

Action Summary – 29 March 2022

Analyst Theodore R. O'Neill – Initiating 2023 estimates - Reiterate Buy and \$7 PT

- We are initiating 2023 revenue and EPS estimates of \$14.5MM and a loss of \$0.11, respectively. We believe our estimates are conservative and expect to see upside from here.
- **Last week, KULR reported preliminary 4Q21 revenue and an EPS loss of \$766K and \$0.04, respectively.** It published its 10-K yesterday (3/28) and we are updating our model to include the actual results.
- Company continues to focus on near-term commercialization opportunities for its Li-ion battery thermal management, charging and energy solutions.
- Although the shares trade above peer averages, it has held a premium for considerable time, on the basis of discounted future earnings, we feel the shares are undervalued.

3/28/22 Closing price: \$2.46	Market cap: \$262 million	2023 P/E: NMF	2023 EV / Sales: 17
Shares outstanding: 104.7 million	Insider ownership: 37%	3-month avg. trading volume: ~590,000	Dividend/Yield: NA/NA

GAAP estimates (EPS excluding deemed dividend in dollars – Revenue in thousands)

Period	EPS	Revenue	GP Margin
1Q21A	\$(0.02)	\$418	34%
2Q21A	\$(0.03)	\$628	30%
3Q21A	\$(0.03)	\$601	74%
4Q21A	<u>\$(0.04)</u>	<u>\$766</u>	<u>70%</u>
FY21A	<u>\$(0.10)</u>	<u>\$2,413</u>	<u>73%</u>
1Q22E	\$(0.04)	\$500	50%
2Q22E	\$(0.04)	\$750	50%
3Q22E	\$(0.04)	\$1,500	50%
4Q22E	<u>\$(0.03)</u>	<u>\$2,000</u>	<u>50%</u>
FY22E	<u>\$(0.15)</u>	<u>\$4,750</u>	<u>50%</u>
1Q23E	\$(0.03)	\$2,500	50%
2Q23E	\$(0.03)	\$3,000	50%
3Q23E	\$(0.02)	\$4,000	50%
4Q23E	<u>\$(0.02)</u>	<u>\$5,000</u>	<u>50%</u>
FY23E	<u>\$(0.11)</u>	<u>\$14,500</u>	<u>50%</u>

Note: Numbers may not add due to rounding. See our full model in the back of this report.

Cash balance (in thousands)

• 2020A	• \$8,880
• 2021A	• \$14,900
• 2022E	• \$3,506
• 2023E	• \$1,806

Debt (in thousands)

• 2020A	• NA
• 2021A	• \$2,332
• 2022E	• NA
• 2023E	• NA

Adj. EBITDA (in thousands)

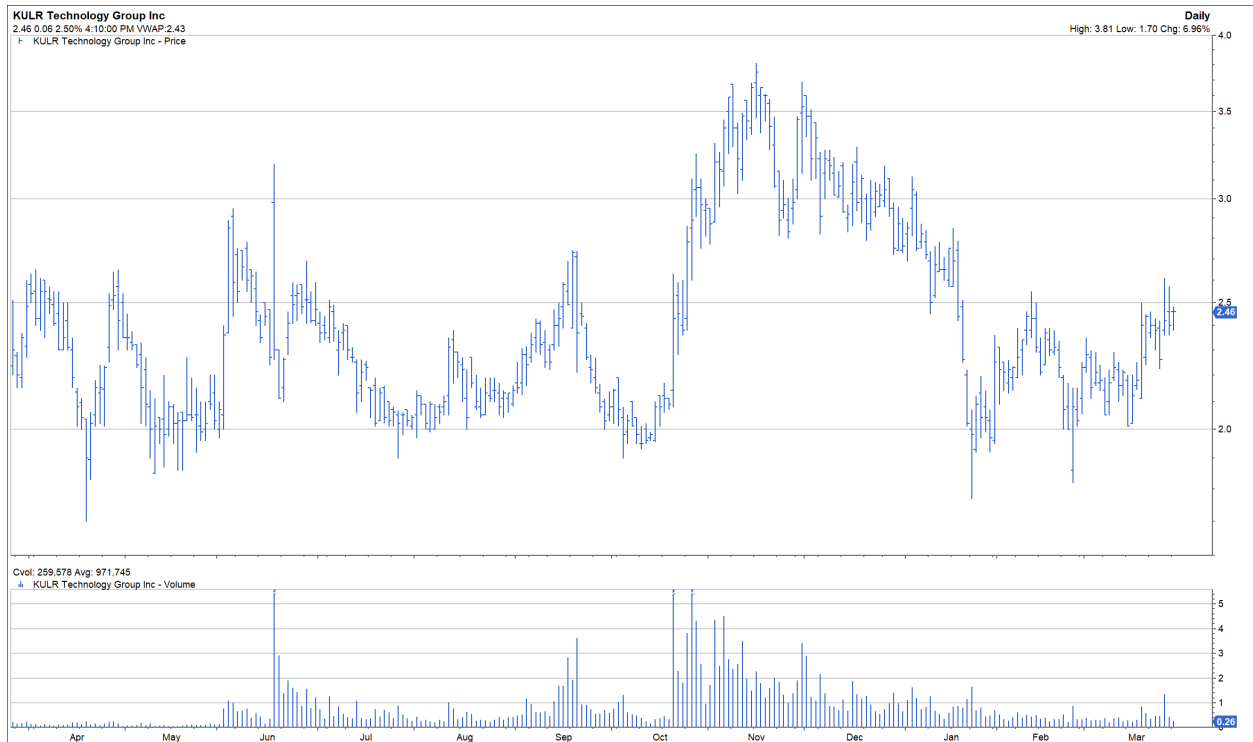
• 2020A	• (\$2.4)
• 2021A	• (\$11.6)
• 2022E	• (\$16.1)
• 2023E	• (\$11.2)

