

Mobilicom Ltd.

NASDAQ – MOB – sponsored ADS

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Elevating to an End-to-End Drone Security Provider– Reiterating Buy and Raising Target to \$11

Analyst: Barry M. Sine, CFA, CMT

- **Transformative Service Launch:** Mobilicom unveils the Secured Autonomy Framework at AUSA, positioning itself as a full-spectrum cybersecurity integrator for drone manufacturers. This elevates the company's strategy to deliver end-to-end secure autonomous solutions, addressing critical market gaps.
- **Strategic Partnerships Enhanced:** Complements alliances with DT Research, Aitech, ARK Electronics, and Palladyne AI, including the new PRO-AT product with Aitech. Expect expanded sales reach and upcoming announcements, driving revenue growth through broader market penetration.
- **Superior Cybersecurity Edge:** OS3 software employs behavioral analysis to counter real-time threats, outperforming traditional methods as seen in Anduril's U.S. Army testing challenges. Efficient, affordable, and versatile across drone types, it safeguards against hijacking and data breaches in military and commercial applications.
- **Market Opportunity and Expertise:** Leverages a decade of Israeli security experience against global threats, targeting key prospective customers like Anduril, AeroVironment, RedCat, PDW, and Skydio. Enables rapid, secure drone deployments amid U.S. military urgency, differentiating from less battle-tested competitors.
- **Valuation Upgrade and Outlook:** Raising price target to \$11 based on a 14x multiple of 2026 revenues, reflecting sector gains and warrant exercises bolstering liquidity.

Rating	Buy	Earnings Per ADS		Normalized to exclude unusual items			
Target Price	\$11.00	FYE - December		2024	2025E	2026E	2027E
Ticker Symbol	MOB	1H - June		(\$0.16)	\$0.00 A		
Market	NASDAQ	2H Dec.		(\$0.62)	(\$0.52)		
Stock Price	\$9.63	Year		(\$0.78)	(\$0.52)	(\$0.05)	\$0.63
52 wk High	\$11.02	Revenue (\$mm)		3.2	5.0	10.0	25.0
52 wk Low	\$1.14	FD EV/Rev		38.5X	24.5X	12.2X	4.9X
Fully Diluted Shares Outstanding:	12.7 M	EBITDA (\$mm)		(3.4)	(3.0)	0.2	8.8
Public Market Float:	12.0 M	EV/EBITDA		NM	NM	NM	13.9X
Avg. Daily Volume	542,276						
Fully Diluted Market Capitalization:	\$122.3 M						
Institutional Holdings:	58.9%						
Dividend Yield:	0.0%						

Risks/Valuation

- **Risk Factors:** Mobilicom provides highly secure military equipment to the U.S. and Israeli militaries as its end customers. As such, it is a target of the most prominent government and terrorist organization cyberattacks. However, cybersecurity is the company's business, and they have a proven track record. Another risk factor is that they may not be selected to provide their products to the major UAS programs for which they are competing.
- **Valuation:** We value MOB ADS on a multiple of revenue using the average revenue multiple of a large group of comparable companies.

Company description: Mobilicom Ltd. is an Israeli drone technology company offering a range of hardware and software products, as well as support and integration services. It has supplier relationships with some of the major drone defense contractors in the United States, Europe, and Asia, and all three of the major Israeli defense contractors.



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Elevating to an End-to-End Drone Security Provider

Yesterday, Mobilicom unveiled a transformative service initiative, the Secured Autonomy Framework, at the Association of the United States Army (AUSA) Annual Meeting in Washington, D.C. This offering positions Mobilicom as a comprehensive cybersecurity integrator for drone manufacturers, enabling them to leverage the company's proven expertise in safeguarding autonomous systems. By addressing a critical market gap in drone cybersecurity, this framework not only aligns with Mobilicom's strategic vision of becoming an end-to-end provider but also enhances its competitive edge in a rapidly evolving industry. We view this development as a significant catalyst for growth, prompting us to raise our price target from \$10 to \$11 per share.

