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Zacks Small-Cap Research

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CBAK Energy Technology (CBAT-NASDAQ)

CBAT: Positive year-end news countered by continued tariff concerns for battery companies.

CBAK's shares continue to trade at roughly 3 times our 2026 estimate and we think CBAK shares still represent an excellent value for long-term holders. As additional capacity comes online at the company's Nanjing facility there is substantial room for topline growth.

Current Price (01/14/25)	$0.90
Valuation	**$2.00**

OUTLOOK

CBAK Energy Technology' has announced new battery cell supply agreements with Anker Innovations and Ather Energy in the past month. CBAK continues to form new relationships and enter new markets which bodes well for the company as it adds a significant amount of new manufacturing capacity in the coming years.

On December 30th, the company announced that it was accelerating the planned expansion at its Nanjing facility. If all of the capacity additions are completed in 2025, CBAK could more than double its production capacity.

Positive news flow from the company continues to be offset by investor concerns around the Chinese economy and potential tariffs to be implemented by the next administration.

SUMMARY DATA

52-Week High	**$2.08**
52-Week Low	**$0.77**
One-Year Return (%)	**-20%**
Beta	**1.74**
Average Daily Volume (sh)	**597,931**
Shares Outstanding (mil)	**90**
Market Capitalization ($mil)	**$81**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**13**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**84.2**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**6.4x**
P/E using 2024 Estimate	**4.7x**
P/E using 2025 Estimate	**8.2x**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Speculative**
Industry	**Energy Storage**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	80 A	56 A	58 A	54 A	249 A
2023	42 A	42 A	63 A	56 A	204 A
2024	59 A	48 A	45 A	50 E	201 E
2025	52 E	50 E	58 E	69 E	229 E

Price/Sales Ratio (Industry = 2.5x)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-$0.01 A	-$0.02 A	$0.00 A	-$0.06 A	-$0.10 A
2023	-$0.02 A	-$0.03 A	$0.07 A	-$0.04 A	-$0.03 A
2024	$0.11 A	$0.07 A	$0.00 A	$0.01 E	$0.19 E
2025	$0.02 E	$0.01 E	$0.03 E	$0.05 E	$0.11 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

*Quarterly EPS may not add up to annual EPS due to rounding

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WHAT'S NEW

CBAK has made a number of announcements recently which may not be fully appreciated by the market and which we believe that the shares currently provide an opportunity for patient investors seeking growth at a reasonable price.

- In late December, CBAK noted that its relationship with **Anker Innovations** (SZ: 300866) continued to grow in 2024 and Anker has become one of the company's top five customers since the companies began working together just two years ago. CBAK indicated that in 2024, Anker placed orders for battery cells – principally 32140 cells – that had a total value of $30 - $35 million in 2024. It is worth noting that Anker's annual revenues for the past 12 months exceed $3 billion and while not all of its products include battery cells, many do use cells provided by partners like CBAK and we believe there is ample opportunity to grow this relationship further.

  While Anker built its brand reputation in the US as a supplier of small portable chargers, cables, and wall chargers, the company has expanded in recent years to include rechargeable appliances like vacuum cleaners and home security cameras under the Eufy brand. We are encouraged by the fact that Anker, which has a very strong reputation for delivering high quality, affordable, reliable products, has elected to make CBAK one of its key battery cell partners.

  The majority of the company's cells likely find their way into Anker's portable power supply products but Anker continues to expand its offerings into larger home energy storage solutions and we think the company's 32140 or 40135 cylindrical cells could be well suited for these applications as well.

  Management indicated that it expects the value of its orders from Anker in the coming year to be at or above the value of orders received in 2024 ($30-$35 million).

- In January, CBAK announced that it had received purchase orders from **Ather Energy** for the company's 32140 cylindrical cells for use in Ather's line-up of electric scooters.



