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Research Report – Update

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

Sidus Space, Inc.

Speculative Buy

Howard Halpern
August 21, 2023

SIDU $0.15 — (NASDAQ)

	2021A	2022A	*2023E*	*2024E*
Revenues (million)	$1.4	$7.3	***$7.5***	***$15.0***
Earnings (loss) per share	($0.34)	($0.75)	***($0.22)***	***($0.10)***

52-Week range	$4.22 – $0.12	Fiscal year ends:	December
Common A/B shares out a/of 8/12/23	73.0 million	Revenue per share (TTM)	$0.25
Approximate float	59.8 million	Price/Sales (TTM)	0.6X
Market capitalization	$11.0 million	Price/Sales (FY2024)E	0.8X
Tangible book value/share	$0.18	Price/Earnings (TTM)	NMF
Price/tangible book value	0.8X	Price/Earnings (FY2024)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 our Speculative Buy rating but reducing our twelve-month price target to $0.65 per share from $1.00 due to a reduced sector valuation and a reduction in our 2024 sales per share forecast.

We expect SIDU's higher margin satellite manufacturing revenue to grow from its global customers in anticipation of the initial LizzieSat launch in 4Q23. The launch of LizzieSat should allow the company to rapidly increase higher margin recurring data subscription revenue in 2H24.

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.

SIDU reported (on 8/14/23) 2Q23 total revenue of $1.4 million from $1.8 million in 2Q22. SIDU reported a loss of ($0.07) per share versus a loss of $(0.15) per share in the year-ago period. We projected 2Q23 total revenue of $2.3 million and a loss of ($0.06) per share.

For 2023, we project a loss per share of ($0.22) on total revenue growth of 3.3% to $7.5 million. We previously forecast revenue of $10.4 million and a loss per share of ($0.27). Our revenue forecast reflects 1H23 results. The decrease in our loss per share forecast reflects higher than anticipated average shares outstanding of 57.7 million from our prior forecast of 45.2 million.

For 2024, we project a loss per share of ($0.10) per share (prior was ($0.13)) on revenues nearly doubling to $15 million (prior was $16.2 million). Our revenue growth anticipates rapid 2H24 growth of higher margin recurring revenue from data subscriptions once LizzieSat is established itself in low earth orbit.

Our forecasts reflect issuances of Class A common stock through June 2023, for net proceeds of approximately $14.8 million. On August 14, 2023, Class A common outstanding was 63 million, up from 8 million in 4Q22.

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

Recommendation and Valuation

Maintaining our Speculative Buy rating but reducing our twelve-month price target to $0.65 per share from $1.00 due to a reduced sector valuation and a reduction in our 2024 sales per share forecast. Our rating reflects the company securing multiple launch agreement with SpaceX by reserving launch capacity for nine SIDU satellites through 2025, as well as securing key certification and licensing milestones that includes receiving a National Oceanic and Atmospheric Administration Tier 1 license that will enable Sidus to provide global data services from its LizzieSat mission in 4Q23.

While the majority of the company's revenues have historically been from space related hardware manufacturing, 2022 included revenue related to its multi-mission constellation and partially 3D printed LizzieSat small satellite. We expect SIDU's higher margin satellite revenue to grow in anticipation of the initial LizzieSat launch in 4Q23. The launch of LizzieSat should allow the company to rapidly increase higher margin recurring data subscription revenue in 2024, as well as revenue from its higher margin satellite operations and at least one additional launch occurring in 2024.

Our 12-month price target of $0.65 per share implies shares could appreciate more than four-fold over the next twelve months. According to finviz.com, the average trailing twelve month price-to-sales multiple for companies with similar market capitalizations in the Aerospace sector is 4.3X (prior was 4.7X), compared to SIDU's trailing twelve month price-to-sales multiple of 0.6X (unchanged). We anticipate investors are likely to accord Sidus Space, Inc. the sector multiple given our forecasted revenue growth of nearly 100% in 2024. We applied a price-to-sales multiple of 4.3X (prior was 4.7X) to our 2024 sales per share forecast of $0.18 (prior was $0.31), discounted for execution, to obtain a year-ahead price target of approximately $0.65 per share.

SIDU's valuation improvement is contingent upon revenue growth, expense leverage, and narrowing of operating losses, as well as obtaining recurring revenue from data subscriptions once LizzieSat is launched and achieves low earth orbit. We forecast revenue to reach $15 million in 2024, up from an estimated $7.5 million in 2023. We project by 4Q24, the company's quarterly operating loss will narrow to $1.4 million compared to an estimated loss of $2.8 million in 4Q23.

