11 - 12 - 2026

NorthStar Earth & Space

NorthStar Earth & Space Q3 Earnings Call

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CORPORATE SPEAKERS:

Stewart Bain
NorthStar Earth & Space Inc.; Founder and Chief Executive Officer
Peter Klimas
NorthStar Earth & Space Inc.; Chief Technology Officer
Beth Michelson
NorthStar Earth & Space Inc.; Chief Financial Officer

PRESENTATION:

Operator^ Everyone, thank you for joining us and welcome to NorthStar Earth & Space Third Quarter 2026 Earnings call. The call is being recorded on November 12th at 4:30 p.m. Eastern Time. (Operator Instructions)

Joining me on the call today are Stewart Bain, our CEO, Beth Michelson; our CFO, Peter Klimas; our Chief Technology Officer; and Matt Linton, our Chief Legal Officer.

For those viewers listening via webcast, please note the company will be using a presentation. Webcast viewers can advance the slides by using the arrows seen in the presentation window.

Before we begin, please note that today's discussion may include forward-looking statements. These statements are subject to risks and uncertainties that could cause actual results to differ materially. Please refer to NorthStar's filing on EDGAR and SEDAR+ for additional information.

Except as required by law, NorthStar undertakes no obligation to update these statements. Unless otherwise noted, all financial amounts discussed today are in Canadian dollars. The third quarter results being discussed are those of NorthStar Earth & Space Inc., now wholly owned subsidiary of NorthStar Earth & Space Enterprises, Inc.

I will now turn the call over to Stewart Bain, NorthStar's founder and Chief Executive Officer.

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Stewart Bain^ Thanks, Matt. And good afternoon, everyone. Thank you so much for joining us for NorthStar's Q3 earnings call. It's very exciting to be here because this is our first quarterly call as a publicly traded company. So, thanks to everyone for joining. We look forward to this event.

As NorthStar begins our next chapter, we're constantly reminded that the comforts and securities of modern life, including communications, navigation, banking, defense, and security, all depend on satellites in orbit, and that environment is becoming more crowded and more contested every day.

Realizing the full potential of the space economy depends on knowing what is out there, where it's going, and what it's about to do. That's what NorthStar does, space domain awareness, SDA.

Let me share with you NorthStar's story as of today. The third quarter was certainly an active period for NorthStar that concluded with the completion of our business combination with Viking Acquisition Corp. I on October 1st. Immediately following the transaction, NorthStar's common shares and public warrants began trading on NYSE American on October 2nd under the symbols NSTR and NSTR.WS, where emerged a new platform to execute and deliver on the next stage of our strategy.

Our Q3 results, which Beth will explain to you, demonstrate this is a business with a strong revenue growth potential, positive operating income, and a solid allied defense customer base that relies on NorthStar's performance for mission operations.

The progress that we made this year confirms that our space domain awareness services are generating revenues while making meaningful contributions to sovereign space security operations in Canada as part of a much larger international allied cooperation.

We created strong momentum in 2026. In June, we announced a relationship with three Canadian Space Division, 3 CSD. And since then, we have been focused on delivering high-quality data analytics to our customers while fusing space and ground-based images from exciting new sources.

During the quarter, we continued delivering products and services to 3 CSD as part of its mission operations that also directly support our allies in the U.S., NATO, and beyond as part of Canada's growing commitment to NATO.

Today, 3 CSD is our anchor customer, and we are using this relationship to access new clients within the allied community that will help us diversify our customer base. We are leveraging our experience and expertise to develop opportunities across defense, national security, civil and space agencies, and already active with commercial operators.

NorthStar is leading the way to deliver a fully coherent picture of space from space. As I previously mentioned, every day, we all rely almost imperceptibly on what happens in space.

This company is founded on how we solve the problem of mapping and tracking in a volume of space that represents 200,000 times the volume of all the oceans of the world combined, and we are preparing to track that activity for all 140 million objects within that volume.

That mission began and has been augmented and enhanced by the needs of governments to protect against threats from bad actors in space. Space domain awareness, or SDA, is the military's term for identifying and assessing threats as they occur in space, and it is foundational for military operations on orbit.

NorthStar is built on the principle that the better the intelligence, the better decisions commanders can make about how to move through the domain and respond to threats that might impede essential freedom to maneuver and protect space assets.

We see space domain awareness as essential infrastructure for the stability and growth of the space economy, and we are building the company with that long-term view, similar to the type of essential services that we are all used to coming from air traffic control.

