LITCHFIELD HILLS RESEARCH

Quantum Cyber N.V.

QUCY- Buy-USD $9 PT

Action Summary – 18 August 2026 - Analyst Theodore R. O'Neill

Solid EPS beat on 2Q26. The company reported a 2Q26 Continuing Ops GAAP EPS loss of $0.56 versus our estimate (there is no consensus) of a loss of $0.63. No revenue was expected to be reported in 2Q26. The $0.06 favorable EPS variance was primarily due to lower operating expenses. It should be noted that there was a couple million in one-time operating expenses in the quarter. We expect operating expenses to decline somewhat in 3Q26.

There is a clear demand signal for U.S. drone acquisition and QUCY and is now in a clear position to engage. It opened its Bridgeport manufacturing facility and has begun setting up its fleet of 3D printers. The Bridgeport operation has decades of experience making unrelated but, in some ways, similar parts and is now optimizing its operations for drone manufacturing.

Quantum Photonic Antenna. Last week, the company issued a press release and published a white paper on its antenna system, which is designed to enhance the ability of its drones to fly in areas where GPS signals are jammed or restricted. The technology may have broader applications across QUCY's product portfolio. We expect to provide a deep analysis of this technology in a future report as it progresses towards commercialization.

Estimate revisions. The share count increased significantly in the second quarter, so we are going to discuss our EPS estimate revisions separately from our sales estimates. There are no changes to our 2026, 2027, or 2028 sales estimates. For EPS, our new Continuing Ops estimates for 2026, 2027 and 2028 are now ($0.49), ($0.19) and ($0.02), respectively. Our previous EPS estimates are not comparable due to both the increased share count and that we are using EPS from Continuing Ops.

Attractive valuation. The shares sell at a discount to our discounted earnings driven price target and to their peers. Our earnings driven price target is $9. The shares sell at a small discount to their peers as a multiple of sales. We believe this disconnect between our earnings driven price target and peer-based valuation largely reflects QUCY's early-stage revenue base. We expect the company to achieve a premium valuation compared to peer averages over the next year.

8/17 price: $1.48	**Market cap: $124MM**	**2028 Mkt Cap/Sales: 3.49x**	**2028 EV/Sales: 3.13x**
Shares outstanding: 84MM	**Insider ownership: 7%**	**3-mo. avg. trading volume: >100,000**	**Dividend/Yield: NA/NA**

GAAP estimates (EPS from Continuing Ops in $ – Revenue in $millions)

Period	EPS	Revenue	Op. Margin
1Q26A	($0.21)	$0.0	
2Q26A	($0.56)	$0.0	
3Q26E	($0.08)	$1.0	
4Q26E	($0.06)	$1.1	
FY26E	($0.49)	$2.1	NMF
FY27E	($0.19)	$9.15	(175%)
FY28E	($0.02)	$35.5	(5%)

Note: Numbers may not add due to rounding. See our full model at the back of this report.

Cash balance (in $millions)

2025A	$0.7
2026E	$7.9
2027E	$1.5
2028E	$1.2

Short and long-term debt (in $millions)

2025A	$0.2
2026E	$0.2
2027E	$0.5
2028E	$0.0

Risks/Valuation

- Risks include competition, state and federal government regulations, ability to land contracts and fulfill them, history of losses
- Our $9 target is derived using a discounted future earnings model.

Company description: Quantum Cyber N.V. is assembling an AI-powered, quantum-accelerated System-of-Systems autonomous defense platform that integrates drone warfare, counter-UAS, autonomous naval mine countermeasures, EMP shielding, anti-drone ammunition, command-and-control, and quantum antenna applications under a single Nasdaq-listed company. The Company acquires, licenses, and develops combat-proven autonomous technologies, deploying them as a coordinated, multi-domain portfolio across air, land, and sea. Quantum Drones Corporation is a wholly owned Nevada-incorporated subsidiary of Quantum Cyber N.V. established to serve as the operational vehicle for the Company's domestic defense technology programs and U.S. government procurement activities.