We believe Sidus Space, Inc. is most suitable for highly risk tolerant investors that seek exposure to an emerging growth company providing high margin Space-as-a-Service solutions for its global customers.

Recent Developments

In 2Q23, the company announced strategic developments that should drive future growth. Supporting future recurring revenue growth is an agreement in place to launch hyperspectral and multispectral imaging and Edge Artificial Intelligence on LizzieSat missions beginning in 2024. Also, the company was granted additional hardware manufacturing subcontract to support NASA's Artemis Program and Space Launch System Manned Vehicle, as well as being elected by Airbus OneWeb Satellites (AOS) to design and build machined parts, to be integrated into the portfolio of Arrow commercial small satellites manufactured by AOS.

In addition, Sidus Space secured agreements with ATLAS Space Operations and Leaf Space to expand, secure, and broaden its ground station services capabilities in order to increasing the global network of ground stations for the LizzieSat constellation.

Business Overview

Sidus Space, Inc., headquartered in Merritt Island, Florida, is a vertically integrated provider of Space-as-a-Service solutions including end-to-end satellite support. The company combines mission critical hardware manufacturing, engineering services, satellite design and manufacturing, as well as launch planning, mission operations and in-orbit support, along with space-based data collection to is global customers. The company's visions is to enable space flight heritage status for new technologies and deliver data and predictive analytics to domestic and global 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 provides many 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 (picture on the right) is being developed as a hybrid 3D manufactured Low Earth Orbit (LEO) microsatellite that focuses on rapid, cost-effective development and testing of innovative spacecraft technologies for multiple customers. This platform is expected to combine static component testing and LEO 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. The company believes this offering will leverage its in-house low-cost additive manufacturing of satellites using the Markforged X7, an industrial 3D printer featuring a dual nozzle print system that supports continuous carbon fiber and Kevlar reinforcement, to provide rapid, agile development of spacecraft due to its modular design

The initial LizzieSat launch is expected to be on SpaceX's Transporter-9 mission, which is scheduled for November 2023. The benefit of 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 through our forecast period.

In 3Q22 and 1Q23, Sidus Space announced it signed a launch agreements with SpaceX for their Transporter missions manifested through 2025. The company anticipates over the next 18 months (ending in April 2025) having nine LizzieSat mission scheduled with SpaceX. Importantly, SpaceX announced that it will start launching a series of missions, called Bandwagon in order to complement its existing transporter line of rideshare missions. The Bandwagon missions will deliver payloads at altitudes of 550 to 605 kilometers and inclinations of approximately 45 degrees. Those will be in addition to the transporter missions that SpaceX has been flying since 2021. Since SIDU executed a multiyear multi-launch contract with SpaceX that manifested its satellites on five launches for nine satellites originally planned for the transporter mission, the addition of the Bandwagon missions is important. The company believes with its existing contract in place with SpaceX, it has the opportunity to modify the launch cadence and positioning of its satellites in order to collect even more valuable and more broadly desired space based data.

Space Station Integrated Kinetic Launcher for Orbital Payload Systems (SSIKLOPS) provides a 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.

Phoenix Deployer is being developed as a low-cost high availability deployment options utilizing the SSIKLOPS deployment platform to deploy CubeSats from the International Space Station.

Aerospace and Defense Manufacturing Services

Precision Machining and Assembly
Sidus' engineering and technician teams along with its 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. Utilization of a Computer Numerical Control machining and turning processes delivers high-quality, complex and on-demand parts for its space industry customers.

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 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 equipment, staff and square footage to produce space flight and ground cables and electronic chassis. 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, verification/validation of specifications and intended purpose, model based systems engineering by using visual modeling vs document-based information exchange, 3D CAD and 2D engineering release, as well as providing test procedures and performance in order to meet customer driven requirements.

