Sidus Space

First Quarter 2023 Results and Business Update

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CORPORATE PARTICIPANTS

Carol Craig – *Founder and Chief Executive Officer*

Teresa Burchfield – *Chief Financial Officer*

PRESENTATION

Operator
Good day and welcome to the Sidus Space First Quarter 2023 Call. Please note, this event is being recorded.

I would now like to turn the conference over to Ms. Carol Craig, Founder and CEO of Sidus Space. Please go ahead, ma'am.

Carol Craig
Good morning, everyone. Thank you for joining Sidus Space's Q1 2023 earnings call. My name is Carol Craig, and I'm the Founder and CEO of Sidus Space. I'm joined today by Teresa Burchfield, our Chief Financial Officer.

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 expenses 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.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.

Q1 2023 was an exciting and pivotal quarter for Sidus Space. We are well on our way to achieving the vision of executing our strategic plan to build a space-based infrastructure that's capable of evolving and growing with our rapidly expanding space ecosystem, fulfilling our mission of bringing space down to Earth. As an established high-end space and defense hardware manufacturer with a first wave advantage, we are developing an advanced hybrid 3D printed satellite constellation with a focus on building a multi-mission based infrastructure for a diverse customer base. Along with our extensive experience in manufacturing space rated hardware and components, our vision will be achieved through our 3D printed satellite, LizzieSat, and our planned fleet of small satellites that will provide Earth observation and remote sensing solutions to our customers. Our multi-mission satellite for a multi-mission constellation.

Our confidence in our ability to execute on our vision is based on over a decade of commercial defense and government manufacturing experience, combined with a proven track record of success, space qualification experience, existing customers and pipeline and heritage hardware. This is what differentiates us from other satellite operators in the space ecosystem. Our experience with international and US government, NASA, major space and defense private contractors like Lockheed Martin, L3Harris, and Boeing guide our space and defense as a service strategy and our ability to service customers across the entire space domain. We're vertically integrated, with over a decade of space manufacturing heritage and are supporting missions for all destinations in space, not just LEO, but the Moon, Mars and beyond.

As I mentioned, what we are really doing is building a space-based infrastructure for the space ecosystem. Similar to the internet, we're creating a physical space infrastructure to provide our customers with access to space and the benefits of space-based data. One example of that infrastructure is our current production of the 3D printed multi-mission satellite with multiple sensors on a single satellite that integrate for a combined solution, or separately for individual customer needs. Our

space-based data as a service offering, which is derived from output by hyperspectral, multispectral, and other advanced sensors, provide solutions to multiple customers and industries through our multi-mission constellation and creates a high margin, high growth recurring revenue model. With this goal in mind, we raised capital this year to enable us to secure launch dates, purchase critical components, and implement differentiating technology to increase our Earth coverage, and provide us with the ability to deliver value to our data partners and our pipeline.

In the fourth quarter of 2022, we saw competitors abandon plans to invest in company-owned constellations of Earth observation satellites, and we are aggressively pursuing the opportunities that have emerged as a result. As I said, capital to date has facilitated our ability to secure a steady launch cadence and, where practical, order additional components that are impacted by supply chain delays, enhancing our speed to execution. As we get closer to launching multiple satellites and bringing our vision to life, we're even more dedicated to realizing the value creation case brought about by executing on the sale of both data and payloads and we believe our stakeholders will benefit as revenue and margins decrease over time as a result of our diverse revenue model.

Having strong financial backing gives us the ability to accelerate and take advantage of opportunities. Our approach to spending is cautious and we will continue to operate as efficiently as possible to reduce our burn rate. We believe that every dollar spent at Sidus goes farther than a dollar spent by our competitors. We're committed to remaining lean, even as we experience exponential growth. The satellites we've developed in house are a fundamental factor to the accelerated growth of our organization, which includes the multiple satellites that are currently manifested and scheduled for launch. The ability to provide space infrastructure and subsequently data creates a rapidly scalable high margin line of business.

Our progress so far has established a solid foundation for the rest of the year, and we remain on track to deliver LizzieSat for launch later this year. While the precise timeline is dependent on the small satellite launch vehicle industry and can be impacted by weather and unforeseen launch conditions, we continue to complete the critical steps required for integration and testing to adhere to the timeline necessary to meet our planned launch cadence. During Q1 2023 we began LizzieSat integration and testing and completed command and data system testing, which validated the proper functioning of the communications and data transfer path between our satellites in space and our contracted ground stations. This communication verification is a critical requirement for mission success.

