Safe Pro Group, Inc.

Buy

(SPAI – $6.17) Price Target: $9

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Q2 Revenue In Line; Multiple U.S. Army Contracts Should Lead To Larger Orders In 2027; Reaffirm Buy And $9 PT

Our Take – Safe Pro reported Q2 revenue of $1.3M, in line with its earlier preliminary announcement. Revenue was up more than 1,300% y/y from ~$93K in Q2'25, driven by multiple U.S. Army subcontract awards for AI-powered threat detection and mapping software. We view the print as further evidence that Safe Pro's technology is being validated and adopted at an accelerating pace by the U.S. Army and defense prime contractors. Encouragingly, the Company continues to broaden its footprint, expanding its AI offering from the air to the ground to support U.S. Army drones and unmanned ground vehicles (UGVs), and we expect additional follow-on orders throughout the year. As we look at 2H26 and 2027, we expect revenue from the Red Cat partnership to begin contributing to the top line, with a greater impact in 2027. We continue to see solid momentum not only in Ukraine but in the Middle East as well, which we think could leave our 2027 estimates proving conservative as countries look to ramp clean-up efforts in prior warzones. We reiterate our Buy rating and $9 price target.

HIGHLIGHTS

- **Q2 Results –** The Company reported Q2'26 revenue of $1.3M, an increase of more than 1,300% y/y vs. approximately $93K in Q2'25 and in line with its prior prelim of $1.3M. The growth was driven by the receipt of multiple U.S. Army subcontract awards spanning AI-powered threat mapping, edge compute sales, and recurring services and support revenue. Management noted increasing participation in U.S. Army-sponsored operational and technology evaluation events, which continue to open additional contract pathways. The Company reported a total GM of 64%, with its AI segment producing GM of ~75%.
- **2027 Estimates –** With the Company seeing positive traction from the U.S. military in Ukraine, NODE orders, its collaboration with Red Cat, and other potential opportunities within ballistics, we think our current 2027 estimates could prove conservative.
- **Recent White House Tariff Implementation –** The White House's drone tariffs create a solid opening for Safe Pro. As foreign-made drones become prohibitively expensive or outright banned, U.S. military and government agencies are being pushed toward domestic suppliers, which has extended to advanced drone technology, such as Safe Pro and Palladyne (PDYN – Buy). Safe Pro, as an American-made solution, sits squarely in the path of that redirected spending. The policy essentially narrows the field, and companies already built and operating domestically are the natural beneficiaries.
- **Balance Sheet –** The Company exited Q2 with cash and cash equivalents of $10M and minimal debt. While we expect the Company to be a cash user in 2026, we believe Safe Pro's model is set up for strong FCF generation once it reaches scale.

Changes	Previous	Current
Rating:	--	Buy
Price Target:	--	$9
FY26E Rev (M):	--	$7.0
FY27E Rev (M):	--	$17.6
FY26E AEBITDA (M):	($6.3)	($7.2)
FY27E AEBITDA (M):	($4.3)	($4.2)

Profile	
Price:	$6.17
Shares Out (M):	20.5
Market Cap (M):	$127
Enterprise Value (M):	$115
Avg. Daily Vol (K):	272
Insiders Own:	44%
Tan. Book Val./Sh:	$0.62
Net Cash /Sh:	$0.55
Div / Yield:	0.0%

Rev (M)	2025A	2026E	2027E
Mar	$0.2	$1.2A	$3.1
Jun	$0.1	$1.3A	$3.3
Sep	$0.1	$1.8	$4.7
Dec	$0.2	$2.6	$6.6
FY	$0.6	$7.0	$17.6
AEBITDA	($7.3)	($7.2)	($4.2)

EPS*	2025A	2026E	2027E
Mar	($0.27)	($0.14A)	($0.13)
Jun	($0.13)	($0.15A)	($0.12)
Sep	($0.29)	($0.16)	($0.11)
Dec	($0.17)	($0.13)	($0.06)
FY	($0.85)	($0.58)	($0.43)

Valuation	2025A	2026E	2027E
EV/Rev	190.0x	16.6x	6.5x
P/S	209x	18x	7x

Management	
CEO	Dan Erdberg
CFO	Theresa Carlise

Company Description

Safe Pro Group primarily plays in the A&D industry as an AI software provider to drone manufacturers.

