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May 9, 2023

Key Metrics

STSS - NASDAQ	$0.80
Pricing Date	May 8 2023
Price Target	$16.00
52-Week Range	$2.04 - $0.78
Shares Outstanding (mm)	11.7
Market Capitalization (mm)	$9.4
3-Mo Average Daily Volume	61,608
Book Value/Share	NM

EPSFY: December

	2022A	Prior 2023E	Curr. 2023E	Prior	Curr.
1Q-mar	(0.36)	--	(0.13)E	--	--
2Q-jun	0.06	--	(0.08)E	--	--
3Q-sep	(0.26)	--	(0.09)E	--	--
4Q-dec	(0.09)	--	0.00E	--	--
FY	(0.57)	--	(0.09)E	--	--
P/E	NM		NM		

Revenue (M)

	2022A	Prior 2023E	Curr. 2023E	Prior	Curr.
1Q-mar	0.0	--	0.0E	--	--
2Q-jun	0.0	--	1,950.0E	--	--
3Q-sep	0.0	--	2,850.0E	--	--
4Q-dec	0.0	--	5,500.0E	--	--
FY	0.0	--	10,300.0E	--	--

Company Description:

Sharps Technology, Inc. was founded in 2017 and went public in 2022. Their mission is to develop, manufacture and sell innovative drug delivery products. The drug delivery products that Sharps focuses on are syringes. Sharps has two product platforms: a series of ultra-low waste safety syringes and a series of next generation, ultra-low waste pre-fillable syringes. The company has manufacturing facilities in Hungary and South Carolina dedicated to each platform.

Aegis Capital was the sole book-runner for Sharps' IPO in 2022 and for an offering in February 2023.

Sharps Technology, Inc.

Rating: Buy

Initiating Coverage of Sharps Technology with a Buy Rating and $16 Price Target

Investment Highlights:

We believe that if you shift through the wreckage that has been the stock market, you can find nuggets of value. Sharps Technology is one such nugget.

We are initiating coverage of Sharps Technology with a Buy Recommendation and a $16 Price Target because the company is just starting to emerge as a commercial entity after years of being a cash burning developmental entity. We believe Sharps could become sustainably profitable in the next 6-9 months and generate over $100 million in revenues by 2030. Our Target Price is based on a Discounted Net Revenue flow (see Valuation section).

We expect Sharps to start generating revenues this quarter from its initial product line of SECUREGARD safety syringes and could add additional revenues when additional product lines are launched. The company expects to begin selling pre-fillable syringes in 4Q2023 and could launch its PROVENSA line of safety syringes in 4Q2024.

Sharps could enjoy some important competitive advantages to help their sales efforts:

Sharps is selling into a large and growing market. Recent independent market research reports indicate that the global safety syringe market can be valued at between $6.7 billion and $13.5 billion and is expected to grow at a CAGR of 5.6% to 21%, reaching $11.2 billion to $29.6 billion in 2030. A mere 1% share of the current market (2023) would imply $67 million to $135 million in sales.

Sharps sells better syringes, in our opinion. Their safety syringe lines have either passive or active safety technology that prevents re-use of the syringe and prevents unintended needle sticks, making them safer for healthcare workers. In addition, these syringes come with ultra-low waste technology. Current syringes do not deliver the entire volume of fluid within the syringe. About 10%-20% of the fluid drawn into the syringe is wasted. In contrast, the Sharps syringes waste <1% of the drug.

Sharps has access to a large customer base thanks to its distribution agreement with Nephron Pharmaceuticals. Nephron's established customer base has over 3,000 clients (one of which is Nephron) and allows direct sales via its web portal. This pre-existing customer base could be important in the ramp-up rate of sales.

Supply chain issues give Sharps an edge. The worldwide market for syringes can be fragmented, depending on the size and type of syringe, but the main competitor is Becton, Dickinson and Company (BDX: CP:$251.50, Not Rated). We believe BDX has been hit by logistics and capacity restraints and staffing shortages, which have impacted its ability to meet customer demand. We believe that BDX has been trying to offset its higher cost of goods and higher shipping costs by partially filling some orders and by raising prices, leaving unfilled demand and unsatisfied customers that Sharps can take advantage of.

Taking all of these factors into account, we believe that Sharps could break even in early 2024 and could reach the $100 million revenue level in 2030.

The Disclosure section may be found on pages 16 - 17 of this report.

Company Description

Sharps Technology, Inc. was founded in 2017 and went public in 2022. Their mission is to develop, manufacture and sell innovative drug delivery products. The drug delivery products that Sharps focuses on are syringes. Sharps has two product platforms: a series of ultra-low waste safety syringes and a series of next generation, ultra-low waste pre-fillable syringes. The company has manufacturing facilities in Hungary and South Carolina dedicated to each platform.

Investment Thesis

The wreckage that has been the stock market over the past year has affected many companies in the healthcare sector, some undeservedly so. We believe we have found one such nugget in Sharps Technology.

We are initiating coverage with a Buy recommendation because Sharps is just starting to emerge as a commercial after years of being a cash burning developmental entity and could become sustainably profitable in early 2024 (about 6-9 months).

Sharps is expected to start generating revenues in 2Q2023 from its initial product line of SECUREGARD safety syringes and could add to this when additional product lines are launched. The company expects to begin selling pre-fillable syringes in 4Q2023 and could launch its PROVENSA line of safety syringes in 4Q2024.

Sharps could enjoy some important competitive advantages to help their sales efforts.

- Sharps is selling into a large and growing market. Recent independent market research reports indicate that the global safety syringe market can be valued at between $6.7 billion and $13.5 billion and is expected to grow at a CAGR of 5.6% to 21%, reaching $11.2 billion to $29.6 billion in 2030. A mere 1% share of the current market (2023) would imply $67 million to $135 million in sales.

- Sharps sells better syringes, in our opinion. Their safety syringe lines have either passive or active safety technology that prevents re-use of the syringe and prevents unintended needle sticks, making them safer for healthcare workers. In addition, these syringes come with ultra-low waste technology. Current syringes do not deliver the entire volume of fluid within the syringe. Much gets trapped in the needle and the tip of the syringe. About 80%-90% of the fluid drawn into the syringe actually gets injected into the patient. This forces drug makers to add extra drug to each vial sold, reducing the number of doses sold and increasing the amount wasted. In contrast, the Sharps syringes deliver about 99% of the drug.