We continue to take meaningful steps toward the launch of our LizzieSat constellation, and we have accomplished additional key milestones and developments as we drive our mission of delivering space and defense as a service to both government and commercial customers worldwide. In the first quarter of 2023 we formed several partnerships and announced new contract awards, in addition to nearly doubling contracted launches with SpaceX as additional transport emissions in 2024 and 2025, for a total of nine satellites.

As we consider past and future revenue, we're excited about the additional satellite related to contracts that we executed in Q1 2023. Most notably, we were awarded a $2.5 million contract with a Netherlands Organisation for Applied Scientific Research to deploy and test their laser communications technology onboard a Sidus LizzieSat satellite. This contract and the relationship are part of our strategic plans and efforts to expand our international reach to capture significant global opportunities related to Earth observation and remote sensing. We announced our plans to open a new office in the Netherlands and are looking forward to completion of those plans within a few months. Additionally, we were awarded a follow-on contract for the next phase of NASA’s Autonomous Satellite Technology for Resilient Applications project, which we believe will provide us with a pathway for growth related to deep space missions.

Years of support for US government contracts have provided us with a foundation and experience to understand the industry's strict regulations, procurement process, administrative requirements and other nuances of working with the US government, or specifically the Department of Defense. We believe that we will have multiple opportunities to expand our government support into the higher margin area of satellite design, development and on orbit operations and are excited to demonstrate our capabilities to multiple agencies.

As we consider the next few years, the fiscal 2024 requests aggressively integrated Space Force into the core of national and international security by collaborating across the Department of Defense, interagency commercial industry, our allies and our partners. We believe this is a very positive direction for us and are excited, as we expect total funding to grow rapidly, as Congress gets more and more comfortable with their mission and they demonstrate that they're able to deliver satellites quickly, on time and on budget.

Our partnerships that were formed since Q1 2023 are key to success of subsequent quarters. In order to accelerate the expansion of Sidus's commercial data distribution strategy and broadening of its customer base, we signed an agreement with SkyWatch for use of its TerraStream data management platform. And just recently we signed an MOU with Lulav Space, an Israeli robotics company specializing in space applications, to support the US market by providing a complete guidance navigation and control solution for both lunar satellite and lunar lander missions.

We continue to build key relationships with customers in our mission critical hardware manufacturing business, which included being selected for the manufacturing of 13 propulsion plant team trainer maneuvering area panels for Bechtel plant machinery, and also by Bechtel Corporation to manufacture cables for the NASA Mobile Launcher 2 project. We were previously awarded a contract to fabricate custom cables and populate unique electronic cabinets supporting the launch control subsystem and ground special power subsystem, which is currently being executed in our manufacturing facility. These significant manufacturing contracts represent a diversity and depth in capabilities that we believe translates to long term value and growth in both the space and defense industries.

Another important highlight is Sidus's Mentor-Protégé relationship with L3Harris. Sidus was selected as a protégé with L3Harris technology for the Department of Defense Mentor-Protégé program, which helps businesses expand their footprint in the defense contracting space by partnering with larger companies. Designed to grow protégé firms, program success is measured by the increase in dollar value contracts and subcontract awards and revenue to protégé firms and an increase in the employment levels of protégé firms.

Looking ahead, our path to profitability is based on our ability to grow our diverse revenue streams. To elaborate, our end to end space and defense solutions include the following products and services:

Mission critical hardware manufacturing. Our manufacturing-as-a-service offering leverages a distinguished track record of success in supporting multiple large scale US government space programs, demonstrating our extensive industry knowledge and expertise. Our flight and ground heritage experience provides us with lessons learned that we believe positions us to avoid many of the challenges and issues that inexperienced companies experienced during their initial phases of growth and operations. We announced this month that we have been selected by OneWeb to design and build machine satellite parts for their broadband satellite internet services. This selection further demonstrates our space hardware manufacturing expertise and represents potential long term growth based on the expected number of telecommunication satellites planned over the next decade.

Multidisciplinary engineering services. Our operations-as-a-service offering not only provides

engineering and subject matter experience solutions, but also management operations and transfer of information from customer-owned on orbit satellites via our in house Mission Operations Center in Merritt Island, Florida.

Satellite design production, launch planning, mission operations and in orbit support. We provide both customer requested and Sidus owned integrated design, manufacture, test and assembly of satellites to meet the needs of customer missions. Our manufacturing facilities in Cape Canaveral, Florida include traditional machining, 3D printing, cable and wire harness assembly and cleanroom operations as part of our ground infrastructure. Additionally, we provide our customers assistance with the launch of satellites and sensors into space by identifying and securing launch opportunities with launch providers, or integrating customer sensors into our own satellite constellation and coordinating and managing all activities leading up to launch. We are able to launch software, payloads and dedicated satellite constellations for our customers that we own and manage on their behalf. Similar to our data and analytics services, our customers have the opportunity to subscribe to the data that's collected during orbit operations.

