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Michael Kim
312-265-9372
mkim@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

LOBO EV Technologies Ltd (LOBO-NASDAQ)

LOBO: Busy Quarter on the Product/Distribution/Capital Fronts; Earnings Power Set to Ramp Up

Research Note

LOBO EV Technologies (LOBO) designs and manufactures e-Bicycles, e-Mopeds, motorcycles, e-Tricycles, autonomous robotic lawn mowers, and electric off-highway four-wheeled shuttles (golf carts and scooters for elderly and disabled persons) for distribution through a broad-based dealership network in China, Southeast Asia, Latin America, Europe, and the United States.

Following the release of 1H24 financial results in September 2024, senior executives have remained proactive in further building out LOBO's product and distribution capabilities, as reinforced by management commentary on the Investor Webinar on January 8, 2025.

Key highlights include:

1. **Setting up shop in the U.S.:** As discussed on prior calls, a key strategic priority for the company remains increasingly penetrating the U.S. market, with a focus on manufacturing, distributing, and providing after-market support for robotic lawnmowers, electric golf carts, and mobility scooters for the elderly. Indeed, management recently announced the launch of LOBOAI Inc., the company's U.S. subsidiary, to manage/supplement the company's existing network of 20+ distributors in the U.S., with a focus on larger retail stores, as well as online sales channels.

   From an economic perspective, management expects LOBOAI to generate $5+ million of incremental sales in 2025, representing ~18% accretion on an estimated $28 million revenue base in 2024. Furthermore, senior officials plan to assemble vehicles and/or manufacture parts in the U.S. to mitigate potential tariffs and minimize operating costs. Additional expenses include new hirings, though we think margins in the U.S. likely settle in a range that is meaningfully higher compared to LOBO's domestic operations.

   Stepping back, recent studies forecast the robotic lawn mower market in the U.S. to grow to $700+ million by 2027 reflecting rising adoption rates, suggesting limited market share gains for LOBO can drive meaningful top line contributions. Separately, potential tariffs on imported goods under the incoming administration in the U.S. may drive higher prices for e-bikes, scooters, and/or golf carts manufactured in China, which in turn could accelerate LOBO's market share in light of the company's planned in-market manufacturing.

2. **Broadening distribution reach:** Last month, LOBO signed a strategic agreement with Capital Fortress, a lawn and garden equipment distributor. As part of the agreement, the company plans to supply parts to Capital Fortress for the assembly and exclusive distribution of LOBO's autonomous robotic lawn mowers (and other electric-powered equipment) in key markets across

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the U.S. and Australia. Importantly, the agreement includes a provision for a minimum sales volume of 1,500 units or $1 million within the first year. Stepping back, the partnership represents a timely and efficient way for LOBO to broaden distribution reach, while leveraging Capital Fortress's in-market manufacturing capabilities and customer relationships.

3. **Raising capital to fund growth:** On December 10, 2024, LOBO entered into a Securities Purchase Agreement with Streeterville Capital. As part of the agreement, LOBO raised $1.5 million from the issuance of a $1.635 million 12-month note (carrying a 7% annual interest rate) convertible into ordinary shares. Subsequently, the company filed a Form F-1 registering 2.485 million shares (including 850,000 pre-delivery shares) for the issuance and sale (from time to time) by Streeterville Capital. Post offering, LOBO maintained 10,265,000 ordinary shares outstanding. In addition, management and the Board recently completed the sale of two of LOBO's non-core subsidiaries raising an incremental ~$1.3 million of proceeds. Much of the capital raised is earmarked to fund new equipment for LOBO's manufacturing facilities to improve quality control and expand capacity, thereby enhancing related margins, all else equal.

4. **Real-time step up in earnings power:** Management recently guided to 80% year-over-year growth in revenues for 2024 suggesting sales approached $28 million last year (2H24 results likely to be announced in late March/early April). Much of the growth likely reflected rising production capacity to meet accelerating demand, the introduction of innovative products in response to evolving consumer preferences, and increasingly penetrating new markets outside of China, with a focus on Central/Eastern Europe, Latin America, and the U.S. Indeed, the company delivered record shipments in September 2024. For the month, LOBO sold 3,500 e-bikes and tricycles (more than double the number of shipments in September 2023) generating $800,000 of revenue (up 250%+ from the year-ago period), with much of the step up driven by accelerating demand across key international markets. Furthermore, we look for meaningful margin expansion in 2H24 and beyond, as LOBO increasingly benefits from rising economies of scale and operating leverage. All in, we look for a sharp step up in earnings power in 2025, which we believe is not fully reflected in the stock's current price.

5. **Attractive valuation:** We continue to view LOBO's current price as an attractive entry point for the stock as awareness and appreciation of the company's business model, growth prospects, competitive positioning, and valuation disconnect increasingly take hold. Furthermore, we expect the release of 2H24 financial results to reinforce LOBO's accelerating growth story, thereby serving as a key upward revaluation catalyst for the stock. No change to our DCF-derived $4.00 price target implying meaningful upside potential from the stock's current price – as reinforced by recent share purchases by LOBO's CEO.

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