- Thanks to its distribution agreement with Nephron Pharmaceuticals, Sharps has access to Nephron’s established customer base of over 3,000 as well as sales directly to Nephron for their use. This pre-existing customer base could be important in the ramp-up rate of sales.

- Supply chain issues give Sharps an edge. The worldwide market for syringes can be fragmented, depending on the size and type of syringe, but the main competitor is Becton, Dickinson and Company (ticker BDX, not rated), a $72 billion market cap behemoth. However, we believe BDX has been hit by logistics and capacity restraints and staffing shortages, which have impacted its ability to meet customer demand. We believe that BDX has been trying to offset its higher cost of goods and higher shipping costs by partially filling some orders and by raising prices, leaving unfilled demand and unsatisfied customers that Sharps can take advantage of.

- Taking all of these factors into account, we believe that Sharps could break even in early 2024 and could reach the $100 million revenue level in 2030.

We are initiating coverage of Sharps Technology with a Buy recommendation and a $16 target price based on its ability to supply a better line of syringes at a better price in a large and growing market and achieve growing annual sales.

Details

The Sharps Technology Product Lines

Sharps has two lines of drug delivering syringes: a series of ultra-low waste safety syringes and a series of next generation, ultra-low waste pre-fillable syringes. The company manufactures the safety syringes in its plant in Hungary and makes its pre-fillable syringes in the plant in South Carolina.

The Safety Syringe Line

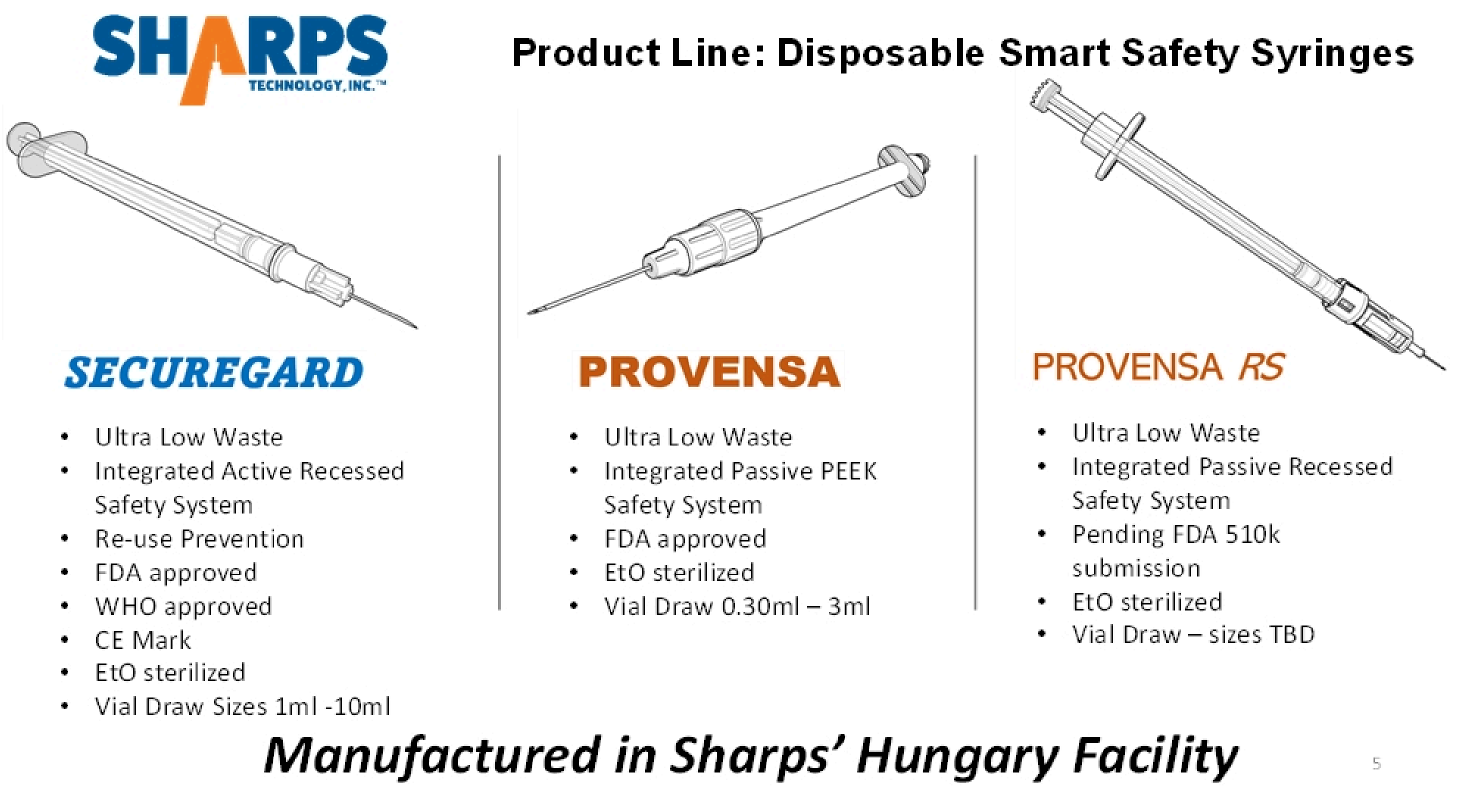
Many drugs, biologics and vaccines are packaged in a sterile vial. In order to deliver these agents into the patient, a sterile syringe must be inserted into the vial and the appropriate volume of agent must be drawn up into the syringe. The syringe containing the agent is then injected into the patient or into an IV line inserted into the patient. The syringes used in this manner are called "vial drawn" syringes because the drug or vaccine delivered by the syringe must be loaded by drawing it from a vial.

