

Action Summary – 23 April 2025

Analyst Theodore R. O'Neill – No new tariff impact to business- Reiterate our Buy rating and \$5PT.

- **No new tariffs on classic cars.** ECD's original business model was the import of classic British cars into the US and upgrading all of it but the frame to create a reliable car with new electronics and fittings that could be repaired locally. Some investors were concerned that the new tariffs placed on imported cars would negatively impact the business. Not so. 25-year-old automobiles imported into the U.S. pay a 2.5% tariff, are exempt from EPA and some safety standards.
- **Classic vehicles sourced from the U.S.** Even if tariffs were to be placed on Classic cars, which is not our call, the company doesn't rely on conversion of classic British cars. It also builds classic Mustangs produced and sourced in the U.S.
- **Need to peel-the-onion on 4Q and 2024.** Results for 2024 were negatively impacted by one-off events that won't recur in 2025. These had a negative net impact of \$6.1MM and \$8.1MM or \$0.18-\$0.24 per share and are the combination of the inclusion of ~\$3MM in non-recurring expenses and the exclusion of \$3MM-\$5MM in revenue from completed cars now shifted into 1Q25 and 2Q25.
- **Backlog of 67 contracted projects.** Multiple retail locations from which it will have a full year's experience.
- **Adjustment to our estimates.** For 2025, our new revenue and EPS estimates are \$30MM and a loss of \$0.10, respectively. Our previous revenue and EPS estimates were for \$41.9MM and a loss of \$0.16. The change in our revenue estimate is both to be conservative given the uncertainty surrounding the economy and the improved earnings picture stems from our estimate of lower expenses relative to our previous estimates.
- **Attractive valuation.** The shares currently sell at a discount to our earnings-based price target and at a discount to peers as a multiple of sales.

4/22 Closing price: \$0.38 USD	Market cap: \$13 million	2026E Market Cap/Sales: 0.29x	EV/2026E Sales: 0.52x
Shares outstanding: 35 million	Insider ownership: 84%	3-mo avg. daily trading volume: >100,000	Dividend 2024 /Yield: 0/0%

(Revenue in USD millions and GAAP EPS in dollars)

Period	Revenue	EPS	Gross Profit
2022A	\$9.62	(\$0.10)	10%
2023A	\$19.49	(\$0.05)	23%
2024A	\$25.2	(\$0.32)	23%
2025E	\$30.0	(\$0.10)	35%

Note: See our full model at the back of this report.

Cash balance (in USD millions)

• 2022A	• \$3.5
• 2023A	• \$8.1
• 2024A	• \$1.5
• 2025E	• \$4.2

Convertible debt (in USD millions)

• 2022A	• \$0.5
• 2023A	• \$10.7
• 2024A	• \$14.1
• 2025E	• \$14.0

Risks/Valuation

- Risks: Competition in its markets, evolving regulatory environment, changes in demand and supply for classic vehicles, and the possible need for additional capital to fund growth.
- Our \$5 price target is derived from our discounted future earnings model.

Company description: ECD is a creator of restored luxury vehicles that includes Land Rovers Series, Land Rover Series IIA, the Range Rover Classic, Jaguar E-Type, Ford Mustang, Toyota FJ, and highly specialized vehicles from its Boutique Studio. Each vehicle produced by ECD is fully bespoke, a one-off that is designed by the client through an immersive luxury design experience and hand-built from the ground up in 2,200 hours by master-certified ASE craftsmen. Global headquarters is a 100,000-ft² facility located in Kissimmee, Florida, home to >100 talented craftsmen and technicians.

Figure 1 – ECD Automotive Design, Inc. – One year trading snapshot



Source: FactSet

Valuation and Price Target

Valuation Methodology

We believe ECDA is undervalued, and we support that belief with two valuation techniques. To determine our price target, we use a discounted future earnings model, and we support that with a comparable valuation to peers.

Discounted Future Earnings – Basis for Price Target

Our 12-month price target of \$5 is based on a discounted earnings model. For valuation purposes, we sum up all future earnings on a GAAP basis and discount them at 12%. We assume the company becomes GAAP EPS breakeven in 2026 and earnings growth ramps up for another 10 years until growth eventually slows to GDP. Our valuation model is shown in Figure 2 below. Note, this model understates future new services 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 \$5.42, which we round to \$5.00.

