

Trickle Research

Every raging river, every great lake, every
deep blue sea starts ... with a trickle



Coverage Termination



Sigma Additive Solutions

(NasdaqGS: SASI)

www.sigmaadditive.com

Report Date: 11/20/22

Stock Price at Coverage Termination (Closing Px: 11/20/23): \$3.10

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Disclosure: Portions of this report are excerpted from Sigma Additive's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

We have been covering Sigma Labs now for over 4 years, which included 3 different CEO's and little meaningful progress in terms of establishing a sustainable commercial business. To be clear, we cover a portion of the equity markets where visibility is almost always poor or at least limited, and many issuers are at marked disadvantages to larger competitors. Moreover, they also face challenges breaking into established markets and/or customers that often resist change, and with limited sales/marketing breadth and associated resources. Further, many of these companies are also undercapitalized and unprofitable, which often (negatively) reinforce one another.

Those attributes sum up much of Sigma's failure. In retrospect, we believed they were positioned to potentially overcome much of that, but our thesis was clearly flawed. To be fair, we think some of Sigma's challenges were macro related. That is, as we noted throughout the research, the entire additive manufacturing space has spent a fair amount of time over promising and under delivering, and there are probably several variables that have contributed to that. We thought Sigma's technology might represent one of the missing pieces to affect that scenario, but again, we may have overstated that. Whatever the reason(s), additive manufacturing still appears to be advancing at a pace that is much slower than many believed it would (us included), and just as "the rising tide raises all boats", the additive industry's lack of traction has negatively impacted many of its participants.

In addition to the above broad macro perspective, we think the Company has also experienced some more granular challenges as well. For instance, we discovered some time after our initiating coverage and from the new management at that time, that the Company had some trouble with the platform's performance and overall efficacy. In addition, they also encountered some challenges regarding the integration of the system across various printer providers, which, while not unanticipated, was also problematic. Further, in retrospect, it appears that the cost of the original system, which included a fair amount of third-party hardware, may have also discouraged adoption. Ultimately, the Company evolved the platform to a software only solution, but that may have been too-little-too-late.

To summarize the above (past four years), while we think the Company made progress upgrading the platform, which among other things meant making it more agnostic across the value chain, as well as cheaper to adopt, it looks like they ran out of runway as they struggled to gain enough traction to cover the overhead of the business. Consequently, they recently announced the sale of the legacy business/technology for a heretofore undisclosed amount, and the refocusing of the business via the reverse acquisition of a travel company. As a result of these changes in the business, which are obviously an entirely different direction from that which we initiated, we are terminating our coverage of Sigma. This outcome is particularly disappointing, as we believed Sigma was positioned to play a meaningful role in the acceleration of additive manufacturing and our thesis therein did not play out as we had hoped and projected.

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Sigma has paid fees to present at investor conferences co-sponsored by Trickle Research.

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Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals \$250) and 10 representing 10 investment units or \$2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit \$25,000 to buying micro-cap stocks, that would assume an investment of \$1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at \$1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same \$250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting \$1000 into the position ($\$250 * 4$). If we later raise the allocation to 6, you might consider adding two additional units or \$500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

- A Trickle rating of 1 thru 3 would best correspond to a "Speculative Buy" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.
- A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.
- A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.