Strategic Advancement Through the Secured Autonomy Framework

The Secured Autonomy Framework represents a pivotal evolution in Mobilicom's business model. Historically, the company has supplied discrete hardware components and software solutions to the drone sector. This new service integrates these elements into a holistic offering, allowing drone manufacturers with robust hardware platforms to incorporate Mobilicom's industry-leading cybersecurity capabilities without the need for in-house development.

This initiative complements Mobilicom's existing strategic partnerships with key players such as DT Research, Aitech, ARK Electronics, and Palladyne AI. A notable milestone was the recent launch of the PRO-AT product in collaboration with Aitech, which embeds Mobilicom's OS3 cybersecurity software into Aitech's A230 Vortex mini supercomputer. Aitech's extensive client base, including nearly all major Tier 1 defense manufacturers, is poised to significantly broaden Mobilicom's market reach. We anticipate forthcoming product announcements with other partners, as well as potential new alliances, further accelerating revenue diversification and penetration.

Addressing Critical Cybersecurity Needs in the Drone Ecosystem

Recent reports from outlets like *Breaking Defense* highlight the vulnerabilities in current drone technologies, exemplified by Anduril's challenges in passing U.S. Army cybersecurity evaluations. Issues such as outdated third-party software with known flaws underscore the broader risks in autonomous systems, where multiple vendor applications coexist akin to those on personal computers or smartphones.

Mobilicom's OS3 operating system stands out for its advanced behavioral analysis approach, which detects and mitigates cyber intrusions in real-time, rather than relying solely on signatures of known threats. Deployable at the fleet level via cloud infrastructure, at the edge on the drone itself, or in hybrid configurations, OS3 provides robust protection against unauthorized access and data breaches. For instance, it could have fortified Anduril's platforms by isolating vulnerabilities, even in unpatched applications.

The implications extend beyond military applications. Adversaries could exploit drone hijacking to repurpose assets against friendly forces—a threat that Mobilicom's technology actively counters. In commercial contexts, similar risks apply; for example, a compromised delivery drone could be weaponized in civilian settings. OS3's versatility ensures security across aerial, terrestrial, and aquatic drones, making it indispensable for diverse operational environments.

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Resource efficiency is a key differentiator: OS3 utilizes just 0.5% to 5% of a drone's computing power and memory. Pricing is structured as a modest percentage of the drone's overall cost (5% to 10%), mirroring Qualcomm's licensing model for smartphones, ensuring affordability even for compact, low-priced Group 1 drones. As an integrator, Mobilicom will test and certify complete platforms, incorporating its OS3 software alongside optional components like its Skyhopper secure radios or MCU swarm modules. It will test drone systems with their full suite of application software installed, ensuring that the entire system is secure. This enables manufacturers to focus on hardware innovation while Mobilicom delivers turnkey security, protecting against both current and emerging threats.

Strategic Launch and Market Opportunity

The debut of the Secured Autonomy Framework at the AUSA conference was strategically timed to maximize visibility among industry leaders and potential clients. Attendees included prominent drone manufacturers such as Anduril, Red Cat, AeroVironment, and Skydio—ideal prospects for Mobilicom's services.

Mobilicom's decade-long heritage as an Israeli drone security specialist, with real-world exposure to sophisticated threats from actors like Iran, North Korea, Russia, and China—including operations in Ukraine—provides unparalleled expertise. This contrasts sharply with Silicon Valley competitors, contributing to Mobilicom's superior performance in U.S. Army testing. By extending this know-how to partners, Mobilicom can expedite secure drone deployments, aligning with the U.S. military's urgent push to equip warfighters amid evolving geopolitical demands.

Risks and Considerations

While the framework's potential is substantial, key risks include reluctance from manufacturers who may underestimate cybersecurity needs or perceive U.S. military standards as insufficiently stringent to prioritize external solutions. Nonetheless, escalating global threats and regulatory scrutiny are likely to drive adoption.