Safety Issues. There are two main safety issues with vial drawn syringes. First, they have a sharp pointy needle on one end. During the drug delivery process, the needle attached to the syringe must be uncovered, then inserted into the vial, then withdrawn from the vial and inserted into the patient, then either inserted into a safety cap or container and disposed of, assuming the facility has good disposal procedures. During each of these steps, there is an opportunity for the needle to be stuck into someone other than the patient (called a needle stick injury). In addition to the injury caused by being stuck with a sharp needle, these needles may have been contaminated because they have been inside a sick patient and can contain pathogens such as hepatis or HIV which can subsequently be injected into the person who gets the needle stick injury. Further, these needles often contain left-over amounts of whatever drug or agent was injected into the patient, which could then make its way into the person with the needle stick.

In 2021, the CDC estimated there were more than 600,000 needle stick injuries per year in the U.S., while the World Health Organization (WHO) estimates there are more than two million such injuries every year worldwide, making needle stick injuries one of the most serious occupational hazards for healthcare workers.

The second major safety issue is reuse. Examples include sharing of syringes by drug addicts and using the same syringe multiple times for different patients. This practice is considered a patient safety threat because it encourages drug addiction and misuse, it can transmit diseases between users, it can transmit chemicals between users and the needles lose their integrity quickly causing puncture wounds.

Sharps has an answer. Sharps has three safety syringe lines, the SECUREGARD, the PROVENSA and the PROVENSA RS.



Source: Company presentation

SECUREGARD. This is the initial format developed by Sharps Technology. It is distinguished from the PROVENSA and PROVENSA RS lines by its active safety features. Once you load the syringe by drawing the contents of a vial into the syringe, you can use it as an ordinary syringe as long as you don't depress the plunger all the way. This allows use for things like Botox injections where multiple small doses are delivered into a small, defined area. When finished, the user depresses the plunger all the way. This deploys the Ultra Low Waste feature by expelling all but the last 10 microliters of dose and activates the safety feature. The plunger is then drawn back up the syringe, pulling the needle with it, until the needle is visually seen to be trapped inside the body of the syringe. At this point, the specially designed syringe plunger can be snapped off, rendering the SECUREGARD unreusable. The process is demonstrated in a company sponsored YouTube video (link: Presenting the Securegard Ultra Low Waste Safety Syringe by Sharps Technology - YouTube).

The SECUREGARD syringes are manufactured in the company's plant in Hungary and shipped to the South Carolina facility for sales and distribution. The SECUREGARD is already FDA approved, WHO approved and has the CE Mark, meaning it is approved for use in the European Union.

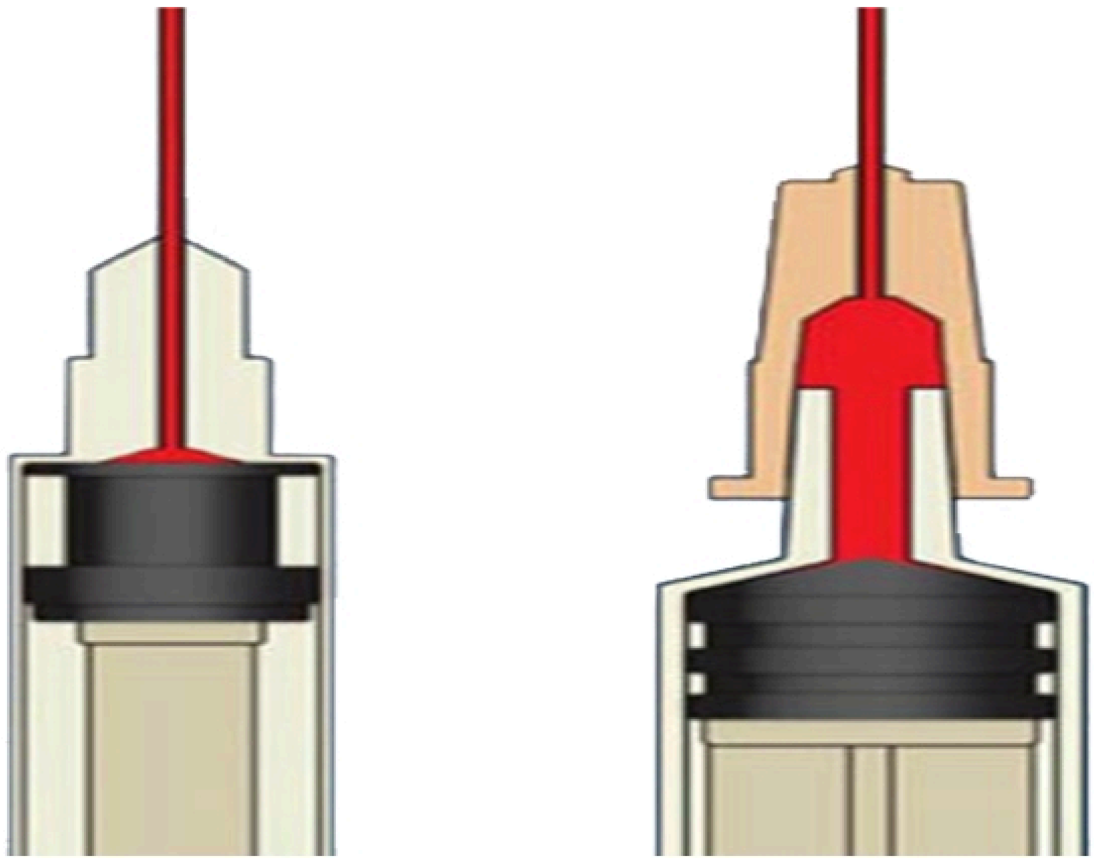
Sharps is expected to begin selling the SECUREGARD this quarter.

PROVENSA. The PROVENSA has the same Ultra Low Waste design as SECUREGARD, but has a passively engaged safety system. A passive system is one that engages automatically and does not require an action by the healthcare professional using it. Just like the SECUREGARD, both the safety system and the Ultra Low Waste system are activated by pushing the syringe's plunger all the way down. When the plunger is pushed all the way down on the PROVENSA syringe, a red line appears at the base, letting the user know the safety and waste reducing systems have been deployed. The safety system is called the Safety Shield. It is a medical-grade plastic sheath that covers the metallic needle even before the needle is withdrawn that prevents needle sticks. At the same time, once the plunger is fully depressed it is automatically locked in place, preventing reuse of the syringe. This is shown by the company presentation at the following link: Sharps Provensa: New Smart Safety Syringe from Sharps Technology - YouTube.

