

SWARMED: MAPPING THE SMALL-CAP DRONE ECOSYSTEM BEYOND THE PRIMES

As the war in Ukraine goes into its fifth year and the Strait of Hormuz reminds everyone that geopolitical risk can move from theory to trade route very quickly, we thought it was finally time to get smart on drones. What started as a morbid curiosity around cheap flying objects making expensive equipment, infrastructure, and defense budgets uncomfortable quickly turned into a broader small-cap exercise that went well beyond drones for offense coming from the primes. The more time we spent in the market, the more it became clear that the drone story is really a supply-chain story, a software story, a countermeasure story, and increasingly a peacetime productivity story. Drones are no longer being treated as a science project as governments around the world are naming programs and defining requirements that are reshaping procurement lines. Customers want systems that can be bought, trusted, manufactured, fielded, updated, and supported at scale and with speed. **For investors, that changes the screen, with the opening question becoming which companies occupy a defensible position in the supply chain and can support that position with qualified, repeat orders.** After doing our research on the segments and companies in this report, the themes below are the ones that emerged most consistently.

Blue UAS Certification is the starting line: The current story, as we see it, is one of reliability, speed, and price in that order. The Defense Contract Management Agency Blue UAS Cleared List is increasingly functioning as a procurement gate, with those in compliance a step faster than competitors at a reliability level that requires less oversight from buyers. A drone company can have a capable product and still lose if portions of the platform cannot clear sourcing and cybersecurity requirements with component manufacturers relying on NDAA compliance to put them on the short list for a Blue UAS project. That makes domestic manufacturing, trusted components, and supply-chain control much more strategic. Inventory also needs to be viewed through this lens, where lead times, component origin, and defense demand matter. Buying ahead can de-risk the supply chain and create a real advantage, as long as it converts into shipments rather than becoming a very expensive parts closet.

Counter-UAS turns the market into a permanent arms race: Every offensive drone that gets deployed creates another reason to defend against drones. That is why counter-UAS is not a side theme, but the mirror image of drone proliferation. All manner of sensitive locations need some mix of detection, classification, and neutralization, ideally with redundancies [Exhibit 2]. As hardware and software defenses improve, offensive capabilities improve as well. This is a cat-and-mouse market by design that has yet to reach an equilibrium. The durable companies will likely be the ones that can keep updating in the field, integrate into customer workflows, and make their software or threat libraries difficult to turn off or the ones like subsea robotics which are currently more concerned with conventional defenses like mines as opposed to other drones.

Fragmentation favors specialists: This market is crowded and growing [Exhibit 6], and most small drone companies are not going to out-Lockheed Lockheed or out-Boeing Boeing, which is fine. The better small-cap setups are working to own specific missions, components, or software layers where speed, niche capability, domestic supply, or field validation matters more than prime-contractor scale. Staying narrow can be the right strategy when combined with strong execution, appropriate partnerships, and an understanding of the sales process. The strongest platform stories are not simply *we build drones*. They are *we solve this mission, for a specific customer set, inside a procurement lane, with manufacturing and support*. In a fragmented market, focus is a feature in the short term. We do expect this market to evolve and consolidate over time as companies that today are partners on an RFP or platform derive synergies from M&A.

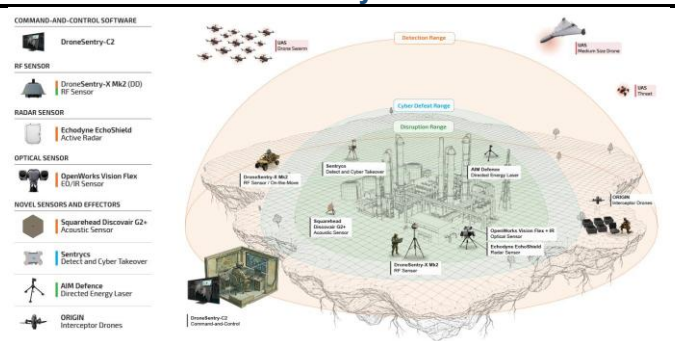
The tl;dr from our work is that the drone market is attractive, but not equally attractive. Recreational drones look mature, commercial growth still depends on regulation and workflow ROI, and many small companies will struggle to scale. To our eye, the opportunities sit where urgency meets a bottleneck. In small-cap land, the winners do not need to become primes. They need to be relevant enough, trusted enough, and focused enough to become part of the programs that solve problems both in the commercial domain and on the battlefield [Exhibit 9].

Even within the aerial market, drones operate across very different environments. Most civilian systems fall under Part 107, which generally governs aircraft weighing less than 55 pounds and limits normal operations to 400 feet above ground level. Military classifications extend from small tactical systems operating below

Category	Operating ceiling / nominal altitude (ft)
Part 107 small UAS	400 ft
DoD Group 1	1,200 ft
DoD Group 2	3,500 ft
DoD Group 3	18,000 ft
DoD Group 4	18,000 ft
DoD Group 5*	60,000 ft*

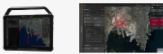
1,200 feet to large strategic aircraft that typically operate above 18,000 feet. Loitering munitions sit within this broader spectrum as weaponized unmanned aircraft designed to remain airborne until a target is identified and then strike it, combining elements of reconnaissance and precision-guided weapons. A recreational quadcopter, a tactical reconnaissance drone, a loitering munition, and a high-altitude surveillance aircraft may all be called drones, but they have little in common from a mission, customer, or procurement perspective.

Exhibit 2: Counter-UAS Layers



The response can take the form of a soft or hard kill. Soft-kill systems interfere with the aircraft without physically destroying it, often by disrupting the communications or navigation link. Hard-kill systems physically capture, disable, or destroy the aircraft through an interceptor, projectile, missile, or directed-energy weapon. The appropriate response depends on the threat, sortie economics, and operating environment. We believe the slide from DRO in exhibit 3 nicely illustrates this hierarchy of defense.

