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Zacks Small-Cap Research

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Expion360 Inc (XPON-NASDAQ)

XPON: New OEM relationships improve the outlook for 2025

We are adjusting our model to reflect incremental sales related to new OEM relationships that were recently announced. Our new revenue estimates are $5.3 mil for 2024 and $8.9 mil for 2025. We are maintaining a target valuation of $4.00/share as the improving business prospects are offset by concerns about the company's operating cash needs.

Current Price (11/26/24)	$2.27
Valuation	**$4.00**

OUTLOOK

Expion360 announced several new OEM relationships that management "expects to generate incremental revenue of $5.0 million in 2025".

We are electing to be more conservative with our model for the moment but we are still raising our 2025 revenue estimate from $6 million to $8.9 million.

Our valuation target also remains unchanged at $4/share as the improving 2025 outlook is tempered by concerns about the company's financial condition in 2025.

SUMMARY DATA

52-Week High	**$639**
52-Week Low	**$2.09**
One-Year Return (%)	**-99%**
Beta	**0.27**
Average Daily Volume (sh)	**2,032,324**
Shares Outstanding (mil)	**2.1**
Market Capitalization ($mil)	**$4.7**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**NA**
Insider Ownership (%)	**NA**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2024 Estimate	**N/A**
P/E using 2025 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**Energy Storage**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	2 A	2 A	1 A	1 A	7 A
2023	2 A	2 A	2 A	0.9 A	6.0 A
2024	1.0 A	1.3 A	1.4 A	1.7 E	5.3 E
2025	1.7 E	2.1 E	2.7 E	2.4 E	8.9 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-$16.0 A	-$62.0 A	-$215 A	-$20.0 A	-$123 A
2023	-$29.0 A	-$21.0 A	-$26.0 A	-$31.0 A	-$108 A
2024	-$31.0 A	-$30.0 A	-$24.6 A	-$0.96 E	-$27.4 E
2025	-$0.64 E	-$0.58 E	-$0.54 E	-$0.55 E	-$2.30 E

Quarterly results for 2024 will not add up due to the August financing.

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WHAT'S NEW

New OEM relationships

Expion360 (NASDAQ: XPON) announced several new OEM relationships and a new distributor relationship on November 19th that appear significant for the company. While the company did not disclose the OEMs by name or indicate if the relationships were exclusive, the company did indicate that these new relationships were expected to add incremental revenue of $5.0 million to the company in 2025.

Given that our model only projected $5 million of total revenue in 2024 and $6 million in 2025, these new relationships appear very significant. The wording of the press release seems to carefully note that the company "expects these new relationships to generate incremental revenue of approximately $5 million" but does not indicate that these are firm orders as of today and we do not believe a contract is in place for any predetermined set of orders.

RV demand is forecast to rebound slightly in 2025 and there are no large new entrants in the market that we are aware of that would be significant enough to buy several thousand new batteries from Expion360 in 2025, so we assume that these are new relationships with fairly established RV brands where Expion360 could be another LiFEPO4 battery alternative or where the company is supplanting old lead acid battery options.

The company's innovative Edge battery at just 4.2 inches tall gives creative RV designers different options when designing a power system that can improve the RV user's experience by creating more usable workspace inside a van or RV. We also believe that the company's energy density profile – effectively offering more energy for the size of the battery used - has sparked some interest from industry players that previously overlooked Expion360's offerings.

The company also indicated that it anticipates realizing $1.4 million of gross profit from these incremental sales which is impressive as that alone would exceed our forecast for all the total gross profit for 2024.

Model update

Despite having just revised our estimates two weeks ago, in light of these new relationships and the significant potential impact on the company's financial condition we are updating our model today.

The company indicated that sales to these new OEM partners are expected to positively impact Q4 2024 results and we are boosting our forecast for Q4 2024 from $1.35 million to $1.7 million. We are also anticipating that the gross margin will rebound after some discontinued items were sold in Q3 which weighed heavily on the gross margin in the latest quarter. We are now projecting that the gross margin will rebound to a more normalized 22% in Q4 2024. As a result of these changes our loss per share for the company falls to ($0.96)/share for Q4 2024 from our previous estimate of ($1.02)/share. Again, we would note that the company has indicated that it will reverse a large derivative liability expense in Q4 2024 and when it does so, it will likely record a large gain on this transaction (effectively negating the Q3 charge). The company may report "earnings" per share that could be as high as $3.00/share as a result of reversing this charge, but we believe that this is merely an accounting technicality and should not be viewed as representative of the core operations of the company. Our new Q4 2024 EPS estimate of ($0.96)/share excludes any potential one-time gain from this accounting entry reversal.