The PROVENSA line of smart safety syringes is already FDA approved. The company plans to file for CE Mark and WHO approval before the end of 2023. We expect Sharps could launch its first PROVENSA syringes by the end of 2024.

PROVENSA RS is a next generation version of the PROVENSA. The company has not yet submitted this line for regulatory review, so we do not include any potential revenues from it in our financial models.

What is Ultra Low Waste? Waste is the amount of medication loaded into the syringe that does NOT get delivered into the patient. It is thrown away with the used syringe. Most other syringes are not designed to fully inject the loaded fluid. They have dead space in their designs that waste 100 microliters or more, depending on the syringe. This is a full 10% of every 1 ml dose. The Sharps Ultra Low Waste designed syringes have a much lower dead space of about 10 microliters, or 1% of a 1 ml dose. We view this as a significant improvement.



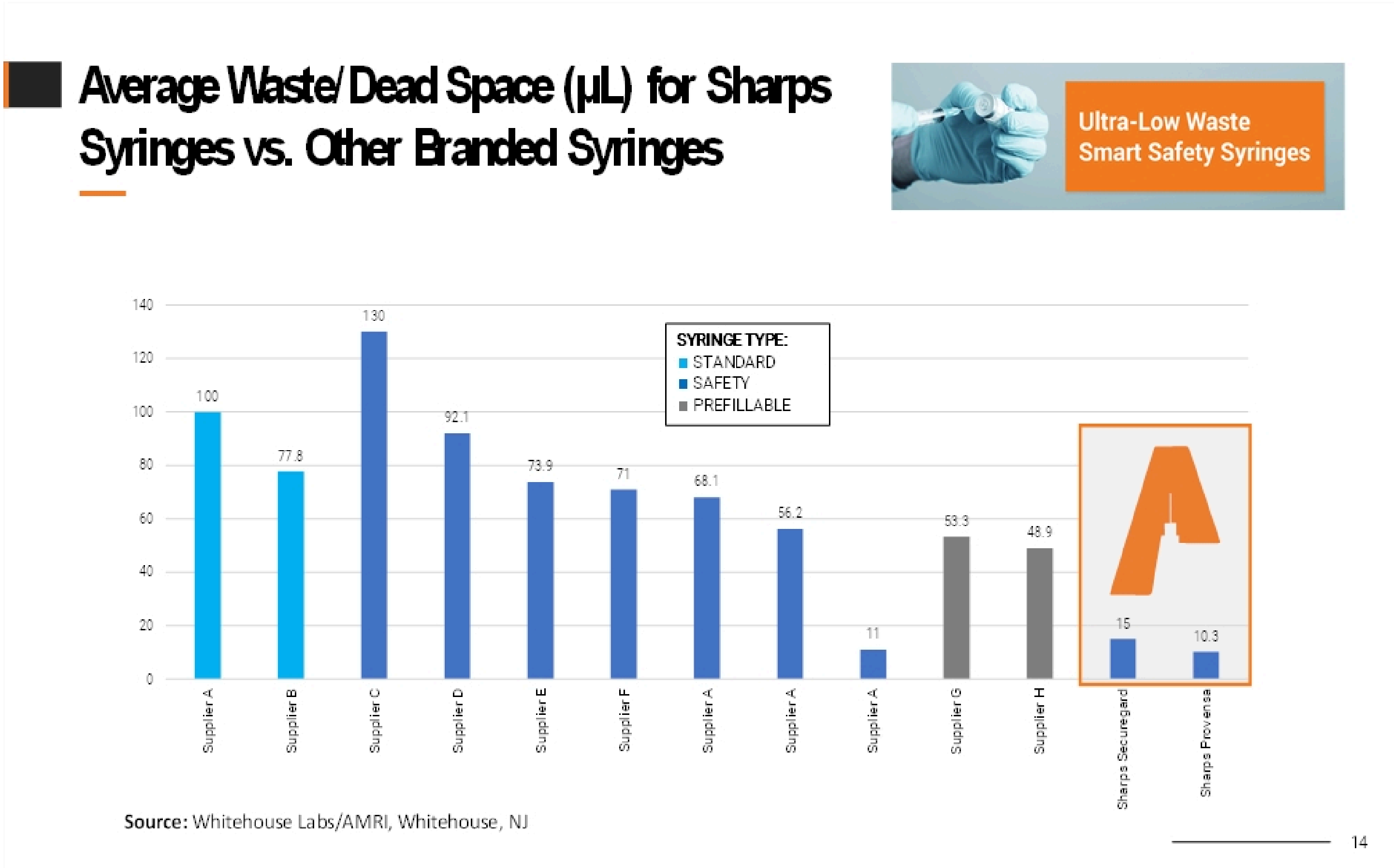
Wasted space depicted in red for Sharp's syringe (left) versus standard syringe (right), courtesy of Sharps.

Why is Ultra Low Waste important? First, when you are injecting a medication or vaccine, you want to make sure that the full dose is administered. If there is a lot of dead space in the syringe design, then the patient is not getting the full dose.

Second, there is considerable cost associated with dead space waste. A study from the University of North Carolina (*JAMA Intern Med.* 2016;176(7):1025-1027) estimated that the cost of wasted drug could be about $2300 per patient. This estimated cost is expected to rise since the cost of newly developed drugs is increasing steadily.

In addition, pharmaceutical companies must incorporate estimated waste from dead space in syringes when they calculate how much drug to put into the vial. As an example, Pfizer loaded 6-7 doses of its COVID-19 vaccine into each 5-dose vial in order to be sure that 5 doses could be delivered. At an average cost per dose of $20.69 (as purchased by federal funding for vaccines from Pfizer and Moderna), it is estimated that between $3 billion and $6 billion worth of COVID-19 vaccine has been wasted; as reported by KFF News, March 2023. This increases the cost per dose significantly.

Furthermore, reducing the wasted amount of medication increases the supply that can be delivered to patients in need.



Summary: Given the cost differential between Ultra Low Waste syringes and standard syringes as well as the increased supply achievable, we believe Sharps Technology could enjoy an important commercial advantage over standard competitor's syringes.

