

05-Feb-2026

XTI Aerospace, Inc. (XTIA)

Investor Meeting

CORPORATE PARTICIPANTS

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MANAGEMENT DISCUSSION SECTION

John Ramstead

Executive Director, Hangar X Studios

Hello. Good afternoon and thanks everybody here for joining us and I'm John Ramstead with Hangar X Studios. And I'll be moderating today's XTI Aerospace's Town Hall. So we appreciate everyone taking the time to participate. Today's call is intended to really expand on the themes outlined in our recent shareholder letter that we sent out and to provide some additional context around the company's strategic direction and our execution priorities.

So before we begin, I'd like to briefly call your attention, you'll see here on slide 2 some disclaimers we've got to put up here. And this contains XTI's Safe Harbor statement. We'll have it up here in a second. Today's discussion may include some forward-looking statements that involve some risks and some uncertainties and actual results may differ materially, so please refer to the company's filings with the SEC for a more complete discussion of these risks. So our discussion this afternoon is going to focus on a deeper dive on Drone Nerds and how this acquisition has completely reshaped XTI.

So first, we're going to be talking about how Drone Nerds' proven unmanned aircraft systems capabilities, deep customer relationships and platform aligned with national priorities around security, resilience and advanced aerospace technology support XTI's growth objectives. Second of all, today we're going to talk about the scope of the drone market and competitive advantages XTI has now and intends to build on going forward.

Third, today we're going to have a recap of XIT's financial status and plans for some disciplined financial management going forward. And fourth, we're going to be really diving into the UAS growth road map, including plans to expand its current government footprint, reach further into defense and national security applications. And so with that, also, please, the Q&A is live. If you have any questions at all during this, put them in there. Our team is gathering those, we're going to – at the end of this, we're going to probably spend, I don't know, between 20 and 30 minutes going through this and we're going to – we've left a good half hour to address and answer your questions.

So with that, I'm going to turn this over to XTI Aerospace's Chairman and CEO, a good friend of mine, Scott Pomeroy, to begin today's discussion. So, Scott, I'll turn this over to you.

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

Great. Thanks, John. Well, first of all, let me express my gratitude for everyone who's joined us this afternoon. I know this is the end of a long day for many of you and probably a lot of other things you could be doing and spending an hour with us, but I do appreciate that effort. I'm hoping that this is a valuable time for you as we open up and talk a little bit more, as John just talked about. But two weeks ago or so, I sent out a letter to shareholders and talked to, in that letter, talked about the importance of the Drone Nerds acquisition, why it mattered, why we did it, what it was all about.

And today, I hope to unpack that a little bit more for you and also provide some financial context with it. And as John indicated, we really are interested in the in the Q&A, so we'll be leaving a significant amount of time at the end for you and we really want to hear from you from your questions and we'll leave the time for that.

Little bit of technical difficulty here. Okay. Got it. All right. Would not be an event without technical difficulty. So first and foremost, as I noted in my letter to shareholders, the importance of leadership and securing the leadership from Jeremy Schneiderman and Alex and the team at Drone Nerds was important to us. And with Jeremy's addition to the senior team, we really have rounded out the team.

We spent a lot of time in 2025 making sure we put the right folks in place. The backgrounds are varied and significant as we look at the next phase of the company. Deep drone experience, we also have autonomous flight engineering capability, M&A and operations, in particular, around scalable businesses and manufacturing and aerospace, particularly in the tech and software arena. This team is very well positioned to move into the next phase.

Okay. As I noted, in the acquisition of Drone Nerds in November was truly defining for us. It's changed our focus, our priorities and our resource allocation. You know, as noted, we were built on VTOL expertise, but what does that really mean? Well, what it really means at the end of the day is that it's embedded in our DNA, the element of vertical flight, whether that's design, development, manufacturing, we have the DNA of vertical.

Now the foundation of all things vertical is drones. It's the ultimate in vertical flight. It's really autonomous flight on a spectrum of payload, speed and range. So for us, this was a very natural, very logical step given the current and developing drone marketplace. You know, it gave us market relevance today, revenue and profitability today, significant growth opportunity today. And now we find ourselves operating the leading drone platform in the United States. So what does that really mean?

