

**Action Summary – 3 August 2022**

Analyst Theodore R. O'Neill – Reporting 2Q22 August 15, 2022 after the close - Reiterate Buy and \$7 PT

- Consensus 2Q22 revenue and EPS loss expectations are \$1MM and \$0.04, respectively. Recall that approximately \$325K of product was caught in a COVID lockdown in China in the last quarter, which we believe was shipped in 2Q22.
- Since it reported 1Q22, it has received a follow-on order from Lockheed (LMT-NR) for phase-change heat sink material and secured 75 megawatt hours of Li-ion battery cells from its strategic partner, E-One Moli Energy Corporation.
- **With its technologically advanced materials and secured battery supply**, it positions KULR's thermal safety solutions platform to become better entrenched in the marketplace. The company plans to continue investing in the localization of its production and supply chain in North America. With it securing battery cell supply, it accelerates its ability to provide total solutions to high value customer applications where the addressable market exceeds \$350 million/year.
- Although the shares trade above peer averages, it has held a premium for a considerable time, and on the basis of discounted future earnings, we feel the shares are undervalued.

8/2/22 Closing price: <b>\$1.51</b>	Market cap: <b>\$165 million</b>	2023 P/E: <b>NMF</b>	2023 EV / Sales: <b>11</b>
Diluted Shares outstanding: <b>109 million</b>	Insider ownership: <b>37%</b>	3-month avg. trading volume: <b>~270,000</b>	Dividend/Yield: <b>NA/NA</b>

**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>\$(0.12)</u>	<u>\$2,413</u>	<u>73%</u>
1Q22A	\$(0.04)	\$500	39%
2Q22E	\$(0.04)	\$750	50%
3Q22E	\$(0.04)	\$1,500	50%
4Q22E	<u>\$(0.03)</u>	<u>\$2,000</u>	<u>49%</u>
FY22E	<u>\$(0.15)</u>	<u>\$4,750</u>	<u>49%</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>49%</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 at the back of this report.

**Cash balance (in thousands)**

• 2020A	• \$8,880
• 2021A	• \$14,863
• 2022E	• \$3,868
• 2023E	• \$2,168

**Debt (in thousands)**

• 2020A	• \$2,332
• 2021A	• \$142
• 2022E	• NA
• 2023E	• NA

**Adj. EBITDA (in millions)**

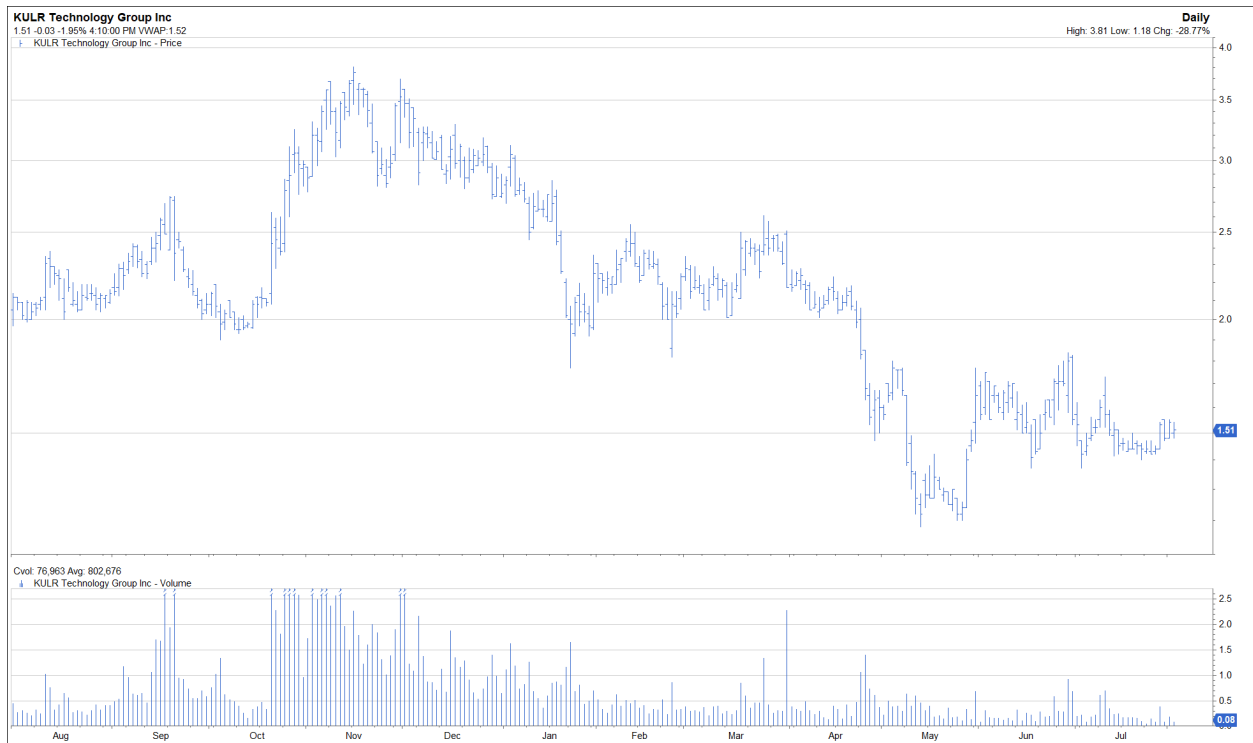
• 2020A	• (\$2.4)
• 2021A	• (\$11.6)
• 2022E	• (\$15.8)
• 2023E	• (\$11.2)