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Here is how we see it. The space economy is expanding with an infrastructure that demands a wide field of view monitoring system to detect threats as quickly as possible. Defense and security must have intelligence long before threats reach their targets.

Equally, commercial satellite operators must have accurate, reliable, and timely information on objects that present high probability of collision to allow sufficient time to maneuver to safety, and new launches need protection from the moment they separate.

What sets NorthStar apart is our system of systems that uses advanced algorithms and analytics to process multiple data sources from our dedicated and third-party space-based sensors to deliver reliable and actionable intelligence.

What do we mean by system of systems? NorthStar uses our advanced algorithms, software, modeling and simulation, and AI tools to deliver actionable intelligence of space using imagery from a combination of space-based sensors that see in areas where ground systems cannot, and complement use ground-based systems, all optimized to deliver a more comprehensive and responsive set of information.

Our ability to automatically process this combination of perspectives is what sets our services apart from our competitors. Our mission is to continue rolling out more sensors and integrating additional sources while improving our products to stay ahead of threats and the competition.

We are driving towards a network that monitors the entire space domain. Currently, we process imagery from a combination of seven space and numerous ground-based sensors that we expect to continue to augment over the remainder of this year, 2026 and into 2027, further increasing revenue growth potential.

Concurrently, we are leveraging the proceeds of the PIPE to add 21 additional dedicated space-based payloads that will begin launching in mid-2028.

We reach new customers in three ways. First, we turn defense programs with our allies into follow-on contracts. Second, we bring civil space agencies and commercial operators, insurers, and launch providers onto the same platform. Thirdly, we use

partners for distribution. Our anchor customer, 3 CSD, gives us the reference point to open these doors and expand our market reach.

The SDA market is expected to double by 2035, and we see major opportunities for additional growth within this growth because of our leading position in the market, and the extensive capabilities and services that we have developed and are already commercializing across our clients in the public and also the private sectors.

Our ambition is clear, and it comes down to three commitments. Deliver, so that every customer experiences the reliability and actionability that they have come to expect from us. Leverage, by turning an anchor customer into a portfolio of clients that will span allied security and defense, civil agencies, and commercial operators. Expand our coverage and reduce revisit times of objects towards a complete constellation of space-based sensors complemented with strategic ground-based capabilities.

We believe these commitments give investors clear indicators of our performance, customer delivery, backlog and new awards, customer diversification, progress of our sensor architecture, and the revenue growth coming from every additional sensor within our constellation.

Our CTO, Peter Klimas, will now explain how NorthStar's sensing and analytics architecture works, what differentiates our approach, and how the capabilities we are developing can expand our capacity to serve customers. Peter?

Peter Klimas^ Thank you, Stewart. I want to focus on three things -- what we are delivering today, what differentiates the NorthStar architecture, and how we are expanding that capability.

At its simplest, NorthStar's technology is designed to continuously scan all near-Earth space from LEO to GEO and beyond. During this process, we detect, track, and characterize objects to create a continuous, full 3D representation of all objects for our customers. This enables persistence. To do this, our architecture combines observations from space-based sensors with complementary sensor sources.

Our architecture leverages sensor networks and bespoke sensors, star trackers and high-resolution sensors, ground-based and space-based sensors, pre-processed and raw data from sensors. We have multiple data integration paths, process information in multiple locations around the world, and export information to multiple endpoints. This is resilience.

These various sensor inputs are automatically processed through our data and analytics platform. The objective is to turn the 2D observations into a 3D representation at each instance of time. Stated another way, we fuse all the various data points collected into a 3D movie. This time-varying state catalog enables near-real-time data mining for specific events or anomalies.

Further, this state catalog enables pattern discovery and predictive analytics, ranging from collision risk to anticipating maneuvers. For example, flagging an intent to perform a proximity operation. These information products provide SSA, situational awareness for flight safety, and SDA, domain awareness in support of client operational decisions. This is actionable intelligence.

Our first priority is operational delivery. So, during Q3, we continued delivering six product and services to the 3 CSD. That relationship matters technologically as well as commercially.

It gives us the opportunity to deliver capability in an operational environment, respond to real customer requirements, and continue improving how sensing, data processing, and analytics work together. That operational experience also helps demonstrate capabilities that we intend to make relevant to a broader customer base.

