

## SIKULI CAPITAL

Conviction through contrarian research

# Unusual Machines (UMAC)

## Valuation Snapshot — Fair Value Range

As of May 20, 2026 | NDAA-compliant drone components manufacturer

CURRENT PRICE	PROBABILITY-WEIGHTED FAIR VALUE	FAIR VALUE RANGE
<b>\$13.66</b>	<b>~\$15</b>	<b>\$7 – \$25</b>
May 2026	Bull 25% / Base 50% / Bear 25%	Speculative; defense drone tailwind

**Verdict:** UMAC delivered Q1 2026 revenue of \$8.1M (+296% YoY) and net income of \$10.3M (aided by \$16.8M of investment gains)<sup>[1]</sup>. The company raised ~\$150M at \$17/share, ending Q1 with \$223M in cash and announcing the \$52M DroneNX acquisition. As a small-cap pure-play on NDAA-compliant drone components, UMAC has tailwinds from US defense / Section 889 enforcement. Needham PT is \$22. Margin pressure persists — Q1 operating result was loss-making excluding investment gains<sup>[2]</sup>. Bull case requires consolidation thesis to deliver scale; bear case reflects competition from Skydio and integrated drone makers.

## CURRENT SNAPSHOT

Metric	Value	Notes / Source
Stock price	<b>\$13.66</b>	<sup>[3]</sup>
Q1 2026 revenue	<b>\$8.1M (+296%)</b>	Sequential +65% <sup>[1]</sup>
Q1 2026 net income	<b>\$10.3M</b>	Aided by \$16.8M investment gains <sup>[1]</sup>
Cash	<b>\$222.9M</b>	Post \$150M raise at \$17 <sup>[1]</sup>
DroneNX acquisition	<b>\$52M</b>	Drone components consolidation <sup>[1]</sup>
Needham PT	<b>\$22</b>	<sup>[3]</sup>

## BULL / BASE / BEAR SCENARIOS

Scenario (weight)	Assumptions	Fair Value
<b>Bull (25%)</b>	Defense drone consolidation thesis works, NDAA enforcement accelerates, scales to \$50M+ run-rate	<b>\$25</b>
<b>Base (50%)</b>	Modest revenue growth, M&A integration, market cap ~ Needham PT	<b>\$15</b>
<b>Bear (25%)</b>	Drone competition heats up, margin compression, M&A	<b>\$7</b>

Scenario (weight)	Assumptions	Fair Value
	doesn't drive scale	
Probability-weighted	<i>Speculative small-cap defense play; binary execution risk.</i>	~\$15

### Key Risks

- **Customer concentration:** Small revenue base concentrates risk; key customer loss = material impact.
- **Margin profile:** Component reselling has thin gross margins; verticalization needed.
- **Competition:** Skydio, AeroVironment, integrated drone makers compete for defense dollars.
- **Dilution:** Capital raises continue; share count expansion ahead of earnings.

### What Would Change Our View

- **Upside:** Multi-year defense contracts, DroneNX accretive synergies, NDAA tailwinds.
- **Downside:** Customer loss, margin compression, additional dilution.

### Sources

[1] <https://www.stocktitan.net/news/UMAC/unusual-machines-first-quarter-2026-shareholder-gweyz30siac6.html>

[2] <https://simplywall.st/stocks/us/tech/nysemkt-umac/unusual-machines/news/unusual-machines-umac-margin-pressure-persists-as-loss-per-s>

[3] <https://finance.yahoo.com/quote/UMAC/>

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