

Action Summary – 31 August 2026

Analyst Theodore R. O'Neill — Major Developments At Investor Event - Reiterate our Buy rating

- **Investor Event Reveals Secret Weapon.** Safe Pro Group held a well-attended investor event, Tuesday August 25 at the J.W. Marriott Turnberry Resort in Aventura FL. The event included presentations by multiple members of the management team and a field demonstration of its unexploded mine ordnance detection software deployed on a Red Cat (RCAT- NR) drone. It allowed us to understand and see in real-time how easily it identified suspicious items in an open field and how simple it was for service members to use in the field.
- **Game changing reconnaissance.** Your analyst and author of this note, worked in the defense industry over 40 years ago. I worked for the Itek Corporation, and it made the spy camera systems for the U2 and SR-71 Blackbird as well as the Corona satellite systems. Back then reconnaissance of a new target could take weeks of planning and preparation. Since it was a national asset (the plane and the camera and the analysis) it was only provided for the most important missions and for obvious reasons was limited in the number of times it could be utilized. Fast forward to today's event, to be able to send an imaging reconnaissance mission at any time in any geography is an absolute game changer. There is no question in our minds that SPAI has a significant future. Our only question was who at the firm had the relevant procurement experience with the military? That question was answered at this event.
- **Secret Weapons revealed.** The company strengthened its leadership team with the appointment of Jarret Mathews as COO and Brian Mack, as Chief Commercial Officer. Between the two of them they have ~50 years of military experience. They have worked in industry since leaving the military and have intimate knowledge of the procurement process and who to contact in both the military and DoW. Brian was in the Army and Jarret was a colonel in the U.S. Special Operations Command. They have already played a crucial role in advancing SPAI in multiple programs; stay tuned.
- **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 above the average by a single standard deviation.

8/28 price: \$4.63	Market cap: \$97MM	2027 Market Cap/Sales: 5.20x	2027 EV / Sales: 4.68x
Shares count: 21MM	Insider ownership: 44%	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>
FY25A	<u>\$(0.85)</u>	<u>\$607</u>	<u>33%</u>
FY26E	<u>\$(0.53)</u>	<u>\$6,500</u>	<u>77%</u>
FY27E	<u>\$(0.07)</u>	<u>\$19,100</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
• 2025A	• \$16,793
• 2026E	• \$6,901
• 2027E	• \$7,251

Adj. EBITDA (in \$000)

• 2023A	• (\$2.5)
• 2024A	• (\$4.0)
• 2025A	• (\$7.3)
• 2026E	• (\$6.6)
• 2027E	• \$3.5

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 targets multiple markets, including 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 Methodology

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)

Discounted Future Earnings – Basis for 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 \$9.81, which we round to \$10.00.

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

Discounted Future Earnings: \$9.81		
Year	EPS	Discounted EPS
2026	(0.53)	(0.53)
2027	(0.07)	(0.06)
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

Valuation Relative to Peers

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 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 3 – Safe Pro Group Inc. – Comp Tables

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2027 Consensus	
					Market Cap / Sales	EV /Sales
AVAV-US	AeroVironment Inc.	\$147.94	7,519	7,564	2.98	2.96
ONDS-US	Ondas Inc	\$7.90	4,507	3,400	4.48	2.61
ATRO-US	Astronics Corp. (US Listing)	\$75.71	3,265	3,969	2.87	3.40
BBAI-US	BigBear.ai Holdings, Inc.	\$3.05	1,462	1,201	8.92	7.09
RCAT-US	Red Cat Holdings Inc	\$8.49	1,297	1,002	5.95	3.91
UMAC-US	Unusual Machines Inc.	\$23.98	1,198	916	11.60	8.25
PDYN-US	Palladyne AI Corp	\$5.76	284	309	7.10	5.79
TAKOF-US	Volatus Aerospace Inc.	\$0.36	256		5.70	4.71
DPRO-US	Draganfly Inc (US Listing)	\$4.47	161	69	6.60	2.64
ZENA-US	ZenaTech, Inc.	\$1.71	152	198		
KULR-US	KULR Technology Group Inc	\$2.58	119	130		
QUCY-US	Quantum Cyber N.V.	\$1.42	119	106		
UAVS-US	AgEagle Aerial Systems, Inc.	\$1.08	68	52		
RKT-AU	RocketDNA Ltd	\$0.02	20	18		
AVERAGE					6.47	4.38
SPAI	Safe Pro Group, Inc.	\$4.63	94	84	5.20	4.68
SPAI Premium/(Discount) to peers:					-20%	7%

Source: Litchfield Hills Research LLC and FactSet

Financial Estimates and Guidance

The company does not provide financial guidance. Our model assumes that the company reaches BE in 2027, which will depend on securing contract awards that we estimate will need to annualize at ~\$24MM of revenue. We also assume 2026 is a transition year as the company commercializes its product set.

