

January 20, 2026



XTI Aerospace CEO Letter to Shareholders

ENGLEWOOD, Colo., Jan. 20, 2026 /PRNewswire/ -- XTI Aerospace, Inc. (Nasdaq: XTIA) ("XTI Aerospace," "XTI," "we," "our," "us," or the "Company"), an aerospace technology company focused on building and scaling its newly acquired subsidiary, Drone Nerds, LLC ("Drone Nerds") and its comprehensive unmanned aircraft system ("UAS") platform for enterprise and government customers, today released the following letter from the Company Chairman and CEO Scott Pomeroy to shareholders.



Dear Shareholders,

As we enter 2026 and I reflect on the past year, 2025 will most certainly be remembered as a pivotal year of transformation for XTI Aerospace. In November, we announced the execution of a strategically transformative acquisition—one that fundamentally reshapes our focus, strengthens our financial stability, and recalibrates our strategy. Our acquisition of Drone Nerds for approximately \$40 million catapulted us into the rapidly evolving U.S. domestic enterprise, government and defense drone markets. We gained proven capabilities, deep customer relationships, and a platform aligned with national priorities. With revenues in excess of \$100 million for 2024, the purchase price represents multiples of less than 0.4 times 2025 annualized revenue.

THE DRONE NERDS ACQUISITION

The acquisition of Drone Nerds has immediately transformed who we are and our near-term focus.

Who is Drone Nerds and what do they do?

Founded in 2014 by Jeremy Schneiderman and his business partner Alex Nafissy, Drone Nerds is one of the premier providers of enterprise drone solutions, services and hardware in the United States. Built with a deep understanding of the complex and rapidly evolving

drone ecosystem, Drone Nerds' UAS programs help thousands of businesses throughout the United States integrate drone technology solutions into their operations in the areas of: public safety, construction, energy and utilities, real estate, manufacturing, media, logistics, agriculture, mining, inspection services and government, to name a few.

Through a broad network of original equipment manufacturer ("OEM") relationships, authorized dealerships, and direct customer engagements, Drone Nerds continuously evaluates industry platforms, new market entrants, capabilities and mission suitability. This enables the team to objectively match the right combination of products from manufacturers such as DJI, Quantum Systems, Parrot, Inspired Flight, EagleNXT, and many other equipment and software providers with each customer's specific operational requirements.

Equally critical to driving growth and maintaining long-term relationships is Drone Nerds' expanding aftermarket support, which includes certified repair services for virtually every OEM, routine repair, maintenance and fleet sustainment. This end-to-end approach ensures customer drone fleets remain operational, compliant and mission-ready.

Why did this transaction make so much sense?

Most importantly for XTI, the acquisition of Drone Nerds is immediately transformative. We have strategically repositioned from an aerospace company focused primarily on our development stage aircraft in the vertical take-off and landing (VTOL) sector to an industry leader in arguably one of the fastest-growing, most disruptive and most strategically important segments of modern aerospace - drones. Drone Nerds, an XTI Company, is positioned at the most important nexus between numerous and varied drone solutions and customers' commercial or missional needs. In fact, Drone Nerds may be one of the best positioned drone companies in the U.S. today to navigate the fast evolving market dynamic seemingly influenced on a daily basis by advancements in technology, new entrants and ever-changing regulations.

By moving immediately into a situation where we expect to generate in excess of \$100 million in revenue annually with positive earnings and positive cash flow from Drone Nerds' operations, based on historical performance, we have completely transformed how we are thinking about the business. Given Drone Nerds' current leadership position in the industry and its tremendous future growth opportunities, we will be focusing most of our near-term energy and resources into the expansion of this incredible platform.

Our rationale for this transaction was further validated by the recent private placement investment into XTI by Unusual Machines Inc. ("UMAC"). Adding the trusted National Defense Authorization Act ("NDAA")-compliant UAS component manufacturer as one of our strategic investors brings additional value and potential to the Drone Nerds purchase.

Finally, and critical to the transaction, was our agreement with Jeremy and Alex to transition to XTI and continue to lead Drone Nerds' day-to-day operations. Combining the industry-recognized deep sector experience that the Drone Nerds' team has demonstrated with the wide-reaching strategic relationships and experience of XTI positions us to capitalize on numerous opportunities. We will intentionally extend our focus in commercial enterprise solutions, expand our current government footprint and reach into defense and national security applications, as we create durable value for customers and stakeholders.