We are taking a conservative approach with regard to 2025 revenues, adding roughly $2.9 million to our previous forecast of $6 million for a new forecast of $8.9 million. If the new orders materialize as expected for the company from the new OEM relationships, we will gain confidence in the company's expectations for up to $5 million of new revenue from these relationships, but until that time we are electing to be conservative with our forecast.

The company is actively managing its cost structure but we recognize that there will be added costs associated with increased sales efforts in 2025. As a result of higher margins on the sales to the new OEMs and cost controls our 2025 estimated loss per share falls to ($2.30)/share from a previous estimate of ($2.58)/share.

The company is working to reach positive cash flow from operations and if the company realizes $1.4 million of gross profit on these new OEM sales in 2025 it would be a step in the right direction, but the company is still projected to burn cash through 2025 and will likely need additional debt or equity financing to sustain operations into 2026.

VALUATION

We are maintaining our target valuation of $4/share until we gain further clarity on the nature of the new OEM relationships and the consistency of the new customer orders. The company's shares are likely to remain range-bound until investors understand the company's plans to address its financial condition in 2025. We would note that long-term investors in Expion360's shares are down substantially in 2024 and tax-loss selling by investors looking to offset gains in their portfolios in December is a strong possibility.

RISKS

- The company operates in an extremely competitive industry and pricing pressures have begun to emerge particularly in the lower end of the market.

- The company's path to profitability is not assured. The company will need to generate sufficient revenue and manage the growth of expenses to become profitable and at this time the company does not have the financial capacity to fund operations beyond 2025.

- The company remains very reliant on its distribution relationship with Camping World. If this relationship were terminated, it would have a material negative impact on the company.

- The company's results could be impacted by the availability and cost of lithium cells and other components for their batteries. The prospect of tariffs on imported cells could impact margins or pricing of the company's batteries.

- Supply chain disruptions could impact the company's ability to meet customer demand. Lithium battery cells are manufactured almost exclusively in China and any disruption of the supply chain would limit the company's ability to meet our growth targets.

- The company has a limited operating history as a public entity and the management team has not led a public company before.

PROJECTED INCOME STATEMENT

Expion360, Inc.