Exhibit 3: Counter-UAS Hierarchy of Defenses

DroneShield Solutions	LAYER 1	RF Detect & Defeat DroneShield Flagship Sensors & Effectors	
	LAYER 2	DroneSentry-C2 / C2 Enterprise DroneShield Software Ecosystem	
	LAYER 3	Core Extensions Radars / Optical Sensors / Specific Accessories & Kits	
DroneShield & Partner Solutions	LAYER 4	Situational Extensions Cyber / Acoustic / Seismic / Passive Radar / Kinetic Interceptor / Cellular / Satcomm / USV/UGV	
	LAYER 5	Soft Kill & Non-Kinetic Effectors High Power Microwave / Laser	
Not Offered	LAYER 6	Hard Kill & Kinetic Effectors Remote Weapons Stations / Explosive Interceptor / C-UAS Missile	

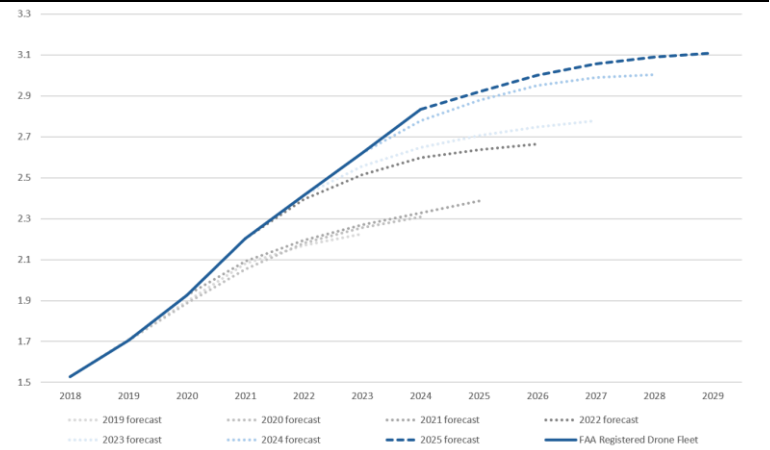
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Drones of the Past

The first drone market was largely civilian. Recreational flying, photography, racing, and retail sales introduced consumers to the technology, while commercial expectations centered on the idea that inexpensive aircraft would replace labor across a wide range of activities. Last-mile delivery became the most visible expression of that thesis, although much of the early commercial market remained closer to pilot programs than scaled operations.

The recreational drone market now appears mature, although it reached that point after developing more quickly than the FAA had anticipated. As shown in exhibit 4, the registered fleet exceeded each prior forecast vintage during the comparable historical periods. More recent growth has moderated, and the FAA's latest outlook suggests the recreational fleet is approaching a more stable level. The market should therefore be viewed as a large installed base entering maturity rather than an early adoption cycle that failed to meet expectations.

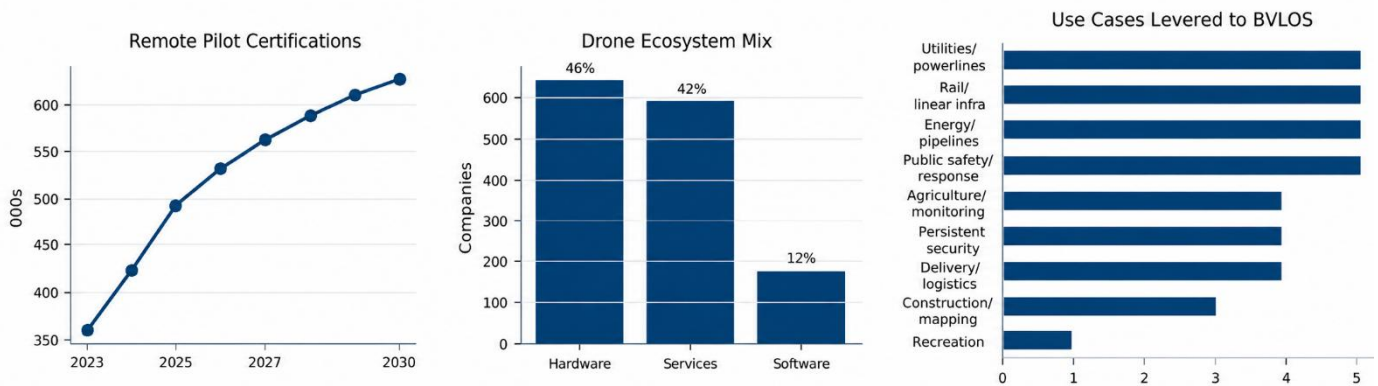
Exhibit 4: FAA Forecasted Recreational Drone Fleet by Vintage Year and Historical Actuals in Millions



Source: FAA

The commercial market has developed more gradually, but it continues to expand as drones become embedded in recurring operating workflows. Adoption has been strongest where aircraft can collect information more safely or efficiently than traditional methods, while more ambitious applications have remained constrained by regulation and operating economics. The distinction is less between a successful and unsuccessful civilian market than between a mature recreational market and a professional market whose growth remains tied to the ability to operate at scale.

Exhibit 5: Commercial Ecosystem



Source: FAA

Last-mile delivery illustrates both the limitations of the first commercial cycle and the possibility of a second one. Early programs showed that the aircraft could complete the mission, but visual-line-of-sight requirements, labor intensity, limited route density, and supporting infrastructure often made the economics difficult to scale. The technology was generally further along than the regulatory and operating model. As BVLOS approvals become more standardized, delivery may re-emerge as a more credible commercial use case, although adoption will still depend on route economics, local acceptance, and the ability to operate fleets efficiently.

Drone Industry Insights identified approximately 1,000 active companies and organizations in its 2018 market map and 1,413 companies in its 2026 edition, which we view as a useful indication that the market has broadened beyond the airframe and continues to experience substantial churn.

Our comparison with the cumulative enterprise-value growth of S&P 500 Aerospace & Defense companies is not intended to establish causality. It does, however, show that the most significant increase in sector value occurred as geopolitical risk and defense spending began to replace consumer adoption as the dominant market narrative. The drone ecosystem became larger and more varied, while investor attention shifted toward businesses connected to funded security requirements.

Drones of the Present

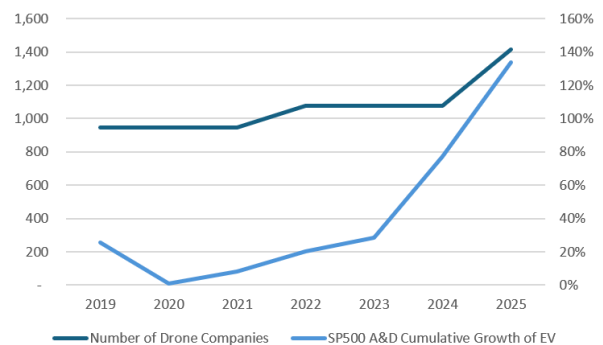
Defense is currently the more immediate source of demand across the unmanned-systems market. Recent conflicts have demonstrated that drones are no longer limited to specialized reconnaissance missions or isolated technology programs. They are increasingly incorporated into the way military forces sense, communicate, strike, and protect themselves, while the speed at which systems are modified in the field has shortened the distance between development and deployment. This shift is occurring within a broader defense-spending cycle, with global military expenditure reaching \$2.887 trillion in 2025, its eleventh consecutive annual increase, according to SIPRI.

