

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



1QF26 Earnings Update



SKYX Platforms Corp.

(NASDAQ: SKYX)

Report Date: 05/14/26

12- 24 month Price Target: \$3.75

Allocation: 5

Closing Stock Price at Initiation (Closing Px: 09/17/25): \$1.30

Closing Stock Price at Allocation Increase (Closing Px: 04/10/26): \$1.12

Closing Stock Price at This Update (Closing Px: 05/13/26): \$1.14

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Disclosure: Portions of this report are excerpted from SKYX filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

For Q1F26, SYX reported revenues of \$22.1 million and eps of <\$.07>. These results compare our estimate of \$23.3 million and <\$.07> respectively. The numbers tracked closely with our estimates, with a few interesting nuances. We would highlight, bottom line results matched our estimates despite a bit lower revenues, and that was driven by margins that came in higher than estimated. We have modeled some adjustments around COGS.

First, in terms of revenues, we believe growth will be driven by their legacy online B2C business, especially given some of the new initiatives they are currently implementing, and more preponderantly by the rollout and proliferation of their own products. Clearly, the visibility around the growth of their proprietary SkyPlugs and associated new products (fans for instance) is currently poor, which is topical because that also happens to be the basis for the valuation inflections we believe are coming. While visibility is indeed elusive at this point, as we noted in the last update, every new initiative they announce (132,000 hotels in Europe for instance) sets up what we believe will be improving revenue comps and improved visibility around those with each passing quarter. Further as we also *alluded to* in the prior update, conceptually, we think the collective value of the SmartPlug technology increases with every new installation, because it essentially reflects very sticky adoption that SKYX is likely to enjoy into perpetuity, or at least as long as lighting fixtures continue to be “a thing”. That brings us to the next nuance: capital.

As many of our subscribers recognize, some of our coverage ideas are early stage stories, which sometimes includes no revenues, revenues that are not sufficient to support positive cash flow, and/or balance sheets that do not include the necessary working capital to sustain the business. In that case, further capital will be required to achieve that threshold, which at best means more dilution (again with poor visibility) or at worst means the business fails because it cannot access that necessary capital. To be clear, that underlying capital risk is in addition to the more fundamental business risks these companies face (product adoption, competition, sustainable margins, macro headwinds etc.). Moreover, that capital risk is often more topical/imminent than some of the others. That is, without capital to move the business plan, companies may never get to the point of, for instance, product “adoption” in part because adoption may require marketing dollars to drive it. Recognize, **our approach** to handicapping capital risk is to apply steep risk discounts to our DCF models. That is certainly not the only way to approach that, but it is how we approach it. That said, almost by definition, when companies in that position are able to access the capital that we think can carry them to positive cash flow, it provides a basis for us to readdress our targets with respect to the risk discounts we have applied against the lack of visibility around that access to (and cost of) capital. That brings us to our next nuance.

During the quarter ended 03/31/26, SKYX was able to raise nearly \$30 million of new capital and that came from proceeds of common stock sales (\$27.4 million) and warrant exercises (\$2 million). In conjunction with the prior paragraph, this capital, which in our view and all things considered was priced quite favorably, represents a highly positive input to our model assessments, but more importantly to the business itself. Put another way, we believe this capital displaces a major near term risk factor in the story. It also brings us to our last “nuance”.

One of the expense line items that was bit elevated in the quarter was Selling & Marketing Expenses (\$7.1 million versus our estimate of \$6.2 million). Interestingly, that was offset by lower than anticipated G&A expenses. To edify, that sometimes happens in some reporting periods with our coverage names as they reallocate expenses amongst various line items to better reflect the nature of those expenses. However, specific to SKYX, this particular line item has been a point of concern for us since we first started doing our due diligence. Succinctly, SKYX has a big challenge in that they are trying to introduce a product that replaces a process that has not changed much in over a century. For perspective, a 2020 U.S. Department of Energy Lighting Market Characterization study estimated that (at *that* time) there were 8.15 billion

