

Ondas Inc.: Integrate, Scale, or Add Another Capability?

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Topic: Mergers & Acquisitions, Risk Management, Growth Strategy

Industry: Communications Equipment

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Case overview

- **Audience:** MBA and executive strategy / finance discussion
- **Company / industry:** Ondas Inc. (Nasdaq: ONDS); defense, autonomy, security, and critical-infrastructure technology
- **Information cutoff:** August 13, 2026, 08:26:02 a.m. ET
- **Decision horizon:** The next 12-18 months (a classroom framing)
- **Status:** Student case; all decision alternatives below are constructed for discussion

The choice

At 8:26 a.m. Eastern on August 13, 2026, the SEC accepted Ondas Inc.'s second-quarter results filing. The company's release scheduled its earnings call for 8:30 a.m. The public filing reported rapid growth, a larger order book, acquisitions completed after quarter-end, and a much larger operating platform. It also showed a substantial quarterly operating loss and left important questions about backlog conversion, acquired-business economics, and integration progress unanswered. [C2, SEC filing index and Exhibit 99.1]

The cutoff for this case is the 8:26:02 a.m. filing acceptance. The 8:30 a.m. call and the 10-Q accepted later that afternoon at 4:27:25 p.m. are outside the information set. Do not use statements from the call or later 10-Q disclosures in your recommendation. [C2 index; C5 index]

For this classroom exercise, assume you are advising a hypothetical strategy committee on how Ondas should allocate leadership attention and capital over the next 12-18 months. The public record does not show a board vote or a management debate over this specific choice, and it does not establish that cash is scarce. The question is how much to emphasize integration and delivery across the expanded portfolio versus pursuing another targeted acquisition-and how quickly to proceed.

Prepare a short recommendation that chooses an approach, gives the strongest argument against it, and identifies the evidence that could change your view. Keep the distinction clear between disclosed company facts, management forecasts or interpretations, and your own proposed policy.

A broad portfolio and a fast-changing company

Ondas describes three business units: Ondas Autonomous Systems (OAS), Ondas Networks, and Ondas Capital. OAS develops autonomous aerial and ground systems and integrated mission solutions, including counter-unmanned aircraft systems (CUAS), aerial intelligence, surveillance and reconnaissance (ISR), and unmanned ground vehicles. Ondas Networks provides private wireless communications. Ondas Capital supports strategic investments, partnerships, and capital formation. The company reports two segments, OAS and Ondas Networks; Ondas Capital was not material in 2025 and was included in corporate results. [C1, Item 1 and Item 7, printed pp. 43-44, SEC HTML lines 1786-1794]

The company's 2025 filing described a strategy of combining capabilities into integrated systems and pursuing targeted acquisitions across CUAS, autonomy, land intelligence, and robotics. It also identified risks from acquisition distraction, integration costs and systems, missed synergies, dilution or debt, impairment, and strain on resources. These are management's stated strategy and risk factors, not evidence that a particular synergy has been achieved or that integration has failed. [C1, strategy and risk factors, printed pp. 4-6, 25-27, lines 511-515 and 1211-1220]

In its August results release, Ondas listed five businesses acquired since March 31: World View, Mistral, Omnisys, DZYNE, and Cyberhawk. Two closed after the second quarter: DZYNE on July 2 and Cyberhawk on August 10. DZYNE's announced transaction value was approximately \$875.8 million, structured with \$200 million cash and approximately 85 million Ondas shares valued at about \$675 million; more than half of its stock consideration was subject to a six-month lock-up. Cyberhawk's closing filing reports \$118.2 million cash and 581,732 Ondas shares for 100% ownership. These are different transaction terms and should not be confused with a single cash-spending number. [C2, Exhibit 99.1, lines 81-103; C3, 8-K index, period of report July 2, and Exhibit 99.3, lines 20-22; C4, Item 2.01, lines 67-73]

Growth: reported results and competing interpretations

Ondas reported 2025 revenue of \$50.731 million, up from \$7.193 million in 2024. OAS revenue increased by \$44.490 million. Management attributed \$26.9 million of 2025 OAS revenue to companies acquired during the year and separately attributed a \$17.6 million increase to Airobotics. Using rounded figures, \$26.9 million is about 60.4% of the \$44.5 million OAS increase. This is the company's attribution; it does not isolate same-business organic growth, deal returns, or synergies. The Networks segment declined by \$0.952 million. [C1, Item 7, printed p. 44, lines 1803-1826]