The spread of armed medium-altitude, long-endurance drones provides one way to frame how broadly unmanned capability had already developed before the latest conflict cycle. As shown in Exhibit 7, these systems were operating across much of Europe, Asia, the Middle East, and Africa by 2022, with additional countries in the process of acquiring or developing them. In the U.S., this interest can be seen in the proliferation of named tactical programs. The Army's Short Range Reconnaissance program has entered Tranche 2 production, with Teal's Black Widow selected as one of the two systems intended for Transformation in Contact units. Separately, the Purpose Built Attributable Systems opportunity points to lower-cost, modular, open-architecture FPV systems for tactical units, with standardized interfaces and open-source software intended to reduce proprietary barriers.

The current market is also becoming more visible in government budgets. The FY27 U.S. defense request includes \$53.6 billion under Drone Dominance for autonomous-system procurement, domestic production capacity, and related capabilities. The individual categories extend beyond the initial aircraft purchase to include the systems required to defend against drones, sustain them in contested environments, and operate autonomous platforms collaboratively. Additionally, Blue UAS certifications are turning trusted sourcing from a feature into a gating item. DCMA's Blue UAS framework links platform and component access to NDAA compliance, cybersecurity review and government usability. For public companies, this makes the supply chain more strategic as platforms, components, and software can be advantaged or excluded based on sourcing and cyber posture, not only technical performance.

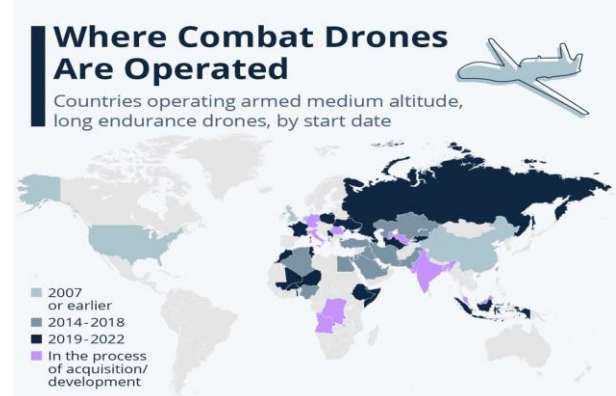
The counter-UAS market is developing alongside offensive and reconnaissance systems. The FY27 request includes \$14.4 billion within Drone Dominance for counter-unmanned systems and contemplates protection across more than 250 sites, reflecting a requirement that extends beyond deployed forces to the bases and infrastructure supporting them. Counter-UAS may be the highest-velocity submarket because the threat cycle moves faster than traditional air-defense procurement. MarketsandMarkets estimates the counter-UAS market will grow from \$6.64 billion in 2025 to \$20.31 billion by 2030, implying a 25.1% CAGR. The equipment may be

Exhibit 6: Growing Number of Drone Companies as A&D Enterprise Values Grow



Source: Droneii.com, S&P CapIQ

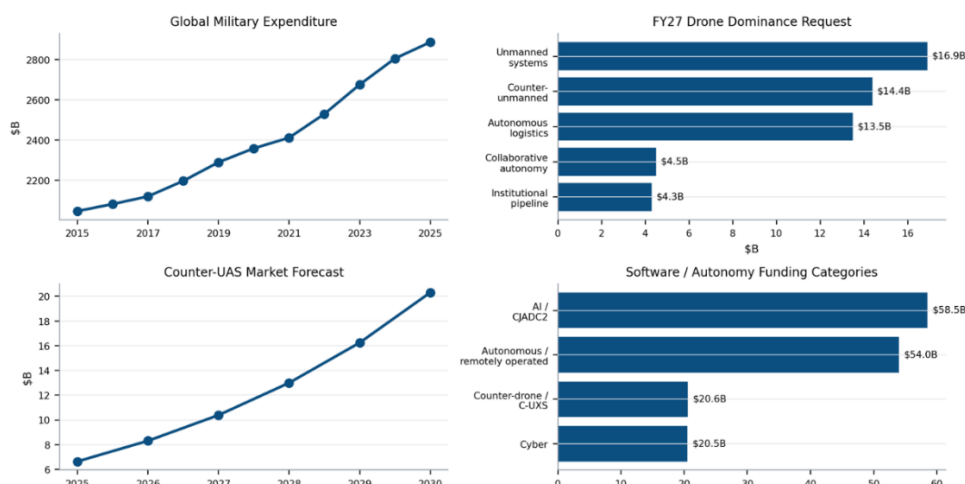
Exhibit 7: Drones in Combat



Source: ELS Company Slides

installed at a point in time, but the underlying threat continues to change, creating an ongoing need to update detection, classification, command-and-control, and defeat capabilities. This gives the segment a more durable operating profile than a one-time hardware sale would suggest.

Exhibit 8: Defense Demand is Moving Toward Funded Drone, Counter-UAS, Autonomy and Software



Source: SIPRI, MarketsandMarkets

This combination of spending, qualification, and battlefield use is broadening the market beyond companies that manufacture finished drones. Demand is reaching the suppliers that improve endurance, preserve communications, support autonomy, or protect against unmanned threats. The companies included in this report reflect that structure, with exposure distributed across the platform, component, software, and adjacent operating layers rather than concentrated solely in airframe production.

Drones of the Future

The next phase of defense adoption is likely to be defined less by the introduction of another drone and more by the ability to field large numbers of systems repeatedly. The FY27 budget places substantial weight on domestic production, contested logistics, and collaborative operations. In concert, the civilian market may also be approaching a second adoption cycle as the FAA's proposed Part 108 framework is intended to normalize certain low-altitude BVLOS operations by establishing a more consistent structure. The proposal remains subject to rulemaking, and current package-delivery operations still rely on Part 135 certification and exemptions or waivers, but a final framework could reduce one of the largest barriers to commercial fleet deployment.

The most credible commercial opportunities are likely to be those where aircraft must cover a broad area repeatedly and where maintaining direct visual contact with each drone undermines the operating economics. This helps explain why the professional market can continue growing even as recreational ownership matures. A more standardized BVLOS framework could allow proven applications to move toward larger operating networks.

