

Analyst

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Elsight (ELS)

2026: Year of the Drone

Recommendation

Buy (unchanged)

Price

\$2.92

Target (12 months)

\$3.60 (previously \$2.00)

Sector

Technology Hardware and Equipment

Expected Return

Capital growth	23.3%
Dividend yield	0.0%
Total expected return	23.3%

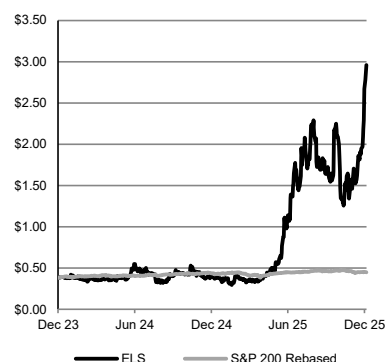
Company Data & Ratios

Enterprise value	\$567m
Market cap	\$641m
Issued capital	220m
Free float	83%
Avg. daily val. (52wk)	\$1.3m
12 month price range	\$0.29-3.15

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	1.51	1.73	0.39
Absolute (%)	96.0%	71.6%	668.8%
Rel market (%)	96.6%	74.9%	672.1%

Absolute Price



SOURCE: IRESS

ELS secures largest contract in its history

ELS has secured a US\$21.2m contract, scheduled for delivery across January-April 2026. The contract is for the supply of Halo units and is with an existing European defence OEM customer. This order represents a 13.5-fold YoY increase in revenue over January-April 2025. The contract includes up-front payments to support working capital, with the remaining balance payable prior to delivery.

DIU Phase 3 selection to support further growth

In November 2025, the US Defense Innovation Unit selected ELS to progress its Halo platform to Phase 3 (fielding phase) of Project G.I., Design Reference Mission 2. This selection sends a strong signal to potential customers that Halo's multi-link technology is highly capable of delivering reliable connectivity to mission-critical operations. A broadening of the customer base would be a key de-risking outcome for ELS.

We have revised EPS -1/+21/+36% over CY25/26/27e reflecting higher revenue growth assumptions following today's contract announcement and increased R&D and S&M opex. We estimate that our CY26e revenue forecast of US\$44.5m is 61% backed by committed orders and recurring revenue from the CY25 ending install base. We have upgraded our target price to \$3.60/sh reflecting: a lower WACC due to greater certainty in our forecasts given today's announcement partially offset by increased risk to sentiment on a Ukraine peace deal; and higher terminal value NOPAT and ROIC.

Investment thesis: Buy; TP \$3.60/sh (prev. \$2.00/sh)

We retain our Buy rating. We believe ELS has developed a market leading product that is fully leveraged to the emerging use of unmanned systems in both a defence and commercial context. In CY26e, we expect ELS to be a beneficiary of downstream demand from global defence departments, supporting our 70% hardware sales revenue growth estimate. We believe ELS shares offer value at 21.4x CY26e EV/EBIT given its recurring revenue, capital-light business model, relative valuation vs. other drone exposed stocks and long runway of growth. We see upside to our revenue forecasts if ELS is able to broaden its customer base with large contract wins.

Earnings Forecast

Year ending 31 December	2024a	2025e	2026e	2027e
Sales (US\$m)	2.0	24.0	44.5	67.3
EBIT (US\$m)	(3.2)	9.5	17.5	28.2
NPAT (reported) (US\$m)	(3.9)	5.7	13.6	21.3
NPAT (adjusted) (US\$m)	(4.2)	7.7	13.6	21.3
EPS (adjusted) (US¢ps)	(2.5)	3.4	5.4	8.5
EPS growth (%)	na	na	62.3%	55.9%
PER (x)	-76.5x	57.7x	35.5x	22.8x
FCF Yield (%)	-0.6%	4.3%	2.4%	2.8%
EV/EBIT (x)	-116.3x	39.6x	21.4x	13.3x
Dividend (A¢ps)	-	-	-	-
Yield (%)	0.0%	0.0%	0.0%	0.0%
Franking (%)	0.0%	0.0%	0.0%	0.0%
ROE (%)	nm	46%	25%	30%

SOURCE: BELL POTTER SECURITIES ESTIMATES

Elsight Limited (ELS)

Company description

Elsight (ELS) is a supplier of communication modules to drone OEMs. The company offers advanced communication components for unmanned systems (aerial, ground and sea) systems through its flagship product, the Halo platform, which aggregates all available communication paths into one resilient, encrypted pipe for beyond visual line of sight (BVLOS) control, video and telemetry.

Investment thesis: Buy; TP \$3.60/sh (prev. \$2.00/sh)

We retain our Buy rating. We believe ELS has developed a market leading product that is fully leveraged to the emerging use of drones in both a defence and commercial context. In CY26e, we expect ELS to be a beneficiary of downstream demand from global defence departments, supporting our 70% hardware sales revenue growth estimate. We believe ELS shares offer value at 21.4x CY26e EV/EBIT given its recurring revenue, capital-light business model, relative valuation vs. other drone exposed stocks and long runway of growth.

