

Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Sidus Space, Inc.

Speculative Buy

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November 28, 2022

SIDU \$1.77 — (NASDAQ)

	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
Revenues (million)	\$1.8	\$1.4	\$6.2	\$8.1
Earnings (loss) per share	\$(0.15)	\$(0.34)	\$(0.67)	\$(0.43)

52-Week range	\$29.70 – \$1.26	Fiscal year ends:	December
Common shares out as of 11/14/22	18.0 million	Revenue per share (TTM)	\$0.34
Approximate float	8.0 million	Price/Sales (TTM)	5.2X
Market capitalization	\$31.9 million	Price/Sales (FY2023)E	4.7X
Tangible book value/share	\$0.44	Price/Earnings (TTM)	NMF
Price/tangible book value	4.0X	Price/Earnings (FY2023)E	NMF

Sidus Space, Inc., headquartered in Merritt Island, Florida, is a Space-as-a-Service company offering mission critical hardware manufacturing, multi-disciplinary engineering services, satellite design, production, launch planning, mission operations, and in-orbit support for military, civil, and commercial customers.

Key investment considerations:

Maintaining coverage of SIDU with a Speculative Buy rating but reducing our twelve-month price target to \$4.50 per share from \$7.50 per share due primarily to our reduced 2023 sales per share forecast and diminish valuation.

While the majority of the company's revenues have historically been from space related hardware manufacturing, 9M22 included revenue related to its multi-mission constellation and partially 3D printed LizzieSat small satellite. We expect SIDU's satellite revenue to grow going forward with the launch of LizzieSat anticipated in 2Q23, which should allow the company to grow 2H23 revenue at a significant rate with a greater portion coming from its higher margin satellite business.

Key investment considerations include the size of LizzieSat (100kg which allows for precision pointing), utilization of 3D printing technology which reduces the weight/cost to launch and allows for more customer payloads/sensors, and the use of commercial, off the shelf, flight proven subsystem components that reduces production time.

For 2022, we project total revenue of \$6.2 million, up from \$1.8 million in 2021 and the net loss increasing to \$11.5 million or \$(0.67) per share from \$3.7 million or \$(0.34) per share last year. Revenue should be driven by growth in the number of customers serviced and the size of sales contracts in 2H22.

For 2023, we project a net loss of \$9.1 million or \$(0.43) per share on total revenue growth of 30.4% to \$8.8 million. We previously forecast revenue of \$8.8 million and a loss per share of \$(0.35). The increase in revenue should be driven by growth in the industry and a greater contribution of satellite revenue in 2H23. The increase in our loss per share reflect higher operating costs and lower than anticipated gross margin in 1H23.

SIDU reported (10-Q released 11/14/22) 3Q22 total revenue increased to \$1.3 million from \$500,000 in 3Q21. SIDU reported a loss of \$(0.23) per share versus a loss of \$(0.06) per share in 3Q21. We projected 3Q22 total revenue of \$1.9 million and a loss of \$(0.12) per share.

****Please view our disclosures on pages 15 - 17.***

Recommendation and Valuation

We are maintaining coverage of Sidus Space, Inc. with a Speculative Buy rating but reducing our twelve-month price target to \$5.00 per share from \$7.50 per share due primarily to our reduced 2023 sales per share forecast and diminish valuation.

While the majority of the company's revenues have historically been from space related hardware manufacturing, 1H22 included revenue related to its multi-mission constellation and partially 3D printed LizzieSat small satellite. We expect SIDU's satellite revenue to grow going forward with the launch of LizzieSat anticipated in 2Q23. The launch of LizzieSat should allow the company to grow revenue in 2H23 as a greater portion of total revenue should be coming from its higher margin satellite business.

Key elements of the company's growth potential include the size of the LizzieSat (100kg which allows for precision pointing), utilization of 3D printing technology which reduces the weight/cost to launch and allows for more customer payloads/sensors, and the use of commercial, off the shelf, flight proven subsystem components that reduces production time.

Shares of SIDU are currently trading at a trailing twelve month P/S multiple of approximately 5.2X (prior was 11X). Since the start of the year, shares of SIDU have traded at trailing twelve month P/S multiples ranging from as low as 5X to as high as 31X on relatively low satellite related sales. We believe SIDU's multiple will expand from current levels as higher margin satellite sales ramp. Applying a multiple of 16X (prior was 18X) to our sales per share projection of \$0.38 (prior was \$0.45) for 2023, discounted for execution and dilution risks, we derive a twelve month price target of approximately \$5.00 per share.

Recent Developments

On November 22, 2022, SIDU announced the signing of a memorandum of understanding with Capital C. The agreement call for Sidus to assist in developing, delivering, and maintaining surveillance and tracking systems with software that utilizes satellite imagery, sensor data, and data delivery. Sidus will provide continued access to LEO satellite communications systems, as well as the design and manufacture of specialized marine parts as a preferred vendor to Capital C.

On November 1, 2022, the company announced an agreement with Dawn Aerospace to implement its green, chemical propulsion technology into LizzieSat™. Dawn is a space transportation company, specializing in non-toxic chemical satellite propulsion and sustainable space launch. Dawn has provided in-space propulsion products – used to propel satellites – to customers globally since 2019.

In October 2022, Sidus Space announced it signed a launch agreement with Vaya Space for four launches over multiple years and receipt of over \$1.9 million in new purchase orders in 3Q22 for space and defense hardware and services supporting multiple customers.

On September 7, 2022, Sidus Space announced it signed a launch agreement with SpaceX for five launches, beginning in 1H23.

Business Overview

Sidus Space, Inc., headquartered in Merritt Island, Florida, is a Space-as-a-Service company offering mission critical hardware manufacturing, multi-disciplinary engineering services, satellite design, production, launch planning, mission operations, and in-orbit support for military, civil, and commercial customers.