Domestic counter-UAS authority is beginning to expand beyond federal agencies. A July 2026 interim final rule established separate training and certification pathways for detection-and-warning and mitigation activities conducted by authorized state, local, tribal, and territorial law-enforcement and correctional agencies. The structure suggests that civilian adoption may initially grow fastest around airspace awareness and coordination, while active defeat remains concentrated among properly authorized agencies.

The unmanned-systems market is also expanding beyond the air. The Navy's FY27 materials incorporate autonomous surface and undersea systems into future force planning, while the broader Drone Dominance request covers autonomous systems across air, land, surface, and subsurface domains.

Segment Overview

We have organized the drone and unmanned-systems market into four segments: Platform Providers, Components, Software, and Miscellaneous/Drone Adjacent. The following sections address each segment individually, outlining the fundamental considerations and broader throughlines we believe shape the category.

Platform Providers

Platform Providers sit closest to the finished-system layer of the drone market. These companies design, assemble, and support the deployable systems customers ultimately use to perform a mission, bringing together airframes, propulsion, sensors, communications, software, and payloads into a usable operating capability. If the drone ecosystem is viewed through the automotive metaphor, Platform Providers build the vehicle. The product customers see and purchase even though much of its performance depends on the technologies supplied underneath the hood. The companies included in this segment, such as Ondas and Red Cat, increasingly describe themselves as broader families of autonomous systems rather than manufacturers of a single aircraft.

That position offers meaningful upside when a platform is selected for a program, but it also places most of the execution burden on the platform provider. Developing a working prototype is only one step in a much longer process. Customers ultimately need systems that can move from concept to dependable, fielded capability, which requires navigating manufacturing scale, supply-chain reliability, integration with existing networks, and ongoing support. Progress through that path is often uneven, and delays at any stage can push revenue to the right. The stronger platform stories are therefore not simply companies that build drones, but those companies that solve a defined mission inside an established procurement lane and can demonstrate that capability through qualified, repeat orders.

Defense and government agencies remain the most prominent customers in this segment, particularly as the United States and allied nations formalize procurement pathways for a range of autonomous capabilities. Public-safety agencies and critical-infrastructure operators also represent meaningful demand, using platforms for surveillance, inspection, emergency response, and site security, while commercial adoption tends to occur where drones can clearly reduce labor costs, improve safety, or enable access to difficult environments. Across these end markets, customers are ultimately purchasing mission capability rather than a standalone aircraft. Platform providers that can consistently deliver that capability, integrate into existing workflows, and support systems over time are best positioned to convert initial deployments into sustained programs.

Components

Components companies supply the subsystems that determine how a drone performs, including batteries, sensors, communications equipment, processors, cameras, and other mission-critical hardware. If Platform Providers build the vehicle, Components companies supply what sits underneath the hood. Their products may be less visible to the end customer, but they often determine endurance, payload capacity, navigation, connectivity, and the ability to operate in contested or difficult environments. The companies in this segment include Amprius, Ouster, Mobilicom, and Unusual Machines, each of which provides technology that can be incorporated across multiple platforms.

The appeal of the segment is that a component supplier does not need a single airframe to dominate the market. A successful product can be designed into several platforms and benefit as production expands across the broader industry. Qualification can also create a degree of durability because replacing a critical component may require significant rework and renewed customer approval. That same structure can create concentration risk, however, as revenue may depend on the production schedule of a limited number of customers, while technical shortcomings or supply-chain issues can delay an entire platform.

The direct customers are generally drone manufacturers, defense contractors, systems integrators, and other equipment providers that incorporate components into finished platforms. Defense agencies may also influence

purchasing decisions by setting sourcing, cybersecurity, and performance requirements that suppliers must satisfy before their products can be used in approved systems. As adoption grows, component suppliers with qualified products and exposure to several platforms may participate in the market without assuming the full manufacturing and support burden carried by the platform provider.

Software

Software, Autonomy, and Connectivity companies provide the control and intelligence layer that allows unmanned systems to communicate, navigate, coordinate, and complete missions. If the platform is the vehicle and the components are the hardware beneath it, software is the operating system that determines how the system behaves. The companies in this segment, including Elsieht, Palladyne AI, and Swarmer, focus on areas such as resilient connectivity, autonomous control, swarm coordination, edge computing, and mission management across third-party platforms.

The segment becomes more important as customers move from operating individual drones toward managing fleets of autonomous systems. Performance must be proven outside a controlled environment, forcing software providers to integrate with several types of hardware while continuing to update their products as platforms and operating conditions evolve. The model can support recurring revenue and broad platform exposure, although integration work, testing, and procurement requirements can make adoption gradual.

Customers include drone manufacturers, defense primes, government agencies, industrial robotics providers, and operators that need to manage unmanned systems at greater scale. Defense demand is centered on secure communications, collaborative autonomy, reduced operator requirements, and performance in contested environments. Software becomes more valuable when it is embedded within the customer's operating workflow and can be used across a growing number of deployed systems.

Miscellaneous/Drone Adjacent

Miscellaneous/Drone Adjacent includes companies that benefit from the growth of unmanned systems but do not fit cleanly within the platform, component, or software categories. If the other segments represent the vehicle and the technology inside it, this segment captures much of the surrounding ecosystem, including counter-drone systems, subsea intelligence, training, aerial services, mission integration, and broader operational support. The companies in this section include AEVEX, DroneShield, Kraken Robotics, Volatus Aerospace, and EagleNXT, whose exposure ranges from direct drone operations to technologies and services that support or respond to unmanned-system adoption.

The segment is varied by design, but the common thread is that these companies monetize the deployment and operation of autonomous systems rather than relying solely on the sale of an airframe. Some provide the services, training, and mission support required to field drones effectively, while others address adjacent markets such as counter-UAS or subsea autonomy. These business models may combine equipment, software, services, and long-term support, which can create several sources of revenue but also makes comparisons within the segment less direct. Execution depends on the company's ability to establish a defined role within the broader ecosystem rather than simply maintaining a loose connection to drone growth.

Customers span defense agencies, public-safety organizations, critical-infrastructure operators, offshore energy companies, commercial enterprises, and other government users. Their requirements vary by application, but generally center on security, operational readiness, regulatory compliance, training, data collection, and lifecycle support. Counter-UAS customers need systems that can identify and respond to emerging threats, while subsea, inspection, and service customers are often seeking safer or more efficient ways to gather information in difficult environments. The companies best positioned within this segment are those whose products or services remain necessary as the number and complexity of unmanned systems increase.