Well, first of all, I'd start with the fact that it positioned us at the nexus between OEMs and customers, an important integrator role that I'll speak to consistently throughout the next few minutes as I highlight the real market position that Drone Nerds enjoys. We are in the exalted position of evaluating drone solutions and bringing those solutions to the customers based on their articulated missional need and objective. It involves a number of elements that I'll get into when I talk about the business model, but suffice it to say, we have a very unique position that we occupy in the marketplace today as value is increasingly shifting to outcomes away from just simple manufactured hardware.

As a consequence of that, we've established a flywheel, or it's been established between hardware and high margin, sticky, sustainable services revenue. That flywheel is really powered by our dominant scale, our expertise, and our longevity in an increasingly fragmented market. That's scale of our platform has really positioned us to consolidate effectively and we are in a good position to look at, just be very discriminating and looking at verticals, geographies and various technologies that are evolving, meeting customer needs that we are uniquely aware of.

Again, this notion of somewhat agnostic approach to the market with drone solutions positions as well as the military is increasingly looking for commercial solutions to incorporate into a military use case. And we have a unique position as well as a unique insights into what the market is currently capable of and what's coming from an innovation standpoint.

And of course, all of this is wrapped in financial discipline and transformations like this demand a disciplined, cost structure, focused management of cash flow, effective forecasting and understanding of your business, really bringing together the notions of austerity and growth, understanding the natural tensions that lie between those two, those two positions. I guess my message here today is that the transformation is well underway.

In evaluating the drone enterprise market, let's begin by looking at the current competitive landscape. Now number one, it's probably a lot of names here that you don't recognize first and foremost. But you've got the supply chain that begets the OEM or manufacturing that ultimately finds itself in the sales channel and aftermarket support. That's your entire landscape of the drone ecosystem today. We've come a long way since the hobbyist market, as you see, increasingly the number of participants that are entering the market. But what defines some of these areas?

On the supply chain side, it's largely foreign in nature. Few of the exceptions are noted here. One who's then our partner on the financing side Unusual Machines has done a nice job of establishing itself as a leader in the supply chain business even in this, the aftermath of the drone dominance. Appointments here recently Unusual Machines stands ready to benefit from some of the evolving military sales that are going on. But there are very few US-based participants. It's largely foreign in nature. They enjoy no real scale today. They're rapidly growing but are also burdened by regulatory overhang in all of those cases.

The OEMs. What I point out there is, first and foremost, again, foreign dominated. The US is while we aspire to dominance in the US, the reality is we find ourselves far behind foreign OEM providers today, in – to highlight the Chinese, in particular, whether it's DJI or Autel. They have had a historic, significant advantage and we are in a position of trying to play catch up here in the US. So we've got foreign dominance, we've got supply chain dependencies.

Channel reliant. One of the elements that defines the manufacturing channel is that in in very few cases, the OEMs have direct relationship with the customers. They operate through intermediaries like a Drone Nerds. They are not – they are single product oriented and focused in large measure, highly fragmented and also regulatory burdened. That's really the definition of the state of manufacturing today.

Then I get to enterprise solutions, which is where Drone Nerds plays today. And as a dominant leader in the space, we enjoy a significant position at a national level across the country and bring to our customers solutions and a very what you'll probably note is under competed segment of the market. We bring innovation and extension of our knowledge and education of the customer base. The sale tends to be consultative in nature.

And then aftermarket support, it's the consequence of a solutions based go-to-market strategy. When we talk to our customers, it's not just about the solution, it's about how do I support that solution. How do I bring about the aftermarket support of that fleet, how do I ensure maximal fleet uptime, et cetera? So as I look at this and I look at the evolving ecosystem, really we are at a point in time where value is beginning to migrate from customer-owned outcomes away from manufacture-driven products.

So global drone adoption is accelerating. I think we can all agree with that. As enterprises and governments move away from experimentation to scalable deployment. Again, we've come a long way from the hobbyist

market that that we knew and we're now, where we're now seeing drones in almost every facet of life today. It's one of the things we see at Drone Nerds, in particular, as we solve problems with drone technology.