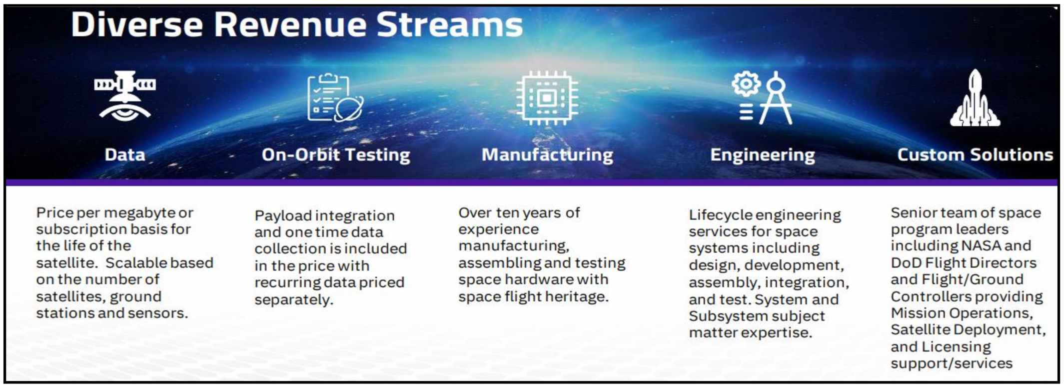
Program Management
Sidus provides dedicated project management services throughout the lifecycle of a customer's project or program. Services include supply chain management, customer requirement compliance, and logistics and configuration management.

Strategic partnerships and Revenue Streams

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. The chart on the right (source: company's January 2023 presentation) indicates the various revenue streams. We anticipate after the maiden launch of LizZieSat occurs and LOE is achieved, a significant ramp in high margin recurring revenue should materialize from customer data subscriptions.

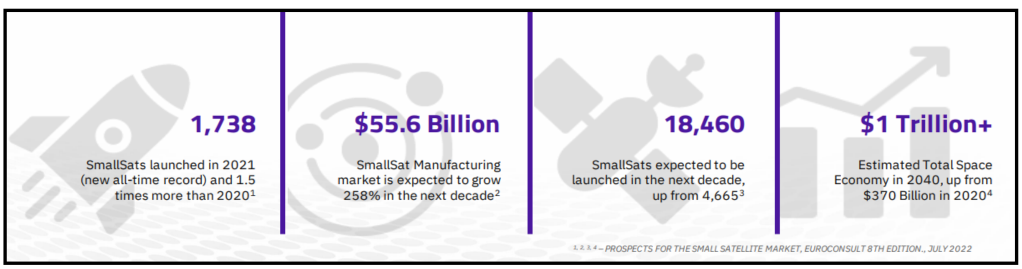


Satellite Industry

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. The commercial satellite industry was 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. 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 0.4% over the previous year.

A snapshot of statistics for the global satellite industry is pictured on the right. The Euroconsult report published in July 2022 indicates that smallsats launch in 2021 was at an all-time high and over the next 10 years the number launched should exceed 18,400. The report also indicates that the space economy by 2040 will be in excess of $1 trillion up from approximately $370 billion in 2020.



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.

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.

Projections

In 2023, we project total revenue growth of 3.3% to $7.5 million (prior was $10.4 million), up from $7.3 million in 2022. Our revenue growth forecast reflects 1H23 results and also should be driven by a greater contribution of higher margin satellite production revenue in anticipation the LizzieSat launch in 4Q23, offset in part by reduced non-satellite production project completions.

We anticipate gross profit increasing to $2.9 million from $1.4 million in 2022 due primarily to gross margins improving to 38.6% from 19.7% in 2022. Gross margin improvement should be driven by an increase in higher margin satellite revenue.

We project the operating loss should narrow to $11.4 million from $12 million in 2022 driven by gross margin improvement and revenue growth, partly offset by operating margin expense increasing to 190.5% compared to 184.9% last year. Operating expenses should increase 6.5% to $14.4 million from $13.5 million in 2022. The increase will support total revenue growth. In 2022 and 1H23, the company put in place a cost infrastructure that can support the building five satellites per month.

Interest expense is projected to decrease to $563,000 from $781,000 in 2022. Interest expense included an additional accrual estimate last year, which we are not forecasting to recurring in the current period. The company is likely to report finance expense of $807,000 from zero in the year-ago period.

Our net loss forecast should narrow to $12.9 million or ($0.22) per share on 57.7 million average shares outstanding from $12.8 million or ($0.75) per share on 17.2 million average shares outstanding in 2022. We previously forecast a net loss of $12.1 million or ($0.27) per share on 45.2 million average shares outstanding. The increase in our average shares outstanding forecast reflects common stock offerings in 1H23.