installed light fixtures in the U.S. That is a steep hill to climb in terms of getting people to consider replacing something *that* universal, and it involves education, awareness and marketing to get developers, contractors, electrical/lighting professionals and even DIY consumers to consider adopting a new approach, no matter how much better it might be. Recognize, much of the interest around the Company gaining mandatory designation in the NEC is that it would ultimately *force* adoption of new builds. However, we continue to believe that the value proposition of the SKYX technology can drive adoption regardless. Clearly, that may (or may not) take more time than a mandate, but we think the time it takes them to drive adoption is likely directly proportional to the marketing dollars they can commit to the process. Revisiting our point here, we think the Company's marketing efforts have been muted by their working capital constraints. If that is true and our thesis regarding the correlation between marketing spend and adoption is accurate, the fresh capital should help them accelerate the pace of adoption and in turn the pace of revenue expansion and positive cash flow. To that end we would add, on the call they reiterated their guidance of achieving (their) goal of becoming "*cash flow positive exiting 2026*". Frankly, we have attempted to work all of their pieces of guidance into our model (for instance "*we expect to deploy ...over 100 thousand units and homes by 2026 through our pro and retail segments...*"), but we are having a difficult time getting to that positive cash flow run rate by year end. Perhaps there is some other "guidance" they may not be sharing just yet, but that would be a major milestone that would in our view likely rerate the share price. We will need some additional validation to that end to move our assumptions.

The above noted, we remain quite bullish on SKYX's prospects, which we think have been bolstered by a number of new datapoints including new capital. As a result, we are reiterating our allocation of 5 and maintaining our 12-24 month price target of \$3.75. We will revisit each as new information emerges.

Project Operating Model

SKYX Platforms Corp.						
Projected Operating Model						
Prepared by Trickle Research						
	(Actual)	(Estimate)	(Estimate)	(Estimate)	(Estimate)	(Estimate)
	03/31/26	06/30/26	09/30/26	12/31/26	Fiscal 2026	Fiscal 2027
Revenue	\$ 22,094,389	\$ 22,760,733	\$ 28,118,033	\$ 29,537,696	\$ 102,510,852	\$ 143,100,668
Cost of revenues	\$ 15,468,946	\$ 16,021,916	\$ 19,156,755	\$ 20,121,474	\$ 70,769,091	\$ 94,340,291
Gross profit loss	\$ 6,625,443	\$ 6,738,818	\$ 8,961,278	\$ 9,416,222	\$ 31,741,761	\$ 48,760,377
Selling and marketing expenses	\$ 7,067,829	\$ 7,520,859	\$ 7,949,443	\$ 8,063,016	\$ 30,601,146	\$ 34,248,053
General and administrative expenses	\$ 7,719,774	\$ 7,924,233	\$ 8,165,311	\$ 8,229,196	\$ 32,038,515	\$ 34,039,530
Total expenses, net	\$ 14,787,603	\$ 15,445,092	\$ 16,114,754	\$ 16,292,212	\$ 62,639,661	\$ 68,287,584
Loss from operations	\$ (8,162,160)	\$ (8,706,274)	\$ (7,153,476)	\$ (6,875,990)	\$ (30,897,900)	\$ (19,527,206)
Other income / (expense)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest expense, net	\$ 1,113,417	\$ 1,000,005	\$ 1,000,006	\$ 1,000,007	\$ 4,113,435	\$ 4,000,038
Gain on extinguishment of debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total other expense, net	\$ 1,113,417	\$ 1,000,005	\$ 1,000,006	\$ 1,000,007	\$ 4,113,435	\$ 4,000,038
Net loss	\$ (9,275,577)	\$ (9,706,279)	\$ (8,153,482)	\$ (7,875,997)	\$ (35,011,335)	\$ (23,527,244)
Common stock issued pursuant to antidilutive provisions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-controlling interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Preferred dividends	\$ 249,545	\$ 250,000	\$ 250,000	\$ 250,000	\$ 999,545	\$ 1,000,000
Other comprehensive loss:	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other comprehensive income (loss):	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss attributed to common stockholders	\$ (9,525,122)	\$ (9,956,279)	\$ (8,403,482)	\$ (8,125,997)	\$ (36,010,880)	\$ (24,527,244)
Unrealized loss on debt securities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net comprehensive loss attributed to common stockholders	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss per share - basic	\$ (0.07)	\$ (0.07)	\$ (0.06)	\$ (0.06)	\$ (0.27)	\$ (0.18)
Net loss per share - diluted	\$ (0.07)	\$ (0.07)	\$ (0.06)	\$ (0.06)	\$ (0.27)	\$ (0.18)
Weighted average number of common shares outstanding - basic	133,998,163	133,998,163	133,998,163	133,998,163	133,998,163	139,486,664
Weighted average number of common shares outstanding - diluted	133,998,163	133,998,163	133,998,163	133,998,163	133,998,163	139,623,586

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Hold" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.