As the largest enterprise solution provider, one of the things of note is that we occupy only 1.5% of the market. You know, I did a little bit of math here as I was contemplating the growth chart and if we merely held serve relative to our current market share, we would be at \$2.4 billion in revenue by the end of 2034. So market growth is significant, it's accelerating, but I will consistently argue that durable value is going to be harnessed by those who harness integration, compliance and outcomes on behalf of customers.

So I've made the point and I'll break this down a little bit further that the market, the OEM landscape is highly fragmented. You've got dozens of manufacturers competing across narrow forms – narrow form factors and use cases, hardware first and relying on indirect channels.

So from a regulatory standpoint disrupted and all of that fragmentation leads to a lack of enterprise scale optionality. But when you look at where the winners are going to come from and as the market matures, fragmentation shifts the value away from manufacturers to integrators that can unify platforms into scalable solutions and that's really what we've looked to do at Drone Nerds with our end-to-end solutions. The life cycle support is critical to our ultimate value proposition. We're optimizing for the mission, not for the model. And as the drone markets transitioning from hardware led experimentation to enterprise scale deployment without the value is shifting from OEMs to integrators that are integrating, providing compliance information and operational outcomes.

So where do we play, where do we win at Drone Nerds, this slide provides a very succinct summary of that question. We are the integrator. Whether it's aircraft accessories, it's evaluation of payloads gets it's looking at software fleet management or aftermarket service and repair. There's a virtuous cycle of insights that moves from OEM to customer and back through drone nerds as that that intermediary, that integrator that sits at the nexus capturing value as we interface with customers bringing solutions that solve the problems that they've, that they have brought to us.

Okay. So as I promised, what does all this mean financially? How should you think about us as we go through this, this financial transition? What does the strategic shift mean when it comes to revenue, profitability, cash flow, capital plan? We try to capture that here in one slide. So we're coming out today and providing guidance that 2026 we will have – we will be looking at \$160 million in revenue or better, that's a 30% increase over 2025 or more. Our burn will move from a negative roughly \$3 million that you've heard me talk about in the past for the aircraft program to over almost \$2 million positive. Our head count will stay relatively stable post Drone Nerds transaction and we expect to end the year around the same cash flow as we started the year. So ultimately, what that translates to is monthly cash flow, positive monthly cash flow being achieved by end of year and no capital raises for working capital for the company.

From a sources and uses of cash, what does that look like? So a couple of highlights here. This is a low CapEx business. You don't have any meaningful CapEx that will be expended over the coming year. The debt service that's noted here is really a function of the transaction debt that we incurred. That debt will be paid off by the end of 2026 and we will be left only with an ABL facility. This also, this chart also notes that as a consequence of the transaction with Drone Nerds, we funded out of equity. We covered the ABL that had been in place by previous bank. We needed more, more flexible terms with a larger bank and that is virtually the term sheet is in hand, the definitive agreements mostly negotiated and we expect that to be completed here soon.

From a capitalization standpoint, this is our, our effort to be truly transparent with you, this has all been available publicly, but as I published in my in my letter and we've reiterated here, we wanted to make this easy for you. This is – we sit today at about \$34.5 million shares outstanding, you see the pre-funded warrants that were issued to UMAC as part of the transaction. The Class B units, by the way they are they are exchangeable one for one and they are the units that were issued to the Drone Nerds ownership as a consequence of the transaction. And then you see the warrant and option shares at the various weighted average prices there.

How are we going to achieve the growth plan? Well, first and foremost, a holding chair, just to put it into context, half of our planned growth comes from just holding share. Additional growth for us comes from a focus on both organic and M&A. As I indicated, we've got a perfect platform for tuck-ins and for using this as a buy and build in the areas of expanding our verticals, expanding our geographies.

This is a – the team knows the opportunities for us very well and we will be looking at those in the coming weeks and months. From an organic standpoint, you've already seen that we've been out there with a number of different product additions to our baseline products. We're constantly looking at the mixes, one of the benefits of being the largest in the industry is we can be very discerning about our – the products that come into our product line. It's a very rigorous process and we say no to many more than we say yes to, to get into the mix. It is a privilege for OEMs when they find their way into the channel that Drone Nerds manages on their behalf and we're constantly looking at the mix.