The Pre-fillable Syringe Line

Pre-filled syringes are specialty syringes which are filled with drug and shipped directly to the healthcare provider who uses them. These syringes are used instead of the traditional fill and finish process where glass vials are filled with drug.

Sharps has developed an alternative high-quality solution to glass syringes through the use of inert polymers such as Cyclic Olefin Polymer (COP) and Cyclic Olefin Copolymer (COC), which offer a high-quality solution compared to traditional glass syringe systems. These polymer syringes have many of the same characteristics as current pharmaceutical glass designs to support long term drug stability and increase shelf life for customers in the pharmaceutical segment. Polymer syringes can also be made into custom configurations, which can eliminate breakage, minimize dead space, reduce contamination, and support the development of custom devices including autoinjectors. We expect strong pricing and margins from pre-fillable syringes.

Sharps gained the ability to manufacture its proprietary line of pre-fillable syringes through its partnership with Nephron. The commercial launch is planned for 4Q2023.

The company's pre-fillable syringe pipeline could include a broad range of sizes, silicon free systems that address contamination issues for the broader healthcare market, dual chamber systems that improve drug shelf life while reducing unnecessary packaging, and customized solutions for systems that serve the growing autoinjector segment.

The most common pre-fillable syringe systems are designed with pharmaceutical glass barrels which require the use of a complex series of production, washing and preparation processes prior to sterilization. These can be replaced with pre-fillable syringes made with Sharp's copolymers. There are only a few manufacturers around the world with the capability to produce pre-filled syringes and Sharps is one of them.

Prefilled Syringes have become a primary choice for most of the high-end injectable drugs due to the numerous advantages they offer over traditional packaging systems. A market analysis done by Brand Essence in November 2022 valued the pre-fillable syringe segment at $1.14 billion in 2020, forecasted to grow to $2.6 billion in 2027 with CAGR of 8.95%. According to a Fact.MR report in March 2023, the global prefilled syringes market was estimated at $7.8 billion in 2022 and is expected to expand at a CAGR of 10% during the forecast years of 2022-2032.

Manufacturing Capacity

The company has two manufacturing sites, one in Hungary (top picture) and one in South Carolina (lower picture, both from company presentations).

The capabilities of these facilities are as follows:

Facility	Hungary	South Carolina
Size	~40k sq ft	100k sq ft
Capacity (2023)	~50 million	~10-20 million
Potential Annual Capacity (2024)	~200 million	~50 million
Types of Products	Disposable Syringes	Prefillable Syringes
Clean Room	✓	✓
Custom Injection Molding	✓	✓
Clean Room Automation	✓	✓
Pharma Water Systems (WFI)		✓
On-Site Sterilization	✓	
Warehouse	✓	✓

Source: Company presentation

The company plans to manufacture its line of SAFEGARD and PROVENSA safety syringes at its wholly owned plant in Hungary. Sharps acquired this plant in July 2022 from Safegard Medical.

Sharps plans to manufacture its line of pre-fillable syringes at the plant in West Columbia, South Carolina. The company gained the right of use to this state-of-the-art facility when it signed partnership and distribution agreements with Nephron Pharmaceuticals Corp. in November and December of 2022.

Agreements with Nephron Pharmaceuticals

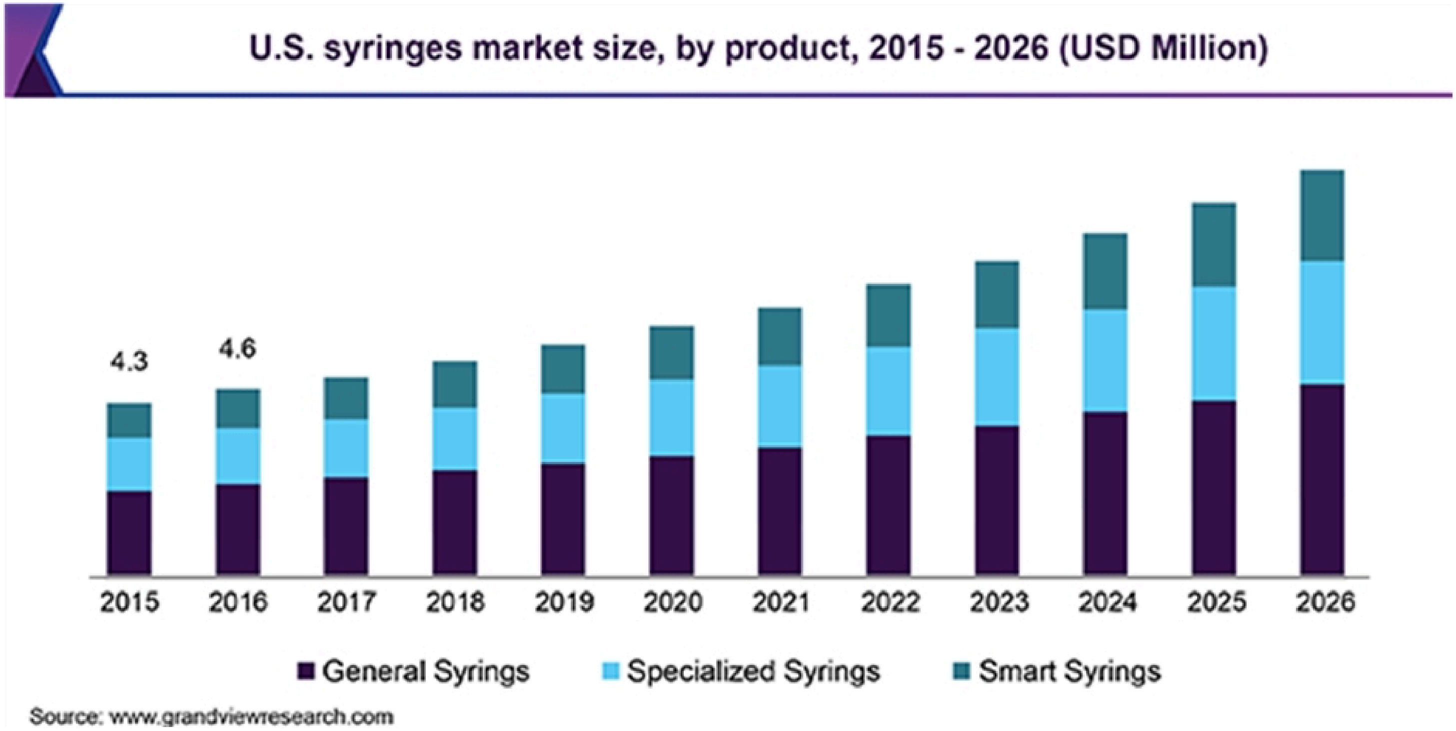
In November 2022, Sharps Technology and Nephron Pharmaceuticals signed a manufacturing and research partnership giving Sharps access to the Cyclic Olefin Polymer (COP) and Cyclic Olefin Copolymer (COC) technologies developed by Nephron to design pre-fillable syringe lines. In addition, Nephron agreed to make production lines available to Sharps for the manufacturing of these syringes. Sharps will provide pre-fillable syringes to fit Nephron's needs, which are estimated to be about 15 to 20 million syringes per year.

