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Kingswood Capital Partners, LLC Equity Research

INITIATING COVERAGE

Technology

Stardust Power, Inc. (Nasdaq: SDST)

Rating: Buy

Price Target: $19.00

Share Price: $10.17

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Company Data (GPAC)	
Average Daily Volume (M)	0.314
52-Week Range	8.91-15.32
Shares Outstanding (M)	9.19
Market Cap (M)	90.53
Enterprise Value (M)	94.47
Total Cash (M), mrq	0.02
Total Debt (M)	3.94
Total Debt to Cap	0.037

Estimates				
FYE: Dec		2024E	2025E	2026E
EPS	Q1	N/A	(0.02)	(0.01)
	Q2	N/A	(0.02)	(0.01)
	Q3	N/A	(0.02)	(0.01)
	Q4	N/A	0.01	0.01
	FY	(0.08)	(0.07)	(0.03)
P/E		NM	NM	NM
Rev	Q1	N/A	0.0	2.0
	Q2	N/A	0.0	2.0
	Q3	N/A	1.0	2.0
	Q4	N/A	2.0	4.4
	FY	N/A	3	10.4
EV/Sales		N/A	N/A	N/A

One-Year Performance Chart (GPAC)

Source: Yahoo Finance.

Stardust Power Completes SPAC Merger, Begins Trading Under SDST Ticker.

Coverage initiated June 27th: Buy rating and $19 price target.

- On June 27th, we initiated coverage of Stardust Power, Inc. with a Buy rating and a $19 twelve-month price target. The company's shares began trading yesterday under the new ticker symbol SDST, after Stardust Power completed its business combination with Global Partner Acquisition Corp II (Nasdaq: GPAC). *(Please see our June 27th initiation report published under the ticker symbol GPAC).*

- In our initiation report we wrote that, in our opinion, Stardust Power represents a new breed of clean process-based lithium producers in the U.S., set to challenge the entrenched near-monopoly of mining companies in China and other overseas markets like Chile.

- With demand for lithium continuing to accelerate, we believe that developed nations in America and the EU will gradually be shifting their demand to environmentally-friendly suppliers.

- Stardust Power is set to deliver multiple benefits to domestic customers as an eco-friendly U.S.-based producer: Significant savings in overseas shipping and logistics costs, environmental compliance, and a greatly simplified domestic supply chain.

- Stardust Power is poised to become one of the major suppliers of battery-grade lithium in the U.S., as it completes its central lithium refinery plant in Muskogee, Oklahoma, capable of producing 50,000 tons of battery-grade lithium annually with a plan to scale up production over time.

- We expect that the Muskogee plant will go online in 2026, and that Stardust Power will be shipping 25,000 tons of battery grade lithium per year staring in 2H'26, scaling up to 50,000 tons in 2027. Assuming that run rate, and given current lithium carbonate pricing in the range of $23 - $25K/ton, we are modeling Stardust Power's revenue to be $75.9M in 2027 and $483M in 2028, growing over 500% y/y on accelerating demand for domestically produced, battery-grade lithium.

- Additionally, we believe that the company can generate $203M in EBITDA in 2028 after the Muskogee plant is fully operational, with EBITDA margins expanding from 28.6% in 2027 to 42% in 2028.

- Our $19 price target assumes a reasonable, peer-group average valuation of 3.3x on an EV/Revenue basis, discounting our 2028 YE revenue estimate to the current year using an annual discount rate/WACC of 15%. Our price target assumes full share conversion and a share count of 48 million shares.

- Founder and CEO Roshan Pujari and other members of the Stardust Power management team will ring the opening bell of the Nasdaq Global Market ("Nasdaq") on July 11, 2024, to commemorate Stardust Power's public listing.

Valuation

As an early development-stage company, we do not expect Stardust Power to generate any meaningful revenue until at least 2026, when the plant is built. Assuming that the Muskogee, Oklahoma plant construction commences in 2H 2024 and continues through 2025, we anticipate that the plant will be Phase 1 operational in the middle of 2026 and generating lithium processing revenue that year. We further assume that a normalized Phase 1 revenue run rate will be established by the end of 2026, and that quarterly revenue will begin to grow sequentially in 2027 with a corresponding normalization and improvement in EBITDA margin. Our earnings model in this report presents what we believe is a conservative and achievable scenario to that end.

While no perfect public-company comparables exist for Stardust Power, we believe that using valuation benchmarks from a mix of lithium extraction and processing companies gives us a starting point in assessing appropriate relative valuation multiples. That said, we believe that the comp group shown on page 5 below can be used when assessing the Stardust Power investment opportunity and our $19 price target on shares. Our $19 price target assumes a reasonable, peer-group average valuation of 3.3x on an EV/Revenue basis, discounting our 2027 YE revenue estimate to the current year using an annual discount rate/WACC of 15%. Our price target assumes full share conversion and a share count of 48 million shares.