In 2023, we project $7.8 million cash used in operations from a cash loss of $11 million and a $3.2 million decrease in working capital. We project $4 million cash used in investing primarily from capital expenditures. Cash provided by financing of $11.9 million should be due primarily proceeds from the issuance of common stock offset in part by the payoff of debt and cash used in operations. We project a $44,000 increase in cash to $2.3 million at the end of 2023.

In 2024, we project total revenue nearly doubling to $15 million, up from an estimated $7.5 million in 2023. Our revenue growth forecast should be driven by new and existing customer projects, and higher margin recurring revenue from data subscriptions once LizzieSat is established itself in low earth orbit. We anticipate higher margin data subscription revenue to ramp significantly in 2H24 as there should be two LizzieSat's established in low earth orbit transmitting data to the company's global customers.

We anticipate gross profit researching $7 million from an estimated $2.9 million in 2023 due primarily to revenue growth and gross margins improving to 46.7% from an estimated 38.6% in 2023. Gross margin improvement should occur in 2H24 due to the impact of the company's high margin data subscription offerings.

We project the operating loss should narrow to $8.2 million from $11.4 million forecast in 2023 due to revenue growth, gross margin expansion, and operating margin expense improving to 101.2% compared to an estimated 190.5% for 2023. Operating expenses should increase 5.8% to $15.2 million. The modest increase in operating expenses reflects the infrastructure put in place over the prior two years to support revenue grow from satellite launches and recurring revenue subscription data for customer seeking space based data.

We anticipate the company paying off its debt in 2023 from the capital raised, therefore we forecast no interest expense in the current period.

We project a net loss of $8.2 million or ($0.10) per share on 82.7 million average shares outstanding. We previously projected a net loss of $6.7 million or ($0.13) per share on 51.8 million average shares outstanding. Our average shares outstanding forecast has been adjusted for 2023 and anticipated 2024 common stock offerings.

In 2024, we project $5.3 million cash used in operations from a cash loss of $6.2 million and an $821,000 decrease in working capital. We project $3.5 million cash used in investing primarily from capital expenditures. Cash from financing of $8 million reflects issuance of common stock. We project a $64,000 decrease in cash to $2.3 million at the end of 2024.

2Q23 and 1H23 Results

2Q23 Results

Total revenue decreased 25.8% to $1.4 million from $1.8 million in 1Q22 due primarily to the timing of fixed price milestone contracts that were completed last year but not in the current period. Also, related party revenue decrease as fewer contracts were outsourced to SIDU.

Gross profit increased to $508,000 from $347,000 in the year-ago period due primarily to the mix of contracts and that drove gross margin to 37.1% compared to 18.8% in 2Q22.

Operating expenses increased to nearly $3.6 million from $2.7 in 2Q22 due primarily to an increase in payroll, professional fee, and G&A expenses. The $900,000 increase reflects the investments being made to support future revenue growth as satellite mission launches increase over the next year.

Non-operating expense was $449,000 compared to $58,000 last year. In the current period, interest and finance expenses increased to $429,000 from $58,000 last year due to a higher average debt balance.

The company reported a net loss of $3.5 million or ($0.07) per share on 51.1 million average shares outstanding compared to a loss of $2.5 million or ($0.15) per share on 16.9 million average shares outstanding in 2Q22. We projected a net loss of $3.1 million or ($0.06) per share on total revenue of $2.3 million.

1H23 Results

Total revenue was flat at $3.6 million with gross profit increasing by $79,000 to $1.4 million. The increase in gross profit reflects gross margins improving to 38.6% from 36.3% in the year-ago period.

Total operating expenses increased to $7.1 million from $6 million in 1H22. The increase reflects higher payroll and G&A expenses, partly offset by lower professional fees.

Non-operating expense was $1.2 million compared to $124,000 last year. In the current period, interest and finance expenses increased to $1.2 million from $124,000 last year due to a higher average debt balances.

The company reported a net loss of $6.9 million or ($0.17) per share on 40.5 million average shares outstanding compared to a loss of $4.83 million or ($0.29) per share on 16.6 million average shares outstanding in 1H22.