Source: Ather Energy website

Ather is one of the top five producers of electric two-wheel scooters in India. After a flat economic performance in FY 2024, Ather reportedly saw its market share spike in the September 2024 quarter to 14.3% (up from 7.9% previously) and the total number of units shipped totaled almost 34,000 in the quarter as a result of a strong reception for the company's new family line of scooters.[1]

We are currently projecting the company's LEV battery business (principally scooters) to grow from just $8 min in 2023 to over $45 million 2026 so it will be important for the company to sign additional customers in these markets.

The electrification of India's two-wheeled scooter market is going to be a multi-year process as customers gain increased confidence in the country's grid and the reliability of electric scooters. It is currently estimated that there are over 270 million two-wheeled vehicles in India[2] but just 1 million of them are electric vehicles (0.4%).[3] As the penetration rate of two-wheeled vehicles in India grows, the opportunity for battery cell providers like CBAK will grow as well.

- Finally, on December 30th, CBAK announced that it had signed procurement agreements with suppliers of production equipment and utilities to complete the first two production lines of the company's Phase II expansion of its Nanjing facility. As a reminder, the company's expansion plans call for 27 GWh of capacity to be added to its production facilities in two phases – phase 1 began in 2021 with the addition of 1.3 GWH of capacity at Nanjing. The company recently indicated that it is operating these production lines at full capacity as a result of strong demand for the company's battery cells. As a result of this strong demand, the company has accelerated the phase II expansion plan at Nanjing and now anticipates having the first two production lines of the phase II expansion enter trial production in May 2025 and full production by the end of 2025.

  Importantly, these new production lines are expected to add approximately 3.0 GWh of production capacity for the company, increasing the total production capacity for CBAK by more than 100% during 2025.

  Currently our model has anticipated some portion of this expansion as battery revenues are expected to grow to $274 million in 2026 (up roughly 50% over our 2025 estimate) but we think the robust demand for the company's cells could accelerate expansion plans even further which could result in significant upside to our current estimates.

  While it is too early to make meaningful adjustments to our long-term forecasts, it is important for investors to recognize that while we project that CBAK will have in excess of $140 million of battery sales in 2024, installed capacity is likely less than 10% of the company's ultimate goal and thus, the company's real growth curve is just about to accelerate.

TARIFF CONCERNS

Despite the steady flow of good news from CBAK's operations, we feel that investors continue to lump the company in with other battery cell and battery manufacturers based in China that are facing the prospect of new tariffs when the new US Administration takes office next week.

While the bulk of the concern for investors around tariffs on batteries has focused on the batteries destined for the EV market, it is worth noting that the Biden administration had already set in motion a plan to increase battery tariffs on non-EV batteries from 7.5% to 25% by 2026 and the tariff rate on battery parts (like battery cells produced by CBAK) increased from 7.5% to 25% in 2024.

The incoming Trump administration has indicated that they would like to add an additional 10% tariff on all goods coming from China implying a total tariff on batteries and battery parts of more than 35%.

These tariffs are significant but given the lack of alternatives in the market (virtually all battery production is still based in China or South Korea) the tariffs do not appear to be impacting final demand in the US yet and we believe pricing has been fairly stable for end battery products despite these tariffs.

The possibility exists that further tariffs could be implemented as part of the new Administration's trade policies but we believe the impact on CBAK will likely be limited given the diversity of its global customer base.

The company's customer base does include a number of companies that have a large presence in the US market (Hello Tech, BlueTTI, Anker Innovations, etc.) but we believe that given the company's large exposure to the European market and the potential growth opportunities in other Asian markets like the Indian LEV market, the tariff risk is exaggerated at this moment.

We encourage investors to be on the lookout for additional catalysts on the horizon for CBAK including further accelerated expansion plans, new customer wins and any outside capital infusions into either the company's Sodium-Ion business and/or the HiTrans Raw Materials business.

OVERVIEW

➢ CBAK Energy Technology (NASDAQ: CBAT) is an integrated lithium-ion battery cell company with manufacturing and raw materials divisions in China. The company operates manufacturing facilities in Dalian (a port city in Liaoning Province) and Nanjing (the capital of Jiangsu Province) with ambitious plans to expand production through 2027.

