

Action Summary – 24 May 2024

Analyst Theodore R. O'Neill – 1Q24 Landing new customers - *Reiterate Buy and \$7 PT.*

- **The company reported 1Q24 results that were marginally better YoY.** KULR reported 1Q24 revenue of \$1.75MM and an EPS loss of \$0.04. There was no consensus. Our estimates for 2024 were not broken out by quarter because management was dealing with an inordinate number of issues that could have shifted revenues from one quarter to the next and indeed that did happen as one major customer pushed out but not cancelled and expected a reorder.
- **2024 is going to be a pivotal year for the company.** It has more than double the customers it had, 34 from 15 last year. Positioned with a multi-year lead on its competitors, it is well positioned for growth in both electric powered manned or unmanned flight. It is generating revenue from its online store. It has NASA's blessing on its systems to power fleets of earth orbiting satellites as several companies eye the success of Starlink. While we remain confident of the company's future, investors need to look through 2024 into 2025.
- **Revision of estimates.** We are lowering our 2024 revenue estimate to \$9.4MM from \$15.5MM and our EPS loss falls to \$0.11 from a loss of \$0.10. For 2025 we are initiating revenue and EPS estimates of \$19MM and a loss of \$0.09.
- **We consider the shares undervalued.** Based on our discounted earnings model, we believe the shares should trade at \$7. Shares are currently selling at a discount to peers.

5/23 Closing price: \$0.36	Market cap: \$67 million	2025 P/E: NMF	2025 EV / Sales: 2.6
Diluted Shares outstanding: 187 million	Insider ownership: 22%	3-month avg. trading volume: >500,000	Dividend/Yield: NA/NA

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

Period	EPS	Revenue	GP Margin
1Q22A	\$(0.04)	\$201	39%
2Q22A	\$(0.05)	\$588	28%
3Q22A	\$(0.05)	\$1,393	33%
4Q22A	<u>\$(0.04)</u>	<u>\$1,813</u>	<u>92%</u>
FY22A	<u>\$(0.18)</u>	<u>\$3,995</u>	<u>59%</u>
1Q23A	\$(0.06)	\$1,760	37%
2Q23A	\$(0.05)	\$2,696	37%
3Q23A	\$(0.05)	\$3,040	44%
4Q23A	<u>\$(0.04)</u>	<u>\$2,334</u>	<u>29%</u>
FY23A	<u>\$(0.20)</u>	<u>\$9,830</u>	<u>37%</u>
1Q24A	\$(0.04)	\$1,749	29%
2Q24E	\$(0.02)	\$2,300	45%
3Q24E	\$(0.02)	\$2,400	45%
4Q24E	<u>\$(0.03)</u>	<u>\$3,000</u>	<u>45%</u>
FY24E	<u>\$(0.11)</u>	<u>\$9,449</u>	<u>42%</u>
FY25E	<u>\$(0.09)</u>	<u>\$19,000</u>	<u>45%</u>

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

Cash balance (in USD thousands)

• 2021A	• \$14,863
• 2022A	• \$10,334
• 2023A	• \$1,195
• 2024E	• \$378

Debt (in USD thousands)

• 2021A	• \$0
• 2022A	• \$0
• 2023A	• \$250
• 2024E	• \$5,000

EBITDA (in USD millions)

• 2021A	• (\$11.4)
• 2022A	• (\$17.8)
• 2023A	• (\$20.2)
• 2024E	• (\$15.2)

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.

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. We used the following valuation techniques:

- 1) The discounted value of all future earnings 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 make two main assumptions:

- Near-term rapid growth in earnings, which steps down to GDP rates after 5 years.
- The company will reach breakeven sometime in 2H25.

Our valuation model is shown in Figure 2 below. Note that this model may understate future new products and growth through acquisitions, and possibly understates the tax benefits. However, as a counterbalance, our projections do not foresee earnings having a down year. The implied share price is \$6.67, which we round to \$7.

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

Discounted Earnings		\$ 6.67
Year 1 is Forecast	Discounted	
2024	EPS	EPS
1	(0.11)	(\$0.11)
2	(0.09)	(\$0.08)
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 provide a summary of metrics for KULR's peers. When comparing KULR to the simple average of its peers, the shares, on average, trade just slightly below par. We believe KULR shares should command a premium over its peers because of its high gross profit margins. Companies with high gross profit margins typically trade at higher sales multiples. Thus, a high multiple for KULR isn't out of the ordinary. Details on each of the peers are in Figure 4.

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

	2025 EV / Sales	2025 Sales Multiple
Average	4.95	4.18
KULR	2.55	3.55
Premium/(Discount) to peers	(49%)	(15%)

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

Guidance and Financial Forecasts

The company is not providing guidance. The company has been pulling together solid business relationships with companies that will use KULR products. These companies are executing their production plans, which are expected to drive demand for KULR's products and services. Our forecast assumes a capital raise at some point before the end of 2025. If the company lands any significant orders, it will need to raise capital to fund working capital.