Income Statement (in thousands $)	6M23A	6M22A
Revenue	3,090	2,839
Revenue-related parties	544	807
Total revenue	3,634	3,647
Cost of revenue	2,230	2,322
Gross profit	1,404	1,325
Total operating expenses	7,103	5,989
Operating income (loss)	(5,699)	(4,664)
Total other income (expense)	(1,244)	(124)
Income (loss) before income taxes	(6,943)	(4,788)
Taxes	-	-
Net income / (loss)	(6,943)	(4,788)
EPS	(0.17)	(0.29)
Shares Outstanding	40,482	16,601
Margin Analysis		
Gross margin	38.6%	36.3%
Year / Year Growth		
Total Revenues	(0.3)%	
Source: Company filings		

Finances

In 1H23**,** the company used $6.1 million cash from operations from a cash loss of $6.1 million and a $78,000 million increase in working capital. SIDU used $2.6 million cash in investing activities consisting solely of capital expenditures. The company generated $14.3 million cash from financing activities consisting primarily of the issuance of common stock. Cash increased by $5.6 million to $7.9 million as of June 30, 2023.

Liquidity – As of June 30, 2023, Sidus had cash of nearly $7.9 million, a long-term note payable of $1.8 million, and $216,000 asset-based loan liability. The company had shareholder's equity of $12.5 million at June 30, 2023.

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 June 30, 2023, the outstanding balance on the note payable was approximately $1.8 million.

Subsequent to June 30, 2023, SIDU recorded the exercise and issuance of 3.2 million of additional Class A common shares stemming from prefunded warrants.

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 – Sidus Space has a limited operating history that 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 – SIDU has recorded significant losses since its inception and has incurred net losses of $12.8 million and $3.7 million for 2022 and FY21, respectively, as well as an additional $6.9 million of losses in 1H23. 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 2024 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 – Sidus Space'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.

Dilution – In 2022, the company issued more than 1.1 million shares of Class A common stock. In January 2023, the company issued common stock and pre-funded warrants that turned into the issuance of 17.3 million shares of Class A common stock. In April 2023, the company issued common stock and pre-funded warrants for the issuance of up to 30.3 million Class A common stock. Addition share issuance, which will dilute existing shareholders, are likely to occur until the company begins generating positive cash flow.

Material weakness in internal controls over financial reporting – Sidus has identified a material weakness in its internal control over financial reporting as of June 30, 2023. 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.

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.

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 an estimated 59.8 million shares in the float, with total outstanding common A/B shares of nearly 73 million, as well as average daily volume of approximately 2.4 million shares over the last three months to August 18, 2023.

Consolidated Balance Sheets
(in thousands $)

	2020A	2021A	2022A	2Q23A	**2023E**	**2024E**
Cash	20	13,711	2,295	7,864	**2,339**	**2,275**
Accounts receivable	166	131	850	694	**732**	**833**
Accounts receivable-related parties	176	443	168	113	**115**	**100**
Inventory	206	128	583	1,121	**850**	**950**
Contract assets - includes related party	-	-	76	92	**90**	**90**
Prepaid and other assets	14	1,595	3,477	4,949	**4,500**	**4,750**
Total current assets	582	16,008	7,450	14,834	**8,626**	**8,998**
Property and equipment	952	775	2,555	5,090	**5,050**	**5,000**
Operating lease right-of-use assets	298	505	250	251	**250**	**250**
Other	13	13	43	54	**54**	**54**
Total assets	1,845	17,300	10,298	20,229	**13,980**	**14,302**
Accounts payable and other current liabilities	260	1,846	3,416	4,787	**7,516**	**8,323**
Accounts payable and accrued interest-related party	-	589	567	566	**750**	**1,200**
Contract liabilities	-	-	61	61	**61**	**61**
Contract liabilities-related party	-	63	15	31	**31**	**31**
Factoring liability	-	-	502	216	**-**	**-**
Due to shareholder	7,302	-	-	-	**-**	**-**
Notes payable	338	-	1,599	1,782	**-**	**-**
Notes payable-related party	-	1,000	-	-	**-**	**-**
Operating lease liability	122	262	199	259	**259**	**168**
Finance lease liability	73	51	-	-	**-**	**-**
Total current liabilities	8,096	3,810	6,359	7,702	**8,617**	**9,783**
Notes payable	-	1,120	-	-	**-**	**-**
Notes payable-related party	-	1,350	-	-	**-**	**-**
Operating lease liability	185	263	63	-	**-**	**-**
Finance lease liability	149	97	-	-	**-**	**-**
Total liabilities	8,430	6,640	6,422	7,702	**8,617**	**9,783**
Total stockholders' equity*	(6,586)	10,661	3,875	12,527	**5,363**	**4,519**
Total liabilities & stockholders' equity	1,845	17,300	10,298	20,229	**13,980**	**14,302**

