Kingswood Capital Partners, LLC Equity Research

INITIATING COVERAGE

Technology

Stardust Power, Inc. (Nasdaq: SDST)

Rating: Buy

Price Target: $17.00

Share Price: $7.04

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Company Data (GPAC)	
Average Daily Volume (M)	0.046
52-Week Range	6.58-28.38
Shares Outstanding (M)	49.3
Market Cap (M)	323.1
Enterprise Value (M)	321.9
Total Cash (M), mrq	1.6
Total Debt (M)	8.96
Total Debt to Cap	0.02

Estimates			
FYE: Dec		2025E	2026E
EPS	Q1	(0.02)	(0.01)
	Q2	(0.02)	(0.01)
	Q3	(0.02)	(0.01)
	Q4	0.01	0.01
	FY	(0.07)	(0.03)
P/E		NM	NM
Rev	Q1	0.0	2.0
	Q2	0.0	2.0
	Q3	1.0	2.0
	Q4	2.0	4.4
	FY	3.0	10.4
EV/Sales		N/A	N/A

One-Year Performance Chart

As of November 21, 2024. Source: E-Trade.

November 21, 2024

Solid Execution in An Increasingly Favorable Geopolitical Environment.

Construction of Muskogee, OK Plant on Track; Reiterate BUY Rating; Adjusting Price Target to $17 on increased share count assumption (previously $19).

- Our several conversations with Stardust Power's management team after the company reported 3Q 2024 results at the end of last week confirm our core thesis: (1.) Several industry trends are likely to shift domestic demand from China and South America-sourced lithium to ecologically friendly, US-produced alternatives; (2.) The company is proactively broadening its sources of downstream brine inputs, including the announced partnership with KMX Technologies as well as other transactions likely to secure a broader-based input supply.

- In recent months, China-based lithium producers have been flooding the global market and engaging in what the U.S. State Department described as predatory pricing. Lithium pricing has softened over the last several quarters, likely due in part to these actions.

- Key takeaways from last week's earnings call, to reiterate: (1.) Timeline of plant construction is on track; (2.) Management is "cautiously optimistic" on lithium pricing trends after several years of decline; (3.) The recent geopolitical headwinds for the lithium supply market, brought on by China, now appear poised for a reversal after Trump's victory and the Republicans' control of Congress; (4.) Management is exploring ways to broaden the available sources of brine through leveraging its partnership with KMX Technologies for its brine concentration technology and possibly through opportunistic M&A.

- Construction of the Muskogee, OK midstream refinery lithium plant using Direct Lithium Extraction (DLE) upstream technology is proceeding on schedule. The required Front-End Loading (FEL-3) study began in Q3 and will likely take six to nine months to complete. After that, the construction of Phase One of the plant (output capacity of 25K tons per year) will likely take 18-24 months to complete.

- We are adjusting our 12-month price target on SDST shares from $19 to $17, based on a higher share count assumption for 2028. Recent financing announcements by management point to a higher likelihood of at least some dilutive effects of such transactions going forward. Our adjustment does not reflect any changes to our revenue and profitability assumptions in our model.

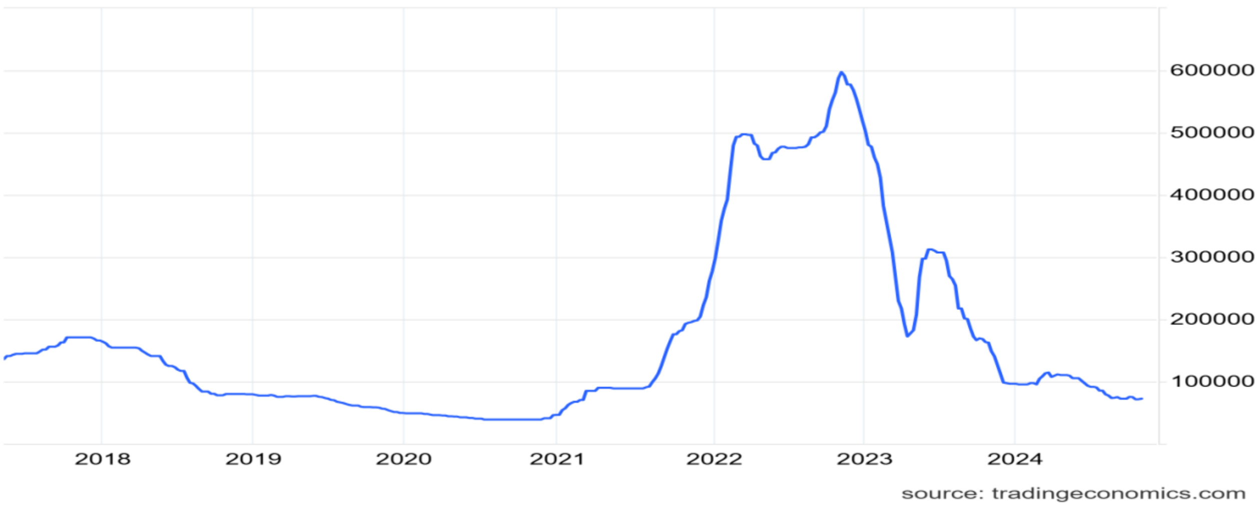
- We reiterate our BUY rating on SDST shares.