Sidus is designing, developing, manufacturing, and planning to operate a constellation of proprietary smallsats (spacecraft with a mass less than 180kg). These satellites are designed to for multiple missions and customers and form the foundation of the company's satellite platform. Weighing approximately 100kg (220-pounds) each, these partially 3D printed, modular satellites are more functional than nanosatellites (1-10kg) and cubesats (a

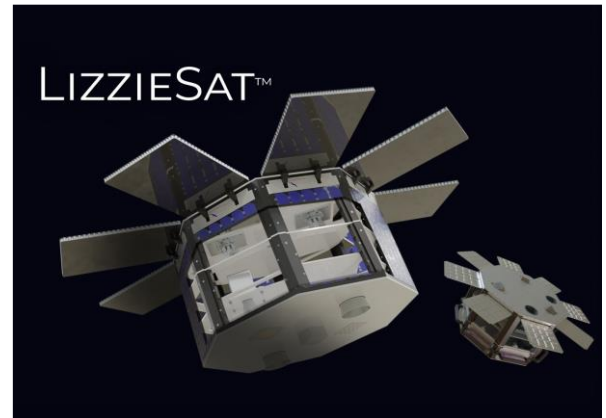
class of nanosatellites that use a standard size and form factor with the standard cubesat size using a one unit or 1U measuring 10x10x10 cms, extendable to larger sizes; 1.5, 2, 3, 6, and even 12U) and are less expensive to manufacture than larger satellites in the 200-600kg range. Launched into a low earth orbit approximately 450 kilometers above the surface of the Earth, the company's constellation will be optimally distributed to provide maximum coverage for its customers in the government and commercial sectors.

Space Platforms

External Flight Test Platform Offers multiple industries the opportunity to develop, test, and fly experiments, hardware, materials, and advanced electronics on the International Space Station (ISS) at a reduced cost and schedule.

LizzieSat Currently in development as a hybrid 3D printed low earth orbit microsatellite that focuses on rapid, cost-effective development and testing of innovative spacecraft technologies for multiple customers combined with delivery of space-based data for multiple industries. LizzieSat

(pictured at right) is planned to combine static component testing and low earth orbit spacecraft development and deployment to provide complete life cycle services to commercial and government customers for Internal Research & Development, data analytics and/or proof of concept.



Sidus is on track to meet the planned milestones for its initial LizzieSat hybrid 3D printed satellite. However, regarding the company's previous disclosure of the launch of its satellite, the company has been informed by NASA that its launch date has moved from 1Q23 to 2Q23. The satellite will occur through its recently announced (September 2022) launch agreement with SpaceX. The benefit from using this launch partner is that the LizzieSat satellite will be in a higher orbit that will enable the collection of a larger amount of higher quality data that should translate to an expanded customer base and increased recurring revenue by the end of 2023.

Space Station Integrated Kinetic Launcher for Orbital Payload Systems (SSIKLOPS) Sidus provides turnkey services to manage and execute the successful integration and on-orbit operations of satellite payloads using SSIKLOPS to fill the payload deployment gap between small cubesat launchers and major payloads by supporting the low earth orbit microsatellite market (up to 116kg). SSIKLOPS is a mechanism used to robotically deploy satellites from the ISS and is designed to provide a method to transfer internally stowed satellites to the external environment.

In November 2018, Sidus was awarded a 5-year indefinite delivery indefinite quantity contract by NASA to provide services to manage and perform the work for the successful integration and on-orbit operations of the platform for US government customers with the option to utilize the platform for commercial efforts as well.

Phoenix Deployer Currently in development as a cubesat deployer utilizing the SSIKLOPS deployment platform to deploy cubesats from the ISS. Phoenix offers a low-cost and high availability deployer option for cubesats within the 3U to 12U range where U refers to the standard cubesat dimensions (Units or U) of 10 cm x 10 cm x 10 cm which are used to describe space on spacecraft.

Aerospace and Defense Manufacturing Services

Precision Machining and Assembly Sidus' team of engineers and technicians along with state-of-the-art equipment provide precision machining, fabrication, and assembly for prototypes, test articles, one-offs, and low-rate initial production up through high volume Swiss screw machining production. The company utilizes the latest Computer Numerical Control (CNC) machining and turning processes to deliver high-quality, complex and on-demand parts for specialized industries including the space sector.

3D Printing The company’s 3D printers enable it to provide rapid manufacturing with industrial micron-level laser scanning accuracy and 50 µm repeatability. Using continuous fiber fabrication technology, Sidus can produce parts that are stronger than 6061 Aluminum (which is considered to be very versatile, easy to work with, and relatively cheap, is used in aerospace engineering, aircraft and helicopters) and 40% lighter. Sidus provides internal engineering support to optimize the functional performance, product life cycle, and accuracy of its customers’ specific 3D printed technology to ensure repeatability and consistency across prints.

Mechanical/Electrical Assembly and Test Sidus has a reconfigurable electronics and cable harness fabrication lab with the necessary equipment, staff and square footage to produce space flight and ground cables and electronic chassis. The company’s capabilities include manufacturing, assembly and testing of a wide selection of electrical control cabinet and electronic cabinet modification and fabrication processes. Sidus offers expertise in assembling electronics, including soldering, crimping, multi-pinned connector terminations, fusion splicing, molding, potting, and testing. Certifications include NASA and other industry-standard certifications.

Design Engineering The company’s ISO 9001:2015/AS9100D certified engineering capabilities include the ability to perform initial design concepts or engineering change recommendations to existing engineering. Some of Sidus’ design engineering capabilities include:

- Requirements Definition – Product development and process optimization
- Verification/Validation (multiple checks and balance) – Meets a specification and intended purpose
- Model Based Systems Engineering – Use of visual modeling vs document-based information exchange
- 3D CAD & 2D Engineering Release – Managing, planning, scheduling, and controlling
- Test Procedures and Performance – Meets customer driven requirements

Program Management Sidus provides dedicated project management services throughout the lifecycle of a customer’s project or program. Some of Sidus’ program management services include:

- Supply chain management
- Customer requirement compliance
- Logistics and configuration management

A synopsis of the company’s offerings and strategic partnerships is depicted in the chart below:

The infographic is titled "SPACE-AS-A-SERVICE" and features the Sidus Space logo in the top right corner. It is divided into three main columns: "OFFERING OVERVIEW", "WELL-POSITIONED", and "CONSTELLATION".