* 2022 includes $1.6 million additional paid-in-capital from debt foregiveness
Source: Company filings and Taglich Brothers' estimates

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

	FY20A	FY21A	FY22A	**FY23E**	**FY24E**
Revenue	1,631	789	6,251	**6,590**	**14,200**
Revenue-related parties	176	619	1,043	**944**	**800**
Total revenue	1,807	1,409	7,293	**7,534**	**15,000**
Cost of revenue	1,786	1,775	5,855	**4,625**	**7,990**
Gross profit	21	(367)	1,438	**2,909**	**7,010**
Payroll expenses	905	1,503	5,553	**7,318**	**7,750**
Sales and marketing expenses	154	71	559	**700**	**820**
Lease expense	159	253	338	**355**	**360**
Depreciation expense	42	35	139	**-**	**-**
Professional fees	19	336	2,461	**1,695**	**1,750**
General and administrative expense	275	949	4,432	**4,285**	**4,505**
Total Operating Expenses	1,554	3,147	13,482	**14,353**	**15,185**
Operating income (loss)	(1,533)	(3,514)	(12,044)	**(11,444)**	**(8,175)**
Other income	10	-	-	**18**	**-**
Interest expense - includes related party	(18)	(97)	(781)	**(563)**	**-**
Asset-based loan expense	-	-	-	**(80)**	**-**
Gain on forgiveness of PPP loan	-	634	(14)	**-**	**-**
Finance expense	-	(769)	-	**(807)**	**-**
Income (loss) before income taxes	(1,543)	(3,746)	(12,840)	**(12,875)**	**(8,175)**
Taxes	-	-	-	**-**	**-**
Net income / (loss)	(1,543)	(3,746)	(12,840)	**(12,875)**	**(8,175)**
EPS	(0.15)	(0.34)	(0.75)	**(0.22)**	**(0.10)**
Shares Outstanding	10,000	11,162	17,166	**57,724**	**82,669**
Margin Analysis					
Gross margin	1.2%	(26.0)%	19.7%	**38.6%**	**46.7%**
Year / Year Growth					
Total Revenues		(22.1)%	417.7%	**3.3%**	**99.1%**

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements 2022 - 2024
(in thousands $)