Risks/Valuation

- Risks include: Highly competitive business; changes in customer demand, commercialization of technology
- Our \$7 target is derived using a discounted future earnings model.
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Company description: KULR Technology Group, Inc. develops, manufactures and licenses next-generation carbon fiber thermal management technologies for batteries and electronic systems. Backed by a strong intellectual property portfolio, KULR enables leading aerospace, electronics, and electric vehicle manufacturers to make their products cooler, lighter and safer for the consumer.

Figure 1 – KULR Technology Group, Inc. – One-Year Trading snapshot



Source: FactSet

Valuation Methodology

We believe KULR is undervalued and we support that belief with two valuation techniques, one absolute and one relative. The following valuation techniques are being used:

- 1) The discounted value of all future earnings was used for our price target (see Figure 2)
- 2) Valuation relative to peers (see Figure 3)

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$7 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings discounted at 8%. We are making two main assumptions:

- Near-term rapid growth for earnings which steps down to GDP after 7 years
- Company reaches breakeven in early 2024

Our valuation model is shown in Figure 2 below. Note, this model understates future new products and growth through acquisitions and probably understates the tax benefits, but offsetting that, the earnings never have a down year. The implied share price is \$6.61 which we round up to \$7.

Figure 2 - KULR Technology Group, Inc. - Discounted Future Earnings

Discounted Earnings		\$ 6.61
Year 1 is	Forecast	Discounted
2022	EPS	EPS
1	(0.15)	(\$0.15)
2	(0.11)	(\$0.09)
3	0.20	\$0.16
4	0.30	\$0.22
5	0.45	\$0.31
Terminal Value		\$6.16

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

In Figure 3 we look at a summary of metrics for KULR peers. If we compare KULR to a simple average of its peers, the shares sell, on average, at a higher multiple. One thing common to the companies on the list is that they have high gross profit margins and companies with high gross profit margins tend to trade for higher sales multiples. A very high multiple for KULR isn't extraordinary. Details on each of the peers can be found in Figure 4.

Figure 3 – KULR Technology Group, Inc. – Valuation Relative to Peers

	2023 EV / Sales	2023 Sales Multiple
Average	6.69	7.48
KULR	16.55	7.48
Premium/(Discount) to peers	147%	132%

Source: Litchfield Hills Research LLC and Refinitiv Eikon (Formerly Thomson Reuters Eikon)

Guidance and Financial Forecasts

The company is not providing guidance. We assume there is a small capital raise in 2022 to fund growth. Our financial forecast assumes a slow growth in revenue 1H22 and faster growth thereafter. The company has been pulling together solid business relationships with companies that will use KULR products. Those companies, however, need to execute on their production plans.