LIMITS ON FOREIGN-MADE DRONES AND IMPLICATIONS FOR XTI AEROSPACE/DRONE NERDS

Effective December 22, 2025, the Federal Communications Commission ("FCC") added foreign-made drones and components to its Covered List identifying them as equipment that poses "unacceptable risks to the national security of the United States and to the safety and security of U.S. persons." Equipment on the Covered List is prohibited from receiving new FCC equipment authorization. Without authorization, manufacturers cannot legally market or sell new drone models or affected components in the United States. The FCC emphasized that the action applies primarily to future hardware. (A January 7, 2026, update to this notice removed some specific drones and components from the Covered List.)

The impacts of the FCC actions are significant and far-reaching. The majority of new drone models and critical components are currently manufactured in foreign countries, including those from DJI and Inspired Flight, are now prohibited from receiving new FCC equipment authorizations. This effectively prevents these manufacturers from launching future products into the U.S. market.

Drone Nerds has been preparing for this eventuality and has actively established sources for U.S.-made alternatives. The FCC's ban also covers foreign made "critical components" including data transmission devices, flight controllers, batteries, and motors. The company's relationship with UMAC, with its NDAA-compliant manufacturing capabilities, serves as a strong mitigant to address this potential threat.

These recent FCC actions and other regulations were promulgated to protect national security and ensure data privacy and are intended to accelerate a shift away from foreign-sourced drone solutions paving the way for U.S.-made solutions. This transition will likely bring with it significant uncertainty and compliance risk. Because Drone Nerds serves as a trusted advisor to its customers, our solutions-driven business model is designed to navigate such complexity and objectively evaluate evolving domestic platforms, capabilities, and regulatory requirements so that customers can continue to confidently meet their mission objectives. With its certified credentials, OEM-agnostic approach, and deep operational experience, Drone Nerds will further entrench itself as one of the primary "go-to" resources in the United States for enterprise, government and defense or defense-adjacent customers.

CAPITALIZATION

XTI's market cap was less than \$10.0 million when I last wrote to you on April 1, 2025. Last Friday, January 16, 2026, our share price closed at \$1.88 per share and our market cap was nearly \$65.0 million. While we have made progress, I would suggest there is much work to be done as we look to further unlock the substantial shareholder value that is yet to be realized.

As a result of the recent shareholder approval at our annual meeting held on December 30, 2025, of the issuances of common stock upon the conversion of the Series 10 Convertible Preferred Stock that we issued to UMAC in a private placement. As of January 16, 2026, our capitalization table reflects the following:

Shares Outstanding 12/31/2025	32,786,816
UMAC Conversion (4.99%)	<u>1,721,980</u>

Total Common Shares Outstanding	34,508,796
UMAC Pre-Funded Warrants	15,307,735
Class B Units (Common – Drone Nerds)	6,524,576
Total Restricted Shares	21,832,311
Warrants - \$2.00 cash exercise	23,572,300
All Other Warrants	1,641,117
Stock Options ⁽¹⁾	17,445,746
Total Fully Diluted Shares Outstanding	99,000,270

(1) 6.8 million of these options are vested. Of the 6.8 million vested options, 2.8 million of the options are in the money.

FINANCIAL IMPACT IN 2026

In 2026, we will drive value from our strengthened financial foundation while selectively pursuing nearer-term revenue opportunities.

On January 14, 2026, XTI filed a Form 8-K that included unaudited financial statements for Drone Nerds for the nine-months ended September 30, 2025 and 2024 and unaudited proforma condensed combined financial information giving effect to the Drone Nerds acquisition as of and for the nine months ended September 30, 2025. The proforma results reflect Drone Nerds' historical operations and demonstrate a relatively lower revenue year-over-year alongside a meaningful improvement in gross profit. The revenue decrease primarily reflects lower sales volume from the intentional reduction in big-box retail activity, with a growth in sales to the enterprise channel. The improvement in gross margin was driven primarily by successful price increases across several channels, supported by broader market acceptance of this higher pricing amid disruptions in global import flows in the period. These factors combined to improve gross profit during the period. The majority of the financial impact from these actions has been realized.