- **Air-To-Ground Expansion –** A key takeaway from the announcement was the expansion of Safe Pro's AI offering from the air to the ground, extending support beyond U.S. Army drones to autonomous/unmanned ground vehicles (UGVs). Management also flagged potential use of its technology by additional defense customers, such as the U.S. Air Force, as well as post-conflict reconstruction, rebuilding, and rare earth mineral and agricultural reclamation efforts — broadening the long-term addressable market well beyond its initial use case.
- **Safe Pro's NODE Opportunity –** Safe Pro is positioning its detection and protection NODE at $250K per unit across three major ground vehicle programs: the XM30 Mechanized Infantry Combat Vehicle, the M1E3 Abrams Main Battle Tank, and the UxS program. Each program is currently in prototype or early procurement phases, with full-rate production expected to ramp from FY2028 through the early 2030s, representing the Army's most significant armored modernization in over 40 years. The near-term opportunity through FY2031 is anchored by 108 XM30s and our conservative estimate of 50 RCVs, representing roughly $40M in addressable revenue. The full program opportunity across all three platforms expands to more than $1.3B across approximately 5,500+ total addressable units as XM30 hits full-rate production and M1E3 begins large-scale procurement.

Platform	Est. Units	Safe Pro Revenue
XM30 MICV - Near-Term	~108	$27M
XM30 MICV - Full Program	~3,800	$950M
M1E3 Abrams - Full Fleet	~1,392	$348M
Unmanned/RCV (LSCM conservative Est.)	~50	$13M
Near-Term Total	**~308**	**$40M**
Full Program Total	**~5,500+**	**$1.3B+**

Source: U.S. DoD, Lake Street Capital Markets

Figure 1 – Safe Pro NODE TAM: Private and DoD Markets

- **BIG10 Conference –** Safe Pro will be participating in Lake Street's 10th Annual Best Ideas Growth (BIG) Conference held in New York on September 10th.

INVESTMENT THESIS & VALUATION

We think Safe Pro offers investors a unique way to play the growing drone sector, as it provides a way to gain exposure to this emerging market without being tied to a single drone manufacturer. We believe the Company is rapidly approaching an inflection point, where revenue is expected to experience a meaningful increase in 2026. We think investors are too narrowly focused on the near-term Ukraine opportunity, which is significant, and are overlooking the broader growth opportunities. We see a path for shares to see further multiple expansion as investors start to better appreciate the sustainability of growth and high-margin revenue profile.

Price Target – Our $9 price target is based on an EV/Revenue multiple of 9.5x on our 2027 revenue estimate of $17.6M and cash of $10M.

RISKS

We believe an investment in Safe Pro involves the following risks.

- **Sub-Scale –** We believe the Company's lack of scale means there is a risk that a revenue ramp could be more prolonged.
- **Reliance On Government Contracts –** The U.S. DoD tends to work at a slower pace and usually decides between multiple vendors. If Safe Pro is unable to win government contracts, this would be detrimental to our forecasted estimates.
- **Elongated Sales Cycles –** Given the Company's exposure to the defense market, it may experience lengthy sales cycles related to the timing of sales, as well as additional services such as design, installation, and implementation. Lengthy sales cycles could result in quarterly fluctuations in results.
- **Competition –** The Company faces competition from other companies in the drone industry, with quite a few players in the defense space. Additionally, this market could attract new entrants. It is important for the Company to continue to innovate and deliver on the services it provides in order to retain and win new business. If the Company is unable to do so, it is unlikely to achieve its future growth expectations.
- **Historical Losses And Additional Funding –** The Company has incurred a large amount of historical losses, and we do not expect it to be profitable in the near future. Additionally, elevated cash burn with new product buildouts, R&D, and S&M team expansions will require additional capital to maintain operations.
- **Integration Risk –** The Company will likely target inorganic growth opportunities as part of its growth strategy. Integrating any future purchases presents risk.

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FINANCIAL MODEL

Safe Pro Group, Inc.