Figure 4 – KULR Technology Group, Inc. – Comp Table

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2023 Consensus Multiples	
					EV /Sales	Market Cap / Sales
TSLA-US	Tesla Inc	\$1,010.64	1,044,504	1,133,228	11.30	10.41
RIVN-US	Rivian Automotive, Inc. Class A	\$46.16	41,197	47,483		7.12
QS-US	QuantumScape Corporation	\$17.29	5,782	5,712		
MVST-US	Microvast Holdings, Inc.	\$7.21	2,167	1,285	9.00	8.10
ENVX-US	Enovix Corporation (US Listing)	\$14.15	2,155	1,282	9.59	16.24
NVX-AU	NOVONIX Ltd	\$4.14	2,012	1,681	x	x
FSR-US	Fisker Inc	\$12.13	1,995	3,018	1.38	1.64
PTRA-US	Proterra Inc.	\$7.09	1,577	320	0.47	2.41
LICY-US	Li-Cycle Holdings Corp.	\$7.66	1,294	860		6.76
BLNK-US	Blink Charging Co	\$26.25	1,114	927	15.99	19.15
ABML-US	American Battery Technology Company	\$1.07	679	633		
RIDE-US	Lordstown Motors Corp	\$3.12	613	321	0.81	1.53
SOLO-US	Electrameccanica Vehicles Corp	\$2.26	268	32	8.53	3.83
FUV-US	Arcimoto, Inc.	\$6.95	262	232	9.03	10.97
RMO-US	Romeo Power Inc	\$1.45	195	103	0.78	1.55
IPWR-US	Ideal Power Inc.	\$7.97	47	24		
	AVERAGE				6.69	7.48
KULR-US	KULR Technology Group Inc	\$2.40	251	240	16.55	17.31
	KULR-US Premium/(Discount) to peers:				147%	132%
Comparable metrics that are more than 4x the mean are X'ed out in order to make the comparison meaningful						

Source: Litchfield Hills Research LLC and FactSet

Figure 5 – KULR Technology Group, Inc. – Income Statement (\$000)

December year-end	2020A	2021A	2022E				2022E	2023E				2023E
	Year	Year	Q1E	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
Total revenue	\$624	\$2,413	\$500	\$750	\$1,500	\$2,000	\$4,750	\$2,500	\$3,000	\$4,000	\$5,000	\$14,500
<i>Growth</i>	-25%	287%	20%	19%	150%	161%	97%	400%	300%	167%	150%	205%
Cost of Goods	169	1,102	250	375	750	1,020	2,395	1,250	1,500	2,000	2,550	7,300
Gross Profit	455	1,311	250	375	750	980	2,355	1,250	1,500	2,000	2,450	7,200
Gross Margin	72.9%	54.3%	50.0%	50.0%	50.0%	49.0%	49.6%	50.0%	50.0%	50.0%	49.0%	49.7%
Operating Expenses												
R&D	\$290	\$1,662	\$800	\$800	\$800	\$800	\$3,200	\$800	\$800	\$800	\$800	\$3,200
% of total revenue	46%	69%	160%	107%	53%	40%	67%	32%	27%	20%	16%	22%
General and administrative	\$2,506	\$11,162	\$3,800	\$3,800	\$3,800	\$3,800	\$15,200	\$3,800	\$3,800	\$3,800	\$3,800	\$15,200
% of total revenue	402%	463%	760%	507%	253%	190%	320%	152%	127%	95%	76%	105%
Total Operating Expenses	2,795	12,824	4,600	4,600	4,600	4,600	18,400	4,600	4,600	4,600	4,600	18,400
Operating Income	(2,340)	(11,513)	(4,350)	(4,225)	(3,850)	(3,620)	(16,045)	(3,350)	(3,100)	(2,600)	(2,150)	(11,200)
Operating Margin	-375.1%	-477.2%	-870.0%	-563.3%	-256.7%	-181.0%	-337.8%	-134.0%	-103.3%	-65.0%	-43.0%	-77.2%
Total Other Items	(510)	(398)	0	0	0	0	0	0	0	0	0	0
Pre-Tax Income	(2,850)	(11,911)	(4,350)	(4,225)	(3,850)	(3,620)	(16,045)	(3,350)	(3,100)	(2,600)	(2,150)	(11,200)
Pre-Tax Margin	-456.8%	-493.7%	-870.0%	-563.3%	-256.7%	-181.0%	-337.8%	-134.0%	-103.3%	-65.0%	-43.0%	-77.2%
Taxes (benefit)	0	0	0	0	0	0	0	0	0	0	0	0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	(\$2,850)	(\$11,911)	(\$4,350)	(\$4,225)	(\$3,850)	(\$3,620)	(\$16,045)	(\$3,350)	(\$3,100)	(\$2,600)	(\$2,150)	(\$11,200)
Deemed dividend for Series C	(\$2)	(\$2,624)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net income attributable to share	(\$2,852)	(\$14,535)	\$0	(\$4,225)	\$0	\$0	(\$16,045)	\$0	(\$3,100)	\$0	\$0	(\$11,200)
EPS	(0.03)	(0.12)	(0.04)	(0.04)	(0.04)	(0.03)	(0.15)	(0.03)	(0.03)	(0.02)	(0.02)	(0.11)
EPS plus deemed dividend	0.00	(0.15)	0.00	(0.04)	0.00	0.00	(0.15)	0.00	(0.03)	0.00	0.00	(0.11)
Diluted Shares Outstanding	82,032	97,708	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000	105,000

