembly. These retail for around \$50 each and one is used on each drone.
- **Electronic speed controllers** – Similarly, the company outsources production of its own ESCs. These retail for around \$50 each and one is used for each motor on a drone, so typically four per drone.



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Unusual Machines Income Forecast

Fiscal years ended December 31	2025					2026E					2027E				
	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
Revenue															
Retail	1,409,187	1,104,464	917,873	930,688	4,362,212	1,550,106	1,214,911	1,009,660	1,023,757	4,798,434	1,705,116	1,336,402	1,110,626	1,126,133	5,278,277
percent of total	69.0%	52.0%	43.0%	19.0%	39.0%	34.1%	28.8%	20.2%	17.0%	24.2%	17.6%	14.3%	12.2%	10.1%	13.4%
YoY growth	127.7%	-21.7%	-40.1%	-45.4%	-17.1%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Enterprise	633,113	1,019,506	1,216,715	3,967,671	6,837,005	3,000,000	3,000,000	4,000,000	5,000,000	15,000,000	8,000,000	8,000,000	8,000,000	10,000,000	34,000,000
percent of total	31.0%	48.0%	57.0%	81.0%	61.0%	65.9%	71.2%	79.8%	83.0%	75.8%	82.4%	85.7%	87.8%	89.9%	86.6%
YoY growth				1219.9%	2174.4%	373.8%	194.3%	228.8%	26.0%	119.4%	166.7%	166.7%	100.0%	100.0%	126.7%
Year-over-year growth	2,042,300	2,123,970	2,134,588	4,898,359	11,199,217	4,550,106	4,214,911	5,009,660	6,023,757	19,798,434	9,705,116	9,336,402	9,110,626	11,126,133	39,278,277
Sequential growth	230.0%	50.5%	39.4%	144.4%	101.2%	122.8%	98.4%	134.7%	23.0%	76.8%	113.3%	121.5%	81.9%	84.7%	98.4%
Sequential growth	1.9%	-61.8%	0.5%	129.5%		-7.1%	-7.4%	18.9%	20.2%		61.1%	-3.8%	-2.4%	22.1%	
Total cost of revenue	1,545,493	1,329,291	1,294,200	3,123,386	7,292,370	2,821,066	2,613,245	3,005,796	3,313,066	11,753,173	5,240,763	4,948,293	4,737,526	5,674,328	20,600,909
As a percent of revenue	75.7%	62.6%	60.6%	63.8%	65.1%	62.0%	62.0%	60.0%	55.0%	59.4%	54.0%	53.0%	52.0%	51.0%	52.4%
Gross margin	496,807	794,679	840,388	1,774,973	3,906,847	1,729,040	1,601,666	2,003,864	2,710,691	8,045,261	4,464,353	4,388,109	4,373,101	5,451,805	18,677,368
As a percent of revenue	24.3%	37.4%	39.4%	36.2%	34.9%	38.0%	38.0%	40.0%	45.0%	40.6%	46.0%	47.0%	48.0%	49.0%	47.6%
Operations	302,602	404,277	636,705	1,891,122	3,234,706	910,021	421,491	500,966	301,188	2,133,666	485,256	466,820	455,531	556,307	1,963,914
As a percent of revenue	14.8%	19.0%	29.8%	28.9%	28.9%	20.0%	10.0%	10.0%	5.0%	10.8%	5.0%	5.0%	5.0%	5.0%	5.0%
Research and development	7,903	62,731	39,369	92,582	202,585	45,501	42,149	50,097	60,238	197,984	97,051	93,364	91,106	111,261	392,783
As a percent of revenue	0.4%	3.0%	3.0%	1.9%	1.8%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Selling and marketing	207,616	302,358	373,539	698,203	1,581,716	910,021	505,789	601,159	722,851	2,739,820	1,164,614	1,120,368	1,093,275	1,335,136	4,713,393
As a percent of revenue	10.2%	14.2%	17.5%	14.3%	14.1%	20.0%	12.0%	12.0%	12.0%	13.8%	12.0%	12.0%	12.0%	12.0%	12.0%
General and administrative	3,225,904	7,195,193	4,730,063	8,747,473	23,898,633	3,000,000	3,000,000	3,000,000	3,000,000	12,000,000	2,200,000	2,200,000	2,200,000	2,200,000	8,800,000
As a percent of revenue	158.0%	338.8%	221.6%	70.0%	213.4%	65.9%	71.2%	59.9%	49.8%	60.6%	22.7%	23.6%	24.1%	19.8%	22.4%
