

**Action Summary – 2 December 2024**

Analyst Theodore R. O'Neill – 3Q24 Solid earnings and revenue beat – *Reiterate Buy and \$7 PT.*

- **Solid beat to estimates.** On November 13, KULR reported 3Q24 revenue and EPS of \$3.2MM and a loss of \$0.01, respectively. We had anticipated revenue of \$2.4MM and an EPS loss of \$0.02. There was no consensus. The \$0.01 favorable variance was due to higher revenue and margins and lower operating expenses. The margin improvement was due to the product mix.
- **2024 has become a pivotal year for the company.** It is now engaged in several solidly growing sectors that should benefit from both macro and micro trends such as nuclear energy, missiles and defense, satellites, and data centers and its products already meet NASA standards. It's come a long way from early days when we believed its business would be driven by its proven safety products and EVs.
- **Revision of estimates.** Our 2024 revenue and EPS estimates are now \$10.4MM and a loss of \$0.09, an improvement from our previous estimates for revenue and EPS of \$9.6MM and a loss of \$0.12. For 2025, our estimates for revenue are unchanged at \$19MM while the EPS loss improves slightly to \$0.08 from \$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.

11/29 Closing price: \$1.16	Market cap: \$252 million	2025 P/E: NMF	2025 EV / Sales: 11.9
Shares outstanding: 218 million	Insider ownership: 20%	3-month avg. trading volume: >100,000	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%
2Q24A	\$(0.03)	\$2,432	24%
3Q24A	\$(0.01)	\$3,186	71%
4Q24E	<u>\$(0.02)</u>	<u>\$3,000</u>	<u>45%</u>
FY24E	<u>\$(0.09)</u>	<u>\$10,367</u>	<u>45%</u>
FY25E	<u>\$(0.08)</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	• \$868
• 2025E	• \$818

**Debt (in USD thousands)**

• 2021A	• \$0
• 2022A	• \$0
• 2023A	• \$250
• 2024E	• \$0
• 2025E	• \$5,000

**EBITDA (in USD millions)**

• 2021A	• (\$11.4)
• 2022A	• (\$17.8)
• 2023A	• (\$20.2)
• 2024E	• (\$16.0)
• 2025E	• (\$15.0)

**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. (NYSE American: KULR) delivers innovative energy storage solutions for space, aerospace, and defense by leveraging a foundation of in-house battery design expertise, comprehensive cell and battery testing suite, and battery fabrication and production capabilities. The Company's holistic offering allows delivery of commercial-off-the-shelf and custom next generation energy storage systems in rapid timelines for a fraction of the cost compared to traditional programs.

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



Source: FactSet

## Quarterly Results

**Solid beat to estimates.** KULR reported 3Q24 revenue and EPS of \$3.2MM and a loss of \$0.01, respectively. We had anticipated revenue of \$2.4MM and an EPS loss of \$0.02. There was no consensus. The \$0.01 favorable variance was due to higher revenue and margins and lower operating expenses (see Figure 2). The margin improvement was due to the product mix.

*Figure 2 – KULR Technology Group, Inc. – Quarterly Variance Analysis (\$000)*

	2024	2024	Better/(worse) than forecast
	Q3E	Q3A	
Total Revenue	\$2,400	\$3,186	\$786
Total cost of revenue	1,320	928	392
Total Gross Profit	1,080	2,257	1,177
Operating expenses:			
R&D	1,100	1,232	(132)
General and administrative	4,300	2,735	1,565
Total Expenses	5,400	3,968	1,432
Earnings (loss) from Operations	(\$4,320)	(\$1,710)	\$2,610
Total Other income/(expense)	(100)	(293)	(193)
Earnings before taxes	(4,420)	(2,004)	2,416
Tax expense/(benefit)	0	0	0
Net income	(\$4,420)	(\$2,004)	\$2,416
EPS	(\$0.02)	(\$0.01)	\$0.01
Diluted common shares	183,000	194,500	(11,500)

Source: Company filings and Litchfield Hills Research LLC

## 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 3)
- 2) Valuation relative to peers (see Figure 4)

## 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 1H26.

Our valuation model is shown in Figure 3 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 \$6.69, which we round to \$7.

*Figure 3 - KULR Technology Group, Inc. - Discounted Future Earnings*

<b>Discounted Earnings</b>		<b>\$ 6.69</b>
Year 1 is Forecast		Discounted
2024	EPS	EPS
1	(0.09)	(\$0.09)
2	(0.08)	(\$0.07)
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 4, 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 5.