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – KULR Technology Group, Inc. – Balance Sheet (\$000)

December year-end	FY2023E	FY2022E	FY2021A	FY2020A	FY2019	FY2018
Balance sheet						
Current Assets						
Cash and S.T.I.	\$1,806	\$3,506	\$14,863	\$8,880	\$109	\$230
Accounts receivable	1,000	1,000	136	55	30	112
Inventories	400	400	191	55	27	10
Other assets	500	500	570	150	43	55
Total Current Assets	3,706	5,406	15,761	9,142	209	406
Net PP&E	1,000	500	374	58	28	45
Goodwill & Intangible	0	0	217	0	0	0
Other non-current assets	3,500	3,000	2,879	9	0	0
Total Assets	\$8,206	\$8,906	\$19,231	\$9,208	\$237	\$451
Current Liabilities						
Accounts payable	\$1,500	\$1,000	\$455	\$67	\$349	\$118
Accrued exp. & other	\$1,000	\$1,000	\$1,454	\$398	\$659	\$374
Deferred revenue	\$0	\$0	\$132	\$20	\$15	\$0
Other current liabilities	\$500	\$500	\$418	\$2,463	\$0	\$0
Total current liabilities	3,000	2,500	2,458	2,947	1,034	576
Notes payable	0	0	0	142	0	0
Other Liabilities	600	600	408	0	0	0
Total Liabilities	3,600	3,100	2,866	3,090	1,034	576
Stockholders' Equity						
Preferred stock	0	0	0	0	0	0
Common stock	9	9	10	9	8	8
Additional paid-in-capital	55,000	45,000	39,512	17,356	7,591	6,284
Retained earnings	(50,403)	(39,203)	(23,158)	(11,246)	(8,396)	(6,417)
Cum. Other comp and treasury stock	0	0	0	0	0	0
Total stockholders' equity	4,606	5,806	16,365	6,119	(797)	(125)
Total Liabilities and equity	\$8,206	\$8,906	\$19,231	\$9,208	\$237	\$451

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – KULR Technology Group, Inc. – Cash Flow (\$000)

	FY22E	FY22E	FY21A	FY20A
Net Income	(\$11,200)	(\$16,045)	(\$11,911)	(\$2,850)
Accounts receivable	0	(864)	(81)	(25)
Inventories	0	(209)	(136)	(28)
Other assets	0	70	(420)	(107)
PP&E	(500)	(126)	(317)	(30)
Goodwill & Intangible	0	217	(217)	0
Other non-current	(500)	(121)	(2,870)	(9)
Accounts payable	500	545	388	(282)
Accrued exp & other - related party	0	0	0	(10)
Accrued exp. & other	0	(454)	1,056	(262)
Deferred revenue	0	(132)	112	5
Other current liabilities	0	82	(2,046)	2,463
Notes payable	0	0	(142)	142
Other Liabilities	0	192	408	0
Common stock	0	(1)	1	1
Additional paid-in-capital	10,000	5,488	22,156	9,765
Cum. trans. adj. and treasury stock	0	0	0	0
Dividends	0	0	0	0
Total Cash Flow	(1,700)	(11,357)	5,983	8,771

Source: Company reports and Litchfield Hills Research LLC

Disclosures:

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