NorthStar plans our growth in four stages. Stage 1, which is now completed, was to demonstrate operational capabilities to allied clients with our initial dedicated satellites. Stage 2, which is currently operating, leverages third-party space and ground-based sensors while additional dedicated sensors are prepared to come online.

Stage 3, which is in progress, is to launch 21 additional space-based payloads and continue to expand. And Stage 4, which is in planning, is to scale the space segment to deliver full services based on optical and infrared technologies.

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One important aspect of our approach is how we find and maintain awareness of objects. Our architecture is designed to support wide field scanning and detection rather than relying exclusively on prior knowledge of that object in a catalog. We then combine these observations with other data sources through a source-agnostic processing architecture.

Our analytics help turn those observations into tracking, characterization, and other operational information. NorthStar is the service that identifies events and guides global assets. This combination of sensing, data fusion, and analytics is where we believe NorthStar can differentiate.

As an example, in October 2026, a Russian Kosmos military satellite carried out a non-consensual close approach to a commercial radar satellite owned by ICEYE. Initial estimates placed the closest pass in the early hours of October 18th at roughly 500 meters. NorthStar captured images of ICEYE. And moments later, a close proximity object, about two and a half days before closest approach.

Kosmos was just over 200 kilometers away and actively closing in. Over the three days spanning the event, NorthStar fully leveraged our data fusion and analytics capability to continuously monitor activity and provide information to our clients.

In addition to deploying a unique space-based SSA constellation, we're also investing in improvements in the sensors themselves. NRC IRAP, the National Research Council Industrial Research Assistance Program, has committed to CAD $2 million in funding and advisory support for the development of modular advanced aperture SDA sensor technology.

This sensor technology is NorthStar's wide field, high resolution SSA solution designed to deliver more observations compared to traditional cameras at a lower cost and with fewer demands on a spacecraft. This will enable NorthStar to provide our customers faster revisit, stronger custody of tracked objects, and more accurate orbit determination faster, thereby improving persistence and resulting in actionable intelligence.

The important point is that we are working on both sides of the architecture, expanding the number and diversity of observations available to us while continuing to improve the technology that produces those observations.

Our technology strategy is straightforward -- improve what each sensor can see and the system architecture that enables this. The focus is to increase the number and diversity of observations available to the platform and use our analytics to turn those observations into information customers can act on. We are doing that while continuing to deliver for customers today.

I will now turn it over to Beth to review our Q3 financial results. Beth?

Beth Michelson^ Thank you, Peter. The team delivered a strong third quarter, achieving both record revenues and operating income. The quarterly results demonstrate the operating leverage in our business, where revenue growth of CAD $15.8 million resulted in operating income growth of CAD $13.4 million.

The revenue growth and profitability provides further evidence of NorthStar's differentiated technology and the growing demand for our data analytics services. In Q3, we delivered revenue of CAD $17.2 million, up from CAD $1.4 million in Q3 of 2025. The increase was driven primarily from services to the 3 CSD, which contributed approximately CAD $16.8 million during the quarter.

Revenue remains concentrated. Our top three customers accounted for approximately 99% of total revenue in Q3. Additionally, 98% of revenue in this quarter consisted of subscription-based data analytics services, monitoring services, and ongoing product development.

Within the subscription-based data analytics services is CAD $7.8 million associated with expanded service offering and services and data previously provided. For the nine months ended September 30th, 2026, we delivered CAD $25.6 million in revenue, an increase of CAD $18.1 million versus the same period in 2025. The increase was primarily attributable to the services delivered to the 3 CSD.

Operating expenses for the quarter were CAD $6.9 million, compared with CAD $4.5 million in the third quarter of 2025. The increase was primarily driven by scaling our systems and resources to meet customer demand.

For the nine months ended September 30th, 2026, operating expenses were CAD $28.2 million, compared with CAD $13.5 million in the third quarter of 2025. The higher operating expenses in 2026 were primarily due to CAD $8.2 million of legal costs related to the Spire litigation. As we have outlined in our disclosure, we do not expect to incur material additional legal costs related to this matter.

Operating income is CAD $10.4 million for the quarter, generating an operating margin for the quarter of 60%. Operating income for the nine-month period is negative, driven by the Spire litigation costs. Absent those non-recurring costs, operating income is CAD $5.8 million, with a margin of 22%. Again, this represents the operating leverage of our services.