Risk Factors

Stardust Power, Inc. faces the following operational and execution risks, and the list is not limited to these factors:

A very limited history of execution. Stardust Power, a newly formed company, was incorporated in 2023 and has yet to construct its processing facility) and commence production. As a result, the company has a limited operating history upon which to evaluate its business and future prospects, and is thus subject to a number of risks and uncertainties, including its ability to plan for and predict future growth.

Competitive and market risks. Stardust may encounter risks and difficulties experienced by growing companies in rapidly developing and changing industries, including challenges related to achieving market acceptance of its products, competing against companies with greater financial and technical resources, and competing against entrenched incumbent competitors that have long-standing relationships with prospective customers in the battery grade lithium market, as well as recruiting and retaining qualified employees, and making use of its limited resources.

No operational track record. As a newly incorporated, development-stage company, Stardust has yet to start the purification of lithium brine to produce battery-grade lithium, and is not likely to generate revenue in its initial years of operations. Also, management cannot assure investors that it will ever realize any profits. Potential future profitability will be dependent upon an economic method of extracting the required brine by its partners, whether directly or as byproducts of the oil and gas industry, and from further exploration and development of other economic sources of brine. Further, Stardust cannot assure investors that any exploration and extraction programs will result in profitable, commercially viable extraction, purification and production.

Industry factors can adversely impact company operations. Stardust's level of profitability, if any, in future years will depend to a great degree on lithium prices and whether the company can purchase brine at a price that is economically feasible to produce battery grade lithium. Exploration and development of lithium resources are highly speculative in nature, and it is impossible to ensure that any of the company's suppliers will establish reserves.

Low-cost producers could disrupt the market. Competing lithium producers, especially in foreign jurisdictions including but not limited to China, Argentina, Chile and Australia, could use processes that might produce lower-cost lithium, which could impact the market in general, and adversely impact the sales of the company.

Environmental compliance and potential liability. Stardust's business is governed by various foreign, federal, state and local environmental protection and health and safety laws and regulations, and permits issued under these laws by foreign, federal, state and local environmental and health and safety regulatory agencies. If the company violates or fails to comply with these laws, regulations or permits, it could be subject to administrative or civil fines or penalties or other sanctions imposed by regulators and it could also be subject to lawsuits, civil or criminal, seeking enforcement, injunctive relief and/or other damages.

Stardust Power, Inc.

GAAP Basis, except where noted					
Fiscal Year Ends December 31	Dec-24	Dec-25	Dec-26	Dec-27	Dec-28
($ in thousands, except per share data)	**CY24E**	**CY25E**	**CY26E**	**CY27E**	**CY28E**
Total Revenue	**$ -**	**$ 3,000**	**$10,400**	**$ 75,900**	**$483,000**
Cost of Revenue	0	2,100	6,740	39,160	246,330
Gross Profit	**0**	**900**	**3,660**	**36,740**	**236,670**
Gross Margin	*0.0%*	*30.0%*	*35.2%*	*48.4%*	*49.0%*
Operating Expenses:					
SG&A	3,077	3,280	4,282	14,157	77,280
% of Total Revenue	*0.0%*	*109.3%*	*41.2%*	*18.7%*	*16.0%*
Depreciation & Amortization	0	0	0	43,333	43,333
% of Total Revenue	*0.0%*	*0.0%*	*0.0%*	*57.1%*	*9.0%*
Other Expenses	600	600	680	910	1,100
% of Total Revenue	*0.0%*	*20.0%*	*6.5%*	*1.2%*	*0.2%*
Other Non-Cash Expenses	220	232		354	600
% of Total Revenue	*0.0%*	*7.7%*	0	*0.5%*	*0.1%*
EBITDA	**(3,677)**	**(2,980)**	**(1,302)**	**21,673**	**203,323**
EBITDA Margin (%)	*0.0%*	*-99.3%*	*-12.5%*	*28.6%*	*42.1%*
Operating Income	**(3,897)**	**(3,211)**	**(622)**	**(22,014)**	**159,390**
Operating Margin	*0.00%*	*-107.05%*	*-5.98%*	*-29.00%*	*33.00%*
Other Expense, Net:					
Interest Income/Expense, net	(8)	(8)	(8)	(17)	(15)
	-	-	-	-	-
Pretax Income	**(3,905)**	**(3,219)**	**(630)**	**(22,031)**	**159,375**
Provision for income taxes	0	0	0	0	0
Effective Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income (GAAP)	**(3,905)**	**(3,219)**	**(630)**	**(22,031)**	**159,375**
Shares outstanding - diluted (000)	48,000	48,025	48,275	48,725	49,000
EPS	**($0.08)**	**($0.07)**	**($0.03)**	**($0.45)**	**$3.25**

Source: Kingswood Capital Partners estimates.