The verticals are always moving and shifting. So whether it's public safety or agriculture or infrastructure, et cetera, we're constantly looking at opportunities and verticals. As I noted earlier, this is a constant evolution. Customers bringing to us opportunities. We in turn take those opportunities to various OEMs and bring a solution back. Sales team expansion will be evaluating and looking at evolving the capabilities of the sales team as any good organization as always, sales organization is doing. And then the services side, on the M&A, we've got tremendous opportunities in underserved with underserved opportunities like extended warranty services. We don't – the company currently doesn't offer any finance plans for customers. There are great opportunities there for us as well.

Finally, when it comes to opportunities with regard to the military, the largest customer I would argue out there is the US federal government. So where are we there? I get asked that question a fair amount. I mentioned this notion that we have a great visibility into the full spectrum of opportunities that are out there in the OEM world. The military has come out and said they are increasingly interested in what they call COTS or commercial off-the-shelf. Products, they want to incorporate market or commercial-based products and adapt them for military usage. Because of our visibility into the entire ethos and landscape that's out there, we provide an extraordinary opportunity for the military to work with us on group 1 through group 3 opportunities that they may be looking for from a COTS standpoint. So I would expect more to come from us on all of that.

Okay. And wrapping it up, I think we can all agree the market's large, it's growing and it's fragmented. The OEMs and its value is shifting from hardware to solutions. Enterprises and government customers need trusted partners to integrate, operate and future proof their drone program as tech and regulations evolve. Finally, companies that own those customer relationships fulfill that integration role, focus on outcomes for the customer are positioned well to take advantage of this shifting value.

Finally, what I would say is, is the future's unlimited for XTI at this point. With a healthy outlook on revenue, cash flow and costs, with opportunities that exist in the area of both growth through acquisition as well as organic growth. Taking our current leadership position and expanding that to ensure dominance in the role of enterprise solutions, we are in a great position as we lean into 2026 and beyond. We're excited about the future, excited

about what this transition means for us and really invite you as investors or potential investors to give us a really good hard look.

Okay. John, over to you.

QUESTION AND ANSWER SECTION

John Ramstead

Executive Director, Hangar X Studios

A

Right. Hey. Thank you everybody. The questions have been coming in quickly and we're here to answer your question. So please, in the Q&A, you can ask your question there, also in the meeting chat. There's an option that goes to hosts and panelists and Scott and I can see those and we're going to be pulling those in. So please add your questions here. We're going to get to everything that we can and whatever we can't get to, we're going to end right on time here today, but anything we don't get to we'll be sending something else out and answering all those questions.

So, Scott, there was – I'm going to kind of put this one here together, because there was a number of questions that came in around this topic and it's that you mentioned more than \$160 million in revenue for 2026 from that \$110 million number. So what are the key assumptions behind the growth and what gives you confidence you can deliver against that?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Well, the key assumptions are around looking at the business today, the current pace of our sales process, the nature, the mix and the makeup of the revenue. We've got a good launching point coming out of 2025, the growth is while significant, not extraordinary in our opinion. So we have been able to hold share. This is a business that's not nascent, right. We have been around a long time and have been in this position and growing for a long time.

So when we look at some of the changes being made, you know, the acquisition opportunities, you know, we haven't really broken down the, the nature of the growth percentage but a reasonable percentage will come through acquisition. But most of that is still organic in nature and it stems from the expansion into various verticals that we have got a – we've invested in we've got the sales channel beefed up for and we're focused on as a business.

So this is a bottoms up build. This is what our team believes can be done and so this isn't ethereal pie in the sky. This is a classic rigid process of building budgeted perspective of revenue growth.

John Ramstead

Executive Director, Hangar X Studios

A

Awesome. And, Scott, here's a question that comes from Drone – from Phil, sorry. Does Drone Nerds currently offer – have any offerings around drones as a service, drones in a box and if so, what verticals are they in and is this, if not, is that an area of future expansion?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Yes. Fabulous question. Today, Drones as a service, drones in a box neither one of those are offerings that Drone Nerds provides. They are definitely areas of growth. We have a small investment in a drones in a box company that Drone Nerds made some time ago. In anticipation of this evolving area, we are probably at that inflection point now where it's going to gain some legs. The perspective of Jeremy and the team was the market wasn't quite ready, but that is – that has really evolved at this point to where we believe drones as a service and drones in a box are something that you will likely see us forge into – in the coming months.