Figure 2 – ECD Design Automotive, Inc. – Price Target Calculation

Discounted Future Earnings: \$5.42		
Year	EPS	Discounted EPS
2025	(0.10)	(0.10)
2026	0.00	0.00
2027	0.20	0.16
2028	0.30	0.21
2029	0.40	0.25
2030	0.50	0.28
2031	0.60	0.30
2032	0.70	0.32
2033	0.80	0.32
2034	0.82	0.30
Terminal Value:		3.37

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

Figure 3 summarizes our ECDA peer comparison. We use a comparable group of motorized vehicle manufacturers. Comparing ECD's 2026 multiples to the averages shows the shares sell at an 88% discount to 2026 market cap/sales and a 77% discount to EV/Sales. Were the shares to trade to our price target of \$5, they would be selling at a premium to the average, but nowhere near the high end of the range. We would argue that the shares should sell at a premium because the margins and sales growth will also be at the high end of comparables. This and our discounted future earnings model confirm our view that the shares are undervalued.

Figure 3 – ECD Automotive Design, Inc. – Valuation of Peers

FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2026 Consensus	
					Market Cap / Sales	EV /Sales
TSLA-US	Tesla Inc	\$227.50	731,758	772,385	5.93	6.27
RACE-IT	Ferrari N.V. (IT Listing)	\$438.13	112,712	80,475	12.64	9.04
MBG-DE	Mercedes-Benz Group AG (DE Listing)	\$57.01	54,899	142,510	0.35	1.01
P911-DE	Porsche AG	\$49.51	45,007	51,020	1.02	1.09
BMW-DE	Bayerische Motoren Werke AG (BMW) (Ordinary)	\$79.75	50,662	123,845	0.31	0.89
532977-IN	Bajaj Auto Ltd.	\$96.89	27,058		3.48	3.44
2015-HK	Li Auto Inc (Class A 2:1)	\$11.55	24,721	9,817	0.82	0.45
505200-IN	Eicher Motors	\$68.24	18,709	18,622	6.81	6.78
RIVN-US	Rivian Automotive, Inc.	\$11.15	12,607	10,084	1.72	1.18
500182-IN	Hero MotoCorp Ltd.	\$46.00	9,201	8,383	1.58	1.45
9868-HK	XPeng, Inc. (Class A)	\$9.47	18,033	15,037	1.14	1.01
9866-HK	NIO Inc. (Class A (HK))	\$3.52	7,380	5,644	0.45	0.44
7272-JP	Yamaha Motor Co Ltd	\$7.65	7,853	11,534	0.40	0.61
LCID-US	Lucid Group, Inc.	\$2.32	7,033	7,243	2.57	1.98
HOG-US	Harley Davidson	\$22.04	2,726	8,042	0.65	1.92
PSNY-US	Polestar Automotive Holding UK PLC	\$0.95	2,030	4,838	0.42	0.31
AML-GB	Aston Martin Lagonda Global Holdings plc	\$0.85	792	2,210	<u>0.32</u>	<u>0.90</u>
AVERAGE					2.39	2.28
ECDA-US	ECD Automotive Design, Inc.	\$0.41	15	26	0.29	0.52
ECDA-US Premium/(Discount) to peers:					-88%	-77%

Source: Litchfield Hills Research LLC and FactSet

Figure 4 – ECD Automotive Design, Inc. – Income Statement (\$000)

December ending year	2022A Year	2023A Year	2024A Year	2025E Year
Total Revenue	\$9,618	\$19,493	\$25,166	\$30,000
YoY growth	NA	103%	29%	19%
Total cost of revenue	<u>8,653</u>	<u>14,970</u>	<u>19,278</u>	<u>19,500</u>
Gross profit	965	4,523	5,888	10,500
Gross profit %	10%	23%	23%	35%
Operating expenses:				
Sales and marketing	405	642	1,172	1,200
G&A	3,090	5,145	9,107	9,500
Depreciation and amortization	15	124	127	100
Provision for credit losses	59	149	31	0
Total Operating Expenses	<u>3,570</u>	<u>6,059</u>	<u>10,437</u>	<u>10,800</u>
Operating income	<u>(2,605)</u>	<u>(1,536)</u>	<u>(4,549)</u>	<u>(300)</u>
Operating income %	<u>-27%</u>	<u>-8%</u>	<u>-18%</u>	<u>-1%</u>
EBITDA	<u>(2,590)</u>	<u>(1,412)</u>	<u>(4,422)</u>	<u>(200)</u>
Total other income/(expense)	<u>165</u>	<u>(481)</u>	<u>(5,385)</u>	<u>(4,000)</u>
Earnings before taxes	<u>(2,440)</u>	<u>(2,017)</u>	<u>(9,933)</u>	<u>(4,300)</u>
Tax expense/(benefit)	<u>0</u>	<u>(838)</u>	<u>838</u>	<u>(774)</u>
Net income	<u>(\$2,440)</u>	<u>(\$1,179)</u>	<u>(\$10,771)</u>	<u>(\$3,526)</u>
GAAP EPS	<u>(\$0.10)</u>	<u>(\$0.05)</u>	<u>(\$0.32)</u>	<u>(\$0.10)</u>
Diluted Shares Outstanding	24,000	24,876	33,506	34,602