Notable Companies

We have highlighted a group of micro- to mid-cap public companies that fall within the above categories and may provide investors with a starting point for identifying more direct drone exposure beyond the large-cap, conglomerate, and otherwise diversified companies typically associated with the sector. The companies listed are not intended to be exhaustive. Rather, they identify public companies we believe warrant further investigation, with more detailed company-specific overviews provided on the following pages. These company-specific overviews are designed to briefly show where companies sit within the value chain, how they monetize increased drone adoption, and which parts of the broader ecosystem they enable. Exhibit 9 compares the companies included in this report across the operating and financial metrics we view as most relevant, with particular emphasis on participation in the Blue UAS Cleared List or broader Blue UAS Framework, publicly disclosed NDAA compliance, and the visibility provided through formal financial or operating guidance. The framework is less directly applicable to companies in the Miscellaneous/Drone Adjacent segment, where business models and procurement requirements vary more widely.

Exhibit 9: Operating and Financial Comparison of Selected Drone Companies

as of 7/15/2026 in USD	Symbol	Price	Mrkt Cap	EV	LTM GPM	LTM R&D (% of Rev)	LTM OPM	Blue UAS	NDAA	Reported Backlog	Revenue Guidance
Platform Providers											
Ondas Inc.	ONDS	\$ 6.77	\$ 4,194.0	\$ 2,743.1	44.8%	32.0%	-89.5%	Yes	Yes	\$457M	FY26 - ≥\$390M
Red Cat Holdings, Inc.	RCAT	\$ 8.28	\$ 1,337.8	\$ 1,219.6	7.5%	41.1%	-149.2%	Yes	Yes	-	Short-/Medium-term annual target: \$150M-\$180M
Components											
Amprius Technologies, Inc.	AMPX	\$ 10.96	\$ 1,605.2	\$ 1,549.4	18.1%	12.4%	-23.4%	-	Yes	\$46.1M	FY26 - ≥\$130M
Ouster, Inc.	OUST	\$ 37.67	\$ 2,824.4	\$ 2,668.6	47.7%	37.5%	-41.2%	Yes	Yes	-	-
Mobilicom Limited	MOB	\$ 4.84	\$ 62.7	\$ 44.1	53.2%	145.6%	N/A	Yes	Yes	\$4M	-
Unusual Machines, Inc.	UMAC	\$ 18.23	\$ 892.8	\$ 612.5	35.1%	1.7%	-168.9%	Yes	Yes	-	-
Software											
Elsight Limited	ELS	\$ 5.28	\$ 1,172	\$ 1,110.3	76.5%	N/A	24.6%	Yes	Yes	\$12M	-
Palladyne AI Corp.	PDYN	\$ 5.16	\$ 252.3	\$ 219.1	32.0%	197.0%	N/A	-	-	\$24M	FY26 - \$24M-\$27M
Swarmr, Inc.	SWMR	\$ 37.68	\$ 449.2	\$ 426.3	19.6%	1613.7%	N/A	-	-	\$16.8M	FY26 Visibility - \$19.9M
Miscellaneous/Drone Adjacent											
AEVEX Corp.	AVEX	\$ 17.57	\$ 842.9	\$ 1,205.1	24.8%	3.2%	10.0%	-	Yes	\$503.1M	FY26 - \$600M-\$620M
DroneShield Limited	DRO	\$ 1.66	\$ 1,532.8	\$ 1,396.2	60.9%	20.9%	-1.7%	-	Yes	\$110.4M	FY26 Committed - \$113M
Kraken Robotics Inc.	PNG	\$ 4.38	\$ 1,465.6	\$ 1,415.6	60.8%	5.3%	11.1%	-	-	\$54.8M	FY26 - \$205M-\$226M
Volatus Aerospace Inc.	TAKOF	\$ 0.38	\$ 287.4	\$ 280.9	32.9%	1.6%	-49.7%	Yes	Yes	-	-
AgEagle Aerial Systems, Inc.	UAVS	\$ 0.79	\$ 46.3	\$ 13.8	48.2%	43.9%	-123.4%	Yes	Yes	-	-

Source: CapIQ, Company Reports

Platform Providers

Ondas Holdings (ONDS)

Ondas is building a multi-domain autonomous systems platform across drones, counter-UAS, ground robotics, loitering munitions, stratospheric ISR, and mission-critical connectivity. The company is best framed as a systems-of-systems autonomy platform rather than a single-product drone OEM.

Ondas combines autonomous platforms, defense acquisitions, World View's stratospheric ISR, Mistral's defense-prime access, and Palantir-enabled software integration. Its products and capabilities span aerial security, C-UAS, ISR, loitering munitions, ground robotics, mission connectivity, and command-and-control workflows. The differentiation is tied to platform breadth, acquisition-led scale, defense-prime access, and the ability to integrate sensing, autonomy, counter-UAS, and software-defined mission operations across multiple domains.

- Pro forma backlog expanded to \$457M, giving Ondas one of the clearest revenue-visibility stories in the public drone/autonomy universe if the company can convert backlog into deliveries.
- FY26 revenue guidance of at least \$390M implies Ondas is entering a step-change scale year; successful execution would validate the acquisition-led platform strategy rather than leaving the story as a collection of acquired assets.
- The Mistral, World View, and Palantir relationships are strategically important because they move Ondas beyond drone hardware into defense-prime access, stratospheric ISR, and software-defined mission workflows.

Red Cat Holdings (RCAT)

Red Cat provides defense-focused drone and robotic systems led by the Black Widow sUAS platform. The company is positioned as a U.S.-built defense drone platform provider with growing allied procurement traction.

Its portfolio includes Teal Drones, FlightWave, Blue Ops, Apium, and a pending Quaze acquisition, giving Red Cat exposure to tactical ISR, all-domain robotics, swarming autonomy, maritime systems, and wireless power. The core product angle is Black Widow, which management frames around combat validation, EW resilience, GPS-denied capability, endurance, range, and sensor-to-shooter relevance. Competitively, Red Cat faces larger primes and drone specialists, but differentiates through U.S.-built systems, field validation, defense focus, and an expanding family-of-systems strategy.

- Black Widow orders from NATO and Asia-Pacific allied customers indicate the platform is moving beyond U.S. program validation toward broader allied procurement.
- Gross margin improvement from deeply negative levels to positive double digits is important because it suggests early production issues are beginning to normalize as volume scales.
- Apium and the pending Quaze acquisition expand Red Cat from a tactical sUAS supplier toward a broader family-of-systems strategy, increasing the potential for software, swarming, wireless power, and multi-domain robotics revenue over time.