	3/22A	6/22A	9/22A	12/22A	FY22A	3/23A	6/23A	9/23E	12/23E	**FY23E**	3/24E	6/24E	9/24E	12/24E	**FY24E**
Revenue	1,360	1,479	1,260	2,151	6,251	1,915	1,176	1,500	2,000	**6,590**	2,300	3,000	4,000	4,900	**14,200**
Revenue-related parties	439	368	57	178	1,043	349	195	200	200	**944**	200	200	200	200	**800**
Total revenue	1,799	1,847	1,317	2,329	7,293	2,264	1,370	1,700	2,200	**7,534**	2,500	3,200	4,200	5,100	**15,000**
Cost of revenue	821	1,501	1,403	2,131	5,855	1,368	863	1,055	1,340	**4,625**	1,500	1,760	2,180	2,550	**7,990**
Gross profit	978	347	(86)	199	1,438	896	508	645	860	**2,909**	1,000	1,440	2,020	2,550	**7,010**
				3,704											
Payroll expenses	751	1,392	1,627	1,783	5,553	1,717	1,861	1,865	1,875	**7,318**	1,900	1,925	1,950	1,975	**7,750**
Sales and marketing expenses	90	112	192	164	559	189	166	170	175	**700**	185	200	210	225	**820**
Lease expense	85	86	80	87	338	86	89	90	90	**355**	90	90	90	90	**360**
Depreciation expense	21	48	28	42	139	-	-	-	-	**-**	-	-	-	-	**-**
Professional fees	1,322	132	682	325	2,461	487	383	400	425	**1,695**	400	425	450	475	**1,750**
General and administrative expense	973	977	1,181	1,302	4,432	1,063	1,062	1,075	1,085	**4,285**	1,100	1,120	1,135	1,150	**4,505**
Total Operating Expenses	3,243	2,746	3,790	3,704	13,482	3,542	3,560	3,600	3,650	**14,353**	3,675	3,760	3,835	3,915	**15,185**
Operating income (loss)	(2,264)	(2,400)	(3,875)	(3,505)	(12,044)	(2,646)	(3,053)	(2,955)	(2,790)	**(11,444)**	(2,675)	(2,320)	(1,815)	(1,365)	**(8,175)**
Other income	-	-	-	-	-	-	18	-	-	**18**	-	-	-	-	**-**
Interest expense - includes related party	(66)	(58)	(51)	(606)	(781)	(188)	(188)	(188)	-	**(563)**	-	-	-	-	**-**
Asset-based loan expense	-	-	-	-	-	(41)	(39)	-	-	**(80)**	-	-	-	-	**-**
Gain on forgiveness of PPP loan	-	-	-	(14)	(14)	-	-	-	-	**-**	-	-	-	-	**-**
Finance expense	-	-	-	-	-	(566)	(241)	-	-	**(807)**	-	-	-	-	**-**
Income (loss) before income taxes	(2,330)	(2,458)	(3,926)	(4,125)	(12,840)	(3,441)	(3,502)	(3,143)	(2,790)	**(12,875)**	(2,675)	(2,320)	(1,815)	(1,365)	**(8,175)**
Taxes	-	-	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Net income / (loss)	(2,330)	(2,458)	(3,926)	(4,125)	(12,840)	(3,441)	(3,502)	(3,143)	(2,790)	**(12,875)**	(2,675)	(2,320)	(1,815)	(1,365)	**(8,175)**
EPS	(0.14)	(0.15)	(0.23)	(0.23)	(0.75)	(0.12)	(0.07)	(0.04)	(0.04)	**(0.22)**	(0.04)	(0.03)	(0.02)	(0.02)	**(0.10)**
Shares Outstanding	16,601	16,874	17,179	18,012	17,166	29,714	51,131	75,000	75,050	**57,724**	75,075	75,100	90,000	90,500	**82,669**
Margin Analysis															
Gross margin	54.4%	18.8%	(6.5)%	8.5%	19.7%	39.6%	37.1%	37.9%	39.1%	**38.6%**	40.0%	45.0%	48.1%	50.0%	**46.7%**
Year / Year Growth															
Total Revenues	1075.2%	695.3%	163.5%	345.0%	417.7%	25.8%	(25.8)%	29.1%	(5.6)%	**3.3%**	10%	134%	147.1%	131.8%	**99.1%**

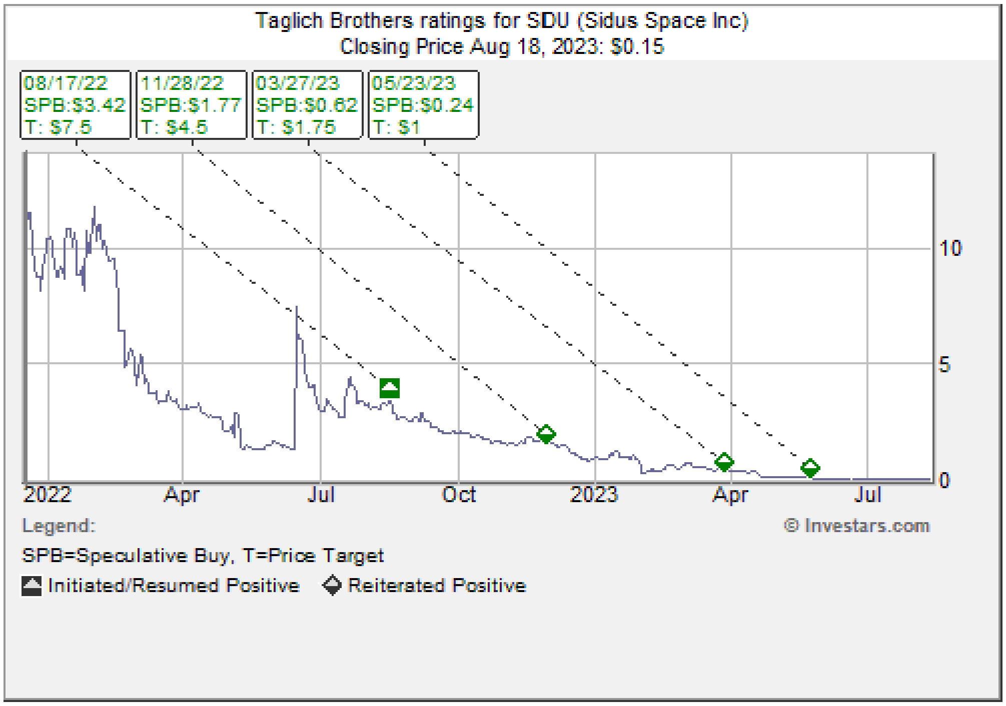
Source: Company filings and Taglich Brothers' estimates

