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RESEARCH

Unusual Machines Inc.

NYSE American - UMAC

August 6, 2026

Unusual Machines Post Blowout Quarter and Prepares for Blowout Year in 2027

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- 2Q revenue rose roughly 700% to $16.7 million, far exceeding expectations, as UMAC continues to struggle to meet military drone demand. Management targets $12–14 million in 3Q revenue before rebounding toward $25 million in 4Q as new capacity comes online.
- The pending Upgrade Energy acquisition will give UMAC nearly all key small-drone components except frames and antennas. With its acquisition platform largely assembled, management is shifting its focus from deal generation to integration and execution.
- UMAC plans to add 100,000–200,000 square feet of production and warehouse capacity over the next nine months. Motor assembly automation, battery production and a potentially transformative new facility should support substantially higher 2027 revenue.
- Military programs remain the principal near-term growth driver, including an estimated $250 million 2027 Drone Dominance opportunity. Our revised $150 million revenue estimate remains below management's opportunity set, leaving continued upside to our forecasts.
- Commercial drone opportunities are also expanding as FAA approvals increase and restrictions limit imports of certain Chinese robotic products.
- We reiterate our Buy rating and $42 price target based on strong demand, expanding capacity and a potentially nondilutive financing path.

Rating	Buy
Target Price	$42.00
Ticker Symbol	UMAC
Market	NYSE
Stock Price	$24.60
52 wk High	$34.36
52 wk Low	$7.25
Shares Outstanding:	47.7 M
Public Market Float:	43.4 M
Avg. Daily Volume	5,758,333
Market Capitalization:	$1,175.5 M
Institutional Holdings:	61.6%
Dividend Yield:	0.0%

Earnings Per Share	Normalized to exclude unusual items			
FYE - December	**2024**	**2025**	**2026E**	**2027E**
1Q - March	($0.11)	($0.21)	$0.21 A	$0.05
2Q - June	($0.15)	($0.32)	($0.16) A	$0.07
3Q - September	($0.10)	$0.05	($0.03)	$0.11
4Q - December	($2.27)	($0.35)	$0.01	$0.16
Year	**($3.84)**	**($0.74)**	**$0.04**	**$0.39**
Revenue ($mm)	**5.6**	**11.2**	**57.7**	**149.0**
EV/Rev	171.2X	85.1X	16.5X	6.4X
EBITDA ($mm)	**(4.5)**	**(9.4)**	**0.7**	**26.5**

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.

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Unusual Machines posted much better-than-expected 2Q revenue, up roughly 700% to $16.7 million, as it struggles to meet military demand, particularly under the Drone Dominance program. With the pending Upgrade Energy acquisition (expected to close around the end of 3Q), the company will provide nearly all of the key components needed to build a small drone except the low-tech frame and antennas, so M&A focus is shifting from deal generation to integration. The company currently operates roughly 70,000–75,000 square feet of warehouse and production space and plans to add another 100,000–200,000 square feet over the next nine months, plus space already being added this year as it enters the battery market. It is also automating its key motor assembly process, with equipment now in the country and installation and training underway. Management indicated this foundational work is likely to produce a sequential downshift in 3Q revenue (internal target $12–14 million, still well ahead of the ~$9 million pre-results consensus) before a rebound toward an internal target of $25 million in 4Q. While management referenced a $250 million TAM opportunity for 2027 tied to Drone Dominance, our new, higher estimate is $150 million, so we continue to see upside to our numbers and maintain our $42 price target.

While current demand and production are nearly all military, management noted on the call that DoorDash recently obtained FAA Part 135 certification for drone delivery (joining a small group that includes UPS Flight Forward, Amazon Prime Air, Wing, Zipline and others). Early partner trials are already underway. The FCC also recently banned importation of certain Chinese light-show drones and other robotic systems (including humanoid robots and robot vacuums), which could open additional domestic commercial markets. CEO Allan Evans has previously indicated he believes the U.S. commercial drone market could eventually exceed the military market; for now, UMAC is still struggling to keep pace with military demand alone.

Over the next year we expect the company could announce a transformative expansion of production capacity—potentially a large new facility—and position itself for substantially higher revenue. We do not expect funding for such an expansion to be highly dilutive and point to the recent $820 million conditional U.S. government loan commitment from the Office of Strategic Capital to Performance Drone Works (PDW) as a possible template for debt financing available to the currently debt-free UMAC.

We reiterate our Buy rating and $42 price target. Our revised model, with higher estimates, follows on the next page.