**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 5 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*

<b>Discounted Earnings</b>		<b>\$ 6.61</b>
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	7.20	8.00
KULR	10.90	11.38
<b>Premium/(Discount) to peers</b>	<b>51%</b>	<b>42%</b>

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 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	\$891.83	931,508	1,018,802	8.50	7.79
RIVN-US	Rivian Automotive, Inc. Class A	\$34.81	31,080	16,415		5.20
QS-US	QuantumScape Corporation	\$10.43	3,533	3,341		
ENVX-US	Enovix Corporation (US Listing)	\$13.50	2,117	1,671	24.01	41.87
FSR-US	Fisker Inc	\$9.42	1,553	2,429	1.26	1.45
LICY-US	Li-Cycle Holdings Corp.	\$7.24	1,264	838		6.97
PTRA-US	Proterra Inc.	\$5.20	1,160	814	1.07	2.34
BLNK-US	Blink Charging Co	\$21.53	1,081	754	8.42	12.09
NVX-AU	NOVONIX Ltd (AU Listing)	\$1.81	880	647	x	x
MVST-US	Microvast Holdings, Inc.	\$2.65	802	497	9.00	2.35
RIDE-US	Lordstown Motors Corp	\$2.27	462	242	2.85	5.41
ABML-US	American Battery Technology Company	\$0.70	452	407		
SOLO-US	Electrameccanica Vehicles Corp	\$1.46	173	(19)	8.53	1.29
RMO-US	Romeo Power Inc	\$0.70	130	55		
FUV-US	Arcimoto, Inc.	\$3.00	116	115	1.17	1.21
IPWR-US	Ideal Power Inc.	\$11.75	69	51		
	<b>AVERAGE</b>				<u>7.20</u>	<u>8.00</u>
KULR-US	KULR Technology Group Inc	\$1.54	165	158	10.90	11.38
	<b>KULR-US Premium/(Discount) to peers:</b>				<b>51%</b>	<b>42%</b>