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

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2025 Consensus Multiples	
					EV /Sales	Market Cap / Sales
TSLA-US	Tesla Inc	\$180.11	574,406	610,990	5.04	4.74
RIVN-US	Rivian Automotive, Inc.	\$10.70	10,566	7,385	0.96	1.47
QS-US	QuantumScape Corporation	\$5.77	2,567	1,954	NMF	NMF
ENVX-US	Enovix Corporation (US Listing)	\$10.58	1,799	1,709	16.84	18.39
NVX-AU	NOVONIX Ltd (AU Listing)	\$0.55	268	261	4.82	4.94
BLNK-US	Blink Charging Co	\$3.27	330	251	0.80	1.44
LICY-US	Li-Cycle Holdings Corp.	\$0.63	113	518	10.00	2.15
MVST-US	Microvast Holdings, Inc.	\$0.39	125	250	0.41	0.20
IPWR-US	Ideal Power Inc.	\$7.31	56	26		
FSR-US	Fisker Inc	\$0.06	78	931	0.71	0.07
RIDEQ-US	Nu Ride Inc	\$1.64	26	(18)		
FUV-US	Arcimoto, Inc.	\$0.17	2	21		
AVERAGE					<u>4.95</u>	<u>4.18</u>
KULR-US	KULR Technology Group Inc	\$0.39	72	56	2.55	3.55
KULR-US Premium/(Discount) to peers:					-49%	-15%

Source: Litchfield Hills Research LLC and FactSet

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

December year-end	2020A Year	2021A Year	2022A YEAR	2023A YEAR	2024E				2024E YEAR	2025E				2025E YEAR
					Q1A	Q2E	Q3E	Q4E		Q1E	Q2E	Q3E	Q4E	
Total revenue	\$624	\$2,413	\$3,995	\$9,830	\$1,749	\$2,300	\$2,400	\$3,000	\$9,449	\$3,000	\$4,000	\$5,000	\$7,000	\$19,000
<i>Growth</i>	-25%	287%	66%	146%	-1%	-15%	-21%	29%	-4%	72%	74%	108%	133%	101%
Cost of Goods	169	1,102	1,631	6,164	1,238	1,265	1,320	1,650	5,473	1,650	2,200	2,750	3,850	10,450
Gross Profit	455	1,311	2,364	3,666	511	1,035	1,080	1,350	3,976	1,350	1,800	2,250	3,150	8,550
Gross Margin	72.9%	54.3%	59.2%	37.3%	29.2%	45.0%	45.0%	45.0%	42.1%	45.0%	45.0%	45.0%	45.0%	45.0%
Operating Expenses														
R&D	\$290	\$1,662	\$3,978	\$6,195	\$955	\$1,100	\$1,100	\$1,200	\$4,355	\$1,800	\$1,800	\$1,900	\$1,900	\$7,400
% of total revenue	46%	69%	100%	63%	55%	48%	46%	40%	46%	60%	45%	38%	27%	39%
General and administrative	\$2,506	\$11,162	\$16,673	\$19,882	\$4,213	\$4,000	\$4,300	\$4,800	\$17,313	\$4,000	\$4,000	\$4,300	\$4,800	\$17,100
% of total revenue	402%	463%	417%	202%	241%	174%	179%	160%	183%	133%	100%	86%	69%	90%
Total Operating Expenses	2,795	12,824	20,650	26,078	5,168	5,100	5,400	6,000	21,668	5,800	5,800	6,200	6,700	24,500
Operating Income	(2,340)	(11,513)	(18,286)	(22,412)	(4,657)	(4,065)	(4,320)	(4,650)	(17,692)	(4,450)	(4,000)	(3,950)	(3,550)	(15,950)
Operating Margin	-375.1%	-477.2%	-457.8%	-228.0%	-266.2%	-176.7%	-180.0%	-155.0%	-187.2%	-148.3%	-100.0%	-79.0%	-50.7%	-83.9%
Total Other Items	(510)	(398)	(1,150)	(1,282)	(352)	(100)	(100)	(100)	(652)	(100)	(100)	(100)	(100)	(400)
Pre-Tax Income	(2,850)	(11,911)	(19,436)	(23,694)	(5,009)	(4,165)	(4,420)	(4,750)	(18,344)	(4,550)	(4,100)	(4,050)	(3,650)	(16,350)
Pre-Tax Margin	-456.8%	-493.7%	-486.6%	-241.0%	-286.4%	-181.1%	-184.2%	-158.3%	-194.1%	-151.7%	-102.5%	-81.0%	-52.1%	-86.1%
Taxes (benefit)	0	0	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%	0.0%	0.0%
Net income	(\$2,850)	(\$11,911)	(\$19,436)	(\$23,694)	(\$5,009)	(\$4,165)	(\$4,420)	(\$4,750)	(\$18,344)	(\$4,550)	(\$4,100)	(\$4,050)	(\$3,650)	(\$16,350)
Deemed dividend for Series C	(\$2)	(\$2,624)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net income attributable to shareholders	(\$2,852)	(\$14,535)	(\$19,436)	(\$23,694)	(\$5,009)	(\$4,165)	(\$4,420)	(\$4,750)	(\$18,344)	(\$4,550)	(\$4,100)	(\$4,050)	(\$3,650)	(\$16,350)
EPS	(0.03)	(0.12)	(0.18)	(0.20)	(0.04)	(0.02)	(0.02)	(0.03)	(0.11)	(0.02)	(0.02)	(0.02)	(0.02)	(0.09)
EPS plus deemed dividend	0.00	(0.15)	(0.18)	(0.20)	0.00	(0.02)	0.00	0.00	(0.11)	0.00	(0.02)	0.00	0.00	(0.09)
Diluted Shares Outstanding	82,032	97,708	105,656	117,821	142,362	182,700	183,000	184,000	173,015	185,000	186,000	187,000	188,000	186,500