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Unusual Machines Income Forecast

			2025					2026E					2027E		
Fiscal years ended December 31	1Q	2Q	3Q	4Q	YEAR	1QA	2QA	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
Revenue															
Retail	1,409,187	1,104,464	917,873	930,688	4,362,212	809,584	1,003,348	917,873	930,688	3,661,493	890,542	1,103,683	1,009,660	1,023,757	4,027,642
percent of total	69.0%	52.0%	43.0%	19.0%	39.0%	10.0%	6.0%	7.7%	4.4%	6.3%	3.4%	3.5%	2.5%	2.0%	2.7%
YoY growth	127.7%	-21.7%	-40.1%	-45.4%	-17.1%	-42.5%	-9.2%	0.0%	0.0%	-16.1%	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	7,286,252	15,719,119	11,000,000	20,000,000	54,005,371	25,000,000	30,000,000	40,000,000	50,000,000	145,000,000
percent of total	31.0%	48.0%	57.0%	81.0%	61.0%	90.0%	94.0%	92.3%	95.6%	93.7%	96.6%	96.5%	97.5%	98.0%	97.3%
YoY growth				1219.9%	2174.4%	1050.9%	1441.8%	804.1%	404.1%	689.9%	243.1%	90.9%	263.6%	150.0%	168.5%
	2,042,300	**2,123,970**	**2,134,588**	**4,898,359**	**11,199,217**	**8,095,836**	**16,722,467**	**11,917,873**	**20,930,688**	**57,666,864**	**25,890,542**	**31,103,683**	**41,009,660**	**51,023,757**	**149,027,642**
Year-over-year growth	230.0%	50.5%	39.4%	144.4%	101.2%	296.4%	687.3%	458.3%	327.3%	414.9%	219.8%	86.0%	244.1%	143.8%	158.4%
Sequential growth	1.9%	-61.8%	0.5%	129.5%		65.3%	49.3%	-28.7%	75.6%		23.7%	20.1%	31.8%	24.4%	
Total cost of revenue	1,545,493	1,329,291	1,294,200	3,123,386	7,292,370	5,441,729	10,920,334	8,342,511	14,232,868	38,937,442	17,346,663	20,528,431	26,656,279	32,655,204	97,186,577
As a percent of revenue	75.7%	62.6%	60.6%	63.8%	65.1%	67.2%	65.3%	70.0%	68.0%	67.5%	67.0%	66.0%	65.0%	64.0%	65.2%
Gross margin	496,807	794,679	840,388	1,774,973	3,906,847	2,654,107	5,802,134	3,575,362	6,697,820	18,729,422	8,543,879	10,575,252	14,353,381	18,368,553	51,841,065
As a percent of revenue	24.3%	37.4%	39.4%	36.2%	34.9%	32.8%	34.7%	30.0%	32.0%	32.5%	33.0%	34.0%	35.0%	36.0%	34.8%
Operations	302,602	404,277	636,705	1,891,122	3,234,706	1,948,899	1,540,919	1,191,787	1,046,534	5,728,140	1,294,527	1,555,184	2,050,483	2,551,188	7,451,382
As a percent of revenue	14.8%	19.0%	29.8%	38.6%	28.9%	24.1%	9.2%	10.0%	5.0%	9.9%	5.0%	5.0%	5.0%	5.0%	5.0%
Research and development	7,903	62,731	39,369	92,582	202,585	91,143	430,759	119,179	209,307	850,388	258,905	311,037	410,097	510,238	1,490,276
As a percent of revenue	0.4%	3.0%	1.8%	1.9%	1.8%	1.1%	2.6%	1.0%	1.0%	1.5%	1.0%	1.0%	1.0%	1.0%	1.0%
Selling and marketing	207,616	302,358	373,539	698,203	1,581,716	580,039	790,012	1,430,145	2,511,683	5,311,878	3,106,865	3,732,442	4,921,159	6,122,851	17,883,317
As a percent of revenue	10.2%	14.2%	17.5%	14.3%	14.1%	7.2%	4.7%	12.0%	12.0%	9.2%	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	7,228,200	10,799,261	3,000,000	3,000,000	24,027,461	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%	89.3%	64.6%	25.2%	14.3%	41.7%	8.5%	7.1%	5.4%	4.3%	5.9%
Depreciation and amortization	20,593	20,593	22,449	77,632	141,267	64,813	75,324	75,324	75,324	290,785	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)**	**(7,258,987)**	**(7,834,143)**	**(2,241,073)**	**(145,028)**	**(17,479,230)**	**1,608,581**	**2,701,589**	**4,696,642**	**6,909,276**	**15,916,089**