- OFFERING OVERVIEW:**
 - SPACE PLATFORMS:** LizzieSat™, EFTP – External Flight Test Platform, Phoenix Deployer, SSIKLOPS (Space Station Integrated Kinetic Launcher for Orbital Payload Systems).
 - SPACE HARDWARE MANUFACTURING:** Over ten years of experience manufacturing, assembling and testing space hardware with space flight heritage.
 - Design Engineering
 - Precision Machining
 - Waterjet Cutting
 - 3-D Printing
 - Cable & Wire Harness Fabrication
- WELL-POSITIONED:**
 - Company Owned and Based in the U.S.
 - Established Customer Base
 - Global Reach – Advanced Discussions
- CONSTELLATION:**
 - ITU Approved Spectrum Filing for Constellation of 100 satellites
 - Custom Payload Integration
 - Vertically Integrated Services
 - Proprietary 3-D Printed Satellite Designs

STRATEGIC PARTNERSHIPS: A central box highlights logos for KSAT (Kongsberg Satellite Services), Aitech, and Red Canyon (Engineering & Software).

- KSAT - Ground Station Services for LizzieSat™ Constellation
- Red Canyon –Custom flight systems Software for LizzieSat™
- AI Tech Systems - Command and Data Handling (C&DH) flight computers and peripherals for LizzieSat™

PROJECTED LAUNCH PLAN:

- Phase 1 consists of initial 15 satellites
- Phase 2 consists of additional 30 satellites
- Phase 3 – consists of additional 75 satellites
- Satellites have approximately 18 month lifecycle
- Pre-book follow on payloads in outyears for customers needing uninterrupted data

Sidus supports international and domestic government and commercial companies with its hardware manufacturing including the Department of State, the Department of Defense, NASA, Collins Aerospace, Lockheed Martin, Teledyne Marine, Bechtel, and L3Harris in areas that include launch vehicles, satellite hardware, and autonomous underwater vehicles. Planned services include the proving of space technologies and delivering space-based data that can provide critical insight for agriculture, commodities tracking, disaster assessment, illegal trafficking monitoring, energy, mining, oil and gas, fire monitoring, classification of vegetation, soil moisture, carbon mass, maritime automatic identification system (AIS), aviation airworthiness directives (ADS), weather monitoring, and space services.

Sidus manufactures satellites at its Cape Canaveral facility which is currently configured to manufacture 5-10 satellites a month. The company’s space services encompass all aspects of hosted satellite and constellation services including hosting customer payloads onto its satellites. Sidus’ space services are expected to allow customers to focus on developing their technologies rather than having to design or develop satellites or constellations, which Sidus will provide, along with ancillary services that are likely to include telemetry, tracking and control, communications, processing, as well as software development and maintenance.

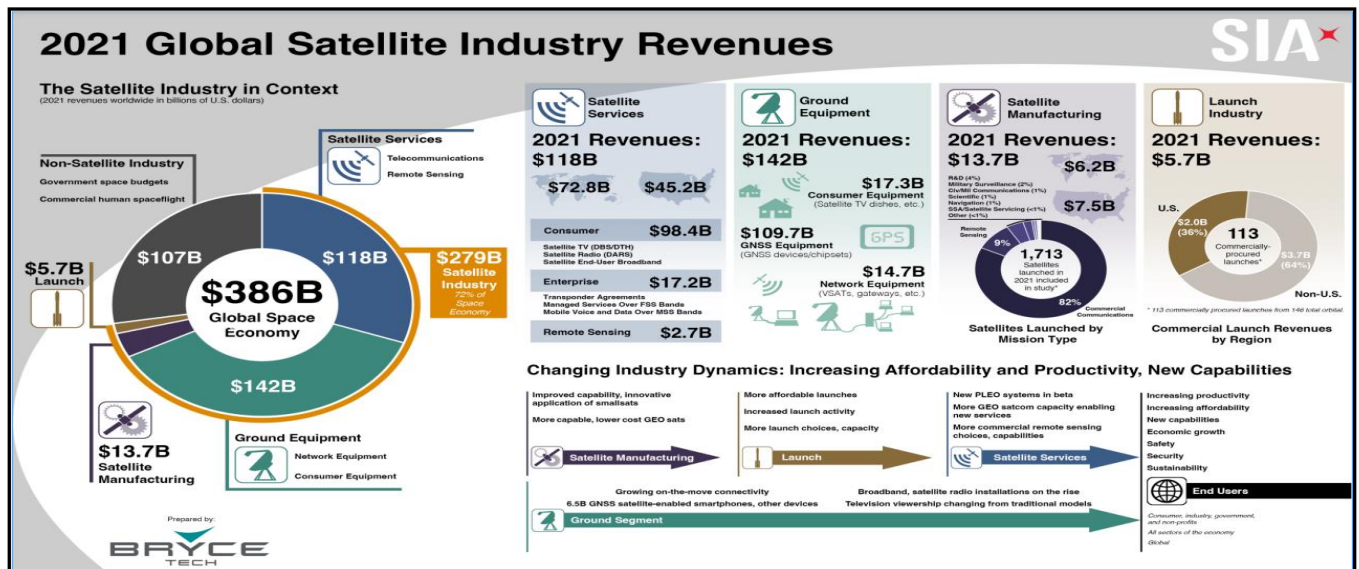
The majority of the company’s revenues have been from space related hardware manufacturing, however, 1H22 includes revenue related to its multi-mission constellation and partially 3D printed LizzieSat satellite.