John Ramstead

Executive Director, HangarX Studios

A

Right. Next one here is from [ph] Randall (00:30:48). He asks did XTI or Drone Nerds submit to Phase 1 of the DoD Drone Dominance Program competition that was recently announced and if not, why not?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

We did put forth several potential options. We were not down selected as part of that process. So it's something that we are going through the debrief and post-mortem on that now, understanding why not but expect us to be in Phase 2, expect us to be very active in any of the Drone Dominance programs that are out there.

John Ramstead

Executive Director, HangarX Studios

A

Okay. And then next one from [ph] Brent (00:31:34), looking at the financials from Drone Nerds, they posted strong gross margins in recent quarters, I was wondering how sustainable those margins are as volume scales, especially if DJI access tightens and domestic sourcing becomes more important.

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Well, I would suggest that – we're not giving guidance on margins at the moment, but let me provide a little color, okay. You know, DJI is part of our lineup of solutions that we provide to our, our customers. We typically will provide multiple options and our and we work with our customers to select the option that meets the additional need best at the best cost, the most effective cost price point.

In DJI's case, you can imagine from their size globally, they occupy a pretty substantial portion of our business that we do today. They and they probably have the tightest margin constriction just because of their size. So when you move away from some of the large dominant players in your portfolio, one could expect the margins to loosen and improve because your larger dominating OEMs are going to have more influence.

Now because of our relationship with customers, because of the service offerings that we bring, we actually have more leverage given our scale and pricing leverage than the average company would have. So we enjoy a little bit better position, but a good mix as we shift into more US-based OEMs likely improves our position over time.

John Ramstead

Executive Director, HangarX Studios

A

All right. Scott, here's a good question from [ph] Frank (00:33:39), just talking about cash flow. You mentioned moving from negative \$3.8 million a month, up to a positive \$1.9 million by the end of 2026, can you explain some of the key drivers and timeline for breakeven?

A

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

Yeah. I'd like to stay away from exact timelines right now, but some of the key drivers are number one, you noted that we sold off our Inpixon business. This morning, we made that announcement, that was a very intentional move. That eliminated a significant burn rate for the company. We've reimagined the entire cost structure of the of the historic legacy aircraft business.

As we look at other strategic opportunities for us with that piece of the business, that saw us move on, on head count, on eliminating positions and streamlining the business. It's a complete realignment of the cost structure to meet the needs of the revenue and it's been an effective means of relooking at the business. By the way, part of that is also the fact that we're not having to go to the market and raise capital on a consistent basis, that's expensive, expensive money. And so from a professional services standpoint, we – it's costs we don't have to incur and that we've historically had to incur.

So it's a myriad of things, all built. We worked very hard as a team to pivot very quickly to address those, those cost concerns and consideration. So we feel very good about our, our forecast there. But I'll stay away from exactly when that flips and turns at the moment.

John Ramstead

Executive Director, HangarX Studios

A

All right. Perfect. Then a couple questions here, Scott, on the TriFan and its pivot. So the first one comes from [ph] Donald (00:35:42), just what's the status of the XTI TriFan 600 program customer reservations and then another similar question was how many of those total employees are dedicated currently to TriFan development?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

So the TriFan is, as I indicated, we're reimagining the – we've reimagined the cost structure while we go through a strategic evaluation of the business. So it's in – it's preservation of the IP and it's future. We're looking at that. We'll have more to say about that in the future, but it's really about ensuring we can find a way to align the development of that business with the appropriate capital structure that it has. So we'll look at a number of different alternatives with the business and when we're comfortable and confident, as to what the direction is, we'll have more to say about that. But for the time being, it is effectively been put on a diet, significant cost diet and we are – while we go through that evaluation process.

John Ramstead

Executive Director, HangarX Studios

A

Right. Here's kind of a follow-up to that from [ph] Bruce (00:37:08). You said I invested in XTI based on the VTOL prototype and strategy. You kind of answered part of this, but are you abandoning that strategy and should I be concerned? So I think this might be a lot of questions around this, Scott, so maybe you can just kind of put a little more color on that.

