EVOLUTION CAPITAL

NVU | UPDATE REPORT | TECHNOLOGY

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Turning AI Into Air Time

Nanoveu Ltd

Evolution Capital updates its coverage on Nanoveu Ltd (ASX: NVU) following the successful completion of the **Company's first live ECS-DoT drone flight trials** and the **continued expansion of its ultra-low-power edge-AI platform** across new application areas. We view the latest announcements as important validation events that materially strengthen the commercial investment case for ECS-DoT and demonstrate the technology's applicability beyond simulation environments.

The headline announcement relates to **Nanoveu's first successful real-world flight validation of ECS-DoT**. During live drone testing, **ECS-DoT delivered flight-efficiency improvements of up to 27.8%**, with average gains of 27.2% across tested flight profiles, while consuming less than 10mW of total system power. Importantly, these gains were achieved without modifications to the drone's battery, propulsion system or airframe, demonstrating that meaningful endurance improvements can be achieved through AI-driven optimisation rather than costly hardware upgrades. For a technology previously validated primarily through simulation, we view these results as a significant technical validation milestone and an important step toward commercial adoption.

The results are particularly relevant given the growing importance of endurance across commercial, industrial and defence drone applications. By continuously optimising flight behaviour in real time, **ECS-DoT enables drones to operate closer to their aerodynamic optimum** while consuming negligible power itself. Management is now progressing engagement with drone OEMs, avionics providers and system integrators, while simultaneously advancing intellectual property filings covering flight optimisation, endurance modelling and UAV integration architectures.

Alongside the drone trials, Nanoveu also demonstrated microphone-free keyword spotting using bone-conduction sensing at under 1mW of computational power. The result further validates ECS-DoT's ultra-low-power AI capabilities and highlights potential applications across hearables, AR/VR devices, industrial communications and defence systems.

Taken together, the two announcements highlight a common theme: ECS-DoT is increasingly moving from concept validation toward real-world deployment. While commercial adoption remains at an early stage, the successful flight trials and continued expansion into wearable AI applications materially strengthen the platform's technical credibility and commercial potential. We have updated our financial model to reflect the revised capital structure following the January 2026 placement, the Spinoff Robotics acquisition consideration securities, and higher operating cost assumptions, with our underlying revenue build held unchanged. We maintain our Speculative Buy recommendation and revise our price target to **$0.26 per share** (previously $0.28).

Key Near-Term Catalysts

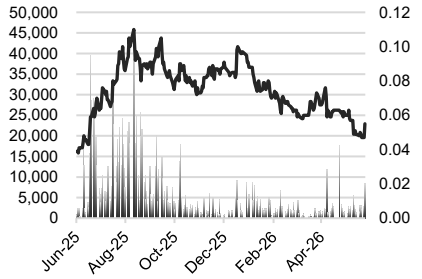
Completion of Spinoff Robotics acquisition	August 2026
Third-party flight controller integration (EMASS / US drone partner)	H2 CY26
16nm ECS DoT silicon validation post fabrication	CY26-CY27

Recommendation	**Spec BUY**
Price Target	**$0.26**
Share Price	**$0.056**
TSR	**364%**

Company Profile

Market Cap	$61m
Enterprise Value	$54m
SOI	1,081m
Free Float	~59%
Cash	$6.7m
52-Week Range	$0.036-$0.13

Price Performance (PTM)



Company Overview

Nanoveu Limited develops advanced semiconductor and nanotechnology solutions with a strategic focus on ultra-low-power Edge AI, enabling real-time processing directly on-device while significantly reducing energy consumption and latency. Growth is driven by its EMASS platform, a proprietary system-on-chip architecture designed for integration into wearables, IoT devices and smart sensors, positioning the company for scalable OEM adoption across the rapidly expanding Edge AI ecosystem.