Operating margin	-160.0%	-338.5%	-232.4%	-198.7%	-224.6%	-89.7%	-46.8%	-18.8%	-0.7%	-30.3%	6.2%	8.7%	11.5%	13.5%	10.7%
Interest income	1,532	225,734	715,489	888,189	1,830,944	792,078	1,820,162	800,000	800,000	4,212,240	800,000	800,000	800,000	800,000	3,200,000
Interest expense	-	-	-	(519)	(519)	(368)	(281)	-	-	(649)	-	-	-	-	-
Loss on extinguishment of debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gains / (losses)	-	-	5,849,713	(1,757,947)	4,091,766	16,756,819	(1,615,604)			15,141,215					-
Contingent consideration							(153,000)			(153,000)					-
FX gain loss	-	-	-	-	-	(6,548)	14,627	-	-	8,079	-	-	-	-	-
Pretax Income	(3,266,279)	(6,964,739)	1,603,465	(10,602,316)	(19,229,869)	10,282,994	(7,768,239)	(1,441,073)	654,972	1,728,655	2,408,581	3,501,589	5,496,642	7,709,276	19,116,089
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)**	**10,282,994**	**(7,768,239)**	**(1,441,073)**	**654,972**	**1,728,655**	**2,408,581**	**3,501,589**	**5,496,642**	**7,709,276**	**19,116,089**
Net income margin	-159.9%	-327.9%	75.1%	-215.7%	-171.4%	127.0%	-46.5%	-12.1%	3.1%	3.0%	9.3%	11.3%	13.4%	15.1%	12.8%
Diluted shares outstanding	15,902,473	21,771,954	30,002,179	30,002,179	26,015,541	48,134,348	48,611,102	48,711,102	48,811,102	48,566,914	48,911,102	49,011,102	49,111,102	49,211,102	49,061,102
Seq change	15,902,473	5,869,481	8,230,225	-	(3,986,638)	48,134,348	476,754	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)**	**$0.21**	**($0.16)**	**($0.03)**	**$0.01**	**$0.04**	**$0.05**	**$0.07**	**$0.11**	**$0.16**	**$0.39**
EBITDA															
Net income	(3,267,811)	(7,190,473)	(4,961,737)	(9,732,039)	(25,152,060)	10,282,994	(7,834,143)	(2,241,073)	(145,028)	62,750	1,608,581	2,701,589	4,696,642	6,909,276	15,916,089
Addback:										-					-
Unrealized chang in ST inv.	20,593	20,593	22,449	77,632	141,267	(9,500,000)	3,900,000	-		(5,600,000)	-	-	-	-	-
Stock comp expense	1,906,373	5,513,328	2,102,560	6,097,668	15,619,929	3,900,000	5,700,000	1,000,000	1,000,000	11,600,000	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Depreciation and amortization						100,000	100,000	110,000	-	310,000	130,000	140,000	150,000	160,000	580,000
Realized gains from ST inv.						(7,300,000)	(2,300,000)	-		(9,600,000)	-	-	-	-	-
Interest income						(792,078)	(1,800,000)	1,500,000	1,500,000	407,922	1,500,000	1,500,000	1,500,000	1,500,000	6,000,000
Non-recurrng charges	300,000	300,000	1,200,000	-	-	1,700,000	1,800,000	-	-	3,500,000	-	-	-	-	-
EBITDA	**(1,040,845)**	**(1,356,552)**	**(1,636,728)**	**(3,556,739)**	**(9,390,864)**	**(1,609,084)**	**(434,143)**	**368,927**	**2,354,972**	**680,672**	**12,688,231**	**5,341,589**	**7,346,642**	**9,569,276**	**26,496,089**
Capital expenditures	-	262,751	1,287,936	511,494	2,062,181	698,237	508,336	600,000	700,000	2,506,573	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000
Free cash flow	**(1,040,845)**	**(1,619,303)**	**(2,924,664)**	**(4,068,233)**	**(11,453,045)**	**(2,307,321)**	**(942,479)**	**(231,073)**	**1,654,972**	**(1,825,901)**	**11,688,231**	**4,341,589**	**6,346,642**	**8,569,276**	**22,496,089**

Source: Company reports and Litchfield Hills Research

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