On orbit testing of space ecosystem technologies and hardware. Our satellite-as-a-service offering provides hosted payload options using available capacity on our satellites to accommodate additional transponders, instruments and other space sensors. This offering enables our customers, both commercial and government organizations, to rapidly, reliably and cost efficiently prove out technologies for space operations.

And last, data and analytics derived from satellite missions. Our data-as-a-service offering leverages our space-based infrastructure of multi-mission satellites with hyperspectral, multispectral, and other sensors to provide monitoring services and solutions to multiple industries. The global proprietary data that we expect to collect includes data captured from space with no exact terrestrial alternatives. However, we believe that integration with terrestrial data will provide a more valuable data set for customers. This data can be collected once and sold to multiple customers across various industries, including weather, agriculture, maritime, and oil and gas. Near real time data can be easily integrated into our existing and proposed customers' operations and provide unique aggregated datasets through a recurring subscription-as-a-service model.

Each of the areas I mentioned, and initiatives addresses a critical component of our end to end solution and value proposition for the space economy and the space and defense as a service company. The majority of our revenues to date have been from our space related hardware manufacturing. However, 2022 and 2023 revenue includes revenue related to our multi-mission constellation, and our hybrid 3D printed LizzieSat satellite.

Our satellite business model has been thoughtfully designed to provide a low cost and flexible solution, enabling us to accommodate a wide range of customer requirements, while utilizing the minimum number of assets possible. This approach makes space accessible to those who were previously shut out due to the complexity or high cost of entry. Our flexible structure allows us to cater to a broad customer base. We plan to establish one of the industry's leading LEO small satellite constellations, with a focus on Earth observation and remote sensing for multiple missions at customers.

Our strategy is to enhance the capabilities of our satellite constellation continuously, expand our international and domestic partnerships and broaden our analytics offerings to increase the value we deliver to our customers. Our satellite constellation and hardware manufacturing capability are mutually reinforcing operating assets, resulting from years of heritage and innovation. To provide some economic parameters, each of our satellites is expected to transmit at a minimum 100,000 megabytes of data per day. As a data point, depending on the sensor 100 megabytes of data can be equated to a

single advanced image. We believe that the cost of high value imagery ranges from $12 to $24. The quality, quantity and frequency of the data helps determine where and within the band of pricing we'll be successful. And with a raw cost of data around $0.02 per megabyte, we see an opportunity to build a high margin, scalable business that can be easily and inexpensively modified as technology changes.

Achieving near real time data delivery can be accomplished in several ways. While one approach is to increase the number of satellites in orbit, we're focusing on another solution: expanding the number of ground stations. Strategically located ground stations provide a multiplier effect on our coverage, enabling us to optimize our operations and improve our data delivery. As we continue to expand our network of ground stations, we anticipate being able to achieve near real time coverage, enabling us to provide our customers with data at a higher frequency than ever before.

Global coverage is another consideration. With our approval for 100 satellites by the ITU, we can expect that we can potentially achieve near global coverage within a few years. But we believe that flexibility is key to long term shareholder value. As the interest in predictive analytics or data trends grow, we believe that we can service this market need with fewer satellites on orbit than previously expected. This is due to the distinct differentiator of our platform, which is the flexibility of the system, our ability to evolve with the industry and stay ahead of our competitors by integrating the latest technologies.

Due to the size and the capacity of our satellite, we're able to host a diverse array of sensors such as multispectral and hyperspectral Earth observing imagers, maritime vessel RF tracking receivers, UHF Internet of Things transceivers, optical communications gear and others on a single platform that can simultaneously address the needs of many customer requirements. Our multi-sensor, multi-mission platform gives us a unique capability, and when combined with Edge AI, it allows us to get only the necessary data down faster to provide critical insights for a multitude of industries that include agriculture, commodities tracking, disaster assessment, illegal trafficking monitoring, energy, mining, oil and gas, fire monitoring, classification of vegetation, soil moisture, carbon map, maritime AIS, aviation ADF, weather monitoring and more.

And with that, I will turn it over to Teresa for the financial perspective and highlights from the quarter.

Teresa Burchfield
Thanks, Carol. To recap our financial results, which are detailed in our Q1 Form 10-Q filed with the SEC Friday, May 12, 2023. Revenue increased to $2.3 million for the quarter ended March 31, 2023, compared to $1.8 million for the same period in 2022. Revenue growth of 26% is primarily attributed to an increase of 114% in our satellite revenue versus prior year. Gross profit was approximately $900,000 or 40% for the quarter. Along with increased revenue from our higher margin satellite Sidus business, we are managing the impacts from increased material purchase, continued supply chain challenges, and contract mix. Total operating expenses increased 9% or $300,000, primarily as a result of increased headcount as we continue to scale our business.