Analyst

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Industrials Analyst

NVU Coverage

Update 15 May 2026 Link

Update 2 Sept 2025 Link

Initiation 12 Aug 2025 Link

Financial Summary

VALUATION DETAILS	
Share Price (A$)	$0.056
Market Cap (A$m)	60.51
Enterprise Value (A$m)	54.10
Fair Value/Share (A$)	$0.26

FINANCIAL STATEMENTS (A$m)	CY25	CY26e	CY27e	CY28e
Income Statement				
Revenue	0.30	2.35	5.43	13.65
EBITDA	-7.45	-4.93	-4.54	-0.18
EBIT	-7.62	-8.43	-8.33	-4.12
Net Income	-7.60	-8.43	-8.33	-4.12
Balance Sheet				
Cash	1.81	8.80	4.62	1.75
Trade and other receivables	0.01	1.29	1.34	3.36
Prepayments	0.51	1.42	1.76	1.49
Intangibles	10.50	10.39	11.28	11.75
Other Assets	0.72	5.01	4.56	4.47
Total Assets	13.55	26.91	23.56	22.83
Trade and other payables	1.00	1.40	1.91	2.65
Total Debt	0.27	0.30	0.38	0.46
Other Liabilities	0.19	1.07	2.06	4.26
Total Liabilities	1.46	2.77	4.35	7.38
Shareholders' Equity	12.09	24.34	19.40	15.65
Cash Flow Statement				
Net Income	-7.60	-8.43	-8.33	-4.12
Depreciation & Amortisation	0.03	3.50	3.79	3.95
Change in Net Working Capital/Other	1.72	-0.76	1.31	1.33
Cash Flow from Operations	-5.85	-5.70	-3.23	1.15
Cash Flow from Investing	-0.29	-3.90	-4.66	-4.41
Equity Raised (net) / Proceeds from exercise of options	7.47	16.70	3.83	0.50
Net Borrowings	0.01	0.00	0.00	0.00
Other	-0.04	-0.12	-0.12	-0.12
Cash Flow from Financing	7.44	16.58	3.71	0.38
Unlevered Free Cash Flow	-6.13	-9.59	-7.88	-3.25

PER SHARE DATA	CY25	CY26e	CY27e	CY28e
Shares Outstanding (m)	987.1	1,230.3	1,334.4	1,369.4
Normalised EPS (A$)	n/a	n/a	n/a	n/a
Dividends per Share (A$)	0.00	0.00	0.00	0.00
Payout	0%	0%	0%	0%
Franking	0%	0%	0%	0%

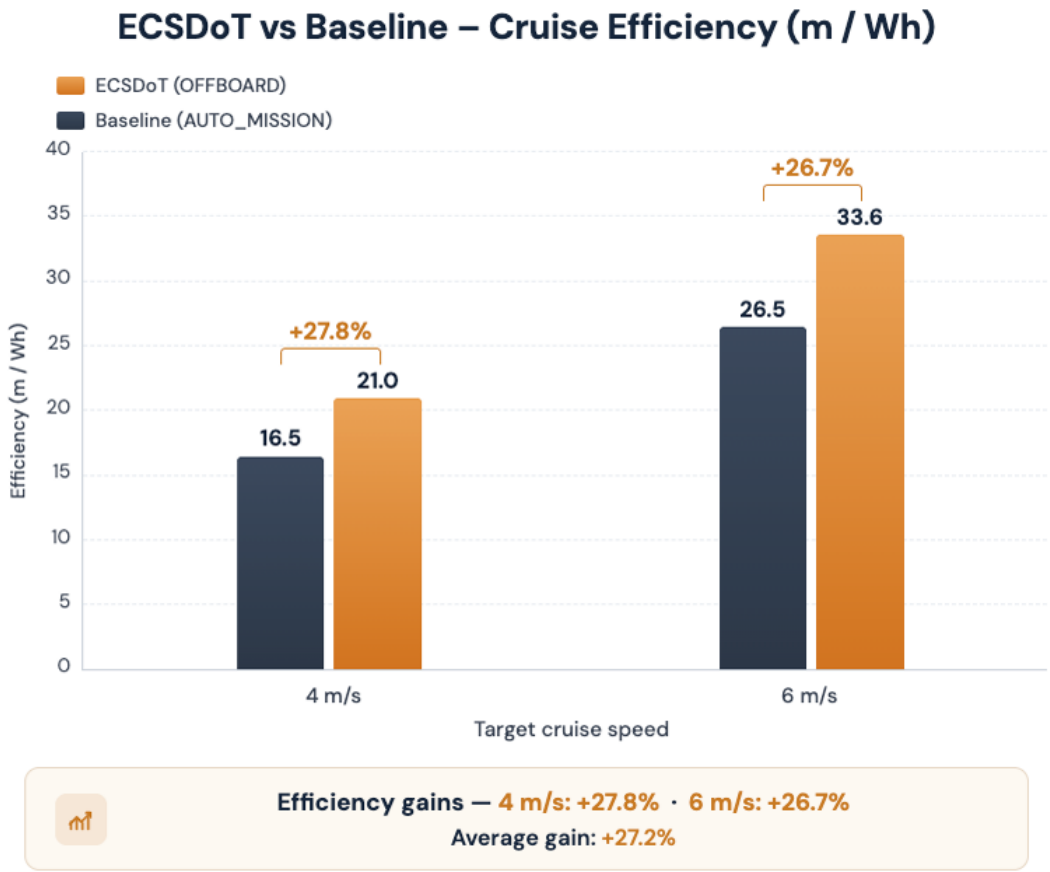
RATIOS	CY25	CY26e	CY27e	CY28e
Liquidity				
Quick Ratio	0.50	0.68	0.98	0.70
Solvency				
Debt to Equity	0.0	0.0	0.0	0.0
Debt to Assets	0.0	0.0	0.0	0.0
LT Debt to Assets	0.0	0.0	0.0	0.0
Profitability				
Net Margin	n/a	n/a	n/a	n/a
ROA	n/a	n/a	n/a	n/a
ROE	n/a	n/a	n/a	n/a
Profit Margins				
EBITDA Margin	n/a	n/a	n/a	n/a
Gross Margin	-212%	59%	60%	61%
NPAT Margin	n/a	n/a	n/a	n/a
Valuation				
P/E	n/a	n/a	n/a	n/a
P/B	5.0	2.5	3.1	3.9
EV/EBITDA	n/a	n/a	n/a	n/a
EV/Sales	181.8	23.0	10.0	4.0

