

Sidus Space

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Fourth Quarter 2022 Results and Business Update

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March 16, 2023 – 9:00 AM

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**CORPORATE PARTICIPANTS**

**Carol Craig** - *Founder and Chief Executive Officer*

## **PRESENTATION**

### **Operator**

Good morning and welcome to the Sidus Space 2022 earnings conference call. I would now like to turn the call over to Carol Craig, Chief Executive Officer. Please go ahead.

### **Carol Craig**

Thank you and good morning, everyone. As mentioned, my name is Carol Craig and I'm the Chief Executive Officer of Sidus Space. Teresa Burchfield, our Chief Financial Officer, had a prior obligation and isn't able to join this call, but is happy to field questions at a later date. We are pleased to share this business update, 2022 results, and our outlook for 2023, which we expect will be a momentous year for our company.

During today's call, we may make certain forward-looking statements. These statements are based on current expectations and assumptions, and as a result, are subject to risks and uncertainties. Many factors could cause actual results to differ materially from the forward-looking statements made on this call. These factors include our ability to estimate operational expectations and liquidity needs, customer demand, supply chain delays, including launch providers, and extended sales cycles.

For more information about these risks and uncertainties, please refer to the risk factors in the company's filings with the Securities and Exchange Commission, each of which can be found on our website, [www.sidusspace.com](http://www.sidusspace.com). Listeners are cautioned not to put any undue reliance on forward-looking statements and the company specifically disclaims any obligation to update the forward-looking statements that may be discussed during this call.

2022 was a year focused on expansion of our capabilities and creation of a scalable offering to facilitate commercial space growth. After going public in December of 2021, we expanded our vertically integrated satellite manufacturing capability, solidified our go-to market strategy, expanded our sales team, and established partnerships, both downstream and upstream. Building upon a strong foundation of aerospace defense and government manufacturing experience, our industry leading capability combines state-of-the-art knowledge, equipment, and facilities to deliver the superior quality and performance required by our expanding, global customer base.

We boast a unique, one-of-a-kind blend of extensive, industry knowledge and experience, along with modern, disruptive innovation, fueling our ability to participate in high-profile, traditional space programs, while also competing for business with new and emerging space economy opportunities. In addition to growing our management and staff, we expanded our manufacturing capability through space and defense contracts and contracted with SpaceX to ensure access to space in an ever-tightening launch market.

We continued to grow our satellite customer pipeline and ended 2022 with over 400% growth in revenue and over 400% growth in gross profits, year-over-year, relative to 2021. Although our net loss increased, primarily due to costs related to public company operations, underwriting expenses, and increased launch cadence, we expect to reduce our losses over the next year, as we look to increase bookings now that we have secured launch capacity for our next nine satellites.

The fundamentals to support this growth are tied to our multi-mission satellite constellation business line, which recently gained international momentum, with an agreement awarded by the Netherlands' organization to support the testing of a laser com technology for their military. Similar

to laying broadband cable to support the internet ecosystem, we are developing the first-of-its-kind, multi-mission constellation designed as a flexible space infrastructure to support the growing space economy.

Our satellites are currently in production and our existing manufacturing capacity can accommodate building five satellites per month. Our passive profitability is based on our diverse plan for revenue growth, while maintaining a lean company structure. Our business model is thoughtfully designed to provide a low-cost, flexible solution that takes advantage of the rapidly changing space technology landscape by accommodating multiple types of customer requirements, with the least amount of assets possible, not simply to undercut and underprice our competitors, but to make space accessible to those that were shut out previously, due to complexity or high cost.

Our flexible space platform allows us to serve a broad base of customers looking for constellation-in-a-service, dedicated satellite manufacturing, or space-based data in a single constellation, without the extra overhead and infrastructure needed for multiple lines of business. Our unit economics are realistic, yet highly profitable. Our planned, space-based data service has a raw cost of less than \$0.25/k<sup>2</sup>, and our space-heritage, vertical integration requires less CapEx, while ensuring a high probability of success.

Our space-heritage manufacturing experience and existing facilities and infrastructure uniquely position us to expand our customer base and revenue, related to remote sensing and Earth observation. An example of this is our agreement with the Netherlands. It's a tremendous value for the Netherlands, at a great price, and a strong margin for us, given our low manufacturing costs and flight heritage (ph) experience. We believe there are many countries like the Netherlands that can benefit from access to satellite and space capability at a reasonable cost.