In December 2022, Nephron and Sharps signed a distribution agreement where Nephron will market Sharps lines of safety syringes through Nephron's sales and distribution system, which includes an existing customer base of over 3,000 clients as well as a web-based portal system.

Analysis of the syringe drug-delivery market

Sharps is selling into a large and growing market. We reviewed several independent market research reports along with the expectations of Sharps Technology. These reports indicate that the global safety syringe market is large and growing rapidly. The estimates for the current size of the safety syringe market fall between $6.7 billion and $13.5 billion and it is expected to grow at a CAGR of 5.6% to 21%, with an average CAGR of 10.8%. The market is estimated to reach between $11.2 billion to $29.6 billion in 2030. A mere 1% share of the current market (2023) would imply $67 million to $135 million in sales.

Two sample projections for market growth are presented below.



The current market leader is considered to be Becton, Dickinson and Company. Becton, Dickinson is a public company whose shares trade on the New York Stock Exchange under the ticker BDX. BDX has a $72 billion market value, reporting $18.9 billion in revenues in its fiscal year 2022 (ending Sept. 30). Syringes are sold as products under the Medical Delivery Solutions group. Pre-fillable syringes are sold to pharmaceutical companies under the Pharmaceutical Systems group. Both groups are in the BD Medical Business segment. Medical Delivery solutions revenues were $1.8 billion and Pharmaceutical Systems reported $1.5 billion in FY2022.

We believe that Becton, Dickinson has been hit by logistics capacity restraints, staffing shortages, and higher costs of goods plus higher costs to ship materials in and ship products out. BD’s response has been, in some cases, to impose limits on the size of customer orders, place some accounts on back-order and to raise its prices substantially. We believe this both limits BDX’s ability to counter competition and creates market gaps that can be filled by Sharps Technology.

Management

The CEO, Mr. Robert Hayes, has over 25 years experience in every facet of design, manufacture and sales of medical devices including stints at Covidien, Cardinal Health, Fresenius, Boston Scientific, Alcan, Amcor, and Gerresheimer. In my opinion, this is the man you want leading this company.

Intellectual Property

According to the company’s most recent SEC Form 10-K, Sharps has three issued patents covering the PROVENSA product line which expire between 2035 and 2040. In addition, the company has three pending applications for (i) an ultra-low waste disposable syringe with self-adjusting integrating safety features, (ii) an ultra-low waste disposable safety syringe for low dose injections, and (iii) a needle and syringe system with automatic safety shield that renders a needle safe. These pending applications have an anticipated expiration date of 2040. The original patents for the SECUREGARD product line have expired and SECUREGARD is now protected by trade secrets and manufacturing technology barriers. The pre-fillable syringe lines are expected to be protected by patents for some specialized parts along with manufacturing barriers. In our opinion, these protections should provide enough of a barrier to discourage competitors from attempting to manufacture and sell identical syringe lines.

Risks

The biotechnology and medical device sectors have substantial risk factors not associated with other investment sectors. The company referred to in this report should be considered a **Speculative investment.** All investors are encouraged to read the risks set forth in the form 10-K which each public company must file with the SEC (Securities and Exchange Commission)..

Regulatory risk. Companies developing a new drug or device to treat most healthcare problems must get approval from the FDA (Food and Drug Administration) before it can be sold in the United States.

Clinical Development Risk. In order to gain regulatory and commercial acceptance, companies must conduct clinical trials to demonstrate the safety and effectiveness of their products. If the results of these trials are disappointing, the share value could fall.

Liquidity risk. The Company may have sparse news flow and/or insufficient shares outstanding to generate trading volume in its stock, making it difficult to adjust an investor's ownership position.

Cash risk. The Company may not generate enough cash to fund operations or may be losing money and need to raise additional funding but be unable to raise additional funds.

Intellectual property risk. The company may be unable to prevent competitors from offering identical products.

Competitive risk. The company's products may not perform as well as its competitors' products.

This section is not intended to be an exhaustive and complete discussion of the risks involved for investors in the healthcare/biotechnology sector. Investors should understand that investments in this sector carry additional and unique risks and may not be appropriate.

Valuation and Assumptions

Our assumptions for the generation of revenues by Sharps Technology are based on the following timeline:

Sales of the SECUREGARD syringe line are expected to begin in 2Q2023.
Sales of some pre-fillable syringes are expected to begin in 4Q2023.
Sales of the PROVENSA syringe line are expected to begin in 4Q2024.

We are assuming that syringe sales will be derived through the Nephron customer base and/or the Nephron web portal, as per the agreements reached in 4Q2022. That portion of booked sales that would be owed to Nephron we account for as a selling expense in the forward-looking financial statements.

We use these assumptions to estimate the Net Revenues (estimated annual revenues less estimated Costs of Goods Sold or COGS) for the first five years of commercial sales, which are 2023 through 2027, inclusive.