Reported revenue, \$ millions	2024	2025
OAS	5.261	49.751
Ondas Networks	1.932	0.980
Total	7.193	50.731

The company attributed the increase in gross margin percentage from 5% in 2024 to 40% in 2025 primarily to a more favorable revenue mix, including product sales offsetting fixed OAS service-delivery costs. That explanation does not show whether the margin improvement is repeatable across the expanded portfolio. G&A expense rose \$27.3 million to \$44.5 million; cited drivers included stock compensation, higher human-resource costs as the management team grew, acquisition-related professional fees, and acquired-company expense. The filing

does not label all of this increase as integration cost. [C1, Item 7, printed pp. 44-45, lines 1829-1839]

At December 31, 2025, Ondas reported that internal controls for several 2025 acquisitions were still being integrated. The companies not yet fully integrated into internal control over financial reporting represented approximately 36% of consolidated assets and 53% of consolidated revenue at that date. This is a dated year-end disclosure; it does not establish their integration status in August 2026. [C1, Item 9A, printed p. 54, lines 4617-4620]

The second-quarter snapshot

The Q2 results release reported revenue of \$83.8 million, compared with \$6.3 million in Q2 2025 and \$50.1 million in Q1 2026. The reported year-over-year increase was more than thirteen-fold. Separately, management reported 85% year-over-year growth on a “pro forma organic” basis, assuming the businesses owned and operated in Q2 2026 had also been owned and operated in Q2 2025. That is a management-defined same-portfolio comparison-not reported revenue growth, a GAAP measure, or a bridge isolating integration synergies. [C2, Exhibit 99.1, lines 17, 35-38, 59-63, 221-225]

Q2 financial snapshot, \$ millions except margins	Q2 2025	Q1 2026	Q2 2026
Revenue	6.3	50.1	83.8
GAAP gross profit	3.3	24.7	36.1
GAAP gross margin	53.1%	49.2%	43.1%
GAAP operating expenses	12.6	67.3	199.1
GAAP operating loss	(9.3)	(42.7)	(162.9)
GAAP net income (loss)	(10.8)	361.2	(89.7)
Adjusted EBITDA loss, company-defined	(5.8)	(10.9)	(50.6)
Adjusted Cash Operating Expense, company-defined	9.4	36.9	93.3

Basis: Rounded figures from the unaudited quarterly statements and release. Adjusted EBITDA and Adjusted Cash Operating Expense are non-GAAP measures defined by Ondas. Beginning in Q2 2026, the company revised both measures to exclude changes in contingent-consideration fair value and other acquisition-related obligations; it said this revision did not affect previously reported amounts. The release also introduced adjusted gross profit and gross margin and presented comparative figures on a consistent basis. GAAP operating expenses included \$105.8 million of stated noncash expenses, including stock compensation, contingent-consideration fair-value changes, and amortization, plus \$4.4 million of transaction expense. Noncash charges and adjusted measures do not make operating costs or acquisition spending irrelevant. [C2, Exhibit 99.1, lines 224-246, 498-502]

The \$361.2 million of Q1 2026 net income should not be read as a recurring operating run rate: the release reports \$404.2 million of total other income that quarter and describes warrant-related fair-value gains as a source of noncash earnings volatility. [C2, Exhibit 99.1, lines 239-245]

The company said Q2 gross profit was reduced by amortization of capitalized intellectual property. Management attributed its adjusted gross profit increase versus Q1 to higher revenue, favorable product mix, fixed-cost absorption, and acquired businesses, and warned that margins could vary as system mix and order timing shift. These are the company's explanations; the release does not isolate the causal contribution of each factor. [C2, Exhibit 99.1, lines 224-226]

Orders, backlog, and liquidity

Ondas reported \$175 million of Q2 orders and approximately \$613 million of backlog at June 30, 2026. Its release separately gave approximately \$757 million of pro forma backlog as of June 30, including DZYNE and Cyberhawk, which closed later in Q3. The release did not provide a bridge between those figures or a formal backlog definition. It also reported an additional \$105 million of Q3 orders captured through August 10. Orders and backlog are not recognized revenue, gross profit, or cash; the case information does not establish funded status, cancellation rights, delivery timing, or program-level margin. [C2, Exhibit 99.1, lines 21-22, 37-38, 63-73]