Fiscal Year Ends December	2024A	Mar25A	Jun25A	Sep25A	Dec25A	2025A	Mar26A	Jun26A	Sep26E	Dec26E	2026E	Mar27E	Jun27E	Sep27E	Dec27E	2027E
Income Statement $M:																
Revenue	**2.169**	**$ 0.185**	**$ 0.093**	**$ 0.101**	**$ 0.228**	**0.607**	**$ 1.220**	**$ 1.332**	**$ 1.800**	**$ 2.600**	**6.952**	**$ 3.050**	**$ 3.330**	**$ 4.650**	**$ 6.600**	**17.631**
Cost of revenue	**1.263**	0.123	0.061	0.068	0.152	**0.405**	0.390	0.479	0.648	0.936	**2.453**	1.052	1.149	1.604	2.277	**6.083**
GAAP Gross Profit	**0.906**	**$ 0.062**	**$ 0.032**	**$ 0.034**	**$ 0.075**	**0.202**	**$ 0.830**	**$ 0.853**	**$ 1.152**	**$ 1.664**	**4.499**	**$ 1.998**	**$ 2.181**	**$ 3.046**	**$ 4.323**	**11.548**
Gross Margin	***41.8%***	*33.3%*	*34.0%*	*33.1%*	*33.1%*	***33.3%***	*68.1%*	*64.0%*	*64.0%*	*64.0%*	***64.7%***	*65.5%*	*65.5%*	*65.5%*	*65.5%*	***65.5%***
Salaries, wages, payroll	**4.278**	2.025	0.434	1.286	1.794	**5.539**	1.651	2.222	2.422	2.422	**8.717**	2.500	2.500	2.700	3.000	**10.700**
R&D	**0.090**	-	0.018	0.110	0.267	**0.394**	0.360	0.192	0.392	0.392	**1.338**	0.400	0.400	0.500	0.500	**1.800**
Professional Services	**2.162**	1.602	1.041	2.168	0.736	**5.547**	0.922	0.929	0.929	0.929	**3.710**	1.000	1.000	1.200	1.200	**4.400**
SG&A	**1.255**	0.356	0.371	0.603	0.802	**2.131**	0.759	0.717	0.717	0.717	**2.908**	0.800	0.800	0.900	0.900	**3.400**
GAAP Operating exp	**8.058**	4.067	1.955	4.241	4.484	**14.748**	3.748	4.124	4.524	4.524	**16.921**	4.850	4.850	5.450	5.750	**20.900**
Operating Income	**(7.152)**	**$ (4.006)**	**$ (1.923)**	**$ (4.208)**	**$ (4.409)**	**(14.546)**	**$ (2.917)**	**$ (3.272)**	**$ (3.372)**	**$ (2.860)**	**(12.422)**	**$ (2.852)**	**$ (2.669)**	**$ (2.404)**	**$ (1.427)**	**(9.352)**
Operating Margin	***-329.7%***	*-2167.6%*	*-2073.6%*	*-4148.6%*	*-1936.2%*	***-2397.6%***	*-239.1%*	*-245.6%*	*-187.4%*	*-110.0%*	***-178.7%***	*-93.5%*	*-80.1%*	*-51.7%*	*-21.6%*	***-53.0%***
Other income	**(0.276)**	0.041	0.009	(0.803)	0.976	**0.223**	0.124	0.103	0.103	0.103	**0.432**	0.103	0.103	0.103	0.103	**0.411**
Pre-tax income	**(7.428)**	(3.965)	(1.915)	(5.010)	(3.433)	**(14.323)**	(2.793)	(3.169)	(3.270)	(2.758)	**(11.990)**	(2.749)	(2.566)	(2.302)	(1.324)	**(8.941)**
Net Income	**$ (7.428)**	**(3.965)**	**(1.915)**	**(5.010)**	**(3.433)**	**$ (14.323)**	**(2.793)**	**(3.169)**	**(3.270)**	**(2.758)**	**$ (11.990)**	**(2.749)**	**(2.566)**	**(2.302)**	**(1.324)**	**$ (8.941)**
AEBITDA	**(4.0)**	**(1.5)**	**(0.8)**	**(1.5)**	**(3.5)**	**(7.3)**	**(1.6)**	**(2.0)**	**(2.1)**	**(1.6)**	**(7.2)**	**(1.7)**	**(1.4)**	**(1.1)**	**(0.0)**	**(4.2)**
EBITDA Margin	***-182.5%***	*-793.7%*	*-853.1%*	*-1503.2%*	*-1525.9%*	***-1196.2%***	*-132.2%*	*-147.7%*	*-114.9%*	*-59.8%*	***-103.6%***	*-54.3%*	*-41.0%*	*-23.6%*	*-0.7%*	***-23.6%***
EPS	**($0.70)**	**($0.27)**	**($0.13)**	**($0.29)**	**($0.17)**	**($0.85)**	**($0.14)**	**($0.15)**	**($0.16)**	**($0.13)**	**($0.58)**	**($0.13)**	**($0.12)**	**($0.11)**	**($0.06)**	**($0.43)**
Basic shares outst	**10.6**	14.7	15.2	17.1	20.6	**16.9**	20.6	20.5	20.6	20.7	**20.6**	20.8	20.9	21.0	21.1	**21.0**
Diluted Shares outst	**10.6**	14.7	15.2	17.1	20.6	**16.9**	20.6	20.5	20.6	20.7	**20.6**	20.8	20.9	21.0	21.1	**21.0**
Margin Analysis:																
Gross Margin	**41.8%**	33.3%	34.0%	33.1%	33.1%	**33.3%**	68.1%	64.0%	64.0%	64.0%	**64.7%**	65.5%	65.5%	65.5%	65.5%	**65.5%**
Operating Expense % of Rev	**371.5%**	2200.9%	2107.6%	4181.8%	1969.4%	**2430.9%**	307.2%	309.6%	251.4%	174.0%	**243.4%**	159.0%	145.6%	117.2%	87.1%	**118.5%**
Operating Margin	**-329.7%**	-2167.6%	-2073.6%	-4148.6%	-1936.2%	**-2397.6%**	-239.1%	-245.6%	-187.4%	-110.0%	**-178.7%**	-93.5%	-80.1%	-51.7%	-21.6%	**-53.0%**
Tax rate	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**
Percentage Change (Yr/Yr):																
Revenue	136%	-40%	-86%	-69%	-74%	-72%	560%	1336%	1675%	1042%	1046%	150%	150%	158%	154%	154%
Balance Sheet/ Cash Flow $M:																
Cash & ST Investments		$0.9	$0.8	$7.6	$16.9		$14.9	$10.2								
Debt		0.1	0.1	0.1	0.1		0.1	0.1								
Net Cash		$0.8	$0.7	$7.5	$16.7		$14.7	$10.1								
CFO	**(4.1)**	(0.9)	(1.0)	(1.6)	(2.7)	**(6.2)**	(1.2)	(4.1)								
Capex	**(0.1)**	(0.0)	(0.0)	(0.0)	(0.0)	**(0.0)**	(0.0)	(0.1)								
FCF	**(4.2)**	(1.0)	(1.0)	(1.6)	(2.7)	**(6.3)**	(1.2)	(4.1)								