Components

Amprius Technologies (AMPX)

Amprius supplies high-performance silicon-anode lithium-ion batteries used in drones, defense platforms, electric aviation, and light electric mobility. The company is a picks-and-shovels exposure to drone adoption because battery performance directly impacts endurance, payload flexibility, and mission duration.

Its core products include SiCore and SiMaxx cells, which are designed to improve energy density, power output, and range versus conventional lithium-ion batteries. Amprius is particularly relevant to high-endurance UAVs and defense applications where battery weight and performance can determine mission effectiveness. Its differentiation is tied to silicon-anode technology, UAS customer validation, NDAA-compliant battery work, and a fab-light manufacturing model that supports scale without the same capital intensity as a greenfield battery plant.

- The DIU-Amprius contract for NDAA-compliant advanced drone batteries increased to \$18.1M, directly tying Amprius to secure domestic battery supply for defense UAS.
- Several longstanding Amprius customers received approximately \$500 million of new U.S. military orders, improving visibility into future pull-through demand for Amprius cells.
- FY26 guidance of at least \$130M in revenue and positive non-GAAP adjusted EBITDA would mark an important transition from advanced-battery validation to commercial scale.

Ouster (OUST)

Ouster provides digital lidar, cameras, AI compute, perception software, and sensor-fusion tools for robotics, industrial automation, smart infrastructure, mapping, automotive, security, and drone applications. Its drone relevance is as a sensing and perception enabler rather than as a drone OEM.

Ouster's technology can support navigation, obstacle detection, mapping, terrain awareness, and counter-UAS applications where precise 3D sensing is required. The Stereolabs acquisition adds camera-based perception, while the Rev8 product family adds native-color lidar, higher range and resolution, and functional-safety features. The company's differentiation is tied to digital lidar architecture, multimodal perception, software attachment, and a diversified customer base across industrial and smart infrastructure markets.

- Product revenue growth and more than 12,600 lidar/camera shipments show Ouster is scaling as a diversified sensing platform rather than depending on a single end market.

- Stereolabs and Rev8 are strategically important because they broaden Ouster from lidar hardware into multimodal perception, native-color sensing, AI compute, and software-enabled Physical AI.
- The ARGUS counter-UAS agreement gives Ouster a direct drone-security use case, expanding the set of potential security applications for Ouster's sensors.

Mobilicom (MOB)

Mobilicom provides cybersecure communications, datalinks, mesh networking, ground-control, electronic-warfare resistance, and cybersecurity solutions for drones and robotics. The company is embedded into drone OEM platforms rather than selling drones itself.

Its products include SkyHopper datalinks, ICE EW-resistance software, OS3 cybersecurity, and mesh networking systems. Mobilicom's role is mission-critical because uncrewed systems require secure, resilient communications in contested environments, particularly for defense, ISR, and autonomous platforms. The company differentiates through FCC Trusted Drone status, U.S. defense validation, Tier-1 design wins, and a hardware-first model that can create pull-through for higher-margin software and cybersecurity licensing.

- The \$2.2M of OPF-L orders tie Mobilicom to a U.S. defense Program of Record, shifting the story from design wins toward production-linked demand.
- Confirmed backlog and revenue visibility increased y/y despite Q1 timing pressure, supporting management's view that the revenue decline was procurement timing rather than demand deterioration.
- Four Tier-1 design-win / R&D partners and three Tier-1 customers in initial production give Mobilicom multiple paths to scale, while OS3 and ICE create potential higher-margin software pull-through.

Unusual Machines (UMAC)

Unusual Machines is a U.S.-based drone component and FPV ecosystem platform rather than a traditional full-airframe OEM. The company is positioned around domestic, NDAA-compliant supply for high-volume low-cost drone platforms.

Its products include Fat Shark FPV headsets, Rotor Riot drones and components, flight controllers, ESCs, motors, video systems, frames, cameras, and potential battery exposure through Upgrade Energy. UMAC sits at the component and supply-chain layer of the drone market, where U.S. defense and enterprise customers increasingly need trusted alternatives to foreign-controlled components. The company's differentiation is tied to U.S.-made products, Blue UAS exposure, FPV brand equity, component-level scale, and the ability to supply multiple OEMs rather than depend on a single winning airframe.

- Growth was supported by expanding enterprise demand and a deliberate capacity buildout, showing UMAC is moving beyond hobbyist FPV roots toward enterprise, defense, and OEM component opportunities.
- Headcount expansion from 81 to 141 during 1Q26, plus continued hiring after quarter-end, shows management is deliberately building capacity ahead of expected domestic drone-component demand.
- The Upgrade Energy transaction and U.S.-made production strategy could make UMAC a broader domestic supply-chain platform across FPV components, batteries, headsets, cameras, motors, and other high-consumption drone parts.

Software

Elsight (ELS)

Elsight provides resilient multi-link connectivity for uncrewed systems through its Halo platform. The company is a connectivity infrastructure supplier for unmanned systems, where secure and reliable links are essential for BVLOS operations, public safety, defense, and autonomous missions.

Halo bonds multiple communications paths to support command-and-control, video, telemetry, and real-time data transmission across drones and robotics. Elsieht's relevance increases as customers move from small-scale drone use toward persistent, networked, and mission-critical uncrewed operations. The company differentiates

through Halo's multi-path architecture, BVLOS relevance, Blue UAS certification, recurring connectivity revenue, and a product roadmap that now includes GNSS-denied positioning and the Stealth Initiative.

- Q1 revenue marked the fifth consecutive quarterly record, demonstrating that Halo adoption is moving beyond pilot activity into commercial and defense deployment.
- Blue UAS List certification is a major procurement unlock because it allows U.S. military units to buy Halo through a validated channel as a secure BLOS connectivity component.
- Recurring software, cloud, and connectivity revenue gives Elsie a path to evolve from hardware connectivity into a higher-visibility mission-connectivity platform.

Palladyne AI (PDYN)

Palladyne AI develops autonomy software, avionics, and related technologies for defense and industrial robotic systems. Its drone exposure is centered on SwarmOS, BRAIN avionics computers, and IntelliSwarm, which are designed to support collaborative autonomy, edge decision-making, and coordination across multiple unmanned platforms. Rather than relying on a single airframe, Palladyne is seeking to establish a platform-agnostic autonomy layer that can be integrated into third-party drones and robotic systems, while also supporting internally developed platforms and defense components.

The company is broadening its defense exposure through an exclusive agreement with Israel Aerospace Industries covering the U.S. manufacture and marketing of three loitering-munition platforms. The arrangement could expand Palladyne from autonomy software and avionics into domestic production, systems integration, and mission hardware. Palladyne also retains a separate industrial-automation opportunity through Palladyne IQ, providing a potential commercial revenue stream outside defense but requiring the company to execute across two distinct end markets.