11/27/24

(USD in 000's; December Year-End)	2021	2022A	2023A	Mar 1Q24A	June 2Q24A	Sept 3Q24A	Dec 4Q24E	2024E	Mar 1Q25E	June 2Q25E	Sept 3Q25E	Dec 4Q25E	2025E
Revenues:													
Sales	**4,517.5**	**7,162.8**	**5,981.1**	971.9	1,278.1	1,389.5	1,697.8	**5,337.3**	1,676.8	2,135.6	2,682.3	2,398.0	**8,892.7**
% change (yoy)	**187%**	**59%**	**-16%**	-36%	-26%	-26%	98%	**-11%**	73%	67%	93%	41%	**67%**
Cost of Revenues	2,872	4,874	4,406	749	953	1,221	1,324	4,246	1,287	1,619	2,041	1,838	6,785
Gross Profit	1,646	2,288	1,575	223	325	169	374	1,091	390	517	641	560	2,108
% change (yoy)	443%	39%	-31%	-50%	-28%	-64%	82%	-31%	75%	59%	280%	50%	93%
Gross Profit Margin	**36.4%**	**31.9%**	**26.3%**	**22.9%**	**25.5%**	**12.1%**	**22.0%**	**20.4%**	**23.3%**	**24.2%**	**23.9%**	**23.3%**	**23.7%**
Operating Expenses:													
Selling General and Administrative	2,909	8,242	8,745	2,189	2,004	2,096	1,817	8,107	1,727	1,730	1,770	1,727	6,954
% of Sales	64.4%	115.1%	146.2%	225.3%	170.0%	150.9%	107.0%	151.9%	103.0%	81.0%	66.0%	72.0%	78.2%
Operating Income (Loss)	**(1,263)**	**(5,953)**	**(7,170)**	**(1,967)**	**(1,679)**	**(1,928)**	**(1,443)**	**(7,016)**	**(1,337)**	**(1,213)**	**(1,129)**	**(1,167)**	**(4,846)**
Grant (Income)/Expense	-	(0)	-	0	0	0	0	-	0	0	0	0	-
Net Interest Expense	554	1,606	(1)	(226)	(232)	453	0	(5)	0	0	0	0	0
Other (Income)/ Loss	2,791	(13)	0	1	0	(146)	0	(145)	0	0	0	0	0
Other Expenses	103	(0)	(285)	0	(309)	(6,287)	0	(6,596)	0	0	0	0	0
Income before Taxes	**(4,712)**	**(7,545)**	**(7,453)**	**(2,192)**	**(2,220)**	**(8,814)**	**(1,443)**	**(13,762)**	**(1,337)**	**(1,213)**	**(1,129)**	**(1,167)**	**(4,846)**
Income Taxes or Benefit	-	9	-	0	0	0	0	-	0	0	0	0	-
Franchise Taxes	9	0	3	1	0	1	0	0	0	0	0	0	0
Net Income (Loss) reported	**(4,721)**	**(7,537)**	**(7,456)**	**(2,193)**	**(2,220)**	**(8,815)**	**(1,443)**	**(13,762)**	**(1,337)**	**(1,213)**	**(1,129)**	**(1,167)**	**(4,846)**
EPS reported	**(1.63)**	**(1.23)**	**(1.08)**	**(31.29)**	**(30.17)**	**(24.56)**	**(0.96)**	**(27.39)**	**(0.64)**	**(0.58)**	**(0.54)**	**(0.55)**	**(2.30)**
% change (yoy)		**N/A**	**N/A**	N/A	N/A	N/A	N/A	**N/A**	N/A	N/A	N/A	N/A	**N/A**
EBITDA reported	**(1,202)**	**(5,780)**	**(6,673)**	**(1,751)**	**(1,435)**	**(1,647)**	**(1,125)**	**(5,957)**	**(988)**	**(836)**	**(733)**	**(751)**	**(3,309)**
Depreciation & Amortization	61	174	496	216	244	281	317	1,058	349	377	396	416	1,538
Share-based Compensation Expense	188	2,115	-	-	-	-	-	-					-
EBITDA Adjusted (excl stock comp)	**(1,014)**	**(3,665)**	**(6,673)**	(1,751)	(1,435)	(1,647)	(1,125)	**(5,957)**	(988)	(836)	(733)	(751)	**(3,309)**
Diluted Shares (weighted average)	**2888.7**	**6135.9**	**6888.0**	70.1	73.6	358.9	1507.0	**502.4**	2096.0	2101.2	2106.5	2111.8	**2103.9**
Margins:													
Gross Margin	**36.4%**	**31.9%**	**26.3%**	22.9%	25.5%	12.1%	22.0%	**20.4%**	23.3%	24.2%	23.9%	23.3%	**23.7%**
Selling & Marketing % of Revenues	64.4%	115.1%	146.2%	225.3%	170.0%	150.9%	107.0%	151.9%	103.0%	81.0%	66.0%	72.0%	78.2%