Satellite Industry

Every day, billions of people worldwide use the services offered by satellites and most don’t even realize it. The fact is that if you used a cellular phone, paid for gas at the pump, watched an international or a national sporting event on TV, surfed the internet on a plane, located a store or restaurant on a smart phone or tablet or used your car’s navigation system, you have been using satellites.

According to the Satellite Industry Association (SIA), the overall global space economy generated revenue of \$386 billion in 2021, an increase of 4% compared to 2020. The commercial satellite industry once again continued to be dominant, increasing to \$279 billion and accounting for 72% of the world’s space business. Satellite manufacturing revenue grew to \$13.7 billion in 2021 an increase of more than 12% compared with 2020 due to improved utility, satellite capability and lower manufacturing costs. More affordable launches and launch vehicle innovations led to increased launch activities and a historic high number of global launches in 2021. Global launch revenues were \$5.7 billion in 2021, an increase of 8% compared to 2020. Increased telecom capacity, resolution of commercially available imagery and new remote sensing and other services combined to help generate \$118 billion in satellite services revenue during 2021, an increase of approximately .4% over the previous year.

A breakdown of the global satellite industry’s revenue for 2021 is shown in the chart below.



A May 2022 report by Citi GPS (Space the Dawn of a New Age) cited lower launch costs and leaps in technology as key enablers in the proliferation of space. Launch costs have fallen by approximately 40% since the 1980s and Citi GPS projects them to come down another 95% to approximately \$100 per kg by 2040. New satellite technologies combined with operating procedures that utilize cloud computing and Internet-of Things (IoT) networks will amplify existing and foster new cases for satellites.

StartUs Insights noted small satellites (such as provided by Sidus) are the number one trend and technology for 2022. The size of spacecraft can vary significantly with some that you can hold in your hand, while others like Hubble, are as big as a school bus. Small spacecraft (smallsats) focus on spacecraft with a mass less than 180 kilograms which is about the size of a large kitchen refrigerator.

StartUs reported that small satellites were replacing the need for large satellites and related infrastructure. Commercial satellite operators for connectivity services deploy constellations of smallsats in low earth orbit (LEO) to provide global coverage. Small satellites are also increasingly positioned in LEO constellations for earth observation and remote sensing.

Grand View Research reported that the global satellite communication market size was projected to reach \$159.6 billion in 2030, registering a CAGR of 9.5% from 2022 to 2030 driven by the global need for enhanced data communication. North America held the largest revenue share, followed by Europe. The rising proliferation of small satellites for tactical communication, geospace & atmospheric research, and medium resolution imagery in military and defense applications should help propel this market along with the increasing demand for satellite communication solutions from the aviation industry to improve airline operations and air traffic management.

Strategy

Sidus' operational strategy is to continue to enhance the capabilities of its satellite constellation, to increase its international and domestic partnerships, and to expand its analytics offerings in an effort to increase the value it delivers to customers.

The company aims to capitalize on the rapid growth and deployment of millions of low-cost GPS enabled terrestrial, IoT, and space based sensors to provide data to global customers in near real-time. The number of commercial sensors in orbit has expanded from a handful of large expensive commercial satellites just a few years ago, to hundreds currently, and thousands in the near future.

Sidus plans to grow:

1. Increasing its customer base through a combination of direct and indirect sales strategies and growing its direct sales teams and indirect sales channels.
2. Expanding within its current customer base as its space-as-a-service offerings grow, which over time, should generate higher margin recurring service revenue.
3. Continuing to penetrate international markets by focusing on the company's pipeline of prospective small underrepresented international governments and firms that can benefit from its support and services.
4. Growing distribution channels and channel partner ecosystems by investing in distribution channels and relationships with technology partners, solution providers, strategic global system integrators, solution partners, and value-added-resellers in an effort to enter into and expand in new markets. Sidus has also established a joint cooperation and marketing agreement with Dhruva, India's first private space company, to co-market, and sell its services in other countries.

Economic Outlook

In October 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 3.2% for 2022 and 2.7% for 2023, down from its July 2022 projection calling for 3.2% growth in 2022 and 2.9% growth in 2023. The forecast reflects worldwide inflation that triggered tighter financial conditions (i.e. higher interest rates), an economic slowdown in China, as well as negative effects from the war in Ukraine.

The IMF revised its economic growth estimate for the US to an increase of 1.6% for 2022 and 1% for 2023. In July 2022, the IMF projected US economic growth of 2.3% and 1% for 2022 and 2023, respectively.

Projections

2022 Forecast - We project total revenue of \$6.2 million, up from \$1.4 million in 2021 and the net loss increasing to \$11.5 million or \$(0.67) per share from \$3.7 million or \$(0.34) per share. We previously forecast total revenue of \$7.5 million and a net loss of \$8.8 million or \$(0.52) per share. The improvement in revenue should be driven by growth in the number of customers serviced and the size of sales contracts in 2H22, while the increase in our loss forecast reflect 3Q22 results.

Revenue growth should result in gross profit increasing to nearly \$1.7 million from a loss of \$367,000 last year. We project gross margins of 27% versus negative 26% in 2021. The operating loss is projected to increase to \$11.3 million from \$3.5 million driven by increases in payroll expenses to \$5.4 million from \$1.5 million as a result of an expansion of staff. General and administrative expenses should increase to \$4.3 million from \$949,000 to support increased business activities, as well as professional fees increasing to \$2.2 million from \$336,000 due primarily to a one-time charge of \$1.3 million related to stock-based consulting fees and a \$600,000 one-time banking advisory fee.

Interest expense is projected to increase to \$226,000 from \$43,000 due to interest related to notes payable.

In 2022, we project \$11.5 million cash used in operations from a cash loss of \$9.6 million and a \$1.9 million increase in working capital. We project \$1.7 million cash used in investing primarily from capital expenditures. Cash from financing of nearly \$3 million reflects proceeds from the issuance of common stock, partly offset by the pay down of debt. We project a \$10.3 million decrease in cash to \$3.5 million at the end of 2022.