Figure 1 – Quantum Cyber N.V. – One-Year Trading snapshot

Source: FactSet

Quarterly Analysis

Solid EPS beat on 2Q26. The company reported a 2Q26 Continuing Ops GAAP EPS loss of $0.56 versus our estimate (there is no consensus) of a loss of $0.63. No revenue was expected to be reported in 2Q26 (see Figure 2). The $0.06 favorable EPS variance was primarily due to lower operating expenses.

Figure 2 – Quantum Cyber N.V. – Quarterly Analysis

	2026 Q2E	2026 Q2A	Better / (Worse) than forecast
Income Statement			
Total Revenue	$0.0	$0.0	$0.0
Total cost of revenue	0.0	0.0	0.0
Total Gross Profit	0.0	0.0	0.0
Operating expenses:			
Sales and marketing	500.0	1,458.5	(958.5)
Research and development	4,000.0	4,553.0	(553.0)
General and administrative	6,500.0	3,877.4	2,622.6
Other operating expenses	0.0	0.0	0.0
Total Operating Expenses	11,000.0	9,888.9	1,111.1
Operating Income	(11,000.0)	(9,888.9)	1,111.1
Total other income/(expense)	(300.0)	(183.4)	116.6
Earnings before taxes	(11,300.0)	(10,072.3)	1,227.7
Net income from continuing operations	($11,300.0)	($10,072.3)	$1,227.7
Net income from disc. Operations	($1,000.00)	($944.16)	$55.8
Total	($12,300)	($11,016)	$1,283.5
GAAP EPS Continuing ops	($0.63)	($0.56)	$0.06
GAAP EPS Disc ops	($0.06)	($0.05)	$0.00
Total GAAP EPS	($0.68)	($0.62)	$0.07
Diluted common shares	18,000	17,851	

Source: Litchfield Hills Research LLC

Guidance and Financial Model Assumptions

The company does not provide financial guidance. Our assumptions are there is approximately $1MM/quarter in revenue from the acquired business and this will continue in the near term. We assume the company will be successful in generating sales in the drone market and that margins, and net income will improve over time. Our model assumes breakeven at a $40MM annual run rate. We also assume the company will need to raise funds to support its working capital requirements although the amount will depend on the pace of the growth ramp-up.

Valuation Methodology

We believe QUCY 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 used:

1) The discounted value of all future earnings was used for our price target (see Figure 3)
2) Valuation relative to peers (see Figure 4)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of $9.00 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 12%, which we feel adequately addresses the risk. Our valuation model is shown in Figure 3 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 $8.61, which we round to $9.00.

Figure 3 – Quantum Cyber N.V. – Price Target Calculation

Value of discounted future earnings		**$8.61**
Year	EPS	Discounted EPS
2027	(0.19)	(0.19)
2028	(0.02)	(0.02)
2029	0.20	0.16
2030	0.37	0.27
2031	0.52	0.34
	Terminal Value:	8.06

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 4 is a summary of our QUCY peer comparison. The shares sell at a small discount to their peers. We believe this disconnect between our earnings driven price target and peer-based valuation largely reflects QUCY's early-stage revenue base. We expect the company to achieve a premium valuation compared to peer averages over the next year.