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Yeah. Look, we believe in the whole vertical space. As I said, the drones are foundational to that. There are ways in which we can leverage our engineering capability that that bring opportunities in the drone space to our Drone Nerds platform in the way of engineering and development of potential aircraft, in particular for the military and others that will ultimately benefit the long-term benefit the aircraft. But right now, the focus of the business is on

where we can generate the significant value for shareholders and that's a longer-term proposition that that really demands a longer-term strategy for it.

John Ramstead

Executive Director, HangarX Studios

A

Right. Perfect. And this one comes from [ph] Kathy (00:38:21). She asked how unique and defensible is the Drone Nerds enterprise platform if major OEMs decide to sell directly in enterprise and government customers and who are the main competitors to you now in the drone business?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Well, I mean, the interesting thing is, is that from a competitor standpoint, you know, we have very few really, if any that have the broad-based truly full agnostic approach to the market that we do. You've got some vertical players, like in the area of agriculture or in the area of public safety, for instance, that might have some penetration in those specific verticals.

But when you look at verticals writ large, nobody really has the positional power that we do across a wide spectrum of solutions that, that customers are looking for. So it's really an exalted position for us to have and a position of leadership and dominance that Drone Nerds has enjoyed and it gives us such a wide swath of exposure to the broad market.

As it relates to OEMs and whether they chose to start going direct, part of why they haven't and why I don't think they will is the complexity of the solution. Building a sales channel that's consultative in nature is both expensive and complicated. You're bringing solutions and I think as I outlined the business model before, it's not just about the hardware configuration that you're bringing to the market, it's about the software, it's about the aftermarket support, it's about all phases.

When our customers come to us, they want to know, how am I going to keep the fleet active and in service? How are you going to replace drones that go down on me? How are you going to move through repair and maintenance? In some cases, we've got a mix of product that's solving the problem. So we're solving an overall missional objective and OEM is solving a single product objective and that's why they've chosen not to go direct. Could they in the future? Sure. I would advise against it just because of the proposition. We're getting the benefit of scale as we build this sales organization.

John Ramstead

Executive Director, HangarX Studios

A

Yeah. Awesome. And kind of a follow-up on that – follow-up question from [ph] Brent (00:41:09). He said in the shareholder letter that you recently released, you said capital and focus are shifting toward Drone Nerds. Can you clarify what percentage of XTI's operating budget in management attention is now directed toward Drone Nerds versus VTOL over the next 12 to 24 months?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Look, other than to reiterate what I've said is that our focus is on the revenue-generating capability of the drone business. I probably am not going to go into a breakdown of how many people do what. Suffice it to say that when I'm saying our priorities are focused on the revenue-generating capability, it doesn't – it's not a stretch to say to the extent we're successful with drones, we create a strong revenue stream and a profitability stream to look at

other opportunities within the portfolio. And that's what we're focused on is, is looking to be able to fund some of these opportunities out of our current operations without having to go to the market for working capital.

John Ramstead

Executive Director, HangarX Studios

A

And here's a question from [ph] Rex (00:42:25). He said, outside of Drone Nerds and the acquisition strategy there, are there other acquisitions that XTI is looking at?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Many and varied would be my answer.

John Ramstead

Executive Director, HangarX Studios

A

Okay. Many and varied. All right. Let's go to, where is this – this is from I think it's from [ph] Dilou (00:42:46), any planned actions to restore shareholder confidence address dilution concerns such as renewed commitments to buybacks, reduced future equity raises or other value-accretive steps, Scott?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Yeah. So, good question. Obviously there's a – it's no secret, there's a history here of how we've raised capital. Part of sharing some of the guidance here is to provide insight into the fact that our days of coming to the market to raise money for working capital are there circumstances where we might. I'm loath to say absolutely never, but under my watch, that would be a very, very high bar for us to look at. If we're looking to the market for anything at this point, it's going to be around accretive acquisitions. And, you know, part of providing the guidance around cash flow and the capital markets that we did, or our capital strategy that we did, is to provide shareholder shareholders some comfort that we are not going to be raising money for working capital.