2023 Forecast - We project total revenue growth of 30.4% to \$8.1 million, up from an estimated \$6.2 million in 2022. Our net loss forecast should narrow to \$9.1 million or \$(0.43) per share from an estimated \$11.5 million or \$(0.67) per share in 2022. We previously forecast total revenue of \$8.8 million and a net loss of \$6.9 million or \$(0.34) per share. The increase in our revenue forecast from last year should be driven by growth in the industry and a greater contribution of satellite revenue due to the projected launch of LizzieSat in 2Q23. However, our reduced overall forecast reflects a one quarter delay in the projected launch of LizzieSat and higher overall operating expenses and lower than anticipated gross margin in 1H23.

Revenue growth should result in gross profit increasing to \$3.6 million from \$1.7 million projected for 2022. We project gross margins improving to 44.6% (prior was 54.1%) from 27% projected for 2022 as higher margin satellite revenue is projected to contribute a greater percentage of total revenue in 2H23. The operating loss is projected to decrease to \$8.9 million from \$11.3 million in 2022. We anticipate increases in payroll expenses to \$6.3 million from \$5.4 million in 2022 and general and administrative expenses of \$4.6 million versus \$4.3 million projected for 2022 to support increased business. We project professional fees of \$400,000 in 2023 versus \$3.3 million projected for 2022 due primarily to the absence of a one-time charge of \$1.2 million related to stock-based consulting fees and a \$600,000 one-time banking advisory fee in 2022.

Interest expense is projected to decrease to \$200,000 from \$226,000 due to a lower average debt balance.

In 2023, we project \$7.5 million cash used in operations from a cash loss of \$7.6 million and a \$333,000 decrease in working capital. We project \$1.7 million cash used in investing primarily from capital expenditures. Cash

provided by financing of \$9.4 million should be due primarily proceeds from the issuance of stock offset in part by the pay down of debt. We project a \$177,000 increase in cash to \$3.6 million at the end of 2023.

3Q22 and 9M22 Financial Results

3Q22 – Total revenue increased to \$1.3 million versus \$500,000 in 3Q21. Non-related party revenue increased to nearly \$1.3 million from \$123,000 while related party revenue decreased to \$57,000 from \$377,000 in 3Q21. The net loss increased to \$3.9 million or \$(0.23) per share from a loss of \$623,000 or \$(0.06) per share in 3Q21.

The increase in non-related party revenue was driven by increased sales staff that allowed for more aggressive pursuit of customers, as well as an increase in government contracts and manufacturing line to meet the timing of industry needs. The decrease in revenue from related parties reflects smaller contracts SIDU’s related party entered into with its customers which resulted in less work being outsourced to SIDU.

Gross profit swung to a loss of nearly \$86,000 compared to a positive \$19,000 in 3Q21. 3Q22 gross margins were negative (6.5%) stemming from mix of contracts and higher supply chain related costs.

Operating expenses increased to nearly \$3.8 million from \$918,000 in 3Q21 due primarily to an increase in payroll expenses to approximately \$1.6 million from \$501,000 as a result of an expansion of staff. Sales and marketing expenses increased to \$192,000 from zero due to increased general marketing and investor relations consulting expense. Professional fees increased to \$682,000 from \$50,000 which includes increased legal and accounting fees as a result of being a public company and a \$600,000 one-time banking advisory fee, as well as general and administrative costs increased to nearly \$1.2 million from \$277,000 related to an increase in the size of the company and higher insurance and regulatory costs.

Interest expense increased to \$51,000 from \$33,000 related to interest on notes payable.

9M22 – Total revenue increased to \$5 million versus \$885,000 in 9M21 due primarily to non-related party revenue of \$4.1 million compared to \$413,000 in the year-ago period. The net loss increased to \$8.7 million or \$(0.52) per share from a loss of \$1.3 million or \$(0.13) per share in 9M21.

Gross profit increased to \$1.2 million versus a loss of \$172,000 in 9M21. 9M22 gross margins of 25% were driven by the increase in revenue, a decrease in labor intensive contracts, and an increase in higher margin Satellite-as-a-Service business.

Operating expenses increased to \$9.8 million from \$1.7 million due primarily to costs supporting revenue growth and costs associated with being a public company including a one-time \$600,000 banking advisory fee.

Interest expense increased to \$175,000 from \$59,000 related to interest on notes payable. In 2H21, SIDU recognized a 634,000 gain on the forgiveness of a PPP loan.

	Income Statement (in thousands \$)	
	9M22A	9M21A
Revenue	4,100	413
Revenue-related parties	864	472
Total revenue	4,964	885
Cost of revenue	3,724	1,057
Gross profit	1,239	(172)
Payroll expenses	3,770	944
Sales and marketing expenses	395	71
Lease expense	251	166
Depreciation expense	97	24
Professional fees	2,136	80
General and administrative expense	3,130	436
Operating income (loss)	(8,539)	(1,894)
Other expense	-	(1)
Interest expense	(175)	(59)
Gain on forgiveness of PPP loan	-	634
Income (loss) before income taxes	(8,714)	(1,320)
Taxes	-	-
Net income / (loss)	(8,714)	(1,320)
EPS	(0.52)	(0.13)
Shares Outstanding	16,887	10,282
<u>Margin Analysis</u>		
Gross margin	25.0%	NMF
<u>Year / Year Growth</u>		
Total Revenues	460.7%	

Source: Company filings

Liquidity – As of September 30, 2022, Sidus had cash of \$4.4 million and \$1 million of total debt (all long-term), and shareholder’s equity of \$7.8 million.

In 9M22, the company used \$9.8 million cash from operations from a cash loss of \$7.3 million and a \$2.6 million increase in working capital. SIDU used \$1.4 million cash in investing activities consisting solely of capital expenditures. The company generated \$1.9 million cash from financing activities consisting primarily of the

issuance of common stock, partly offset by debt repayments. Cash decreased by \$9.4 million to \$4.4 million as of September 30, 2022.