Two disclosed contract-vehicle figures illustrate why headline ceilings require care. The company reported that NASA increased the ceiling of an existing Stratollite IDIQ from \$45 million to \$395 million. It also described a \$982 million U.S. Army Lethal Unmanned Strike (LUS) IDIQ and more than \$240 million in aggregate orders related to it; the release separately listed a \$52.9 million LUS order captured in July. An IDIQ ceiling is not a firm order or guaranteed revenue. [C2, Exhibit 99.1, lines 166-170 and 208]

The June 30 balance sheet included \$657.906 million of cash and cash equivalents, \$8.472 million of restricted cash, and \$726.587 million of short-term investments—a derived sum of \$1,392.965 million, rounded in the release to \$1.4 billion. The company said approximately \$325 million of cash had been used during Q3 to close DZYNE and Cyberhawk. The release did not give a post-close cash balance. Do not subtract the approximate Q3 use from the June 30 sum and call the result available cash: the dates differ, other cash flows are unknown, and restricted cash is not unrestricted. Nor is \$325 million total acquisition consideration; the two disclosed deals also included equity consideration. [C2, Exhibit 99.1, lines 30, 77, 265 and unaudited balance sheet lines 344-346; C3, lines 20-22; C4, lines 67-73]

Scaling the platform-and the competition

Management reported six U.S. facilities with 230,000 square feet of “underutilized capacity,” 560 U.S. employees including 155 engineers, plans to add approximately 50,000 square feet of manufacturing space, and Palantir Foundry deployment at four of five U.S. sites with eight workstreams and 24 active use cases. It expected a 20% improvement in G&A productivity. These are company-reported capacity, deployment, and expected-productivity claims, not verified utilization, realized savings, or proof of spare delivery capacity. [C2, Exhibit 99.1, lines 118-133]

As one sector reference for an organic-investment path, Kratos reported 2025 Unmanned Systems sales of \$292.0 million, up 7.9% from \$270.5 million, and \$37.9 million in segment capital expenditures. Kratos is substantially larger, spans different defense businesses and programs, and has a different acquisition and funding profile. Its results are not a like-for-like benchmark or a forecast for Ondas. [P1, FY2025 Form 10-K, results table lines 1468-1473 and segment capital expenditures lines 3310-3317]

Approaches for discussion

These alternatives are constructed for this exercise; Ondas has not publicly disclosed this three-way choice.

Approach	Rationale to test	Central risk or question
Integrate and scale first	Pause new acquisitions for a defined period while prioritizing delivery, integration routines, production readiness, customer retention, and conversion of the existing order book.	Could a pause sacrifice scarce capabilities, customer access, or time-sensitive opportunities? What operating evidence would justify reopening deal activity?
Continue targeted acquisition-led expansion	Add a capability or customer-access position that fills a documented strategic gap while investing in the expanded operating platform.	How would Ondas protect delivery and integration capacity as the portfolio grows? What evidence of target economics and deal fit is necessary before commitment?
Use gates to pace bolt-ons	Continue considering targeted deals, but sequence them against observable delivery and integration evidence. A gate is a pacing rule; it is not a fourth capital-allocation use.	Which indicators are observable and decision-relevant? Who owns them, and how could gates delay a valuable opportunity or create false confidence?

The public evidence does not identify deal-level integration costs, target margins, cross-sell, retention, current post-close liquidity, funded backlog, conversion schedules, working-capital needs, or a company acquisition hurdle rate. Any thresholds or budgets proposed in your recommendation must be labeled as classroom assumptions, not company policy.

Questions

1. What evidence supports the case for integrating and scaling the current portfolio? What is the strongest counterevidence?
2. Which approach would you recommend over the next 12-18 months, and what is the strongest argument against your choice?
3. What two or three observable milestones, if any, would change the pace of new acquisitions? Label any threshold as a proposed classroom rule.
4. Which missing company data would most change your recommendation? Explain why.

Public sources

- **C1 - Ondas FY2025 Form 10-K.** [SEC filing](#)
- **C2 - Ondas Q2 2026 results Form 8-K and Exhibit 99.1.** [SEC index and acceptance time](#) · [Filed release](#)
- **C3 - Ondas DZYNE acquisition Form 8-K, Exhibit 99.3.** [SEC index](#) · [Announcement](#)
- **C4 - Ondas Cyberhawk closing Form 8-K.** [SEC filing](#) · [SEC index](#)
- **C5 - Ondas Q2 2026 Form 10-Q index, chronology only.** [SEC index](#). The filing is after the cutoff and is not a source for student-case facts.
- **P1 - Kratos FY2025 Form 10-K.** [SEC filing](#)