John Ramstead

Executive Director, HangarX Studios

A

Okay. Perfect. This next question, Scott, comes from [ph] Carol (00:44:02). She said, you mentioned Drone Nerds is not a product company, but a platform. Can you please elaborate?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

So as a platform, we represent product alternatives and we – I, kind of, think of us as the last mile for the benefit of customers. We're looking at all of the intricate technologies capabilities, whether it's the hardware platform, whether it's the derivative ancillary payload in the form of sensors or cameras or whatever that payload might be, we help the customer put those pieces together to solve their issue that they've presented to us.

They come to us with a missional need and objective. We then bring the right the right mix of hardware, software, flight controls and ultimately wrap around that a fleet management program, service and repair program, a replacement program, whatever it might be that is in a particular interest or need to the customers. That's really outside the scope and purview of a single product that's, you know, the OEMs tend to focus on hardware that they that they produce or sensors that they produce or camera technology that they produce. We take and operationalize those products.

John Ramstead
Executive Director, Hangar X Studios

A

All right. Let's see here. Next question here and this is from [ph] Kurt (00:45:36). How does NDAA compliance in recent FCC-related restrictions on foreign drones translate into a sustainable competitive advantage, rather than a temporary tailwind or drag on the drone business overall?

Scott A. Pomeroy
Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Great question. So the more regulatory burdened the industry becomes, the more relevant and important we are and is simple statement. Because we have to help our customers navigate that compliance factor, whether it's NDAA compliance, specifically, whether these components are blue list compliant, the average customer, the average business doesn't know they hear that, but they don't know what that means and they don't know whether they're in compliance with their drone program or package or not. So we provide insights to them as part of the overall solution to keep them, to keep them compliant and really satisfy their need to really not have to care about that.

From a sustainability standpoint, this shift has the opportunity to be a significant boon for somebody like, like us at Drone Nerds, because as you move away from foreign dominance into US-based manufacturing. As I said earlier, that mix shift likely improves margins for us overall, given the lack of leverage that some of the current larger manufacturers that are foreign in nature enjoy. Now, if it doesn't happen, we have good relationships there with those particular OEMs and are a significant part of their strategy. So from a sustainability standpoint, we win if it becomes heavily burdened, we win if it becomes unburdened. And we enjoy the benefits either way.

John Ramstead
Executive Director, Hangar X Studios

A

So here's an interesting one from [ph] Melissa (00:47:51), Scott. He said, can you explain the discrepancy between your stock price and companies such as Unusual Machines, UMAC or Red Cat?

Scott A. Pomeroy
Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Yeah. What a great, what a great question. If I had that answer, I'd likely would not be sitting here. So I might turn that answer around and ask the investors can you help me understand why a company that that has over \$100 million in revenue in the drone space enjoys a very leveraged position with its with its with its position and with the significant growth and capability isn't valued significantly higher than it is. I think it's probably one of the greatest dislocations I've seen in the, in the market maybe ever in my career. And, and that's I'll try to avoid being the whiny CEO that says his company is undervalued. Because I get it, every one of us say that, but I do think there is a demonstrable evidence to suggest that we are woefully undervalued relative to the market comps.

John Ramstead
Executive Director, Hangar X Studios

A

You know, there's a number of people that have asked what we expect our stock price to be by the end of the year and I'm going to just let that answer cover that, Scott. But here's a here's a follow-on and this is from [ph] Steve (00:49:17), as you execute the 2026 growth plans, what financial metrics, other milestones should we as investors be paying attention to compare XTI relative to other public drone and aerospace companies?

A

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

Well, I mean, certainly our overall operating performance and results. You know, one of the things that you see in other drone companies is that they give guidance around revenue and then they talk about revenue that the profitable revenue that will cover their operating divisions or units or subsidiaries. And then they talk about their overall corporate overhead and they talk about when they're going to get the cash flow breakeven at the corporate overhead level.

Many of these guys that are showing significant revenue are still not profitable. What we're suggesting through our guidance is we're going to be profitable at the holding company level and we're going to ultimately and we're going to be at a position where we can – we're sustainable from a cash flow standpoint. So we will cover the administrative costs of operating this business with this business and so that is something you should be looking for.

Now that's an evolution. We're coming from a position of having to pivot and bring the cost structure down. We're making big moves and dents into that. But that will evolve through the year, that's why we're giving annual guidance, not quarterly guidance at the moment, but we'll continue to talk about revenue.