- Reported backlog of approximately \$24 million, supported by \$12.5 million of recently announced contract awards, provides a measurable bridge to FY26 guidance, although revenue conversion is expected to be weighted toward the second half of the year.
- SwarmOS integrations with Red Cat and Draganfly platforms, AFRL HANGTIME activity, BRAIN follow-on orders, and participation in defense exercises provide several independent paths for validating the company's autonomy technology.
- The IAI agreement and initial deployment of Palladyne IQ 2.0 broaden the company's potential revenue base, while the principal proof point remains converting development programs, integrations, and demonstrations into repeat production orders.

Swarmer (SWMR)

Swarmer develops vendor-agnostic collaborative autonomy software for drone swarms and multi-domain robotic operations. The company is not a drone manufacturer; its value proposition is software that reduces the manpower bottleneck created by mass drone deployment.

Swarmer's software is designed to allow one operator to control large numbers of autonomous platforms in real time. The company's positioning is closely tied to battlefield lessons from Ukraine, where drone volumes have scaled faster than operator capacity and coordination tools. Swarmer is early-stage, but its differentiation is tied to combat validation, vendor-agnostic architecture, Ukraine battlefield relevance, and a focused software approach to swarm control and mission coordination.

- The Meta Bureau / SkyKnight contract is the first major public commercialization proof point, with more than 16,000 software licenses and potential value up to \$13.2M if upgrade options are exercised.
- Q1 revenue was still de minimis because legacy Ukraine deferred revenue wound down, so the investment case depends on converting battlefield validation into repeatable software-license revenue.
- Post-IPO cash of \$23.5M gives Swarmer runway to fund engineering, integrations, and customer deployments while it attempts to scale from operational validation to a commercial software model.

Miscellaneous/Drone Adjacent

AEVEX Corp. (AVEX)

AEVEX provides defense-focused uncrewed systems, ISR solutions, precision-strike capabilities, mission software, and aviation support. Within the drone ecosystem, the company is best viewed as a mission-solutions provider rather than a pure airframe OEM.

The business is organized around Tactical Systems, which produces modular unmanned systems, and Global Solutions, which provides aircraft modification, testing, ISR, C-UAS, and mission-support work. AEVEX's core relevance is in defense programs where customers need deployable systems, integrated payloads, software, testing, and sustainment rather than standalone drone hardware. Its differentiation is tied to U.S. government access, operational validation, rapid execution, and the ability to support mission outcomes across autonomous systems, ISR, and precision-strike use cases.

- Tactical Systems represented the majority of 1Q26 revenue and generated a 20%+ segment adjusted EBITDA margin, showing AEVEX is scaling a higher-value productized autonomy business rather than remaining a services-heavy aviation contractor.
- Funded backlog of \$356.6M as of March 31, 2026 - with management expecting approximately 93% to convert during the remainder of 2026, gives investors a measurable execution marker tied to delivery cadence and program conversion.
- FY26 guidance of \$600M-\$620M in revenue and \$88M-\$94.5M in adjusted EBITDA makes production execution the core equity proof point; sustained delivery would position AEVEX among the larger public defense autonomy platforms.

DroneShield (DRO)

DroneShield develops counter-UAS systems used to detect, track, identify, and defeat drone threats. The company sits directly on the other side of drone proliferation, where rising military, infrastructure, border, aviation, and public-safety drone threats are creating demand for layered counter-drone architectures.

Its portfolio includes handheld, fixed-site, mobile, vehicle-mounted, RF-sensing, electronic-warfare, and command-and-control products, including RfPatrol, DroneSentry, DroneSentry-X, DroneGun, and DroneSentry-C2. DroneShield competes against larger defense primes and integrated base-defense vendors, but differentiates through counter-UAS specialization, fielded systems, AI-enabled threat updates, product breadth, and a growing software layer. The key strategic angle is that each hardware deployment can expand the installed base for recurring software, threat libraries, sustainment, warranty, and support revenue.

- Customer cash receipts exceeded revenue in 1Q26 and operating cash flow remained positive, indicating that DroneShield's growth is translating into cash conversion rather than only booked revenue.
- SaaS revenue reached 6.9% of 1Q26 revenue, giving the company a credible path to move beyond hardware shipments toward software updates, threat libraries, sustainment, and recurring revenue.
- FY26 committed revenue and a large opportunity pipeline give DroneShield visible demand, but the real proof point is whether it can convert expanding global counter-UAS urgency into repeat orders, larger deployments, and sustained cash generation.

Kraken Robotics (PNG / KRKNF)

Kraken Robotics is a global marine technology company providing subsea intelligence solutions through advanced sensors, software, and integrated systems to defense, offshore energy, and ocean science markets. Kraken's subsea solutions and key offerings span sonar, navigation, positioning, imaging, power, communications, monitoring, and data analytics.

The Company's products are utilized on both crewed and uncrewed vessels, as well as ocean floor sensors for monitoring and communication purposes. The company benefits from growing naval demand for seabed intelligence, mine countermeasures, critical underwater infrastructure and port and harbor security, with commercial demand driven by offshore energy infrastructure, inspection and monitoring.

Competitively, Kraken operates in an industry with high barriers to entry, has established proprietary technology that is already embedded with leading defense OEMs and doesn't compete directly with its customers through its own vehicle unlike some of its direct competitors.

- Product orders reached approximately C\$110M in 2026, showing demand is broadening across subsea batteries, SAS, KATFISH, and maritime-defense applications rather than relying on one product line.
- The closing of Kraken's approximately C\$615M acquisition of Covelya materially expands the company's scale, product breadth, and customer reach, while Covelya's approximately C\$182M of announced 2026 orders highlights continued demand across key subsea technologies including navigation, positioning, communications, imaging, and sonar, supporting Kraken's evolution into a broader subsea intelligence platform.
- FY26 guidance includes only a half-year contribution from the Covelya acquisition, which closed on July 2, 2026. Focus will now shift to both execution against the base business and integration in order to compound growth in the combined business.

Volatus Aerospace (TAKOF/FLT)

Volatus Aerospace provides drone services, aerial intelligence, RPAS training, equipment, inspection, mapping, surveillance, and aviation support. The company is best viewed as a drone services and training platform rather than a hardware OEM.