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

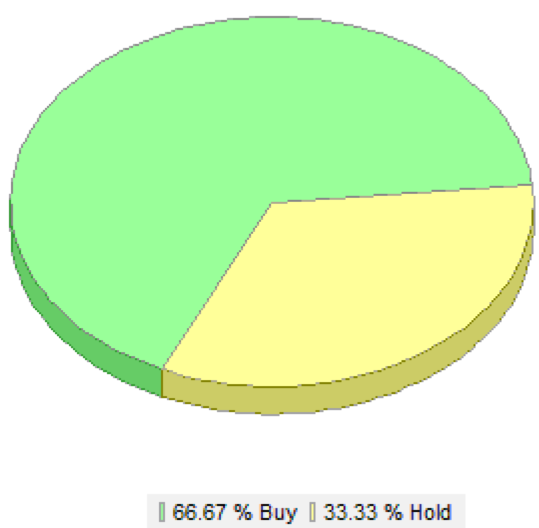
	FY20A	FY21A	FY22A	6M23A	**FY23E**	**FY24E**
Net income (loss)	(1,543)	(3,746)	(12,840)	(6,943)	**(12,875)**	**(8,175)**
Stock based compensation	-	200	1,209	807	**1,750**	**1,850**
Finance expense	-	769	-	-	**-**	**-**
Depreciation and amortization	467	395	320	79	**160**	**150**
Bad debt	-	1	23	-	**-**	**-**
Amortization of ROU asset	(3)	10	(7)	(4)	**(10)**	**(10)**
Gain on forgiveness of PPP loan	-	(634)	-	-	**-**	**-**
Cash earnings (loss)	(1,079)	(3,005)	(11,295)	(6,061)	**(10,975)**	**(6,185)**
Changes in assets and liabilities						
Accounts receivable	144	33	(742)	156	**118**	**(101)**
Accounts receivable-related party	-	(268)	275	55	**53**	**15**
Inventory	(56)	78	(456)	(538)	**(267)**	**(100)**
Contract assets - includes related party	-	-	(76)	-	**(14)**	**-**
Prepaid expenses and other assets	(12)	(1,581)	(1,912)	(1,484)	**(1,023)**	**(250)**
Accounts payable and accrued liabilites	(422)	1,605	2,049	1,733	**4,283**	**1,257**
Accounts payable and accrued liabilites-related party	(163)	589	50	(0)	**-**	**-**
Contract liabilites - includes related party	-	63	13	-	**-**	**-**
(Increase) decrease in working capital	(509)	521	(799)	(78)	**3,150**	**821**
Net cash provided by (used in) operations	(1,587)	(2,485)	(12,094)	(6,139)	**(7,824)**	**(5,364)**
Purchase of property and equipment	(5)	(218)	(2,100)	(2,614)	**(4,000)**	**(3,500)**
Net cash provided by (used in) investing	(5)	(218)	(2,100)	(2,614)	**(4,000)**	**(3,500)**
Proceeds from issuance of common stock and warrant, net	-	16,255	3,221	14,788	**14,788**	**8,800**
Due to shareholder	1,556	171	-	-	**-**	**-**
Proceeds (repayment) from asset-based loan	-	-	502	(286)	**(1,138)**	**-**
Proceeds from notes payable	322	308	-	-	**-**	**-**
Repayment of notes payable	(63)	(16)	-	(180)	**(1,782)**	**-**
Payment of lease liabilites	(260)	(75)	(148)	-	**-**	**-**
Repayment of notes payable-related party	-	(250)	(798)	-	**-**	**-**
Net cash provided by (used in) financing	1,555	16,393	2,778	14,322	**11,868**	**8,800**
Net change in cash	(37)	13,691	(11,416)	5,569	**44**	**(64)**
Cash - beginning of period	57	20	13,711	2,295	**2,295**	**2,339**
Cash - end of period	20	13,711	2,295	7,864	**2,339**	**2,275**

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	**4**	**22**
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 began paying 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, Howard Halpern, 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: BKSY)
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.