Valuation and Price Target Update

We are increasing our price target on MOB shares from \$10 to \$11, maintaining the methodology from our September 2 initiation report. This applies a 14x multiple—reflecting recent appreciation in comparable drone stocks—to our 2026 revenue projection. The sector's average multiple has risen, supporting this adjustment and underscoring Mobilicom's undervalued position relative to peers.

Additionally, the recent surge in MOB's share price has positioned it above the strike prices of all outstanding warrants. We expect the company to report full warrant exercises in its next earnings release, strengthening its balance sheet to a fully funded status and enhancing share liquidity.

We believe that Mobilicom's Secured Autonomy Framework marks a strategic inflection point, transforming the company into a vital enabler of secure autonomous systems. With proven technology, expanding partnerships, and a timely market entry, MOB is well-positioned for sustained growth. We reiterate our Buy rating on MOB shares, as this initiative unlocks significant value in an industry where cybersecurity is no longer optional but essential.

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Mobilicom Ltd. Income Forecast

Fiscal years ended December 31	2022	2023	2024	2025E			2026E	2027E
				1H	2H	YEAR		
Revenue	1,616,612	2,193,791	3,180,565	1,450,561	3,549,439	5,000,000	10,000,000	25,000,000
Year-over-year growth	-35.0%	35.7%	45.0%	-10.3%	61.8%	57.2%	100.0%	150.0%
Total cost of revenue	610,012	902,006	1,348,711	653,381	1,446,619	2,100,000	3,800,000	8,750,000
As a percent of revenue	37.7%	41.1%	42.4%	45.0%	40.8%	42.0%	38.0%	35.0%
Gross margin	1,006,600	1,291,785	1,831,854	797,180	2,102,820	2,900,000	6,200,000	16,250,000
As a percent of revenue	62.3%	58.9%	57.6%	55.0%	59.2%	58.0%	62.0%	65.0%
Selling and marketing	1,738,918	2,088,200	1,965,426	903,353	1,455,158	2,358,511	2,358,511	2,830,213
As a percent of revenue	107.6%	95.2%	61.8%	62.3%	41.0%	47.2%	23.6%	11.3%
Research and development	1,773,245	1,936,802	2,127,409	1,274,687	2,125,313	3,400,000	2,552,891	3,063,469
As a percent of revenue	109.7%	88.3%	66.9%	87.9%	59.9%	68.0%	25.5%	12.3%
General and administrative	1,869,389	2,256,408	1,970,849	1,150,596	2,349,404	3,500,000	2,365,019	2,838,023
As a percent of revenue	115.6%	102.9%	62.0%	79.3%	66.2%	70.0%	23.7%	11.4%
Operating Income	(4,374,952)	(4,989,625)	(4,231,830)	(2,531,456)	(3,827,055)	(6,358,511)	(1,076,421)	7,518,295
Operating margin	-270.6%	-227.4%	-133.1%	-174.5%	-107.8%	-127.2%	-10.8%	30.1%
Government grants	641,233	197,041	187,718	101,493	98,507	200,000	200,000	200,000
Interest received	117,296	293,478	269,771	108,054	141,946	250,000	250,000	250,000
Foreign exchange	848,575	359,218	203,593	(49,114)	49,114	-	-	-
Fair value gains from financial liability	2,550,563	-	-	2,517,148	(2,517,148)	-	-	-
Finance costs	(10,217)	(14,734)	(27,052)	(90,258)	(9,742)	(100,000)	(30,000)	(30,000)
Fair value loss from financial liability	-	(330,209)	(4,251,756)	-	-	-	-	-
Pretax Income	(227,502)	(4,484,831)	(7,849,556)	55,867	(6,064,378)	(6,008,511)	(656,421)	7,938,295
Taxes	9,716	80,923	160,802	23,120	16,880	40,000	-	-
Tax rate	-4.3%	-1.8%	-2.0%	41.4%	-0.3%	0.0%	0.0%	0.0%
Net income to common	(237,218)	(4,565,754)	(8,010,358)	32,747	(6,081,258)	(6,048,511)	(656,421)	7,938,295
Net income margin	-14.7%	-208.1%	-251.9%	2.3%	-171.3%	-121.0%	-6.6%	31.8%
Diluted shares outstanding	664,158,704	1,328,152,166	1,670,912,794	2,069,708,742	2,069,708,742	2,069,708,742	2,344,708,742	2,344,808,742
Seq change	-	663,993,462	342,760,628	398,795,948	-	-	275,000,000	100,000
EPS diluted - continuing	(\$0.0004)	(\$0.0034)	(\$0.0048)	\$0.0000	(\$0.0029)	(\$0.0029)	(\$0.0003)	\$0.0034
EBITDA								
Operating income	(4,374,952)	(4,989,625)	(4,231,830)	(2,531,456)	(3,827,055)	(6,358,511)	(1,076,421)	7,518,295
Addback:								
Depreciation and amortization	217,985	233,984	252,524	124,393	125,607	250,000	275,000	300,000
Share-based compensation	189,499	610,303	610,395	541,197	2,558,803	3,100,000	1,000,000	1,000,000
Other	-	-	-	-	-	-	-	-
EBITDA	(3,967,468)	(4,145,338)	(3,368,911)	(1,865,866)	(1,142,645)	(3,008,511)	198,579	8,818,295
							2.0%	35.3%
Capital expenditures	3,152	12,760	26,926	13,565	26,435	40,000	50,000	60,000
Free cash flow	(3,970,620)	(4,158,098)	(3,395,837)	(1,879,431)	(1,169,080)	(3,048,511)	148,579	8,758,295