*Figure 4 – KULR Technology Group, Inc. – Valuation Relative to Peers*

	2025 EV / Sales	2025 Sales Multiple
Average	18.79	18.97
KULR	11.89	13.08
<b>Premium/(Discount) to peers</b>	<b>(37%)</b>	<b>(31%)</b>

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

### Guidance and Financial Forecasts

The company is not providing guidance. 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 5 – 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
RKLB-US	Rocket Lab USA, Inc.	\$27.28	13,638	13,605	22.07	22.37
TSLA-US	Tesla Inc	\$345.16	1,107,984	1,186,456	10.12	9.47
RIVN-US	Rivian Automotive, Inc.	\$12.23	12,387	11,491	2.18	2.44
QS-US	QuantumScape Corporation	\$5.23	2,394	1,916	NMF	NMF
ENVX-US	Enovix Corporation (US Listing)	\$9.25	1,743	1,632	40.34	44.61
ASPN-US	Aspen Aerogels Inc.	\$14.80	1,214	1,219	2.41	2.43
MVST-US	Microvast Holdings, Inc.	\$0.76	245	438		
NVX-AU	NOVONIX Ltd (AU Listing)	\$0.48	238	263	8.37	7.59
ATOM-US	Atomera Incorporated	\$6.18	178	154	50.93	61.33
LICY-US	Li-Cycle Holdings Corp.	\$2.11	49	449	13.87	1.53
IPWR-US	Ideal Power Inc.	\$6.31	51	37		
	<b>AVERAGE</b>				<u>18.79</u>	<u>18.97</u>
KULR-US	KULR Technology Group Inc	\$1.16	249	226	11.89	13.08
<b>KULR-US Premium/(Discount) to peers:</b>					<b>-37%</b>	<b>-31%</b>

Source: Litchfield Hills Research LLC and FactSet

Figure 6 – KULR Technology Group, Inc. – Income Statement (\$000)

December year-end	2022A YEAR	2023A YEAR	2024E				2024E YEAR	2025E				2025E YEAR
			Q1A	Q2A	Q3A	Q4E		Q1E	Q2E	Q3E	Q4E	
<b>Total revenue</b>	\$3,995	\$9,830	\$1,749	\$2,432	\$3,186	\$3,000	\$10,367	\$3,000	\$4,000	\$5,000	\$7,000	\$19,000
<i>Growth</i>	66%	146%	-1%	-10%	5%	29%	5%	72%	64%	57%	133%	83%
Cost of Goods	1,631	6,164	1,238	1,859	928	1,650	5,676	1,650	2,200	2,750	3,850	10,450
<b>Gross Profit</b>	<b>2,364</b>	<b>3,666</b>	<b>511</b>	<b>573</b>	<b>2,257</b>	<b>1,350</b>	<b>4,691</b>	<b>1,350</b>	<b>1,800</b>	<b>2,250</b>	<b>3,150</b>	<b>8,550</b>
<b>Gross Margin</b>	<b>59.2%</b>	<b>37.3%</b>	<b>29.2%</b>	<b>23.5%</b>	<b>70.9%</b>	<b>45.0%</b>	<b>45.2%</b>	<b>45.0%</b>	<b>45.0%</b>	<b>45.0%</b>	<b>45.0%</b>	<b>45.0%</b>
Operating Expenses												
R&D	\$3,978	\$6,195	\$955	\$1,305	\$1,232	\$1,200	\$4,692	\$1,800	\$1,800	\$1,900	\$1,900	\$7,400
% of total revenue	100%	63%	55%	54%	39%	40%	45%	60%	45%	38%	27%	39%
General and administrative	\$16,673	\$19,882	\$4,213	\$4,595	\$2,735	\$3,000	\$14,543	\$3,000	\$4,000	\$4,300	\$4,800	\$16,100
% of total revenue	417%	202%	241%	189%	86%	100%	140%	100%	100%	86%	69%	85%
Total Operating Expenses	20,650	26,078	5,168	5,900	3,968	4,200	19,235	4,800	5,800	6,200	6,700	23,500
<b>Operating Income</b>	<b>(18,286)</b>	<b>(22,412)</b>	<b>(4,657)</b>	<b>(5,327)</b>	<b>(1,710)</b>	<b>(2,850)</b>	<b>(14,544)</b>	<b>(3,450)</b>	<b>(4,000)</b>	<b>(3,950)</b>	<b>(3,550)</b>	<b>(14,950)</b>
<b>Operating Margin</b>	<b>-457.8%</b>	<b>-228.0%</b>	<b>-266.2%</b>	<b>-219.0%</b>	<b>-53.7%</b>	<b>-95.0%</b>	<b>-140.3%</b>	<b>-115.0%</b>	<b>-100.0%</b>	<b>-79.0%</b>	<b>-50.7%</b>	<b>-78.7%</b>
Total Other Items	(1,150)	(1,282)	(352)	(563)	(293)	(100)	(1,309)	(100)	(100)	(100)	(100)	(400)
<b>Pre-Tax Income</b>	<b>(19,436)</b>	<b>(23,694)</b>	<b>(5,009)</b>	<b>(5,891)</b>	<b>(2,004)</b>	<b>(2,950)</b>	<b>(15,853)</b>	<b>(3,550)</b>	<b>(4,100)</b>	<b>(4,050)</b>	<b>(3,650)</b>	<b>(15,350)</b>
<b>Pre-Tax Margin</b>	<b>-486.6%</b>	<b>-241.0%</b>	<b>-286.4%</b>	<b>-242.2%</b>	<b>-62.9%</b>	<b>-98.3%</b>	<b>-152.9%</b>	<b>-118.3%</b>	<b>-102.5%</b>	<b>-81.0%</b>	<b>-52.1%</b>	<b>-80.8%</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>(\$19,436)</b>	<b>(\$23,694)</b>	<b>(\$5,009)</b>	<b>(\$5,891)</b>	<b>(\$2,004)</b>	<b>(\$2,950)</b>	<b>(\$15,853)</b>	<b>(\$3,550)</b>	<b>(\$4,100)</b>	<b>(\$4,050)</b>	<b>(\$3,650)</b>	<b>(\$15,350)</b>
Deemed dividend for Series C	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net income attributable to shareholders</b>	<b>(\$19,436)</b>	<b>(\$23,694)</b>	<b>(\$5,009)</b>	<b>(\$5,891)</b>	<b>(\$2,004)</b>	<b>(\$2,950)</b>	<b>(\$15,853)</b>	<b>(\$3,550)</b>	<b>(\$4,100)</b>	<b>(\$4,050)</b>	<b>(\$3,650)</b>	<b>(\$15,350)</b>
<b>EPS</b>	<b>(0.18)</b>	<b>(0.20)</b>	<b>(0.04)</b>	<b>(0.03)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.09)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.08)</b>
Diluted Shares Outstanding	105,656	117,821	142,362	181,467	194,500	195,000	178,332	196,000	197,000	198,000	199,000	197,500