Volatus serves commercial, public safety, government, and defense customers, with increasing emphasis on NATO-aligned training and ISR-related services. Its offering spans drone operations, equipment, training, inspection, mapping, surveillance, Drone Delivery Canada, Synergy Aviation, and defense-oriented training solutions. The differentiation is tied to aviation credentials, institutional training capability, defense pipeline development, and the ability to support customers across equipment, training, compliance, operations, and lifecycle services.

- Gross margin reached a record Q1 level of 35%, supporting management's view that training, services, and defense-related work can improve the revenue-quality profile versus lower-margin equipment sales.
- The delayed C\$4.5M NATO ISR training system tranche is a clean near-term proof point; delivery in Q2 would support the view that 1Q26 was timing-driven rather than demand-driven.
- Multi-year NATO-allied training opportunities could shift Volatus from project-based drone services toward more durable defense and training revenue, which would be the more attractive long-term model.

AgEagle Aerial Systems / EagleNXT (UAVS)

AgEagle, now doing business as EagleNXT, provides drone hardware, sensors, and software for mapping, surveying, agriculture, public safety, and defense-adjacent markets. The company is repositioning away from its historical agriculture-heavy identity toward defense, public safety, ISR, and domestic manufacturing.

Its key products include eBee TAC, eBee VISION, eBee fixed-wing systems, and MicaSense sensors. EagleNXT's near-term relevance is tied to U.S. Army traction, Blue UAS / NDAA-compliant positioning, and the new Allen, Texas production center. Competitively, the company faces larger drone OEMs and better-capitalized defense technology firms, but its differentiation is tied to the eBee platform, sensor heritage, U.S. production, government-channel access, and ability to package drones, sensors, and software for public-sector customers.

- Recent U.S. Army awards for eBee VISION create the clearest validation of EagleNXT's defense pivot, particularly as the company works to move beyond its historically uneven commercial-agriculture revenue base.
- The Allen, Texas production facility matters because domestic manufacturing, Blue UAS positioning, and U.S. Army procurement access are central to the company's repositioning.
- With 1Q26 revenue down materially y/y but cash of \$26.9M, the equity story is now less about the trailing quarter and more about whether Army traction, U.S. production, and channel access can normalize revenue by late 2026.

Appendix: Glossary of Drone / UAS Terms

This appendix defines the key acronyms, procurement programs, regulatory terms, operating concepts and drone-market language used throughout the report. Definitions are intentionally concise and report-focused.

Term	Definition
Attritable	A system designed to be affordable and replaceable enough that its loss can be accepted during operations. It is not necessarily intended for one-time use.
BLOS	Beyond Line of Sight. Communications or control conducted beyond the direct radio horizon, often through cellular, satellite, relay, or mesh links.
Blue UAS	U.S. government framework for evaluating UAS platforms, components, and capabilities for cybersecurity, supply-chain integrity, policy compliance, and government use.
BVLOS	Beyond Visual Line of Sight. Operations conducted beyond the pilot's direct visual range. Broader BVLOS authority is an important prerequisite for scaled commercial drone operations.
C2	Command and Control. The software, communications links, and interfaces used to direct unmanned systems and coordinate missions.
Collaborative autonomy	Coordination among multiple autonomous systems that allows platforms to share information, divide tasks, and respond collectively.
Committed revenue	A non-standard company term generally referring to signed orders or contract value expected to convert into revenue. It is not necessarily equivalent to funded backlog.
Counter-UAS / C-UAS	Systems used to detect, track, identify, classify, and potentially defeat unauthorized or hostile drones.
Datalink	The communications connection among the aircraft, operator, ground-control station, payload, and broader mission network.
Design win	Selection of a product for evaluation, integration, qualification, or use in a customer platform. It does not necessarily represent a production order.
EO/IR	Electro-Optical/Infrared. Visual and thermal sensors used for surveillance, targeting, navigation, inspection, and counter-UAS detection.
EW	Electronic Warfare. The use, disruption, protection, or exploitation of electromagnetic signals.
EW resilience	A system's ability to continue operating when communications or navigation signals are jammed, degraded, intercepted, or spoofed.
FPV	First Person View. Drone operation using a live video feed to fly from the aircraft's perspective.
Framework contract / IDIQ ceiling	A contract structure establishing terms and a maximum potential value. It does not guarantee orders equal to the stated ceiling.
Funded backlog	Contracted work for which funding has already been authorized. It generally provides greater visibility than unfunded backlog or a sales pipeline.
GNSS-denied	An environment where satellite navigation is unavailable, unreliable, jammed, or spoofed.
ISR	Intelligence, Surveillance, and Reconnaissance. Missions focused on collecting and distributing information about an operating environment or target.
LIDAR	Light Detection and Ranging. Sensor technology using laser pulses to measure distance and generate three-dimensional environmental data.
Loitering munition	A weapon system that can remain airborne while searching for or tracking a target and then strike using an integrated payload.
MALE	Medium-Altitude, Long-Endurance. A category of larger unmanned aircraft designed for extended surveillance, communications, or strike missions.
Mesh network	A communications architecture in which devices connect directly or through one another, providing alternative paths for data transmission.
NDAA compliant	Conformity with applicable sourcing and procurement restrictions contained in the National Defense Authorization Act. NDAA compliance does not necessarily mean a product is Blue UAS cleared.
Part 107	FAA framework governing many commercial small-UAS operations in the United States.
Part 135	FAA certification framework for air-carrier operations. Current U.S. drone-delivery programs generally require Part 135 authority together with applicable exemptions or waivers.
Part 108	Proposed FAA framework intended to establish more standardized requirements for certain low-altitude BVLOS operations.
PBAS	Purpose Built Attritable Systems. U.S. Army initiative focused on lower-cost, modular, open-architecture FPV systems for tactical use.
Program of Record	A formally established and budgeted government acquisition program. Participation does not eliminate competition, funding, or execution risk.
SAS	Synthetic Aperture Sonar. High-resolution sonar technology that combines multiple acoustic measurements collected as a platform moves to produce detailed images of the seafloor. It is commonly used for mine detection, seabed mapping, infrastructure inspection, and underwater intelligence.
SRR	Short Range Reconnaissance. U.S. Army program for small tactical drones providing soldiers with nearby battlefield awareness.
Swarming	Coordinated operation of multiple unmanned systems, often allowing one operator or software layer to direct several platforms simultaneously.
Threat library	A database of signal characteristics, behaviors, or signatures used to detect and classify known drone threats.
UAS	Unmanned Aircraft System. The aircraft together with its control station, communications links, payload, and supporting equipment.

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