On December 1, 2021, SIDU entered into a loan assignment with Decathlon Alpha IV, L.P. and Craig Technical Consulting, Inc. (CTC) pursuant to which SIDU assumed \$1.1 million in loans (the Decathlon Note) to CTC by Decathlon. In connection with the Decathlon Note, the company recorded a reclassification of \$1.1 million from note payable – related party to note payable – non-current (Decathlon note). As of September 30, 2022, the outstanding balance on the note payable was approximately \$1 million.

On August 10, 2022, Sidus entered into a common stock purchase agreement with B. Riley Principal Capital II, LLC. whereby the company will have the right to sell to B. Riley up to \$30 million of newly issued shares of the company's Class A common stock. The sales of common stock pursuant to the purchase agreement, and the timing of any sales, are solely at the option of the company, and the company is under no obligation to sell any securities to B. Riley. In 3Q22, nearly 972,000 shares of common stock was issued under agreement for net proceeds of nearly \$3.1 million. Subsequent to the end of 3Q22, the company issued common stock under the agreement of nearly 57,000 for net proceeds of approximately \$105,000.

Competition

The small satellite services industry is highly competitive but has significant barriers to entry, including the cost and difficulty associated with successfully developing, building, and launching a satellite constellation and obtaining various governmental and regulatory approvals. In addition to cost, there is a significant amount of lead time associated with obtaining the required licenses, building, and launching the satellite constellation, and developing and deploying the ground station technology. Sidus faces substantial competition from other service providers that offer a range of space-based data collection options. There are also several companies working to develop innovative solutions to compete in this industry.

The company's primary competitors in the commercial satellite market are BlackSky, Spire, Hawkeye-360, LoftOrbital, and IceEye. In addition, SIDU is aware of a significant number of entities actively engaged in developing commercial launch capabilities for small and medium sized satellite payloads, including Virgin Orbit, Relativity, ABL, and Firefly, among others. Many of SIDU's current and potential competitors are larger and have substantially greater financial or other resources and thus may be better positioned to exploit the market need for small payloads and targeted orbital delivery.

Risks

In our view, these are the principal risks underlying the stock.

Limited operating history – The company's limited operating history makes it difficult to evaluate its future prospects and the risks and challenges it may encounter. Some of the risks and challenges SIDU has faced or expects to face include its ability to forecast revenue and budget for and manage expenses, attract new customers and retain existing customers, and effectively manage its growth and business operations.

Significant losses – Sidus Space has recorded significant losses since its inception and has incurred net losses of \$8.7 million and \$3.7 million for 1H22 and FY21, respectively. While the company has generated limited revenue to date, it has not yet achieved production level satellite manufacturing. There is no guarantee that the planned commercial launches in 2023 or subsequent commercial launches thereafter will be successful. As a result, losses may be larger than anticipated, and the company may not achieve profitability when expected, or at all.

Reliance on partnerships – SIDU does not own or operate its own launch vehicles and relies on third party launch partners to launch satellites. If the number of companies offering launch services or the number of launches does not grow in the future or there is a consolidation among companies who offer these services, this could result in a

shortage of space on these launch vehicles, which could have an adverse effect on the company's ability to grow its business.

Reliance on limited number of suppliers – SIDU relies on a limited number of suppliers for certain raw materials and supplied components. The company may not be able to obtain sufficient raw materials or supplied components to meet its manufacturing and operating needs, or obtain such materials on favorable terms, which could impair its ability to fulfill orders in a timely manner or increase its costs of production.

Competition – SIDU faces intense competition in the commercial space market. The company's primary competitors in the commercial satellite market are BlackSky, Spire, Hawkeye-360, LoftOrbital, and IceEye. In addition, SIDU is aware of a significant number of entities actively engaged in developing commercial launch capabilities for small and medium sized satellite payloads, including Virgin Orbit, Relativity, ABL, and Firefly, among others. Many of SIDU's current and potential competitors are larger and have substantially greater financial or other resources than SIDU has and thus may be better positioned to exploit the market need for small payloads and targeted orbital delivery. If the company is unable to compete successfully, its business, financial condition and results of operations could be adversely affected.

Regulatory risks – The company's business is subject to a wide variety of extensive and evolving government laws and regulations. SIDU is subject to stringent US export and import control laws and regulations. Unfavorable changes in these laws and regulations or US government licensing policies, the company's failure to secure timely US government authorizations, or failure to comply with these laws and regulations could have a material adverse effect on SIDU's business, financial condition, and results of operation.

International business risks - If the company commercializes outside the US, it will be exposed to a variety of risks associated with international operations that could materially and adversely affect its business. These risks include the restructuring of operations to comply with local regulatory regimes, unexpected changes in tariffs, trade barriers and regulatory requirements, the need for US government approval to operate spaceflight systems outside the United States, and foreign currency fluctuations, which could result in increased operating expenses and reduced revenue.

Significant fluctuations in operating results – The company's operating results may fluctuate significantly, which makes future operating results difficult to predict and could cause actual results to fall below expectations or any guidance the company may provide.

Material weakness in internal controls over financial reporting – Sidus has identified a material weakness in its internal control over financial reporting as of September 30, 2022. The material weaknesses were related to not having enough personnel in the company's accounting and financial reporting functions to ensure that material misstatements of SIDU's financial statements will not be prevented or detected on a timely basis. Management's plan to remediate the material weakness lies in the hiring of additional personnel who have the technical expertise and knowledge with the non-routine or technical issues the company has encountered in the past.

Conflicts of interest, significant insider ownership – SIDU's CEO, Carol Craig, is also the CEO of Craig Technical Consulting, Inc. (CTC), SIDU's principal stockholder, and may allocate her time to such other business thereby causing conflicts of interest in her determination as to how much time to devote to the company's affairs. SIDU's founders, executive officers, directors, and other principal stockholders (including CDC), in the aggregate, beneficially own a majority of the company's outstanding stock. These stockholders currently have, and likely will continue to have, significant influence with respect to the election of SIDU's board of directors and approval or disapproval of all significant corporate actions.