Source: Company reports and Litchfield Hills Research LLC

Figure 7 – KULR Technology Group, Inc. – Balance Sheet (\$'000)

December year-end	FY2025E	FY2024E	FY2023A	FY2022A	FY2021A
<b>Balance sheet</b>					
<b>Current Assets</b>					
Cash and S.T.I.	\$818	\$868	\$1,195	\$10,334	\$14,863
Accounts receivable	2,000	2,000	902	1,542	136
Inventories	1,000	1,000	1,149	1,962	191
Other assets	500	500	659	1,898	570
<b>Total Current Assets</b>	<b>4,318</b>	<b>4,368</b>	<b>3,904</b>	<b>15,736</b>	<b>15,761</b>
Net PP&E	3,700	3,500	4,698	3,193	374
Goodwill & Intangible	0	0	719	721	217
Other non-current assets	4,000	4,000	1,542	3,976	2,879
<b>Total Assets</b>	<b>\$12,018</b>	<b>\$11,868</b>	<b>\$10,864</b>	<b>\$23,626</b>	<b>\$19,231</b>
<b>Current Liabilities</b>					
Accounts payable	\$5,000	\$3,500	\$2,770	\$1,408	\$455
Accrued exp. & other	\$5,000	\$4,000	\$3,476	\$2,370	\$1,454
Deferred revenue	\$0	\$0	\$0	\$23	\$132
Other current liabilities	\$1,000	\$1,000	\$653	\$5,879	\$418
<b>Total current liabilities</b>	<b>11,000</b>	<b>8,500</b>	<b>6,899</b>	<b>9,681</b>	<b>2,458</b>
Notes payable	5,000	0	250	0	0
Other Liabilities	500	500	5,898	3,452	408
<b>Total Liabilities</b>	<b>16,500</b>	<b>9,000</b>	<b>13,047</b>	<b>13,132</b>	<b>2,866</b>
<b>Stockholders' Equity</b>					
Preferred stock	0	0	0	0	0
Common stock	9	9	13	11	10
Additional paid-in-capital	93,000	85,000	64,388	53,373	39,512
Retained earnings	(97,491)	(82,141)	(66,288)	(42,594)	(23,158)
Cum. Other comp and treasury stock	0	0	(296)	(296)	0
<b>Total stockholders' equity</b>	<b>(4,482)</b>	<b>2,868</b>	<b>(2,183)</b>	<b>10,494</b>	<b>16,365</b>
<b>Total Liabilities and equity</b>	<b>\$12,018</b>	<b>\$11,868</b>	<b>\$10,864</b>	<b>\$23,626</b>	<b>\$19,231</b>

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – KULR Technology Group, Inc. – Cash Flow (\$000)

	FY25E	FY24E	FY23A	FY22A
Net Income	(\$15,350)	(\$15,853)	(\$23,694)	(\$19,436)
Accounts receivable	0	(1,098)	640	(1,406)
Inventories	0	149	813	(1,771)
Other assets	0	159	1,239	(1,328)
PP&E	(200)	1,198	(1,505)	(2,819)
Goodwill & Intangible	0	719	1	(504)
Other non-current	0	(2,458)	2,434	(1,098)
Accounts payable	1,500	730	1,362	954
Accrued exp & other - related party	0	0	0	0
Accrued exp. & other	1,000	524	1,106	916
Deferred revenue	0	0	(23)	(109)
Other current liabilities	0	347	(5,226)	5,462
Notes payable	5,000	(250)	250	0
Other Liabilities	0	(5,398)	2,446	3,044
Common stock	0	(4)	2	1
Additional paid-in-capital	8,000	20,612	11,015	13,861
Cum. trans. adj. and treasury stock	0	296	0	(296)
Dividends	0	0	0	0
Total Cash Flow	(50)	(327)	(9,139)	(4,530)

Source: Company reports and Litchfield Hills Research LLC

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