➢ Demand for energy storage has ramped significantly in recent years and as industrial and grid storage needs emerge demand should accelerate further. The company appears to be establishing itself as a strong player in the market for large cylindrical cells.

➢ The lithium-ion battery market is almost entirely dominated by large Asian (principally Chinese) manufacturers today. Most of these companies are focused on providing battery packs to the EV market which creates an opportunity for cylindrical cells in the energy storage market where CBAK is focusing its efforts.

➢ We are maintaining our twelve-month valuation target to $2.00/share based on our current estimates for earnings in 2026 however, we think this valuation target could be revised upward if the Nanjing expansion happens sooner than anticipated or if margins increase when new cell formats are released.

[1] https://auto.hindustantimes.com/auto/electric-vehicles/ather-energy-s-market-share-doubles-in-last-quarter-as-demand-for-rizta-soars-41728025487904.html

[2] https://www.marklines.com/en/report/rep2681_202406#

[3] https://www.statista.com/statistics/1029829/india-two-wheeler-electric-vehicles-sales-number/

RISKS

- The PRC government exerts substantial influence over a wide variety of issues related to the company's business. Since the company is based in the US with China-based operating subsidiaries, there are several issues related to the government's oversight that could result in a material adverse change in the company's operations and subsequently, the value of CBAK's common stock. In addition, it should be noted that rules and regulations in China can change quickly with little advance notice.

- The company's independent auditors have expressed substantial doubt about its ability to continue as a going concern. The company is working with its banks and lenders to ensure that they will have access to credit but improving the company's profitability will be an important step toward resolving this issue.

- The competitive landscape for lithium batteries is intense and many of the company's competitors are in much stronger financial positions. In the long run, the company will also face increased competition from new facilities that are expected to be built in North America and the EU.

- The company's customer concentration remains very high and the loss of any significant customer could impact the company's financial stability. In 2022, roughly 70% of revenues were derived from the company's five largest customers. In the battery business, customer concentration could be even higher. The acquisition of Viessmann by Carrier presents an opportunity and a risk given the proportion of battery sales Viessmann represents.

- The company indicated that it identified a material weakness in its internal control over financial reporting. Management believes that the company did not have appropriate policies and procedures in place to evaluate proper accounting and disclosures of key documents and agreements, and there was insufficient accounting personnel with an appropriate level of technical accounting knowledge. The company has implemented additional training to address this issue but it remains a risk. As noted in recent news, the company elected to change its auditor in July 2023 and we will see if this leads to improved internal financial controls.