Pandemic risks - The COVID-19 pandemic has and could continue to negatively affect various aspects of the company's business, making it more difficult to meet obligations to customers, and result in reduced demand for SIDU's products and services, which could have a material adverse effect on its business, financial condition, results of operations, or cash flows.

Sidus Space, Inc.

Liquidity risk - Shares of SIDU have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 8 million shares in the float and the average daily volume is approximately 728,000 shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Consolidated Balance Sheets
(in thousands \$)

	2019A	2020A	2021A	9/22A	2022E	2023E
Cash	57	20	13,711	4,359	3,458	3,636
Accounts receivable	237	166	131	918	1,036	1,350
Accounts receivable-related parties	249	176	443	6	100	200
Inventory	150	206	128	397	400	425
Contract assets	-	-	-	61	61	61
Prepaid and other assets	3	14	1,595	3,157	3,200	3,300
Total current assets	696	582	16,008	8,898	8,255	8,972
Property and equipment	1,320	952	775	1,962	1,965	2,000
Operating lease right-of-use assets	411	298	505	315	315	315
Other	13	13	13	35	35	35
Total assets	2,439	1,845	17,300	11,211	10,570	11,322
Accounts payable and other current liabilities	682	260	1,846	1,409	2,521	3,118
Accounts payable and accrued interest-related party	163	-	589	527	500	475
Contract liabilities	-	-	-	61	61	61
Contract liabilities-related party	-	-	63	-	-	-
Due to shareholder	5,747	7,302	-	-	-	-
Notes payable	63	338	-	-	-	-
Notes payable-related party	-	-	1,000	-	-	-
Operating lease liability	116	122	262	230	230	230
Finance lease liability	253	73	51	-	-	-
Total current liabilities	7,024	8,096	3,810	2,227	3,312	3,884
Notes payable	16	-	1,120	1,043	1,040	960
Notes payable-related party	-	-	1,350	-	-	-
Operating lease liability	307	185	263	100	100	100
Finance lease liability	135	149	97	-	-	-
Total liabilities	7,482	8,430	6,640	3,370	4,452	4,944
Total stockholders' equity*	(5,043)	(6,586)	10,661	7,840	6,119	6,378
Total liabilities & stockholders' equity	2,439	1,845	17,300	11,211	10,570	11,322

* 2022 includes \$1.6 million additional paid-in-capital from debt forgiveness

Source: Company filings and Taglich Brothers' estimates

Sidus Space, Inc.

Income Statements for the Fiscal Years Ended
(in thousands \$)

	<u>FY19A</u>	<u>FY20A</u>	<u>FY21A</u>	<u>FY22E</u>	<u>FY23E</u>
Revenue	2,684	1,631	789	5,250	7,000
Revenue-related parties	<u>114</u>	<u>176</u>	<u>619</u>	<u>964</u>	<u>1,100</u>
Total revenue	2,798	1,807	1,409	6,214	8,100
Cost of revenue	<u>3,010</u>	<u>1,786</u>	<u>1,775</u>	<u>4,537</u>	<u>4,490</u>
Gross profit	(211)	21	(367)	1,677	3,610
Payroll expenses	-	905	1,503	5,370	6,275
Sales and marketing expenses	-	154	71	590	890
Lease expense	-	159	253	331	300
Depreciation expense	-	42	35	122	100
Professional fees	-	19	336	2,236	400
General and administrative expense	<u>1,694</u>	<u>275</u>	<u>949</u>	<u>4,330</u>	<u>4,550</u>
Operating income (loss)	(1,905)	(1,533)	(3,514)	(11,302)	(8,905)
Other income	13	10	-	-	-
Other expense	-	(2)	(1)	-	-
Interest expense - includes related party	(36)	(18)	(97)	(226)	(200)
Gain on forgiveness of PPP loan	-	-	634	-	-
Finance expense	-	-	(769)	-	-
Income (loss) before income taxes	(1,929)	(1,543)	(3,746)	(11,528)	(9,105)
Taxes	-	-	-	-	-
Net income / (loss)	<u>(1,929)</u>	<u>(1,543)</u>	<u>(3,746)</u>	<u>(11,528)</u>	<u>(9,105)</u>
EPS	<u>(0.19)</u>	<u>(0.15)</u>	<u>(0.34)</u>	<u>(0.67)</u>	<u>(0.43)</u>
Shares Outstanding	10,000	10,000	11,162	17,226	21,050
<u>Margin Analysis</u>					
Gross margin	(7.6)%	1.2%	(26.0)%	27.0%	44.6%
<u>Year / Year Growth</u>					
Total Revenues			(22.1)%	341.1%	30.4%

Source: Company filings and Taglich Brothers' estimates

Sidus Space, Inc.

Quarterly Income Statements 2021 - 2023
(in thousands \$)