Source: Company reports and Litchfield Hills Research LLC

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

December year-end	FY2024E	FY2023A	FY2022A	FY2021A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$378	\$1,195	\$10,334	\$14,863
Accounts receivable	1,000	902	1,542	136
Inventories	1,000	1,149	1,962	191
Other assets	<u>500</u>	<u>659</u>	<u>1,898</u>	<u>570</u>
Total Current Assets	2,878	3,904	15,736	15,761
Net PP&E	4,800	4,698	3,193	374
Goodwill & Intangible	0	719	721	217
Other non-current assets	<u>1,200</u>	<u>1,542</u>	<u>3,976</u>	<u>2,879</u>
Total Assets	<u>\$8,878</u>	<u>\$10,864</u>	<u>\$23,626</u>	<u>\$19,231</u>
Current Liabilities				
Accounts payable	\$2,000	\$2,770	\$1,408	\$455
Accrued exp. & other	\$4,000	\$3,476	\$2,370	\$1,454
Deferred revenue	\$0	\$0	\$23	\$132
Other current liabilities	<u>\$7,000</u>	<u>\$653</u>	<u>\$5,879</u>	<u>\$418</u>
Total current liabilities	<u>13,000</u>	<u>6,899</u>	<u>9,681</u>	<u>2,458</u>
Notes payable	5,000	250	0	0
Other Liabilities	<u>500</u>	<u>5,898</u>	<u>3,452</u>	<u>408</u>
Total Liabilities	18,500	13,047	13,132	2,866
Stockholders' Equity				
Preferred stock	0	0	0	0
Common stock	9	13	11	10
Additional paid-in-capital	75,000	64,388	53,373	39,512
Retained earnings	(84,631)	(66,288)	(42,594)	(23,158)
Cum. Other comp and treasury stock	<u>0</u>	<u>(296)</u>	<u>(296)</u>	<u>0</u>
Total stockholders' equity	<u>(9,622)</u>	<u>(2,183)</u>	<u>10,494</u>	<u>16,365</u>
Total Liabilities and equity	<u>\$8,878</u>	<u>\$10,864</u>	<u>\$23,626</u>	<u>\$19,231</u>

Source: Company reports and Litchfield Hills Research LLC

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

	FY24E	FY23A	FY22A	FY21A
Net Income	(\$18,344)	(\$23,694)	(\$19,436)	(\$11,911)
Accounts receivable	(98)	640	(1,406)	(81)
Inventories	149	813	(1,771)	(136)
Other assets	159	1,239	(1,328)	(420)
PP&E	(102)	(1,505)	(2,819)	(317)
Goodwill & Intangible	719	1	(504)	(217)
Other non-current	342	2,434	(1,098)	(2,870)
Accounts payable	(770)	1,362	954	388
Accrued exp & other - related party	0	0	0	0
Accrued exp. & other	524	1,106	916	1,056
Deferred revenue	0	(23)	(109)	112
Other current liabilities	6,347	(5,226)	5,462	(2,046)
Notes payable	4,750	250	0	(142)
Other Liabilities	(5,398)	2,446	3,044	408
Common stock	(4)	2	1	1
Additional paid-in-capital	10,612	11,015	13,861	22,156
Cum. trans. adj. and treasury stock	296	0	(296)	0
Dividends	0	0	0	0
Total Cash Flow	(817)	(9,139)	(4,530)	5,983

Source: Company reports and Litchfield Hills Research LLC

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