Net income for the quarter was CAD $7.7 million, compared to a net loss of CAD $6.2 million in the prior year quarter. This was driven by higher operating income, partially offset by a change in the fair value of our convertible debentures, which have now converted to equity as a result of the transaction. More on that in a minute.

As of September 30th, 2026, backlog was CAD $10.4 million, compared with CAD $7.9 million at June 30th, 2026. Approximately, 65% of this backlog is expected to be recognized as revenue during the fourth quarter, providing us with revenue visibility for the upcoming quarter.

We had eight active government contracts across Canada, the United States, and Europe at quarter end, and 3 CSD, for which we provide services both in Canada and the United States, which accounted for approximately 98% of quarterly revenue.

For the first nine months of 2026, net cash provided by operating activities was approximately break-even, compared with a net use of cash of $3 million in the prior year period. Revenue generated in the third quarter will primarily be collected in the fourth quarter. We generally have a 30 to 60-day lag between revenue recognition and cash flow.

Capital expenditure for sensors, satellite integration, and launch totaled $1.3 million for the nine-month period ended September 30th, an increase of $1.2 million compared to the prior year period. This increase represents investment in infrastructure as we ramp up our sensor technology to drive future growth.

Now, turning to the balance sheet, I would point you to the pro forma balance sheet we have included in the six-K. The financial statements are presented as of September 30th, and the transaction closed a day later on October 1st. The October 1st transaction materially changed NorthStar's capital structure.

On the unaudited pro forma basis, cash at September 30th would have been approximately CAD $33 million, and CAD $110.7 million of convertible debentures were converted to equity, CAD $11 million remain as non-convertible debentures.

The recapitalization provides meaningful additional financial flexibility. I'd like to highlight two obligations. The first is the Spire-related amounts, shown as promissory notes. As outlined in our disclosure, the first payment of CAD $2.8 million has been made.

The second relates to the accounting liability associated with the earnout under the business combination. The earnout liability is currently valued at $109 million. This liability would not be settled in cash. If earned, it would be settled by issuing additional shares to the legacy NorthStar shareholders and management.

GAAP requires recording it as a liability, therefore reducing shareholders' equity. Conversely, if it's not earned, there will be no new share issuance, and the remaining balance will run through the P&L.

It is measured each quarter and can, therefore, create non-cash volatility in our future reported earnings that's unrelated to the underlying operating performance of the business. These changes will be recorded below operating income, which is why I'm pointing everyone to operating income. For those of you who are working through the adjustments, it is in footnote L of the pro forma.

Our approach to capital deployment remains disciplined. Support existing customer commitments, advance contract and strategically important sensor programs, and pacing additional investment against available capital and customer demand.

As Peter explained, increasing sensing capacity is an important element of the strategy. From a financial perspective, our objective is to deploy capital where we can connect that investment to customer demand and drive the kind of operating leverage I referred to earlier.

Now, turning to our 2026 financial guidance. Given our strong performance this quarter, we are reiterating our revenue forecast of CAD $41 million, or U.S. $ 30 million, compared to $10.6 million in 2025.

So, in summary, Q3 was a strong quarter with significant revenue growth and positive operating income. The quarter also highlights the priorities in front of us -- continue to expand our customer base, execute against our backlog, and strategically deploy capital into our business. I will now turn the call back to Stewart.

Stewart Bain^ Thank you, Beth. Three items that I would like to leave with you today. First, NorthStar is providing essential infrastructure that the space economy cannot live without. Every launch and every satellite adds to what must be tracked and protected.

Second, NorthStar is a profitable and growing business. Each sensor we add increases the value of the entire network and our services. Third, we will execute against a clear plan, deliver for our customers that exist right now and the ones that we will bring on board. And broaden our customer portfolio and extend what we can see and what we can protect with new sensors.

A special thank you to all of our employees, customers, partners, and shareholders for all your support. Operator, we are now ready to take questions.

QUESTION & ANSWER:

Operator^ We will now begin the question-and-answer session. (Operator Instruction) Please stand by while we compile the Q&A roster. (Operator Instructions)

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There are no further questions at this time. We have reached the end of the Q&A session. I will now turn the call back to Stewart Bain for closing remarks.

Stewart Bain^ Thank you very much, Matt. I very much appreciate this opportunity with all of the folks that made this happen, and really want to thank everyone for joining us this afternoon. We really do look forward to updating you on our progress during our Q4 earnings call. And I want to thank everybody again, and have a great day.

Operator^ This concludes today's call. Thank you for attending. You may now disconnect.