Valuation methodology

Our ELS valuation is based on a discounted cash flow of the core operations of the business. A nominal WACC of 11.3% (previously 12.0%) and terminal growth rate of 4.2% has been applied to our DCF model. We assume a 3.0% spread between ROIC and WACC in our terminal value calculation, higher than 0.0% previously due to our belief that ELS can sustain a competitive advantage owing to higher R&D investment.

Investment risks

Geopolitical risk: ELS' operational profitability remains highly sensitive to government policies, trade restrictions, and national security concerns, as shifts in these areas can directly impact ELS's market access, supply chain stability, and customer demand.

ESG risk: Evolving community perceptions of the defence companies could damage ELS's reputation and cause its shares to trade below fair value.

Competition risk: The defence sector is highly competitive with a wide range of participants, including large multi-national defence primes who have extensive resources and scale. As a technology company, ELS must continually invest in R&D to maintain its competitive edge and market position. ELS plans to allocate \$10m of the July 2025 capital raising to R&D; however, in a rapidly expanding industry increasingly driven by AI, ELS must ensure it remains at the forefront of technological innovation.

Key personnel risk: The loss of key management personnel, delays in their replacement, and/or failure to attract new talent, may adversely affect ELS' operations and performance.

Regulatory risk: While we are of the view that the regulatory environment for both the defence and commercial UAS markets will become increasingly favourable, considerable uncertainty persists around how these legislative changes will ultimately be executed and enforced. The pace, consistency, and clarity of implementation remain critical factors that could materially influence UAS adoption and growth.

Commercial adoption risk: Because commercial use of UAS remains subject to significant regulatory restrictions, adoption in the market is currently constrained. As a result, uncertainty persists regarding the ultimate scale of this sector, which nevertheless represents a key long-term growth opportunity for ELS.

Contract risk: Contract risk refers to the potential for negative outcomes or uncertainties associated with the performance or execution of a contract. If ELS were to not fulfil the terms of their contract due to quality or timing concerns, the company will likely be exposed to unfavourable terms under the contract, which would affect the financial performance of the company.

Supply Chain Risks: ELS has demonstrated strong supply chain resilience, however, their operations may be affected by a range of factors, including: the interruption of availability of materials and components caused by supply chain issues; and access to operational premises, high-level engineering skills personnel and to customer and supplier facilities/equipment.

Intellectual property risk: Even with patent protection, as a defence company, ELS faces IP risk as adversaries may gain access through espionage or cyberattacks. However, because its IP is closely tied to unique know-how and proprietary processes that are difficult to replicate, this risk is meaningfully mitigated.

Foreign Exchange risk: ELS's financial reports are prepared in USD, however, ELS derives a material portion of revenue and expenses internationally, leaving the company exposed to fluctuations in foreign exchange rates, such as, EUR, ILS and AUD.

Sovereign risk: Companies and assets are subject to the sovereign risks of the country and state of location and may be exposed to the sovereign risks of major suppliers and customers.

Customer concentration risk: Revenues in CY25e are expected to be largely underpinned by one European drone defence OEM. Although, we expect the customer base to broaden risk remains of being overly reliant on what customer, who could stop using ELS' products through no fault of ELS.