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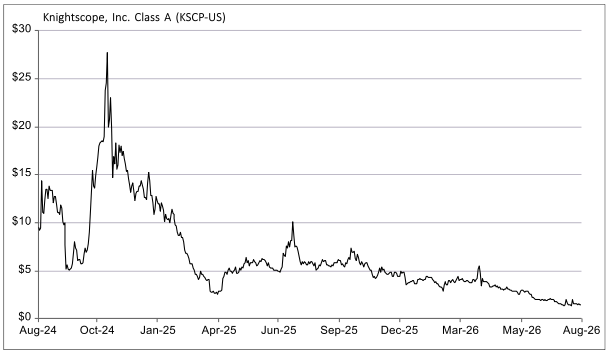

Source: Factset

Initiate: November 18, 2025 – Rating: Buy - Price Target: $9

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Buy rated stocks are expected to generate greater than 10% returns during the next 12 months. **Hold** rated stocks are expected to generate returns of 0% to 10% during the next 12 months. **Sell** rated stocks are expected to generate negative returns over the next 12 months and generally do not have a price target.

Information on our valuation methodology and risks can be found in the "Investment Thesis & Valuation" and "Risks" sections above.

RATINGS DISTRIBUTION

(as of June 10, 2026)

Rating	All Covered Companies (%)	Investment Banking Clients (%)
Buy	96.1%	22.6%
Hold	3.9%	0.0%
Sell	0.0%	0.0%

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