Investment Summary

Nanoveu's recent announcements provide two important validation events for its ECS-DoT edge-AI platform, demonstrating practical applications across both autonomous systems and wearable technologies. While the markets are distinct, both announcements reinforce the same core investment thesis: ECS-DoT is capable of delivering meaningful AI inference at power levels that are materially below conventional edge-AI solutions, potentially enabling applications that would otherwise be constrained by battery life, thermal limits or processing requirements.

The first announcement centred on the successful completion of ECS-DoT's first live drone flight trials. During testing, ECS-DoT delivered flight-efficiency improvements of up to 27.8%, with average gains of 27.2% across tested flight profiles, while consuming less than 10mW of total system power. Importantly, these improvements were achieved without modifications to the drone's battery, propulsion system or airframe, demonstrating that meaningful endurance gains can be realised through AI-driven optimisation alone rather than costly hardware redesign. The results represent the first real-world validation of performance previously demonstrated only through simulation and mark a key inflection point in the Company's transition from controlled testing environments toward commercial deployment within autonomous aerial systems.

Figure 1: ECS-DoT vs Baseline Cruise Efficiency (m/Wh) at +27.8% at 4 m/s and +26.7% at 6 m/s



Source: NVU announcement, 22 June 2026.

From an industry perspective, flight endurance remains one of the most significant constraints across drone operations. The ability to improve mission duration through software optimisation rather than hardware redesign could create meaningful value across defence ISR, critical infrastructure surveillance, industrial inspection, perimeter security, logistics and autonomous monitoring applications. Management is now progressing engagement with drone OEMs, avionics providers and system integrators, while also advancing intellectual property filings covering flight optimisation, endurance modelling and UAV integration architectures.

Separately, Nanoveu announced a successful demonstration of microphone-free keyword spotting using bone-conduction sensing on ECS-DoT at under 1mW of computational power. Rather than relying on traditional microphones, the system detects speech through jawbone vibrations using a standard inertial measurement unit (IMU), allowing voice recognition to occur without capturing ambient audio. This approach provides inherent noise immunity and privacy advantages while maintaining always-on operation at extremely low power levels.

The significance of the hearables announcement extends beyond voice recognition. The demonstration validates ECS-DoT's ability to perform real-time AI inference directly at the sensor level while operating within an ultra-low-power envelope. Potential applications include hearables, AR glasses, VR headsets, industrial communications equipment and defence communication systems, markets where battery life, privacy and noise immunity remain key design constraints. Management is currently progressing commercial discussions with device manufacturers and module suppliers while pursuing future design-in opportunities across the broader wearable ecosystem.