We continue to expand our space and defense manufacturing business, while looking ahead toward satellite-related revenue growth. Based on our sales pipeline, which includes domestic and international governments, we believe that business fundamentals remain strong, as we continue to work towards achieving our long-term growth objectives. We have seen increased momentum related to revenue, backlog, and pipeline in all areas of our space-as-a-service offerings, but more so related to our satellite services.

Our vertically integrated approach, with a focus on quality and reliability continues to be superior to our competitors and acts as a discriminator and accelerator to capturing commercial opportunities in the market. We look forward to reporting additional developments in the months to come, as we strive to create long-term, sustainable growth and shareholder value. Among our peers, we believe we have a unique combination of space manufacturing experience, operational quality, and low-cost structure.

Our conservative approach to funding gives us the potential for a significantly higher market value than our public-company peers, which positions us strategically in the existing space ecosystem and Earth-observation data market to drive expansion. We believe Sidus Space is the only U.S.-founded, owned, and operated, vertically integrated space-as-a-service company providing space flight heritage hardware manufacturing and satellite manufacturing and operations for U.S. and international government and commercial customers, and we are prepared to lead the global markets into the space ecosystem.

As mentioned, 2022 was a foundational year and we have accomplished many significant milestones and achievements. We signed a multiple-launch agreement with SpaceX, reserving

launch capacity for nine Sidus satellites, nearly doubling the first MLA, covering 2023 through 2025 launches. We achieved key certification and licensing milestones, including receiving a NOAA, Tier 1 license, allowing Sidus to provide global data services from its upcoming LizzieSat 1 mission, and AS9100 REV D certification, which enhances the current AS9100 certification manufacturing scope to include engineering.

Other key production milestones were also met, including successful completion of the critical design review for LizzieSat integrated system architecture of the satellite bus (ph) with payloads and sensors, along with the implementation of the mission control center and launch systems required for mission success. We partner with Exo-Space, an innovative, edge AI company, to leverage their FeatherEdge, AI platform to provide near, real-time intelligence derived from Earth observation data.

Processing will occur in space, prior to transmitting data back to Earth, and will enable our constellation to learn to prioritize the retrieval of useful intelligence so we can deliver efficient, actionable insights for critical, data-driven decisions. We entered into an agreement with SkyWatch, an industry leader in space intelligence platforms, to provide end-to-end data management and distribution capabilities. We announced a successful teaming with Collins Aerospace on the ten-year, exploration, extravehicular activity services contract, and began manufacturing hardware in support of the program.

We demonstrated our significant flight heritage experience by contributing to the success of the historic, November 2022 launch of Artemis 1. Sidus Space engineered and manufactured hardware for multiple stages and portions of the rocket, including the solid-rocket boosters and core stage of Artemis and also provided ground support for the rocket's systems and facilities, mobile launch, and Orion (ph) capsule.

We expanded support to Teledyne Marine, a part of the New York Stock Exchange-listed Teledyne Technologies, with increasing scope of work and revenue tied to manufacturing components for Teledyne Marine's Massachusetts facility, in addition to its facilities in Texas and Florida. And we successfully supported Parsons Corporation, the prime contractor responsible for the DOD's small-satellite integration efforts through the launch manifest systems integration program with the U.S. Air Force, with fabrication of flight cables for Parsons' evolved, secondary payload adaptor ring for tranche one, a mesh network of 126 optically interconnected space vehicles that will provide a resilient, low-latency, high volume, data transport communication system and be ready for launch starting in September 2024.

Building upon a strong foundation of aerospace and defense and government manufacturing experience, our industry leading capabilities combine state-of-the art knowledge, equipment, and facilities to deliver the superior quality and successful performance required by our expanding base. Our manufacturing capability is core to the Sidus Space offerings and continues to be a meaningful portion of our business. We have a robust track record of successfully supporting multiple, major space programs for developing and operating our own satellites to aggregate much-needed database solutions with a natural evolution.

And it's our expectation that our track record of successfully evolving our business will continue. We are pleased with our expanded and new manufacturing relations, as well as our progress toward launching LizzieSat. Paired with securing multiple launches with SpaceX, we believe -- believe we can deliver on our future value proposition of providing space-based data to a multitude of industries.