Figure 4 – Quantum Cyber N.V. – Comp Tables

FactSet Ticker	Company Name	Closing Price	Market Cap $MM	EV $MM	2028 Consensus Market Cap / Sales	2028 Consensus EV /Sales
BA-US	Boeing Company (US Listing)	$231.67	183,105	222,161	1.45	1.66
LMT-US	Lockheed Martin Corp.	$608.68	140,478	161,993	1.52	1.70
NOC-US	Northrop Grumman Corp.	$585.87	83,230	96,506	1.62	1.92
ESLT-US	Elbit Systems Ltd (US Listing)	$783.62	36,607	37,478	3.27	3.38
TDY-US	Teledyne Technologies	$679.67	31,507	33,601	4.37	4.65
KTOS-US	Kratos Defense & Security Solutions Inc.	$64.58	12,123	10,915	4.43	4.02
AVAV-US	AeroVironment Inc.	$192.81	9,758	9,848	3.13	3.10
ONDS-US	Ondas Inc	$9.24	5,272		3.90	2.42
UMAC-US	Unusual Machines Inc.	$34.06	1,702	1,437	8.94	6.87
RCAT-US	Red Cat Holdings Inc	$11.13	1,700	1,466	5.83	4.10
EH-US	EHang Holdings Ltd.	$5.93	445	365	2.70	2.32
DPRO-US	Draganfly Inc (US Listing)	$4.89	182		4.05	1.88
SPAI-US	Safe Pro Group, Inc.	$6.17	127	124	3.99	3.64
UAVS-US	AgEagle Aerial Systems, Inc.	$1.09	64			
RKT-AU	RocketDNA Ltd	$0.02	19	17		
	AVERAGE				3.78	3.20
QUCY-US	Quantum Cyber N.V.	$1.48	124	111	3.49	3.13
	QUCY-US Premium/(Discount) to peers:				**-8%**	**-2%**

Source: Litchfield Hills Research LLC and FactSet

Figure 5 – Quantum Cyber N.V. – Income Statement ($000)

December ending year	2025A	2026E					2027E					2028E				
	Year	Q1A	Q2A	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
Total Revenue	$0	$0	$0	$950	$1,100	$2,050	$1,150	$2,000	$2,500	$3,500	$9,150	$4,500	$8,000	$10,000	$13,000	$35,500
YoY growth										*218%*	*346%*				*271%*	*288%*
Total cost of revenue	0	0	0	760	880	1,640	920	1,520	1,750	2,100	6,290	2,250	4,000	4,800	5,980	17,030
Gross profit	0	0	0	190	220	410	230	480	750	1,400	2,860	2,250	4,000	5,200	7,020	18,470
Gross profit %					20%	20%	20%	24%	30%	40%	31%	50%	50%	52%	54%	52%
Operating expenses:																
Sales and marketing	1,161	282	1,458	1,250	1,000	3,990	1,000	1,000	1,000	1,000	4,000	1,000	1,000	1,000	1,000	4,000
Research and development	89	59	4,553	1,500	500	6,612	550	550	550	600	2,250	600	600	600	600	2,400
General and administrative	1,496	2,122	3,877	3,300	3,000	12,299	3,000	3,000	3,200	3,400	12,600	3,500	3,500	3,500	3,500	14,000
Other operating expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operating Expenses	2,746	2,463	9,889	6,050	4,500	22,902	4,550	4,550	4,750	5,000	18,850	5,100	5,100	5,100	5,100	20,400
Operating income	(2,746)	(2,463)	(9,889)	(5,860)	(4,280)	(22,492)	(4,320)	(4,070)	(4,000)	(3,600)	(15,990)	(2,850)	(1,100)	100	1,920	(1,930)
Operating income %						-1097%					-175%	-63%	-14%	1%	15%	-5%
Total other income/(expense)	(22)	(23)	(183)	(100)	(500)	(806)	(20)	(20)	(20)	(20)	(80)	(20)	(20)	(20)	(20)	(80)
Earnings before taxes	(2,767)	(2,486)	(10,072)	(5,960)	(4,780)	(23,298)	(4,340)	(4,090)	(4,020)	(3,620)	(16,070)	(2,870)	(1,120)	80	1,900	(2,010)
Tax expense/(benefit)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net income from continuing operations	($2,767)	($2,486)	($10,072)	($5,960)	($4,780)	($23,298)	($4,340)	($4,090)	($4,020)	($3,620)	($16,070)	($2,870)	($1,120)	$80	$1,900	($2,010)
Net income from disc. Operations	($2,235)	($2,596)	($944)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total	($5,003)	($5,082)	($11,016)	($5,960)	($4,780)	($23,298)	($4,340)	($4,090)	($4,020)	($3,620)	($16,070)	($2,870)	($1,120)	$80	$1,900	($2,010)
GAAP EPS Continuing ops	($0.81)	($0.21)	($0.56)	($0.08)	($0.06)	($0.49)	($0.05)	($0.05)	($0.05)	($0.04)	($0.19)	($0.03)	($0.01)	$0.00	$0.02	($0.02)
GAAP EPS Disc ops	($0.65)	($0.22)	($0.06)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total GAAP EPS	($1.46)	($0.43)	($0.62)	($0.08)	($0.06)	($0.49)	($0.05)	($0.05)	($0.05)	($0.04)	($0.19)	($0.03)	($0.01)	$0.00	$0.02	($0.02)
Diluted Shares Outstanding	3,431	11,799	17,851	75,000	84,100	47,188	84,100	84,100	84,100	84,100	84,100	84,105	84,110	84,115	84,120	84,113