	3/21A	6/21A	9/21A	12/21A	FY21A	3/22A	6/22A	9/22A	12/22E	FY22E	3/23E	6/23E	9/23E	12/23E	FY23E
Revenue	112	178	123	377	789	1,360	1,479	1,260	1,150	5,250	1,300	1,450	1,850	2,400	7,000
Revenue-related parties	41	55	377	147	619	439	368	57	100	964	275	275	275	275	1,100
Total revenue	153	232	500	523	1,409	1,799	1,847	1,317	1,250	6,214	1,575	1,725	2,125	2,675	8,100
Cost of revenue	288	289	481	718	1,775	821	1,501	1,403	813	4,537	1,103	1,121	1,063	1,204	4,490
Gross profit	(135)	(56)	19	(195)	(367)	978	347	(86)	438	1,677	473	604	1,063	1,471	3,610
Payroll expenses	220	223	501	559	1,503	751	1,392	1,627	1,600	5,370	1,500	1,525	1,600	1,650	6,275
Sales and marketing expenses	48	23	-	-	71	90	112	192	195	590	200	215	225	250	890
Lease expense	38	46	82	87	253	85	86	80	80	331	75	75	75	75	300
Depreciation expense	8	8	9	10	35	21	48	28	25	122	25	25	25	25	100
Professional fees	11	20	50	255	336	1,322	132	682	100	2,236	100	100	100	100	400
General and administrative expense	61	98	277	513	949	973	977	1,181	1,200	4,330	1,100	1,125	1,150	1,175	4,550
Operating income (loss)	(520)	(474)	(899)	(1,620)	(3,514)	(2,264)	(2,400)	(3,875)	(2,763)	(11,302)	(2,528)	(2,461)	(2,113)	(1,804)	(8,905)
Other income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other expense	(0)	-	-	(0)	(1)	-	-	-	-	-	-	-	-	-	-
Interest expense - includes related party	(4)	(23)	(33)	(38)	(97)	(66)	(58)	(51)	(51)	(226)	(50)	(50)	(50)	(50)	(200)
Gain on forgiveness of PPP loan	325	-	309	(0)	634	-	-	-	-	-	-	-	-	-	-
Finance expense	-	-	-	(769)	(769)	-	-	-	-	-	-	-	-	-	-
Income (loss) before income taxes	(199)	(497)	(623)	(2,427)	(3,746)	(2,330)	(2,458)	(3,926)	(2,814)	(11,528)	(2,578)	(2,511)	(2,163)	(1,854)	(9,105)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income / (loss)	(199)	(497)	(623)	(2,427)	(3,746)	(2,330)	(2,458)	(3,926)	(2,814)	(11,528)	(2,578)	(2,511)	(2,163)	(1,854)	(9,105)
EPS	(0.02)	(0.05)	(0.06)	(0.18)	(0.34)	(0.14)	(0.15)	(0.23)	(0.15)	(0.67)	(0.13)	(0.12)	(0.10)	(0.08)	(0.43)
Shares Outstanding	10,000	10,000	10,836	13,813	11,162	16,601	16,874	17,179	18,250	17,226	19,700	20,600	21,500	22,400	21,050
<u>Margin Analysis</u>															
Gross margin	(87.9)%	(24.2)%	3.8%	(37.2)%	(26.0)%	54.4%	18.8%	(6.5)%	35.0%	27.0%	30.0%	35.0%	50.0%	55.0%	44.6%
<u>Year / Year Growth</u>															
Total Revenues					(22.1)%	1075.2%	695.3%	163.5%	138.8%	341.1%	(12.5)%	(6.6)%	61.3%	114.0%	30.4%

Sidus Space, Inc.

Statement of Cash Flows for the Periods Ended
(in thousands \$)

	FY19A	FY20A	FY21A	9M22A	FY22E	FY23E
Net income (loss)	(1,929)	(1,543)	(3,746)	(8,714)	(11,528)	(9,105)
Stock based compensation	-	-	200	1,209	1,600	1,000
Finance expense	-	-	769	-	-	-
Depreciation and amortization	467	467	395	239	342	530
Bad debt	6	-	1	-	-	-
Amortization of ROU asset	1	(3)	10	(5)	(5)	(5)
Gain on forgiveness of PPP loan	-	-	(634)	-	-	-
Cash earnings (loss)	(1,455)	(1,079)	(3,005)	(7,271)	(9,591)	(7,580)
<i>Changes in assets and liabilities</i>						
Accounts receivable	(145)	144	33	(787)	(905)	(314)
Accounts receivable-related party	-	-	(268)	437	343	(100)
Inventory	14	(56)	78	(270)	(272)	(25)
Contract assets	-	-	-	(61)	(61)	-
Prepaid expenses and other assets	16	(12)	(1,581)	(1,585)	(1,605)	(100)
Accounts payable and accrued liabilities	374	(422)	1,605	(299)	675	598
Accounts payable and accrued liabilities-related party	-	(163)	589	11	(89)	(25)
Contract liabilities	-	-	-	(2)	(2)	-
Deferred revenue	-	-	63	-	-	-
(Increase) decrease in working capital	259	(509)	521	(2,556)	(1,915)	33
Net cash provided by (used in) operations	(1,196)	(1,587)	(2,485)	(9,828)	(11,506)	(7,547)
Purchase of property and equipment	(5)	(5)	(218)	(1,426)	(1,700)	(1,700)
Net cash provided by (used in) investing	(5)	(5)	(218)	(1,426)	(1,700)	(1,700)
Proceeds from issuance of common stock	-	-	16,255	3,061	4,166	9,800
Due to shareholder	1,588	1,556	171	-	-	-
Proceeds from notes payable	-	322	308	-	-	-
Repayment of notes payable	(61)	(63)	(16)	(214)	(214)	(80)
Payment of lease liabilities	(274)	(260)	(75)	(148)	(200)	(296)
Repayment of notes payable-related party	-	-	(250)	(798)	(798)	-
Net cash provided by (used in) financing	1,253	1,555	16,393	1,902	2,954	9,424
Net change in cash	52	(37)	13,691	(9,352)	(10,252)	177
Cash - beginning of period	6	57	20	13,711	13,711	3,458
Cash - end of period	<u>57</u>	<u>20</u>	<u>13,711</u>	<u>4,359</u>	<u>3,458</u>	<u>3,636</u>

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



57.14 % Buy | 42.86 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	5	26
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid a monetary fee of \$6,000 (USD) in June 2022 for the creation and dissemination of research reports for the first three months. After the first three months from initial publication, the company will pay a monthly monetary fee of \$2,000 (USD) to Taglich Brothers, Inc., for a minimum of twelve months for the creation and dissemination of research reports.

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Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Black Sky Technology (NYSE: BKSJ)
Boeing (NYSE: BA)
Lockheed Martin (NYSE: LMT)
Spire Global (NYSE: SPIR)
Tupperware (NYSE: TUP)
Virgin Orbit (NASDAQ: VORB)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.