PROJECTED INCOME STATEMENT

CBAK Energy Technology

11/12/24

(USD in 000's; December Year-End)	2022A	2023A	Mar 1Q24a	June 2Q24A	Sept 3Q24A	Dec 4Q24E	2024E	Mar 1Q25E	June 2Q25E	Sept 3Q25E	Dec 4Q25E	2025E	Mar 1Q26E	June 2Q26E	Sept 3Q26E	Dec 4Q26E	2026E
Battery Revenues																	
Uninterruptible supplies	83,604.0	74,978.0	28,214.9	33,573.4	28,214.9	33,857.9	123,861.1	35,550.8	31,995.7	38,394.8	47,993.5	153,934.9	57,592.3	51,833.0	57,016.3	59,867.1	226,308.8
Light Electric Vehicles	6,413.8	8,029.6	4,913.6	1,825.5	4,913.6	4,667.9	16,320.6	4,901.3	6,126.6	7,658.3	8,807.1	27,493.3	10,128.1	11,140.9	11,698.0	12,282.9	45,249.9
Electric Vehicles	4,695.3	2,289.1	333.2	199.3	333.2	359.9	1,225.5	377.8	396.7	424.5	454.2	1,653.3	476.9	500.8	535.8	573.4	2,086.9
Total Battery Revenues	94,713.1	85,296.7	33,461.7	35,598.2	33,461.7	38,885.7	141,407.2	40,829.9	38,519.1	46,477.7	57,254.8	183,081.5	68,197.3	63,474.7	69,250.1	72,723.4	273,645.5
Battery Revenues % change (yoy)		-9.9%	13.0%														
Raw Material Revenues																	
Precursor	78,680.0		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cathode	75,331.0		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Raw Material Revenues	154,011.0	119,141.7	25,360.7	12,194.8	11,166.5	11,222.3	59,944.4	11,334.6	11,447.9	11,562.4	11,678.0	46,022.8	11,794.8	11,912.7	12,031.9	12,152.2	47,891.6
Sales	**248,725.8**	**204,438.4**	58,822.4	47,793.0	44,628.2	50,108.0	**201,351.6**	52,164.5	49,967.0	58,040.0	68,932.8	**229,104.3**	79,992.1	75,387.5	81,282.0	84,875.5	**321,537.1**
% change (yoy)	**372%**	**-18%**	39%	13%	-24%	-18%	**-2%**	-11%	5%	30%	38%	**14%**	53%	51%	40%	23%	**40%**
Cost of Revenues	230,630	172,714	40,041	35,065	37,674	42,114	154,894	43,944	42,276	48,209	56,912	191,341	65,789	62,304	67,137	70,161	265,391
Gross Profit	18,096	31,724	18,781	12,728	6,955	7,994	46,457	8,221	7,690	9,831	12,021	37,763	14,203	13,084	14,145	14,714	56,146
% change (yoy)							46%					-19%					49%
Gross Profit Margin	**7.3%**	**15.5%**	**31.9%**	**26.6%**	**15.6%**	**16.0%**	**23.1%**	**15.8%**	**15.4%**	**16.9%**	**17.4%**	**16.5%**	**17.8%**	**17.4%**	**17.4%**	**17.3%**	**17.5%**
Operating Expenses:																	
Research and Development	10,635	11,928	2,816	2,956	3,434	3,503	12,708	3,433	3,261	3,424	3,493	13,612	3,423	3,252	3,415	3,483	13,572
Sales and marketing	2,008	4,904	1,724	1,368	1,023	1,130	5,244	1,175	1,234	1,296	1,360	5,065	1,415	1,485	1,560	1,638	6,097
General and Administrative	9,738	13,789	4,093	3,130	2,780	2,891	12,893	2,920	2,949	3,037	3,113	12,019	3,144	3,176	3,271	3,353	12,944
	22,381	30,621	8,632	7,454	7,236	7,524	30,846	7,528	7,444	7,757	7,966	30,695	7,982	7,913	8,245	8,473	32,614
% of Sales	9.0%	15.0%	14.7%	15.6%	16.2%	15.0%	15.3%	14.4%	14.9%	13.4%	11.6%	13.4%	10.0%	10.5%	10.1%	10.0%	10.1%
Operating Income (Loss)	**(4,285)**	**1,103**	**10,149**	**5,275**	**(282)**	**470**	**15,612**	**693**	**247**	**2,073**	**4,055**	**7,068**	**6,221**	**5,171**	**5,900**	**6,241**	**23,533**
Impairment Charge on PPE & goodwill	**6,388**	**(7,070)**										-					-
(Provision for) recovery of doubtful accounts	(831)	(1,285)	114	673	(546)	-	241					-					-
Other Income, net	(7,252)	(3,023)	367	188	522	0	1,077	0	0	0	0	-	0	0	0	0	-
Finance Expenses/(Income)	(491)	(433)	(10)	(689)	40	0	(658)	0	0	0	0	0	0	0	0	0	0
Changes in fair value of warrants liability	5,710	136	0	0	0	0	-	0	0	0	0	0	0	0	0	0	0
Impairment of non-marketable equity securities	0	(2,393)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income before Taxes	**(12,556)**	**(6,053)**	**10,621**	**6,824**	**(346)**	**470**	**17,588**	**693**	**247**	**2,073**	**4,055**	**7,068**	**6,221**	**5,171**	**5,900**	**6,241**	**23,533**
Loss (income) attributable to non-controlling interests	1,879	6,090	264	422	703	724	2,113	746	783	807	831	3,167	856	899	926	953	3,634
Income tax (expense)/credit	1,228	(2,486)	(1,049)	(801)	(339)	(38)	(2,226)	(55)	(20)	(166)	(324)	(565)	(498)	(414)	(472)	(499)	(1,883)
Net Income (Loss) attributable to CBAK	**(9,448)**	**(2,449)**	**9,836**	**6,445**	**18**	**1,157**	**17,475**	**1,384**	**1,010**	**2,714**	**4,561**	**9,670**	**6,580**	**5,656**	**6,354**	**6,695**	**25,284**
EPS reported	**(0.11)**	**(0.03)**	**0.11**	**0.07**	**0.00**	**0.01**	**0.19**	**0.02**	**0.01**	**0.03**	**0.05**	**0.11**	**0.07**	**0.06**	**0.07**	**0.07**	**0.28**
% 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**	N/A	N/A	N/A	N/A	**N/A**
Diluted Shares (weighted average)	**88927.0**	**89252.0**	90098.8	90111.2	90230.0	90275.1	**90178.8**	90455.7	90636.6	90817.8	90999.5	**90727.4**	91181.5	91363.8	91546.6	91729.7	**91455.4**
Margins:																	
Gross Margin	**7.3%**	**15.5%**	31.9%	26.6%	15.6%	16.0%	**23.1%**	15.8%	15.4%	16.9%	17.4%	**16.5%**	17.8%	17.4%	17.4%	17.3%	**17.5%**
Research and Development as a % of Sales	4.3%	5.8%	4.8%	6.2%	7.7%	7.0%	6.3%	6.6%	6.5%	5.9%	5.1%	5.9%	4.3%	4.3%	4.2%	4.1%	4.2%
General & Administrative as a % of Sales	3.9%	6.7%	7.0%	6.5%	6.2%	5.8%	6.4%	5.6%	5.9%	5.2%	4.5%	5.2%	3.9%	4.2%	4.0%	4.0%	4.0%

