Stardust Power, Inc. (Nasdaq: SDST)

Rating: Buy

Price Target: $6.00
Share Price: $0.50

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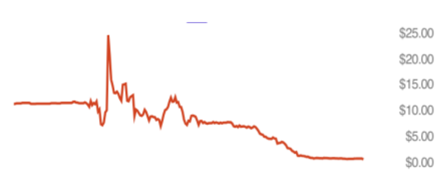
Company Data (GPAC)	
Average Daily Volume (M)	0.871
52-Week Range	0.41-28.38
Shares Outstanding (M)	52.8
Market Cap (M)	26.13
Enterprise Value (M)	24.93
Total Cash (M), mrq	0.91
Total Debt (M)	4.13
Total Debt to Cap	-27.10%

Estimates			
FYE: Dec		2025E	2026E
EPS	Q1	(0.08)	(0.08)
	Q2	(0.08)	(0.05)
	Q3	(0.07)	(0.08)
	Q4	(0.07)	(0.05)
	FY	(0.29)	(0.26)
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 March 28, 2025. Source: E-Trade.

March 31, 2025

Geopolitical and Financing Risks Continue to Weigh on Shares. Core Investment Thesis Intact. Reiterate Buy Rating.

Year-end Results and Outlook Reaffirm our Core Investment Thesis; Construction of Muskogee, OK Plant on Track; Reiterate BUY Rating.

- Stardust Power CEO Roshan Pujari updated investors on the company's year-end results call last Thursday after the close. No official financial guidance was provided.
- For FY'24, Stardust incurred a net loss of $23.8M and for the period from March 16, 2023 (inception date) through December 31, 2023, i.e. the prior period, the Company incurred a net loss of $3.8M, the increase driven by higher G&A expenses tied to public co. expenses and a broader scope of operations.
- Loss per share was ($0.55) for FY'24, compared to ($0.09) for the prior period, the increase being driven mainly by higher G&A expenses due to personnel-related costs and finance charges. Our estimate was ($0.08).
- We view the recently announced agreements with Sumitomo (supply) and KMX Technologies (VMD concentration technology) as promising, although investor psychology regarding the macro environment for lithium pricing and Stardust's financing options for the plant construction remains unsettled, likely pressuring shares.
- Plant construction timeline appears on track. The $1.2B two-phase construction project will first complete a production line with a capacity of 25,000 metric tons/year (expected to be in 2027), followed by the second production phase doubling the capacity.

- Management highlighted several capital raising events recently, including raising $5.75M via an equity transaction with an institutional investor, issuing 4.79M shares of common stock at $1.20/share along with 4.79M cash warrants at an exercise price of $1.30. Additionally, on March 17, 2025, the Company entered into a warrant inducement agreement with the same investor, generating approximately $2.9M in gross proceeds from the exercise of 4.79M warrants at a revised exercise price of $0.62.
- We attribute the recent selloff of SDST shares to: (1.) Continued softness in lithium pricing worldwide, spurred by continued oversupply of lithium from China, together with increased geopolitical and trade uncertainty, and (2.) Recent capital-raising announcements from the company, and the increased likelihood of additional capital raises. We note that management's execution thus far has been consistent with its stated goals and timelines.
- We continue to believe that the company's operating model remains superior to alternative forms of lithium extraction and refining.
- Changes to our model: We are maintaining our 2028 estimates. We are leaving our revenue estimates for YE25, YE26 and YE27 estimates unchanged, but are reducing our EPS estimates for those years to ($0.29), ($0.26) and ($0.52), respectively, due mostly to higher SG&A expense assumptions and higher estimated financing expenses.
- We are maintaining our Buy rating on SDST shares, noting the increasingly positive developments on the trade policy front from Washington for Stardust as well as solid execution of the construction project to this point.

Muskogee plant execution on track, but lithium pricing, geopolitical uncertainty, and financing risks create a "show me" situation for SDST shares.