Certainly, each quarter, we'll give you some color around that revenue. We'll be doing segment reporting, so we're looking at – even under SEC guidance and regulations, what are the right segments for us to report on. We're moving Drone Nerds from a public or private company into a public setting. So there are some things that we're in process of evaluating exactly what the guidance will be and the breakout of the revenue, but look for that. And then certainly metrics like revenue per employee, that's a very classic metric. That's in this space that you can use to evaluate us against others.

John Ramstead

Executive Director, Hangar X Studios

A

Okay. And then kind of a comment and a question from [ph] Robert (00:51:46), from what I see, we're looking at growth in the long term, I've invested for the duration, would also like to see some short-term growth in a positive direction. Will we be seeing positive cash flow in the near future as well?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

Well, in my world, the near future is over the next year. So it's part of our guidance. We've certainly indicated that so I guess the simple answer to that question is yes, you will see that in the near term.

John Ramstead

Executive Director, Hangar X Studios

A

All right. And this is a question from [ph] Clint (00:52:20). He said you talked about growth coming from expansion of Drone Nerds Enterprise business and getting into military. Can you talk more about the military strategy and how XTI wins in that space?

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

A

So you always look to first and foremost leverage your strengths, right. And I mentioned this in the presentation that that the military is very, very focused right now on opportunities with regard to commercial off-the-shelf solutions. They increasingly want to move away from R&D efforts. They've not moved away from it completely,

but they are generally moving in a direction away from funding R&D type efforts. What that means is they're really looking for industry to bring them solutions that are already shovel ready, shall I say.

And so because of our situation where we sit with insights and capabilities, we've got the ability to bring commercial off-the-shelf solutions to the military in partnership with others bringing that – bringing development along ourselves but initially it'll be in partnership with others. And so expect us to be a great resource that will help facilitate the military's movement into and embracing of this whole area of COTS. Because we also have our tentacles into Drone Dominance program and others, we know what's happening out there, so we will be opportunistic. We've not factored any military into our growth numbers, but we do expect to see some reasonable and meaningful movement in the area of the US federal government.

They are the number one customer, so let's just be honest about that and you would be loathe not to be pursuing the number one largest customer in your sales territory, if you will.

John Ramstead

Executive Director, Hangar X Studios

A

All right. Here's a question from [ph] Sam (00:54:49) on some of the press releases recently with the board. You announced several new board members as recently even as this week, what do these new directors bring to the table? United in that. The hallmark of Jonathan's career is that he has been on the leading bleeding edge of aviation or aerospace technology development. Drones is a very significant area of focus for him. He's an M&A stalwart and has, you know, built businesses, transformed businesses, run them at the highest level, and really an unbelievably connected in the entire world of aerospace and aviation. So we're thrilled to have Jonathan join us. And we've got some significant additions to the board that I'm very excited about.

John Ramstead

Executive Director, Hangar X Studios

All right. And then I think I think we've gotten through most of the questions here. You know, one final question here is really kind of some other questions about the military that I think you just answered, Scott. So with that, Scott, I think I'll turn it over to you for just some final comments and we will analyze everything. In case we missed you, we'll be putting together a document, a Q&A document, and we will be answering any questions you submitted. So it's been really busy in here and we're trying to keep track. But with that, we want to end right on time. So, Scott, I'll let you close this out.

Scott A. Pomeroy

Chairman & Chief Executive Officer, XTI Aerospace, Inc.

Great. Well, thanks, John. And again I want to just express my gratitude for those of you that that joined us here today. Obviously, this is a significant moment in time for XTI as we go through this transition. And just to reiterate a few of the highlights that I covered. You know, the market that we're embarking upon here with in the vertical space, in particular, with drones, it's large and it's growing but fragmented. This notion that that OEMs that value is shifting from OEMs to and from hardware to solutions is really a critical point that I'd leave you with.

Number two, that enterprise and government customers need trusted partners to integrate, operate and futureproof their drone programs. And the companies that own the customer relationship, that integration and outcomes are positioned really well to really be the beneficiaries of that durable value as in value creation as these markets expand. So we're excited. We're excited about where we are, where the opportunities are taking us and look forward to further communication with the shareholders. And again, appreciate the time here this evening. Thank you.

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