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – Quantum Cyber N.V. – Balance Sheet ($000)

December ending year	FY2028E	FY2027E	FY2026E	FY2025A
Balance sheet				
Current Assets				
Cash and S.T.I.	$1,170	$1,480	$7,920	$702
Accounts receivable	6,000	5,000	100	0
Inventories	4,000	3,000	575	0
Other assets	1,300	1,200	1,500	3,512
Total Current Assets	**12,470**	**10,680**	**10,095**	**4,214**
Net PP&E	2,800	1,000	150	0
Intangible assets	6,400	6,500	6,600	1,113
Other non-current	200	200	100	0
Total Assets	**$21,870**	**$18,380**	**$16,945**	**$5,327**
Current Liabilities				
Accounts payable and accrued	$15,000	$12,000	$1,000	$186
Notes payable and due related party	0	500	200	184
IP acquisition liability	200	200	1,750	488
Other current liabilities	0	0	0	3,828
Total current liabilities	**15,200**	**12,700**	**2,950**	**4,686**
Note payable	0	0	0	0
Lease liability - non-current	200	200	0	0
Total Liabilities	**15,400**	**12,900**	**2,950**	**4,686**
Stockholders' Equity				
Preferred stock	60	60	59	0
Common stock	290	290	286	108
Additional paid-in-capital	153,000	150,000	142,000	106,054
Retained earnings	(146,280)	(144,270)	(128,200)	(104,902)
Cum. trans. adj. and treasury stock	(600)	(600)	(150)	(618)
Total stockholders' equity	6,470	5,480	13,995	642
Total Liabilities and equity	**$21,870**	**$18,380**	**$16,945**	**$5,327**

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – Quantum Cyber N.V. – Cash Flow ($000)

	FY28E	FY27E	FY26E
Net Income	($2,010)	($16,070)	($23,298)
Receivables	($1,000)	($4,900)	($100)
Inventories	($1,000)	($2,425)	($575)
Other assets	($100)	$300	$2,012
Net PP&E	($1,800)	($850)	($150)
Intangible assets	$100	$100	($5,487)
Other non-current	$0	($100)	($100)
Accounts payable and accrued	$3,000	$11,000	$814
Notes payable and due related party	($500)	$300	$16
IP acquisition liability	$0	($1,550)	$1,262
Liabilities held for sale	$0	$0	($3,828)
Note payable	$0	$0	$0
Lease liability - non-current	$0	$200	$0
Preferred stock	$0	$1	$59
Common stock	$0	$4	$178
Additional paid-in-capital	$3,000	$8,000	$35,946
Accumulated other comp. loss & other	$0	($450)	$468
Dividends and transition adjustments			
Total Cash Flow	($310)	($6,440)	$7,218

Source: Litchfield Hills Research LLC

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, and the report has been reviewed by a Supervisory Analyst.

MiFID II Compliant Research Report
Our research is classified as a 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 11 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, websites 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.

 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. The 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 CapitaLynx Ltd. on behalf of the 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.