To adjust for the time value of each revenue flow, we applied a discount rate of 8.55%. To calculate the discount rate, we obtained the risk-free rate of 3.87% from the U.S. Treasury Department's (www.treasury.gov) Daily Treasury Long Term Rates Composite (>10 yrs.) for May 8, 2023 (the effective date for our valuation). To calculate the beta, we obtained the 5-year average beta estimates for three major biotechnology index funds traded on the Nasdaq: the iShares Biotechnology Index Fund (IBB), the First Trust NYSE Arca Biotech Index Fund (FBT) and the SPDR S&P Biotech ETF (XBI) for May 8, 2023. These betas are, respectively, 0.86, 0.83 and 0.83. We used the average, 0.84 as our beta. We obtained the risk premium for May 1, 2023, from a website maintained by the New York University's Stern School of Business. The standard approach to figuring the risk premium is the difference in returns on stocks versus bonds. The NYU site, maintained by Dr. Aswath Damodaran, Professor of Finance, uses trailing twelve-month cash yield from stock, bond and real estate markets and normalized for stock buybacks and dividend surges to calculate an implied Equity Risk Premium for each month (www.damodaran.com). For May 1, 2023, that normalized TTM ERP is 5.57%. Plugging in these numbers, the discount rate = risk free rate + (beta * ERP) = 3.87% + (0.84 * 5.57%) = 8.55%.

The sum of our discounted estimated annual net revenue flows from 2023 through 2027 is $182.3 million (see attached model). This is our target valuation for STSS using this methodology.

Assuming 11.66 million shares of common stock to be outstanding as of March 27, 2023, we arrive at a Price Target of $15.66 for STSS, which we have rounded up to $16 per share.

Summary and Investment Opinions

In our opinion, shares of Sharps Technology (STSS) are significantly undervalued. The company is not covered by any other analysts and is below the radar screen for many investors. The company has only been incorporated since 2017 and in the six years it has existed has dedicated its resources towards product development and other pre-commercial operations. That changes this quarter. Sharps is transitioning to a commercial revenue producing entity. We expect sales to start out slowly but to quickly gain momentum as new syringe lines are launched.

We see the Sharps Technology syringes as superior products compared to the field of competitors. The passive and active safety features on the Sharps syringes are well designed and intuitively easy to use. We believe they will be effective at preventing needle sticks and wrongful reuse, two major safety concerns for standard syringes.

The Ultra Low Waste features unique to the Sharps product lines will, we think, become increasingly valuable to pharmaceutical companies and payors alike. The reduction in waste from >10% of every dose to <1% will be seen as highly significant, in our view.

Our revenue forecasts are bolstered by the fact that Sharps is selling its syringes into a large and rapidly growing global market with an average estimated current value of $10.8 billion this year and believed to approximately double by 2030. The company will also likely be aided by weakness in the largest and market leading competitor, Becton, Dickinson, which we believe is dealing with logistics capacity restraints, staffing shortages, and higher costs of goods plus higher costs to ship materials in and ship product outs. These adverse factors have, we think, caused BD to impose limits on the size of customer orders, place some accounts on back-order and to raise its prices substantially, creating market entrance opportunities for Sharps.

In summary, we are initiating coverage on Sharps Technology, Inc. (STSS) with a Buy recommendation and a $16 target price.

Sharps Technology Quarterly and Annual Balance Sheets (USD, thousands)

Quarter	FY2021	1Q22	2Q22	3Q22	FY2022
Date	Dec. 31, 2021	Mar. 31, 2022	Jun. 30, 2022	Sep. 30, 2022	Dec. 31, 2022
Cash & equivalents	$1,479,166	$255,615	$7,808,181	$6,389,839	$4,170,897
Prepaids & other current assets	$7,995	$6,995	$35,537	$76,440	$66,749
Inventory	$121,994	$121,994	$127,441	$233,742	$185,804
Total Current Assets	**$1,609,155**	**$384,604**	**$7,971,159**	**$6,700,021**	**$4,423,450**
Fixed assets, net	$3,763,332	$3,939,894	$4,181,099	$6,644,490	$7,004,890
Other assets	$529,863	$610,764	$2,873,864	$188,701	$411,316
Total assets	**$5,902,350**	**$4,935,262**	**$15,026,122**	**$13,533,212**	**$11,839,656**
Accounts payable & accrued liabilities	$804,138	$852,394	$558,298	$712,260	$854,684
Notes payable, net	$700,015	$906,432	$0	$0	$0
Current stock liability	$677,000	$847,000	$0	$0	$0
Current warrant liability	$585,000	$0	$0	$0	$0
Warrant liabilitiy	$0	$702,000	$2,465,820	$3,101,102	$1,151,838
Total Current Liabilities	**$2,766,153**	**$3,307,826**	**$3,024,118**	**$3,813,362**	**$2,006,522**
Deferred Tax liability					$192,000
Total Liabilities	**$2,766,153**	**$3,307,826**	**$3,024,118**	**$3,813,362**	**$2,198,522**
Common stock	$519	$519	$922	$922	$941
Common stock subscription receivable	($32,500)	$0	$0	$0	$0
Additional paid-in capital	13,835,882	14,164,342	24,060,753	24,367,585	24,733,306
Accumulated other comprehensive loss	0	0	0	(190,863)	214,253
Accumulated deficit	(10,667,704)	(12,537,425)	(12,059,671)	(14,457,794)	(15,307,366)
Total Stockholders Equity	**$3,136,197**	**$1,627,436**	**$12,002,004**	**$9,719,850**	**$9,641,134**
Total Equity & Liabilities	**$5,902,350**	**$4,935,262**	**$15,026,122**	**$13,533,212**	**$11,839,656**
Change in cash and securities:		**($1,223,551)**	**$7,552,566**	**($1,418,342)**	**($2,218,942)**

Notes:

Has spent $14.5 million developing business (accumulated deficit).