We have continued to grow our team, recently adding two more senior executives to our leadership team. Rich Kube, Chief Production Officer, will oversee our expanding manufacturing business. Rich joined us after acting as VP and Director of Engineering for contracting for us, where he was responsible for commercial and government contracts and oversaw the design and development of hardware, supporting multiple space launch providers, commercial, and government agencies. Rich's extensive experience in manufacturing spans over four decades and includes 20-plus years as a senior manager overseeing hardware repair, build-and-test in support of NASA's space shuttle program. Prior to that, Rich owned and operated a manufacturing facility in Tampa, which followed a tour of duty in the United States Air Force.

Eric Gillenwater also recently joined us as Chief Commercial Officer. Eric most recently supported OneWeb, where he was the Vice President and Business Head, Global Carrier and Enterprise, with responsibility for all aspects of the global, commercial strategy and operations across multiple verticals. His extensive commercial and international experience provides unique insights to further expand our offerings, while also propelling the expansion of Sidus' data services revenue stream, as we prepare for the launch of our multi-mission satellite constellation.

The launch of the first satellite in our LizzieSat constellation of small sats is slated for this year, through a multi-mission, ride-share agreement with SpaceX. Our agreements with SpaceX and other partners will allow us to develop a consistent, launch cadence, moving forward, to enable us to meet the robust demand for our services. LizzieSat is a multi-mission satellite platform that supports a suite of custom sensors and customer needs, leveraging space, flight-proven, communications, power, navigation and computing sub-systems to provide domestic and international customers with valuable data from low-Earth orbit.

Ultimately, we plan to launch a fleet of LizzieSat satellites capable of hosting a range of sensors for a variety of customer missions and collecting space-based data for multiple industries. We are building a unique, Earth-observation infrastructure that reacts and grows with the space ecosystem. A key feature of our space infrastructure or satellite fleet is that it can evolve quickly with advancing technologies. Each satellite can service multiple industries with different types of data, including aggregation or fusion of the data from the various sensors and technologies.

We expect to deliver the largest fleet of multipurpose satellites, offering AIS data, along with multi- and hyper-spectral imagery, fueled by edge, AI capabilities. Nine satellites cover the Earth in just three weeks, unlocking significant opportunity in recurring, subscription revenue. As we further develop our sales strategy, we're focused on many industries that see significant opportunity in weather, agriculture, environment and climate change, government and military, and maritime.

And as we take additional steps to build our customer base in these areas, it's important to point out that the focus on data and recurring subscription revenue, combined with a high-margin, low-cost data, is expected to result in a faster path to profitability. Our low-cost satellites benefit from longer life, five-year life span design, and decreasing launch and on-orbit costs.

So to recap our financial results, which are detailed in our form 10-K filed with the Securities and Exchange Commission yesterday, I'm pleased to share the following -- revenue increased to \$7.3 million for the year ended December 31, 2022, from \$1.4 million in the comparable period of 2021, an increase of over 418%. The increase in non-related party revenue of 692% for the year ended December 31, 2022, to approximately \$6.25 million, was primarily driven by increased sales staff, which allowed for more aggressive pursuit of customers.

During the year, the company has generated a gross profit of 20%, as compared to negative 26% for the previous 2021 period. The increase in our gross margin, of approximately \$1.8 million, or 492% for the year ended December 31, 2022, as compared to a gross profit loss of approximately \$367,000 for the year ended in December 31, 2021, was primarily attributable to an increase in revenue, the mix of contracts, and an increase in our higher margin, satellite-as-a-service business line.

The management of supply chain costs, combined with a mix of manufacturing contracts and scaling of the higher-margin, satellite-as-a-service business line resulted in our cost of goods sold increasing at a rate less than increase in revenue, giving us a higher gross profit, as compared to 2021. With multiple LizzieSat satellites expected to be in Leo by 2026, we believe our state-of-the-art, small-sat constellation will make data more accessible for everyone. LizzieSat is a multi-mission satellite platform that supports a suite of custom sensors and customer needs, leveraging space-flight proven subsystems to provide domestic and international customers with valuable data from lower orbit.

Our fleet of LizzieSat satellites will be capable of integrating a range of sensors for a variety of customer missions and collecting space-based data for multiple industries. Our team continues to fire on all cylinders, as we scale up to meet growing demand, while prioritizing progress toward profitability and creating long-term value for our shareholders. Thank you very much.

#### **Operator**

This conference has now concluded. Thank you for attending today's presentation. You may now disconnect.