Regarding our capital structure, we continue to manage our operating expenses very closely and carry only a small amount of debt on our balance sheet. As of March 31, 2023, the company had $2.8 million in cash. Subsequent to the end of the quarter, as Carol discussed, the company executed a common stock offering to which the company sold an aggregate of approximately 8.6 million shares of our Class A common stock and pre-funded warrants to purchase up to in aggregate of approximately 21.7 million shares of Class A common stock, as well as warrants to purchase up to approximately 30.3 million shares of Class A common stock. In addition, the company sold approximately 3.8 million shares of Class A common stock and a company warrant to purchase up to 3.8 million shares of Class A common stock pursuant to the partial exercise of the underwriters' over-allotment option. Those

proceeds from the offering were approximately 11.2 million. Please reference our March 31, 2023, 10-Q for additional details.

We intend to use the proceeds to execute on our strategic plan, including continued satellite development at an accelerated pace and to fulfill a steady launch cadence, as Carol has outlined in detail. As we ramp up production to meet our targets, our payables will periodically reflect increases related to our satellites and the satellite related components that will convert to assets over time. For the period ended March 31, 2023, the portion of accounts payable related to satellites was approximately 60%, compared to approximately 40% at year end. We are optimistic about the future of our company, as we've made progress on several key initiatives that we believe will position us for long term success, despite a challenging economic sector. The capital we have raised since the year began is important in completing our initial satellites in the middle of a disruptive capital and supply chain market.

With that, I'll turn it back over to Carol.

Carol Craig
Thank you, Teresa. So, we are very excited by what is ahead of us. 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 low Earth orbit. We continue to advance active discussions with numerous prospective customers, including domestic and international government agencies, for payload hosting and data related to our planned satellite launches over the next 24 months, and our extensive experience in complex space manufacturing will continue to guide us in executing on our plan.

Now before I close out, we received a couple of questions from Howard Halpern, equity analyst from Taglich Brothers, that I'd like to address. His first question is, “Over the long term, how does the company maximize the number of satellites it operates?”

We have initial approval for a constellation of 100 satellites from the International Telecommunications Union, ITU. Our production capacity allows for that build to be completed in whatever manner is economically prudent. In other words, we have the flexibility, because of our smart vertical integration, to modify our production cycle to match the industry and customer demand. Our multi-mission satellite for a multi-mission constellation strategy means that we can evolve, flex and grow with the growing space ecosystem without being tied to a defined center, industry or customer base. Our financial success is not tied to a set number of satellites, but instead is focused on the revenue capacity of a single satellite, which is then multiplied as each additional satellite is launched. And although supply chain constraints are an important factor in our maximization or optimization of satellite assets, our strategy to increase our ground station partnerships enhances our ability to provide real time data coverage with fewer on orbit assets.

Another way that we maximize the output from our satellites is to efficiently utilize the revenue generating capacity of each satellite. Each LizzieSat is expected to have a minimum of 35 kilograms of capacity to host common or diverse portfolios of payloads and sensors. These diverse capabilities enable complementary products to fly together to enhance return on investment during their five- to seven-year mission. For example, our Edge AI solution is used to filter out images not easily monetized, such as cloud cover, which saves us money when transferred down to earth and also allows us to focus on data with the highest market value. Additionally, our combination of onboard sensors such as AIS, GPS, hyperspectral imagery and multispectral imagery used to provide a more

comprehensive story of when and where each image or data point was taken went on orbit, which exceeds the value of aggregating data terrestrially or on the ground.

The second question is, “How do you increase your customer base for subscription services prior to and after your first satellite is launched?”

Over the last 16 months or so we've created relationships with several types of sales partners, including data marketplace aggregators who support the development of white label software products, to allow customers to begin to identify their need for data and make direct contact with us regarding capabilities and services. This allows us to build our pipeline ahead of launch. Once we develop a collection of data from our multi-mission sensors, we will market existing data with archive options for consumer purchase through subscriptions or as a software-as-a-service model. We see great opportunity to convert data customers into long term recurring subscribers, creating high margin recurring revenue streams. We also believe that our team’s decades of experience, relationships and understanding of the space industry provides us with an opportunity pipeline that allows for increased engagement for both current and future customers.

Thank you again, and as I mentioned, we are extremely excited about the future of space.

CONCLUSION

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