IPO April 19, 2022 raised $14.2 million net

Sharps Technology Quarterly and Annual Income Statements and Estimates (USD)

Quarter	FY 2021	1Q22	2Q22	3Q22	4Q22	FY 2022	1Q23 Est.	2Q23 Est.	3Q2 Est.	4Q23 Est.	FY 2023 Est.
Date	Dec. 31, 2021	Mar. 31, 2022	Jun. 30, 2022	Sep. 30, 2022	Dec. 31, 2022	Dec. 31, 2022	Mar. 31, 2023	Jun. 30, 2023	Sep. 30, 2023	Dec. 31, 2023	Dec. 31, 2023
Revenues	$0	$0	$0	$0	$0	$0	$0	$1,950,000	$2,850,000	$5,500,000	$10,300,000
COGS								$429,000	$627,000	$1,410,000	$2,466,000
Total Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$1,521,000**	**$2,223,000**	**$4,090,000**	**$10,300,000**
Selling expenses								$390,000	$1,140,000	$1,700,000	$3,230,000
Research & development	$1,690,865	$506,375	$556,868	$457,627	$760,063	$2,280,933	$600,000	$700,000	$800,000	$900,000	$3,000,000
General & Administrative	$2,806,801	$830,909	$2,230,801	$1,339,448	$2,056,702	$6,457,860	$1,200,000	$1,200,000	$1,200,000	$1,200,000	$4,800,000
Total Operating Expenses	**$4,497,666**	**$1,337,284**	**$2,787,669**	**$1,797,075**	**$2,816,765**	**$8,738,793**	**$1,800,000**	**$2,290,000**	**$3,140,000**	**$3,800,000**	**$11,030,000**
Operating Income (Loss)	**($4,497,666)**	**($1,337,284)**	**($2,787,669)**	**($1,797,075)**	**($2,816,765)**	**($8,738,793)**	**($1,800,000)**	**($769,000)**	**($917,000)**	**$290,000**	**($730,000)**
Interest income	($166,746)	($245,437)	($1,100,507)	$11,332	$14,196	($1,320,416)	$15,000	$14,500	$14,000	$13,500	$57,000
FMV gain (loss) for derivatives	$0	($287,000)	$4,365,930	($635,283)	$1,949,264	$5,392,911	$230,000	($200,000)	($200,000)	($300,000)	($470,000)
Other income (expense)	$0	$0	$0	$14,896	$0	$14,896	$0	$0	$0	$0	$0
Foreign exchange gain (loss)	$0	$0	$0	$8,007	$3,733	$11,740	$10,000	$8,000	$5,000	$7,000	$30,000
Total Other Income (loss)	**($166,746)**	**($532,437)**	**$3,265,423**	**($601,048)**	**$1,967,193**	**$4,099,131**	**$255,000**	**($177,500)**	**($181,000)**	**($279,500)**	**($383,000)**
Net Income (Loss)	**($4,664,412)**	**($1,869,721)**	**$477,754**	**($2,398,123)**	**($849,572)**	**($4,639,662)**	**($1,545,000)**	**($946,500)**	**($1,098,000)**	**$10,500**	**($1,113,000)**
Net Income (Loss) per share basic	**($0.95)**	**($0.36)**	**$0.06**	**($0.26)**	**($0.09)**	**(0.57)**	**($0.13)**	**($0.08)**	**($0.09)**	**$0.00**	**(0.09)**
Net Income (Loss) per share diluted	**($0.95)**	**($0.36)**	**$0.06**	**($0.26)**	**($0.09)**	**(0.57)**	**($0.13)**	**($0.08)**	**($0.09)**	**$0.00**	**(0.09)**
Shares for basic Net Income	4,889,018	5,187,062	8,669,372	9,207,386	9,337,820	8,100,410	11,700,000	11,900,000	12,000,000	12,200,000	11,950,000
Shares for diluted Net Income	4,889,018	5,187,062	8,669,372	9,207,386	9,337,820	8,100,410	11,700,000	11,900,000	12,000,000	12,200,000	11,950,000

Notes:

Historical share data restated after 1Q22 IPO

As of Sep. 30, 2022, there are 10,552,773 warrants and options outstanding (about 1.5 million options)

As of Dec. 31, 2022, there were 9,047,795 warrants and 1,260,990 options outstanding.

Net Revenue Model for STSS

	0	1	2	3	4
Year	**2023**	**2024**	**2025**	**2026**	**2027**
Estimated annual revenues (thousands)	$10,300	$52,600	$63,000	$72,400	$79,600
Estimated COGS (thousands)	$2,466	$8,780	$11,727	$14,840	$16,360
Estimated Net Revenues (thousands)	**$7,834**	**$43,820**	**$51,273**	**$57,560**	**$63,240**
Discounted Net Revenues (thousands USD)	$7,834	$40,368	$43,514	$45,002	$45,548

Sum of Discounted Net Revenues (thousands USD)	$182,267
Discounted Net Revenues per current shares	$15.64

Key Model Assumptions

Discount rate	8.55%
Current shares (thousands)	11,656

Risk free rate (www.treasury.gov) as of May 8, 2023	3.87%
Beta (avg beta of IBB, FBT and XBI)	0.84
Equity Risk Premium (ERP) (www.damodaran.com)	5.57%
Discount rate = Risk free rate+(beta*ERP)	8.55%

Required Disclosures

Price Target

$16

Valuation Methodology

Discounted Net Revenue Flow

Risk Factors

The biotechnology and medical device sectors have substantial risk factors not associated with other investment sectors. The company referred to in this report should be considered a **Speculative investment.** Some of these risks are:

Regulatory risk. Companies developing a new drug or device to treat most healthcare problems must get approval from the FDA (Food and Drug Administration) before it can be sold in the United States.

Clinical Development Risk. If the results of clinical trials do not meet investors' expectations, the company's share price could fall.

Dilution risk. The company may need to raise cash by offering shares, which dilutes the ownership of current shareholders.

Intellectual property risk. The company may not be able to prevent competitors from developing the same products.

Safety risk. The company's products may cause unintended harm to patients.

All investors are encouraged to read the risks set forth in the form 10-K which each public company must file with the SEC (Securities and Exchange Commission).

For important disclosures go to www.aegiscap.com.

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Aegis Capital Corp. makes a market in Sharps Technology, Inc..

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		Investment Banking Services/Past 12 Mos.
Rating	**Percent**	**Percent**
BUY [BUY]	**93.41**	**48.24**
HOLD [HOLD]	**6.59**	**16.67**
SELL [SELL]	**0.00**	**0.00**

Meaning of Ratings

A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.

B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.

C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

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