Taken together, the two announcements demonstrate the versatility of the ECS-DoT architecture across multiple end markets and sensing modalities. While commercial adoption remains at an early stage, both announcements materially strengthen the platform's technical credibility and provide increasingly tangible evidence that ECS-DoT can address real-world problems across autonomous systems, wearables and industrial edge-AI applications. We believe continued validation and commercial engagement represent important steps toward future licensing, integration and deployment opportunities.

Valuation Update

We have updated our valuation model across several dimensions since our previous report. The adjustments relate exclusively to capital structure, cost assumptions and acquisition-related balance sheet impacts, with our underlying revenue assumptions remaining unchanged pending further commercial visibility on Spinoff Robotics' financial contribution.

On the cost side, we have revised our administration expense assumptions upward for CY26e, reflecting both higher ongoing operating costs associated with the continued scaling of EMASS and broader organisational growth, as well as transaction-related one-off expenses in connection with the proposed Spinoff Robotics acquisition. We model administration expenses of approximately $4.41m for CY26e. From CY27e onwards, we assume these costs continue to rise progressively, reflecting an expanding engineering, commercialisation and operational footprint across drone, defence and infrastructure markets. Selling and distribution assumptions remain broadly unchanged; we continue to model these costs at approximately 20% of revenue during the early commercialisation phase, normalising gradually as scale efficiencies improve.

Within investing cash flow, we have incorporated a one-off outflow of $1.0m in CY26e relating to transaction-related costs associated with the Spinoff acquisition, including legal, advisory and due diligence expenses. As the purchase consideration is structured entirely as a scrip-funded transaction, the acquisition itself remains cash neutral at completion; the $1.0m reflects the liquidity impact of transaction costs only.

Our capital structure assumptions have been updated to incorporate two material components. First, we have fully reflected the January 2026 placement of $7.5m gross at $0.088 per share within our diluted share count. We additionally model a further uncommitted equity raise of $5.0m at an assumed issue price of $0.10 per share during CY26e, to reflect the ongoing funding requirements during the scale-up phase, bringing total modelled equity issuance for CY26e to $12.5m. Second, we have fully incorporated the dilution associated with the Spinoff Robotics transaction: 3.0m ordinary shares on completion, together with up to 6.0m performance and incentive rights, comprising 4.0m vendor performance rights (Class A, B and C) tied to revenue, IP integration and

share price milestones, and 2.0m incentive rights for co-founder Dr. Chee How Tan, vesting on a staged basis through to CY31. In aggregate, this is consistent with the maximum dilution of up to 9.0m shares on a fully diluted basis as disclosed in the transaction announcement.

We have also refined our options exercise schedule. For the NVUO tranche (68.8m options, exercise price $0.045, expiry May 2027), we now assume that only 5% of this tranche is exercised in CY26e, with the remaining 95% exercised in CY27e, consistent with observed exercise behaviour for near-the-money options and more proximate to the actual expiry date.

On the balance sheet, we have incorporated acquisition-related intangibles and goodwill into our model. The scrip consideration is valued on the basis of an assumed reference price, with a portion allocated to goodwill. We additionally model incremental capitalised development expenditure from CY27e onwards, reflecting continued investment into airframe development, sensing payload refinement and ECS-DoT integration across the Spinoff platform. Performance rights issued under the transaction are expensed as a non-cash share-based payment charge under IFRS 2, amortised across their expected vesting periods.

Our discount rate assumptions are unchanged. We continue to apply a WACC of 15.06% (Beta 1.95, risk-free rate 4.7%, EMRP 6.0%, implied cost of equity 16.4%), a terminal growth rate of 3.5% and a ten-year explicit forecast horizon from CY26e to CY35e.

On the basis of these adjustments, we arrive at a fair value of **$0.26 per share**, compared with $0.28 in our previous report. The decline of approximately 7% is attributable entirely to incremental dilution from the January 2026 placement and the Spinoff consideration securities, and does not reflect any deterioration in the operational outlook. The underlying business has in fact continued to progress since our previous report. We view the Spinoff acquisition as providing Nanoveu with in-house autonomous aerial expertise, validated drone products and direct access to defence and infrastructure end markets, which we view in the near term as an expanded distribution and go-to-market channel for ECS-DoT. Once Spinoff Robotics establishes commercial traction within its existing customer relationships and sufficient revenue data becomes available, we intend to explicitly model the financial contribution of the ALICE and METRON platforms within our revenue build. We maintain our Spec BUY recommendation.