As we enter 2026, our focus is on maintaining financial flexibility and appropriate liquidity while supporting initiatives consistent with our operating strategy. Our current cash position provides flexibility to execute on our near-term strategy, as we continue to align the operating cost structure with our gross profit profile to support cash flow stability. Incremental near-term liquidity needs may be addressed through potential warrant exercise. We recognize the importance of disciplined capital allocation and strive to minimize shareholder dilution while driving growth.

Our historic aircraft program is a core asset for XTI Aerospace. However, given the capital-intensive nature of advanced aircraft development and our commitment to financial discipline, we are reducing the program's spending profile to the lowest practical level while preserving its underlying intellectual property, engineering progress, and certification capabilities. In 2026, our focus is on strengthening XTI's financial foundation with Drone Nerds, while evaluating non-dilutive funding and strategic opportunities that can best unlock the value of the aircraft program for shareholders.

CONCLUSION

Following the Drone Nerds acquisition, XTI Aerospace is on a new trajectory with greater resilience, clarity and capacity for sustainable growth. Drone Nerds is a recognized domestic

leader in the high growth and evolving UAS market, and we anticipate the new FCC limits on foreign-made drones and components will be a driver for continued growth. As we turn XTI's focused attention to Drone Nerds, we expect to benefit significantly from an established, high-quality near-term revenue source, an expanded team with deep UAS knowledge that leverages our existing aerospace and strategic expertise, our realigned cost structure and our focus on disciplined capital allocation.

We believe 2026 will demonstrate the strategic value of the steps we have taken, as we integrate Drone Nerds into our business and maintain strong financial guardrails.

We look forward to sharing our progress going forward and especially encourage your participation in our upcoming town hall.

Sincerely,

Scott Pomeroy
CEO
XTI Aerospace

About XTI Aerospace, Inc.

XTI Aerospace, Inc. (Nasdaq: XTIA) is a U.S.-based aerospace company focused on building and scaling market-leading capabilities in the unmanned aircraft systems (UAS) sector. Through its wholly owned subsidiary Drone Nerds, XTI operates one of the largest enterprise drone platforms in the United States, delivering end-to-end solutions that include aircraft selection, fleet deployment, training, maintenance, and lifecycle support for commercial, public safety, government, and defense customers.

Founded in 2014, Drone Nerds has established a national footprint and a reputation as a trusted solutions provider across industries such as public safety, government, agriculture, construction, insurance, energy, and infrastructure. Its proprietary Always Flying™ program supports enterprise customers with reliability, uptime, and operational assurance as they deploy drones in mission-critical environments.

In addition to its UAS business, XTI Aerospace maintains a portfolio of advanced aviation and technology initiatives. This includes XTI Aircraft Company, which is developing the TriFan 600, a next-generation fixed-wing aircraft designed to combine the vertical takeoff and landing capability of a helicopter with the speed and range of a conventional airplane. XTI also owns Inpixon, a provider of real-time location systems (RTLS) technology used by industrial customers worldwide to optimize operations, improve productivity, and enhance safety.

Together, XTI Aerospace's operating companies position the firm at the intersection of unmanned systems, advanced aviation, and intelligent infrastructure, with a growing focus on scalable, compliant, and revenue-generating solutions for customers across the aerospace ecosystem.

For more information about XTI, please visit xtiaerospace.com and follow XTI on LinkedIn, Instagram, X, and YouTube.

Cautionary Statement Regarding Forward-Looking Statements

This press release contains certain "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Exchange Act. All statements other than statements of historical fact contained in this press release, including without limitation, statements about the products under development by XTI Aerospace, the advantages of XTI Aerospace's technology, and XTI Aerospace's customers, plans and strategies are forward-looking statements.

Forward-looking statements may be identified by words such as "believe," "continue," "could," "would," "will," "expect," "intend," "plan," "target," "estimate," "project" or similar expressions. These statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied. Such risks include, but are not limited to, risks associated with XTI Aerospace's ability to integrate Drone Nerds successfully, market adoption, regulatory requirements, supply chain conditions, technological development and changes in applicable laws or regulations. XTI Aerospace undertakes no obligation to update any forward-looking statements to reflect subsequent events or circumstances. Readers are encouraged to review the risk factors described in XTI Aerospace's filings with the U.S. Securities and Exchange Commission, including its most recent Annual Report on Form 10-K and subsequent filings.

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