Lithium Pricing Trends: A Rollercoaster Ride.

According to data from Trading Economics, lithium prices have seen a significant increase in volatility over the past five-plus years. From about 2015 to 2020 onwards, prices began to spike, driven by the emerging market for EVs, together with increased demand for renewable energy storage solutions. The rise was dramatic: From 2015 to 2017, lithium prices saw an increase of over 3x. A key driver of the spike was the rapid expansion of China's EV market and increased lithium mining and production investments. Lithium prices peaked in 2018. In 2019 an oversupply in the market led to a sharp price trend reversal followed by a decline. From 2019 to 2021, prices remained flat-to-down, reflecting a period of market correction and stabilization.

Then in 2022, a blockbuster price rally began due to a developed supply deficit driven by unexpected demand facing a largely agreement-based supply model. At that time, lithium prices increased by over 5x. The uptrend continued until mid-2022 as China re-implemented full lockdowns nationwide due to rising COVID-19 case numbers, leading to a brief economic slowdown.

Lithium Pricing 2017 - Present



Source: TradingEconomics.com

The current macro background in the U.S. for the lithium market appears to be unsettled: On the one hand, the incoming Trump Administration could roll back or throttle the aggressive Clean Energy agenda being promulgated by the Biden Administration, thus attenuating demand for lithium tied to EVs. On the other hand, the likely advent of more protectionist trade policies, particularly targeting China's predatory trade practices, is likely to positively impact the environmentally friendly domestic production of lithium.

Additional points to note:

- Management did not provide financial guidance on the call last week and indicated that the company's $1.6 million cash on hand will be supplemented by expected additional financing activities associated with a recently signed common stock purchase agreement, with Stardust having the right to sell up to $50 million of newly issued shares, subject to the purchase agreement's terms.

- The stock purchase agreement, if fully exercised, would dilute the company's share count by ~6.5 million shares. Management indicated to us that this agreement is not intended to be a primary source of capital raising, and that potential dilution stemming from its exercise is likely to be *de minimis.* We do, however, anticipate that other financing arrangements are potentially likely to have some dilutive effects in the future.

- We are maintaining our existing revenue and margin assumptions in our model, and are making a minor adjustment to our share count assumptions – increasing the fully diluted share count to 53M shares for 2028. This change does not impact the valuation methodology of our price target.

We do not anticipate seeing any material revenue until CY27, when the construction of the initial phases of the plant is completed.

- 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 29% in 2027 to 42% in 2028.

- Our revised $17 price target (previously $19) assumes a reasonable, peer-group average valuation of 3.3x on an EV/Revenue basis, discounting our 2028 year-end revenue estimate to the current year using an annual discount rate/WACC of 15%. Our revised price target assumes a share count of 53 million shares (previously 48 million).

- We reiterate our Buy rating on SDST shares.

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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)	49,000	49,875	51,000	52,250	53,000
EPS	**($0.08)**	**($0.06)**	**($0.03)**	**($0.42)**	**$3.01**

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:	**$911,317**
PRICE TARGET/SHARE:	**$ 17.19**
(assuming 53M 2028 fully diluted share count):	

Source: Kingswood Capital Partners estimates.

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 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 operations.

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 by regulators and it can also be subject to lawsuits, civil or criminal, seeking enforcement, injunctive relief and/or other damages.

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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	75.00	1	33.33
HOLD	0	0.00	0	0.00
SELL	0	0.00	0	0.00
NOT RATED	1	25.00	1	100.00

As of November 2024.

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Stardust Power Rating History as of November 21, 2024

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