Risks

Commercialisation and Adoption Risk
While the recent flight trial results represent an important technical validation milestone, commercial adoption of ECS-DoT remains at an early stage. The Company must successfully convert technical performance into commercial deployments, OEM partnerships and long-term customer relationships. There is no guarantee that demonstrated efficiency gains will translate into widespread industry adoption.

Technology and Performance Risk
Nanoveu's investment case remains heavily dependent on the successful commercialisation of ECS-DoT. Although recent live flight trials demonstrated efficiency improvements of up to 27.8%, future testing across different drone classes, payload configurations and operating environments may produce different outcomes. The technology must continue to perform reliably under increasingly demanding real-world conditions.

Customer Adoption and Design-In Risk
The Company's growth strategy relies on securing design-ins with drone manufacturers, avionics providers, wearable device companies and other technology partners. Sales cycles for semiconductor technologies can be lengthy, and there is a risk that prospective customers delay, reduce or cancel deployment plans despite successful technical validation.

Intellectual Property Risk
Nanoveu is currently advancing intellectual property protection around its AI flight optimisation framework, endurance modelling and UAV integration architecture. Failure to adequately protect its intellectual property or the emergence of competing solutions could reduce the Company's ability to maintain technological differentiation and commercial pricing power.

Competition Risk
The markets targeted by ECS-DoT, including edge AI, autonomous systems, drones and wearable technologies, are highly competitive and rapidly evolving. Larger technology companies and semiconductor providers may possess greater financial resources, customer relationships and R&D capabilities, potentially limiting Nanoveu's market penetration.

Defence and Regulatory Risk
A growing portion of Nanoveu's commercial opportunity is emerging within defence, surveillance and critical infrastructure markets. These sectors are subject to regulatory oversight, procurement complexity and geopolitical considerations. Delays in government approvals, procurement processes or changes in regulatory frameworks could impact commercial adoption.

Funding and Dilution Risk
Nanoveu remains a development-stage technology company and may require additional capital to fund ongoing R&D, product development and commercialisation activities. Future capital raisings could result in shareholder dilution and may impact per-share valuation outcomes.

Key Personnel Risk
The Company remains dependent on a relatively small group of highly specialised engineering and technical personnel across both EMASS and Spinoff Robotics. The loss of key staff or difficulties attracting additional talent could negatively impact product development, commercialisation efforts and execution timelines.

Valuation and Market Risk
Nanoveu's valuation remains sensitive to assumptions regarding technology adoption, commercial execution and future revenue generation. Given the Company's early-stage commercial profile and exposure to emerging technology markets, the share price may continue to experience elevated volatility relative to more mature technology businesses.

Evolution Capital Ratings System

Recommendation Structure	• **Buy:** The stock is expected to generate a total return of >10% over a 12-month horizon. For stocks classified as 'Speculative', a total return of >30% is expected. • **Hold:** The stock is expected to generate a total return between -10% and +10% over a 12-month horizon. • **Sell:** The stock is expected to generate a total return of <-10% over a 12-month horizon.
Risk Qualifier	• **Speculative ('Spec'):** This qualifier is applied to stocks that bear significantly above-average risk. These can be pre-cash flow companies with nil or prospective operations, companies with only forecast cash flows, and/or those with a stressed balance sheet. Investments in these stocks may carry a high level of capital risk and the potential for material loss.
Other Ratings	• **Under Review (UR):** The rating and price target have been temporarily suppressed due to market events or other short-term reasons to allow the analyst to more fully consider their view. • **Suspended (S):** Coverage of the stock has been suspended due to market events or other reasons that make coverage impracticable. The previous rating and price target should no longer be relied upon. • **Not Covered (NC):** Evolution Capital does not cover this company and provides no investment view.

Expected total return represents the upside or downside differential between the current share price and the price target, plus the expected next 12-month dividend yield for the company. Price targets are based on a 12-month time frame.

Disclaimer & Disclosures

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