Source: Company reports and Litchfield Hills Research LLC

Figure 5 – ECD Automotive Design, Inc. – Balance Sheet (\$000)

December ending year	FY2025E	FY2024A	FY2023A	FY2022A
Balance sheet				
Current Assets				
Cash and S.T.I.	\$4,166	\$1,477	\$8,134	\$3,515
Accounts receivable	100	45	0	616
Inventories	12,000	11,182	9,608	7,794
Other assets	<u>250</u>	<u>240</u>	<u>34</u>	<u>499</u>
Total Current Assets	16,516	12,944	17,776	12,423
Net PP&E	500	484	913	563
Right-to-use asset	3,300	3,405	3,763	3,897
Other non-current	<u>1,200</u>	<u>1,363</u>	<u>916</u>	<u>76</u>
Total Assets	<u>\$21,516</u>	<u>\$18,196</u>	<u>\$23,368</u>	<u>\$16,958</u>
Current Liabilities				
Accounts payable	\$4,000	\$2,495	\$898	\$699
Accrued expenses	2,000	1,687	780	243
Deferred revenue	17,000	11,803	16,191	17,494
Other current liabilities	<u>3,000</u>	<u>2,930</u>	<u>1,865</u>	<u>454</u>
Total current liabilities	26,000	18,914	19,734	18,889
Convertible note and Credit Line	14,000	14,086	10,654	500
Lease liability - non-current	<u>4,000</u>	<u>4,173</u>	<u>3,756</u>	<u>3,890</u>
Total Liabilities	44,000	37,173	34,144	23,279
Stockholders' Equity				
Preferred stock	0	0	0	0
Common stock	0	4	3	2
Additional paid-in-capital	2,600	2,576	0	0
Retained earnings	(25,077)	(21,551)	(10,779)	(6,323)
Cum. trans. adj. and treasury stock	<u>(7)</u>	<u>(7)</u>	<u>0</u>	<u>0</u>
Total stockholders' equity	<u>(22,484)</u>	<u>(18,977)</u>	<u>(10,776)</u>	<u>(6,320)</u>
Total Liabilities and equity	<u>\$21,516</u>	<u>\$18,196</u>	<u>\$23,368</u>	<u>\$16,958</u>

Source: Company reports and Litchfield Hills Research LLC

Figure 6 – ECD Automotive Design, Inc. – Cash Flow (\$000)

	FY25E	FY24E	FY23A	FY22A
Net income	(\$3,526)	(\$10,771)	(\$1,179)	(\$2,440)
Receivables	(\$55)	(\$45)	\$616	(\$135)
Inventories	(\$818)	(\$1,574)	(\$1,814)	(\$7,794)
Other assets	(\$10)	(\$206)	\$465	(\$57)
Net PP&E	(\$16)	\$429	(\$351)	(\$388)
Right-to-use asset	\$105	\$358	\$133	(\$3,252)
Other non-current	\$163	(\$448)	(\$840)	\$421
Accounts payable	\$1,505	\$1,596	\$200	(\$119)
Accrued expenses	\$313	\$907	\$537	(\$8)
Deferred revenue	\$5,197	(\$4,388)	(\$1,303)	\$17,450
Lease obligations and other	\$70	\$1,065	\$1,411	\$447
Convertible note and Credit Line	(\$86)	\$3,431	\$10,154	\$192
Lease liability - non-current	(\$173)	\$417	(\$133)	\$3,890
Preferred stock	(\$0)	(\$0)	\$0	\$0
Common stock	(\$4)	\$0	\$1	\$2
Additional paid-in-capital	\$24	\$2,576	\$0	(\$9,958)
Accum. Other Comprehensive loss	(\$0)	(\$7)	\$0	\$0
Dividends and transition adjustments			(\$3,278)	\$9
Total Cash Flow	\$2,689	(\$6,657)	\$4,619	(\$1,740)

Source: Litchfield Hills Research LLC

Disclosures:

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ECD Automotive Design, Inc.

ECDA-US - Buy \$5 PT

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