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	Q1A	Q2E	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
<b>Total revenue</b>	\$624	\$2,413	\$200	\$750	\$1,600	\$2,200	\$4,750	\$2,500	\$3,000	\$4,000	\$5,000	\$14,500
<i>Growth</i>	-25%	287%	-52%	19%	166%	187%	97%	1147%	300%	150%	127%	205%
Cost of Goods	169	1,102	123	375	800	1,122	2,420	1,250	1,500	2,000	2,550	7,300
<b>Gross Profit</b>	<b>455</b>	<b>1,311</b>	<b>78</b>	<b>375</b>	<b>800</b>	<b>1,078</b>	<b>2,331</b>	<b>1,250</b>	<b>1,500</b>	<b>2,000</b>	<b>2,450</b>	<b>7,200</b>
<b>Gross Margin</b>	<b>72.9%</b>	<b>54.3%</b>	<b>38.7%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>49.0%</b>	<b>49.1%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>49.0%</b>	<b>49.7%</b>
Operating Expenses												
R&D	\$290	\$1,662	\$721	\$800	\$800	\$800	\$3,121	\$800	\$800	\$800	\$800	\$3,200
% of total revenue	46%	69%	360%	107%	50%	36%	66%	32%	27%	20%	16%	22%
General and administrative	\$2,506	\$11,162	\$3,535	\$3,800	\$3,800	\$3,800	\$14,935	\$3,800	\$3,800	\$3,800	\$3,800	\$15,200
% of total revenue	402%	463%	1763%	507%	238%	173%	314%	152%	127%	95%	76%	105%
Total Operating Expenses	2,795	12,824	4,256	4,600	4,600	4,600	18,056	4,600	4,600	4,600	4,600	18,400
<b>Operating Income</b>	<b>(2,340)</b>	<b>(11,513)</b>	<b>(4,179)</b>	<b>(4,225)</b>	<b>(3,800)</b>	<b>(3,522)</b>	<b>(15,726)</b>	<b>(3,350)</b>	<b>(3,100)</b>	<b>(2,600)</b>	<b>(2,150)</b>	<b>(11,200)</b>
<b>Operating Margin</b>	<b>-375.1%</b>	<b>-477.2%</b>	<b>-2084.1%</b>	<b>-563.3%</b>	<b>-237.5%</b>	<b>-160.1%</b>	<b>-331.0%</b>	<b>-134.0%</b>	<b>-103.3%</b>	<b>-65.0%</b>	<b>-43.0%</b>	<b>-77.2%</b>
Total Other Items	(510)	(398)	42	0	0	0	42	0	0	0	0	0
<b>Pre-Tax Income</b>	<b>(2,850)</b>	<b>(11,911)</b>	<b>(4,137)</b>	<b>(4,225)</b>	<b>(3,800)</b>	<b>(3,522)</b>	<b>(15,684)</b>	<b>(3,350)</b>	<b>(3,100)</b>	<b>(2,600)</b>	<b>(2,150)</b>	<b>(11,200)</b>
<b>Pre-Tax Margin</b>	<b>-456.8%</b>	<b>-493.7%</b>	<b>-2063.1%</b>	<b>-563.3%</b>	<b>-237.5%</b>	<b>-160.1%</b>	<b>-330.1%</b>	<b>-134.0%</b>	<b>-103.3%</b>	<b>-65.0%</b>	<b>-43.0%</b>	<b>-77.2%</b>
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%
<b>Net income</b>	<b>(\$2,850)</b>	<b>(\$11,911)</b>	<b>(\$4,137)</b>	<b>(\$4,225)</b>	<b>(\$3,800)</b>	<b>(\$3,522)</b>	<b>(\$15,684)</b>	<b>(\$3,350)</b>	<b>(\$3,100)</b>	<b>(\$2,600)</b>	<b>(\$2,150)</b>	<b>(\$11,200)</b>
Deemed dividend for Series C	(\$2)	(\$2,624)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net income attributable to share</b>	<b>(\$2,852)</b>	<b>(\$14,535)</b>	<b>\$0</b>	<b>(\$4,225)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$15,684)</b>	<b>\$0</b>	<b>(\$3,100)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$11,200)</b>
<b>EPS</b>	<b>(0.03)</b>	<b>(0.12)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.03)</b>	<b>(0.15)</b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.11)</b>
<b>EPS plus deemed dividend</b>	<b>0.00</b>	<b>(0.15)</b>	<b>0.00</b>	<b>(0.04)</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.15)</b>	<b>0.00</b>	<b>(0.03)</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.11)</b>
Diluted Shares Outstanding	82,032	97,708	102,561	104,000	104,000	105,000	103,890	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
<b>Balance sheet</b>						
<b>Current Assets</b>						
Cash and S.T.I.	\$2,168	\$3,868	\$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
<b>Total Current Assets</b>	<b>4,068</b>	<b>5,768</b>	<b>15,761</b>	<b>9,142</b>	<b>209</b>	<b>406</b>
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
<b>Total Assets</b>	<b>\$8,568</b>	<b>\$9,268</b>	<b>\$19,231</b>	<b>\$9,208</b>	<b>\$237</b>	<b>\$451</b>
<b>Current Liabilities</b>						
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
<b>Total current liabilities</b>	<b>3,000</b>	<b>2,500</b>	<b>2,458</b>	<b>2,947</b>	<b>1,034</b>	<b>576</b>
Notes payable	0	0	0	142	0	0
Other Liabilities	600	600	408	0	0	0
<b>Total Liabilities</b>	<b>3,600</b>	<b>3,100</b>	<b>2,866</b>	<b>3,090</b>	<b>1,034</b>	<b>576</b>
<b>Stockholders' Equity</b>						
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	(50,041)	(38,841)	(23,158)	(11,246)	(8,396)	(6,417)
Cum. Other comp and treasury stock	0	0	0	0	0	0
Total stockholders' equity	4,968	6,168	16,365	6,119	(797)	(125)
<b>Total Liabilities and equity</b>	<b>\$8,568</b>	<b>\$9,268</b>	<b>\$19,231</b>	<b>\$9,208</b>	<b>\$237</b>	<b>\$451</b>

Source: Company reports and Litchfield Hills Research LLC

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

	FY23E	FY22E	FY21A	FY20A
Net Income	(\$11,200)	(\$15,684)	(\$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)	(10,995)	5,983	8,771

Source: Company reports and Litchfield Hills Research LLC

**Disclosures:**

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We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

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**BUY:** We expect the stock to provide a total return of 15% or more within a 12-month period.

**HOLD:** We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.



## KULR Technology Group, Inc.

KULR-Buy-\$7 PT

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Total return is defined as price appreciation plus dividend yield.

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