Estimated 2028 Total Revenue (000):	**$ 483,000**
Discounted 2028 Estimated Revenue, 2024:	**$276,157**
Estimated Discount Rate/WACC:	**15.00%**
Time Periods (annual):	**4**
Target EV/Rev. multiple (peer group avg.)	**3.3x**
Target valuation, 2024:	**$911,317**
PRICE TARGET/SHARE: (assuming full shares redemption, 48M shares):	**$ 18.99**

Source: Kingswood Capital Partners estimates.

Comparable Lithium Mining and Processing Companies					
	Name	**Ticker**	**Price***	**Mkt. Cap. (B)**	**EV/Sales**
1	**Albemarle Corp.**	**ALB**	**$ 100.28**	**$ 10.90**	**1.7x**
2	**Sociedad Quimica**				
	y Minera de Chile	**SQM**	**$ 42.77**	**$ 11.49**	**2.2x**
3	**Mineral Resources Ltd.**	**MALRY**	**$ 37.07**	**$ 7.29**	**2.9x**
4	**Arcadium Lithium PLC**	**ALTM**	**$ 3.58**	**$ 3.43**	**3.9x**
5	**Ganfeng Lithium Grp.**	**GNENF**	**$ 2.11**	**$ 7.10**	**2.4x**
6	**Pilbara Minerals Ltd.**	**PILBF**	**$ 2.15**	**$ 6.31**	**2.7x**
7	**Sigma Lithium Corp.**	**SGML**	**$ 12.19**	**$ 1.35**	**8.5x**
8	**Piedmont Lithium, Inc.**	**PLL**	**$ 9.91**	**$ 180.3M**	**1.9x**
	Average				**3.3x**
***Close price, June 26, 2024**					

Source: Yahoo Finance.

DISCLOSURES

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Kingswood Capital Partners, LLC uses the following rating system:

Buy - Buy-rated stocks are expected to have a total return of at least 15% over the following 12 months and are the most attractive stocks in the sector coverage area.

Hold - We believe this stock will perform in line with the average return of others in its industry over the following 12 months.

Sell - Sell-rated stocks are expected to have a negative total return of at least 15% over the following 12 months and are the least attractive stocks in the sector coverage area.

Not Covered (NC) - Kingswood Capital Partners, LLC DOES NOT cover this stock and therefore DOES NOT have forecasts, projections, target price and recommendation on the shares of this company.

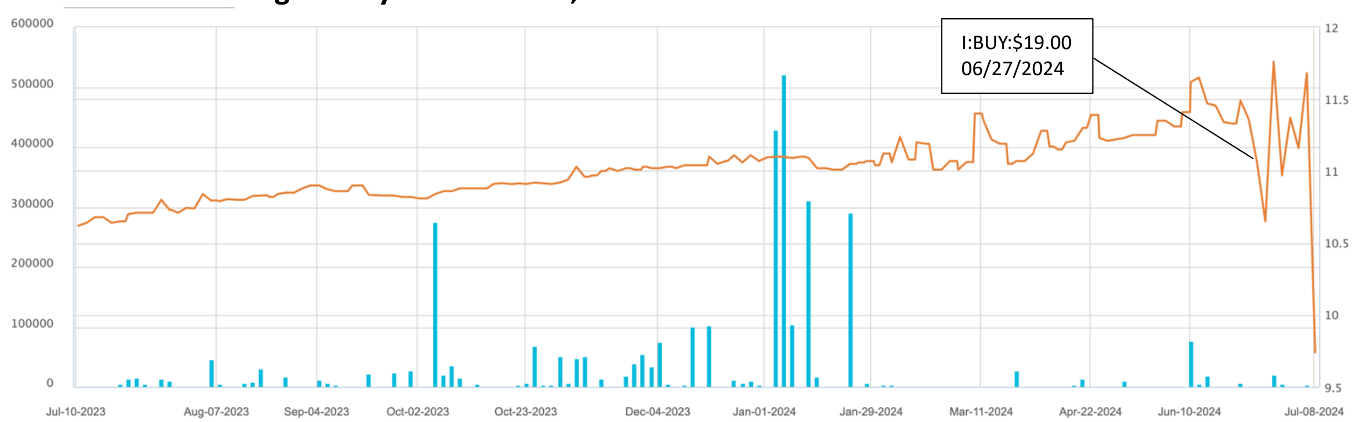
Company-Specific Disclosures

Distribution of Ratings Kingswood Capital Partners, LLC			Investment Banking Services/Past 12 Months	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY	3	100.00	2	66.67
HOLD	0	0.00	0	0.00
SELL	0	0.00	0	0.00

As of July 2024.

Kingswood Investments, a division of Kingswood Capital Partners, has an investment banking advisory relationship with Stardust Power, Inc. Kingswood received compensation from Stardust Power, Inc. for sponsored research services during 2024.

Stardust Power Rating History as of June 27, 2024



Source: S&P Capital IQ.

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