Depreciation and amortization	20,593	20,593	22,449	77,632	141,267	65,000	65,000	65,000	65,000	260,000	75,000	75,000	75,000	75,000	300,000
Loss on impairment of goodwill															
Operating Income	(3,267,811)	(7,190,473)	(4,961,737)	(9,732,039)	(25,152,060)	(3,201,503)	(2,432,763)	(2,213,358)	(1,438,586)	(9,286,210)	442,433	432,557	458,188	1,174,101	2,507,278
Operating margin	-160.0%	-338.5%	-232.4%	-198.7%	-224.6%	-70.4%	-57.7%	-44.2%	-23.9%	-46.9%	4.6%	4.6%	5.0%	10.6%	6.4%
Interest income	1,532	225,734	715,489	888,189	1,830,944	800,000	800,000	800,000	800,000	3,200,000	800,000	800,000	800,000	800,000	3,200,000
Interest expense	-	-	-	(519)	(519)	-	-	-	-	-	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains / (losses)	-	-	5,849,713	(1,757,947)	4,091,766	24,408,353	-	-	-	24,408,353	-	-	-	-	-
Change in fair value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(3,266,279)	(6,964,739)	1,603,465	(10,602,316)	(19,229,869)	22,006,850	(1,632,763)	(1,413,358)	(638,586)	18,322,143	1,242,433	1,232,557	1,258,188	1,974,101	5,707,278
Taxes				(36,252)	(36,252)	-	-	-	-	-	-	-	-	-	-
Tax rate	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income to common	(3,266,279)	(6,964,739)	1,603,465	(10,566,064)	(19,193,617)	22,006,850	(1,632,763)	(1,413,358)	(638,586)	18,322,143	1,242,433	1,232,557	1,258,188	1,974,101	5,707,278
Net income margin	-159.9%	-327.9%	75.1%	-215.7%	-171.4%	483.7%	-38.7%	-28.2%	-10.6%	92.5%	12.8%	13.2%	13.8%	17.7%	14.5%
Diluted shares outstanding	15,902,473	21,771,954	30,002,179	30,002,179	26,015,541	30,102,179	30,202,179	30,302,179	30,402,179	30,252,179	30,502,179	30,602,179	30,702,179	30,802,179	30,652,179
Seq change	15,902,473	5,869,481	8,230,225	(3,986,638)		100,000	100,000	100,000	100,000		100,000	100,000	100,000	100,000	
EPS diluted - continuing	(\$0.21)	(\$0.32)	\$0.05	(\$0.35)	(\$0.74)	\$0.73	(\$0.05)	(\$0.05)	(\$0.02)	\$0.61	\$0.04	\$0.04	\$0.04	\$0.06	\$0.19
EBITDA															
Operating income	(3,267,811)	(7,190,473)	(4,961,737)	(9,732,039)	(25,152,060)	(3,201,503)	(2,432,763)	(2,213,358)	(1,438,586)	(9,286,210)	442,433	432,557	458,188	1,174,101	2,507,278
Addback:															
Depreciation and amortization	20,593	20,593	22,449	77,632	141,267	65,000	65,000	65,000	65,000	260,000	75,000	75,000	75,000	75,000	300,000
Share-based compensation	1,906,373	5,513,328	2,102,560	6,097,688	15,619,829	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Other	300,000	300,000	1,200,000	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA	(1,040,845)	(1,356,552)	(1,636,728)	(3,556,739)	(9,390,864)	(2,516,121)	(1,367,763)	(1,148,358)	(373,586)	(5,026,210)	3,040,744	1,507,557	1,533,188	2,249,101	6,807,278
Capital expenditures	-	262,751	1,287,936	511,494	2,062,181	500,000	500,000	500,000	500,000	2,000,000	500,000	500,000	500,000	500,000	2,000,000
Free cash flow	(1,040,845)	(1,619,303)	(2,924,664)	(4,068,233)	(11,453,045)	(3,016,121)	(1,867,763)	(1,648,358)	(873,586)	(7,026,210)	2,540,744	1,007,557	1,033,188	1,749,101	4,807,278

Source: Company reports and Litchfield Hills Research



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