Table 1 - Financial summary

Date		17/12/25					Bell Potter Securities						
Price	A\$/sh	2.92					Baxter Kirk (bkirk@bellpotter.com.au, +61 3 9235 1625)						
Target price	A\$/sh	3.60											
PROFIT AND LOSS							FINANCIAL RATIOS						
Year ending 31 December	Unit	2023a	2024a	2025e	2026e	2027e	Year ending 31 December	Unit	2023a	2024a	2025e	2026e	2027e
Revenue	US\$m	1.5	2.0	24.0	44.5	67.3	VALUATION						
Change	%	87%	32%	1083%	86%	51%	EPS (adjusted)	USc/sh	(2.4)	(2.5)	3.4	5.4	8.5
Gross profit	US\$m	0.8	1.2	18.3	33.6	50.1	EPS growth	%	na	na	na	62.3%	55.9%
Margin	%	52%	58%	76%	75%	74%	PER	x	-79.7x	-76.5x	57.7x	35.5x	22.8x
Operating costs (excl. D&A)	US\$m	(3.8)	(4.2)	(8.7)	(15.8)	(20.8)	DPS	Ac/sh	-	-	-	-	-
EBITDA	US\$m	(3.0)	(3.0)	9.7	17.8	29.2	Dividend yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Depreciation & amortisation	US\$m	(0.3)	(0.2)	(0.2)	(0.3)	(1.0)	Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	US\$m	(3.2)	(3.2)	9.5	17.5	28.2	FCF/share	Ac/sh	(1.5)	(1.2)	8.3	4.6	5.4
Margin	%	-210%	-159%	39%	39%	42%	FCF yield	%	-0.8%	-0.6%	4.3%	2.4%	2.8%
Net interest expense	US\$m	(0.7)	(1.0)	(0.1)	1.4	1.6	EV/EBITDA	x	-125.8x	-125.5x	38.9x	21.0x	12.8x
Profit before tax	US\$m	(3.9)	(4.2)	9.3	18.9	29.8	EV/EBIT	x	-116.0x	-116.3x	39.6x	21.4x	13.3x
Tax expense	US\$m	-	-	(1.7)	(5.4)	(8.5)	EV/NOPAT	x	-116.0x	-116.3x	48.3x	29.9x	18.6x
NPAT	US\$m	(3.9)	(4.2)	7.7	13.6	21.3	LIQUIDITY & LEVERAGE						
Adjustments (post-tax)	US\$m	0.2	0.3	(2.4)	-	-	Net debt / (cash)	US\$m	2.6	(0.7)	(54.3)	(63.9)	(75.4)
Reported NPAT	US\$m	(3.7)	(3.9)	5.7	13.6	21.3	Net debt / Equity	%	nm	nm	nm	nm	nm
CASH FLOW STATEMENT							Net debt / Net debt + Equity	%	2.7	nm	7.1	20.2	nm
OPERATING CASH FLOW							Net debt / EBITDA	x	nm	0.2	nm	nm	nm
Receipts from customers	US\$m	1.3	2.4	30.0	43.5	60.3	EBITDA / Net interest expense	x	nm	nm	68.7	nm	nm
Payments to suppliers & employees	US\$m	(3.9)	(4.4)	(11.8)	(28.4)	(40.2)	PROFITABILITY RATIOS						
Other	US\$m	0.4	0.3	(1.4)	(3.9)	(6.9)	EBITDA margin	%	-193%	-147%	40%	40%	43%
Operating cash flow	US\$m	(2.2)	(1.8)	16.8	11.1	13.2	EBIT margin	%	-210%	-159%	39%	39%	42%
INVESTING CASH FLOW							Return on assets	%	nm	nm	23%	19%	23%
Payments for PPE	US\$m	(0.0)	-	(0.0)	(0.2)	(0.3)	Return on equity	%	nm	nm	46%	25%	30%
Payments for intangibles	US\$m	(0.0)	(0.0)	(0.2)	(0.8)	(1.0)	SEGMENTAL ASSUMPTIONS						
Other	US\$m	-	-	-	-	-	Hardware revenue	US\$m	1.0	1.2	20.0	34.1	47.7
Investing cash flow	US\$m	(0.0)	(0.0)	(0.2)	(1.0)	(1.3)	Cloud & SLA revenue	US\$m	0.2	0.3	1.7	5.4	11.0
Free cash flow	US\$m	(2.2)	(1.8)	16.6	10.1	12.0	Data usage revenue	US\$m	0.3	0.4	2.3	5.0	8.6
FINANCING CASH FLOW							VALUATION						
Proceeds from share issues (net)	US\$m	0.0	0.2	39.9	0.5	0.6	Diluted shares on issue						240m
Repayment of lease liabilities	US\$m	(0.2)	(0.2)	(0.2)	(0.3)	(0.8)	Valuation method					\$m	\$/sh
Other	US\$m	0.1	-	(2.0)	-	-	Operations US\$m					517	2.16
Financing cash flow	US\$m	(0.1)	(0.0)	37.7	0.2	(0.2)	ELS net debt (incl. leases; proforma) US\$m					-49	-0.20
Change in cash	US\$m	(2.4)	(1.8)	54.2	10.3	11.7	Equity valuation \$US					566	2.36
BALANCE SHEET							AUD/USD					0.66	
ASSETS							Equity valuation \$A					856	3.57
Cash	US\$m	2.7	0.9	55.1	65.4	77.2	Upside to current share price (%)						22%
Receivables	US\$m	0.7	0.6	2.4	8.9	20.2							
Inventory	US\$m	0.7	0.5	1.6	4.4	6.9							
PPE	US\$m	0.1	0.1	0.1	0.3	0.5							
Goodwill	US\$m	-	-	-	-	-							
Other intangibles	US\$m	0.0	0.0	0.2	1.0	1.7							
Other assets	US\$m	0.2	0.2	0.4	1.2	1.5							
Total assets	US\$m	4.4	2.3	59.8	81.1	107.9							
LIABILITIES													
Payables	US\$m	0.5	0.7	4.3	5.3	5.7							
Borrowings	US\$m	5.1	-	0.4	0.4	0.4							
Lease liabilities	US\$m	0.2	0.2	0.4	1.1	1.3							
Lease liabilities	US\$m	0.2	0.2	8.0	13.5	17.8							
Other liabilities	US\$m	0.0	0.0	0.0	0.0	0.0							
Total liabilities	US\$m	6.1	1.1	13.2	20.4	25.2							
NET ASSETS													
Share capital	US\$m	23.8	29.5	69.4	69.9	70.5							
Reserves	US\$m	0.7	0.6	0.6	0.6	0.6							
Retained earnings	US\$m	(26.1)	(29.0)	(23.3)	(9.8)	11.6							
SHAREHOLDER EQUITY	US\$m	(1.7)	1.2	46.7	60.8	82.6							
Weighted average shares	m	150.3	151.2	200.5	221.4	223.5							

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

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Disclosure: Bell Potter Securities acted as Sole Lead Manager to the A\$60m capital raise in July 2025 and received fees for that service.

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