Source: Zacks SCR, Brian Lantier, Company Filings

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BALANCE SHEET

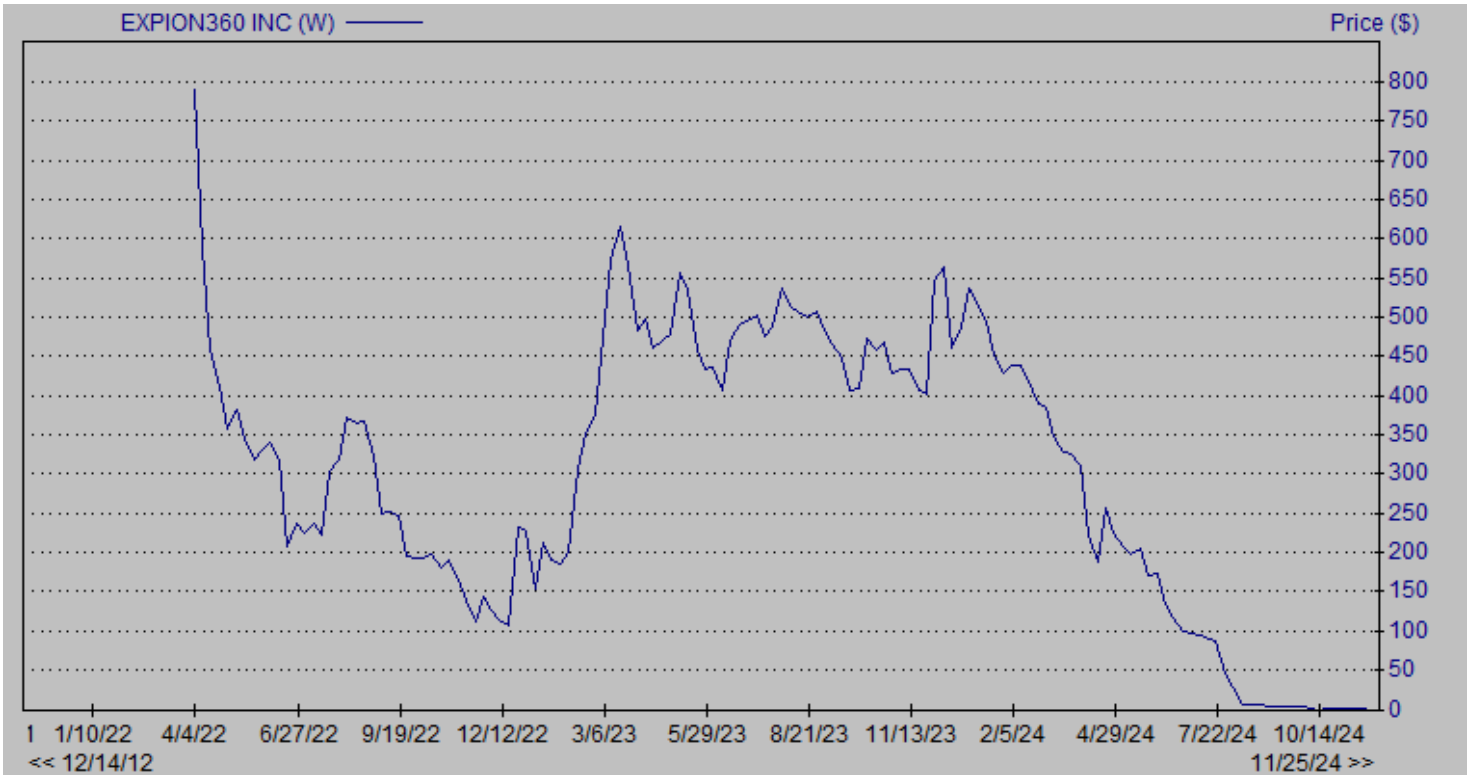
Expion360 , Inc.
Balance Sheet in USD
9/30/24

Assets	
Current Assets	
Cash and Cash Equivalents	3,325
Accounts Receivable (net)	439
Inventory	3,365
Prepaid/in-transit inventory	1,362
Prepaid expenses and other current assets	278
Total current assets	8,769
Non-Current Assets	
Property & Equipment (net)	509
Operating leases	823
Deposits	27
Total non-current assets	1,359
Total Assets	**10,129**
Liabilities	
Current Liabilities	
Accounts payable	335
Customer deposits	41
Accrued expenses and other current liabilities	214
Convertible note	0
Current portion of operating lease liability	260
Current portion of stockholder promissory notes	0
Derivative liability - warrants	5,887
Current portion of long-term debt	32
Total current liabilities	6,769
Non-Current Liabilities	
Long-Term Debt	208
Operating lease liability, net of current portion	607
Shareholder promisory notes	0
Total Liabilities	**7,584**
Shareholder's Equity	
Ordinary Shares	1
Additional Paid-in Capital	36,868
Accumulated deficit	(34,324)
Shareholder's Equity (Deficiency)	**2,545**
Total Liabilities & Shareholder's Equity	**10,129**

Source: Company filing

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