Source: Company reports and Litchfield Hills Research



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Mobilicom Ltd. Comparables

Ticker	Company	Price Last	Cap \$M	EV \$M	2024 Rev. \$M	2025E Rev. \$M	Growth vs. 2024E	2026E Rev. \$M	Growth vs. 2025E	EV/Rev. 2026E
MOB	Mobilicom Ltd. Sponsored ADR	\$8.37	122.34	122.34	3.18	5.00	57.2%	10.00	100.0%	12.2x
MOB	Mobilicom @ target price	\$11.00	160.79	139.75	3.18	5.00	57.2%	10.00	100.0%	14.0x
AMBA	Ambarella, Inc.	\$72.88	3,111	3,030	285	380	33.3%	410	8.0%	7.4x
AVAV	AeroVironment, Inc.	\$392.29	19,588	19,597	821	1,999	143.6%	2,325	16.3%	8.4x
DCO	Ducommun Incorporated	\$91.14	1,360	1,587	787	827	5.2%	893	8.0%	1.8x
DPRO	Draganfly Inc	\$12.01	65	49	5	7	43.2%	16	137.5%	3.1x
DUOT	Duos Technologies Group Inc	\$8.49	165	202	7	28	284.6%	40	43.2%	5.0x
KSCP	Knightscope, Inc. Class A	\$6.29	64	61	11	11	3.5%	15	34.2%	4.1x
KTOS	Kratos Defense & Security Solutions, Inc.	\$94.63	15,973	15,718	1,136	1,308	15.1%	1,547	18.3%	10.2x
ONDS	Ondas Holdings, Inc.	\$9.22	3,219	3,789	7	27	277.0%	79	189.8%	48.2x
PDYN	Palladyne AI Corp.	\$8.29	348	345	8	5	-33.5%	7	44.2%	46.3x
RCAT	Red Cat Holdings Inc	\$13.12	1,548	1,587	5	72	1391.0%	146	102.6%	10.8x
TDY	Teledyne Technologies Incorporated	\$567.44	26,606	29,314	5,670	6,065	7.0%	6,390	5.4%	4.6x
UMAC	Unusual Machines Inc.	\$13.37	407	384	6	11	95.2%	28	153.5%	13.9x
Average							188.7%		63.4%	13.7x
MOB vs. Comps at current price									1.58x	0.90x

Source: Company reports and Litchfield Hills Research



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