We believe that the Muskogee plant will go online in 2027, and that Stardust Power will be shipping up to 50,000 tons per year by 2028 (Phase 2).

While we remain fully aware of the multiple execution risks inherent in the plant construction project, we remain optimistic about the longer-term macro fundamentals undergirding this project: (1.) The global trade policies of the Trump administration, squarely focused on tariffs with China, Canada, and other countries in the Americas. These economies collectively account for the vast majority of sourced lithium in the U.S.; (2.) The Trump Administration's official declaration of an Energy Emergency, by Executive Order on January 20th, calls for the domestic development, refinement, and production of "critical minerals" to supply the critical energy needs of the United States – a definition which includes the domestic production of lithium.

Although the precise impact of these policy moves in Washington on lithium pricing in the United States are difficult to gauge at present, we believe there is growing likelihood that lithium pricing will begin to firm up later this year, as the evolving tariff framework begins to take shape. We remain optimistic that these macro developments will have a positive impact on SDST's future revenue outlook and may at least partially offset the current price erosion trends recently seen in the domestic market.

While we are not changing our 2028 revenue estimate at this time, pending the company's year-end reported results, we believe that the recent softness in the global lithium pricing environment, together with the growing conservatism of investors will likely keep SDST shares under pressure. Our revised $6 price target is based on discounting our currently unchanged 2028 revenue estimate of $483M to the current year using a 15% WACC and applying a base-case EV/Revenue multiple of 1.0x, using a share count of 53M shares.

We are maintaining our Buy rating on SDST shares, as we believe in the successful completion of the Muskogee project together with a more favorable pricing environment for domestically refined clean lithium, consistent with the evolving U.S. tariff environment and the Trump Administration's stance on energy and the domestic focus on "critical minerals." We also think that continued capital-raising activities by management will likely maintain additional pressure on shares, but setting the stage for a more significant share price rebound once the project is fully financed and visibility on its completion improves.

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 efficient 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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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)	**CY24A**	**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	17,973	19,156	20,418	21,763	77,280
% of Total Revenue	*0.0%*	*638.5%*	*196.3%*	*28.7%*	*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	0	0	0	0	1,100
% of Total Revenue	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.2%*
Other Non-Cash Expenses	0	0		0	600
% of Total Revenue	*0.0%*	*0.0%*	0	*0.0%*	*0.1%*
EBITDA	**(17,973)**	**(18,256)**	**(16,758)**	**14,977**	**203,323**
EBITDA Margin (%)	*0.0%*	*-608.5%*	*-161.1%*	*19.7%*	*42.1%*
Operating Income	**(17,973)**	**(18,256)**	**(16,758)**	**(28,356)**	**159,390**
Operating Margin	*0.00%*	*-608.55%*	*-161.13%*	*-37.36%*	*33.00%*
Other Expense, Net:					
Interest Income/Expense, net	(40)	(40)	(8)	(17)	(15)
Finance Charges	(7,580)	(3,600)	(3,722)	(4,800)	
Change in fair value of notes, total	1,838	8,000	8,000	8,000	
Pretax Income	**(23,754)**	**(13,896)**	**(12,488)**	**(25,173)**	**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)	**(23,754)**	**(13,896)**	**(12,488)**	**(25,173)**	**159,375**
Shares outstanding - diluted (000)	42,822	48,025	48,275	48,725	49,000
EPS	**($0.55)**	**($0.29)**	**($0.26)**	**($0.52)**	**$3.25**

Source: Kingswood Capital Partners estimates.

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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.

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Company-Specific Disclosures

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			Investment Banking Services/Past 12 Months	
Rating	**Count**	**Percent**	**Count**	**Percent**
BUY	4	66.67	1	25.00
HOLD	1	16.67	0	0.00
SELL	0	0.00	0	0.00
NOT RATED	1	16.67	1	100.00

As of March 2025.

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 March 28, 2025

Source: E-Trade.

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