Figure 4 – Safe Pro Group Inc. – Income Statement (\$'000)

December ending year	2023A Year	2024A Year	2025A Year	2026E Year	2027E Year
Total Revenue	\$918	\$2,169	\$607	\$6,500	\$19,100
YoY growth		136%	-72%	971%	247%
Total cost of revenue	<u>607</u>	<u>1,263</u>	<u>405</u>	<u>1,525</u>	<u>4,350</u>
Gross profit	311	906	202	4,975	14,750
Gross profit %	34%	42%	33%	77%	77%
Operating expenses:					
Salary, wages and payroll taxes	2,303	4,278	5,539	6,200	6,500
R&D	374	90	394	400	400
Professional fees	3,309	2,162	5,547	7,000	5,400
SG&A	450	1,255	2,131	2,400	3,300
Depreciation and amortization	0	0	305	400	400
Other operating expense	182	273	831	340	340
Total Operating Expenses	<u>6,618</u>	<u>8,058</u>	<u>14,748</u>	<u>16,740</u>	<u>16,340</u>
Operating income	<u>(6,307)</u>	<u>(7,152)</u>	<u>(14,546)</u>	<u>(11,765)</u>	<u>(1,590)</u>
Operating income %	-687%	-330%	-2398%	-181%	-8%
Adj. EBITDA	<u>(2,451)</u>	<u>(3,958)</u>	<u>(7,323)</u>	<u>(6,625)</u>	<u>3,550</u>
Total other income/(expense)	<u>(8)</u>	<u>(276)</u>	<u>223</u>	<u>40</u>	<u>40</u>
Earnings before taxes	<u>(6,315)</u>	<u>(7,428)</u>	<u>(14,323)</u>	<u>(11,725)</u>	<u>(1,550)</u>
Tax expense/(benefit)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net income	<u>(\$6,315)</u>	<u>(\$7,428)</u>	<u>(\$14,323)</u>	<u>(\$11,725)</u>	<u>(\$1,550)</u>
GAAP EPS	<u>(\$0.79)</u>	<u>(\$0.70)</u>	<u>(\$0.85)</u>	<u>(\$0.53)</u>	<u>(\$0.07)</u>
Diluted Shares Outstanding	7,985	10,613	16,907	22,050	22,050

Source: Company reports and Litchfield Hills Research LLC

Figure 5 – Safe Pro Group Inc. – Balance Sheet (\$000)

December ending year	FY2027E	FY2026E	FY2025A	FY2024A	FY2023A
Balance sheet					
Current Assets					
Cash and S.T.I.	\$7,251	\$6,901	\$16,793	\$1,971	\$703
Accounts receivable	200	100	100	124	163
Inventories	1,200	1,000	615	342	359
Other assets	300	250	420	314	48
Total Current Assets	8,951	8,251	17,928	2,750	1,274
Net PP&E	400	350	283	315	321
Right-to-use asset	200	100	59	102	153
Other non-current	1,300	1,200	844	1,783	1,682
Total Assets	\$10,851	\$9,901	\$19,115	\$4,950	\$3,430
Current Liabilities					
Accounts payable	\$1,200	\$1,000	\$461	\$120	\$169
Accrued expenses	2,000	1,000	278	206	345
Due related party	600	500	437	422	406
Other current liabilities	300	200	74	147	497
Total current liabilities	4,100	2,700	1,251	894	1,417
Note payable	0	0	146	146	146
Lease liability - non-current	200	100	1	36	91
Total Liabilities	4,300	2,800	1,398	1,075	1,654
Stockholders' Equity					
Preferred stock	0	0	0	0	1
Common stock	0	0	2	1	1
Additional paid-in-capital	49,000	48,000	46,964	18,124	8,597
Retained earnings	(41,849)	(40,299)	(28,574)	(14,251)	(6,822)
Cum. trans. adj. and treasury stock	(600)	(600)	(676)	0	0
Total stockholders' equity	6,551	7,101	17,717	3,874	1,776
Total Liabilities and equity	\$10,851	\$9,901	\$19,115	\$4,950	\$3,430

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – Safe Pro Group Inc. – Cash Flow (\$000)

	<u>FY27E</u>	<u>FY26E</u>	<u>FY25A</u>	<u>FY24A</u>
Net Income	(\$1,550)	(\$11,725)	(\$14,323)	(\$7,428)
Receivables	(\$100)	\$0	\$24	\$40
Inventories	(\$200)	(\$385)	(\$273)	\$17
Other assets	(\$50)	\$170	(\$107)	(\$266)
Net PP&E	(\$50)	(\$67)	\$32	\$6
Right-to-use asset	(\$100)	(\$41)	\$43	\$52
Other non-current	(\$100)	(\$356)	\$939	(\$101)
Accounts payable	\$200	\$539	\$341	(\$49)
Accrued expenses	\$1,000	\$722	\$73	(\$139)
Due related party	\$100	\$63	\$16	\$16
Lease obligations and other	\$100	\$126	(\$73)	(\$350)
Note payable	\$0	(\$146)	\$0	\$0
Lease liability - non-current	\$100	\$99	(\$35)	(\$56)
Preferred stock	\$0	\$0	\$0	(\$1)
Common stock	\$0	(\$2)	\$1	\$1
Additional paid-in-capital	\$1,000	\$1,036	\$28,841	\$9,527
Treasury shares	\$0	\$76	(\$676)	\$0
Dividends and transition adjustments				
Total Cash Flow	\$350	(\$9,892)	\$14,822	\$1,267

Source: Litchfield Hills Research LLC

Disclosures:

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