Source: Zacks SCR, Brian Lantier, Company Filings

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BALANCE SHEET

CBAK Energy Technology, Inc.
Balance Sheet in US Dollars
9/30/24

(US Dollars USD in 000s)

Assets

Current Assets	
Cash and Cash Equivalents	10,448
Pledged Deposits	37,416
Term Deposits	13,788
Trade and bills receivable, net	34,911
Inventories	23,939
Prepayment & other receivables	9,950
Receivables from a former subsidiary, net	8
Income Tax recoverable	0
Total current assets	130,460
Property, plant & tquipment (net)	89,365
Construction in progress	38,994
Long-term investments, net	2,337
Prepaid land use rights	11,601
Intangible Assets (net)	507
Deposit paid for acquisition - long-term investment	16,500
Operating lease right-of-use assets, net	3,713
Deferred tax assets, net	0
Total Assets	**293,477**

Liabilities

Current Liabilities	
Trade and bills payable	89,774
Short-term bank borrowings	25,708
Other short-term loans	337
Accrued expenses and other payables	35,145
Payables to a former subsidiary, net	408
Deferred government grants, current	500
Product warranty provisions	17
Income Tax Payable	344
Operating lease liability, current	1,528
Finance lease liability, current	763
Total current liabilities	154,523
Deferred government grants, non-current	5,779
Product warranty provisions	410
Operating lease liability, non-current	2,684
Accrued expenses & other payables, non-current	0
Total Liabilities	**163,396**

Shareholder's Equity

Common stock	90
Donated shares	14,102
Additional Paid-in Capital	247,733
Statutory reserves	1,231
Accumulated Deficit	(118,096)
Accumulated Other Comprehensive Loss	(10,128)
Shareholder's Equity	**134,931**
Less: Treasury Shares	(4,067)
Total shareholders' equity	**130,864**
Non-controlling interests	(783)
Total equity	**130,081**
Total Liabilities & Equity	**293,477**

Source: Company Press Release

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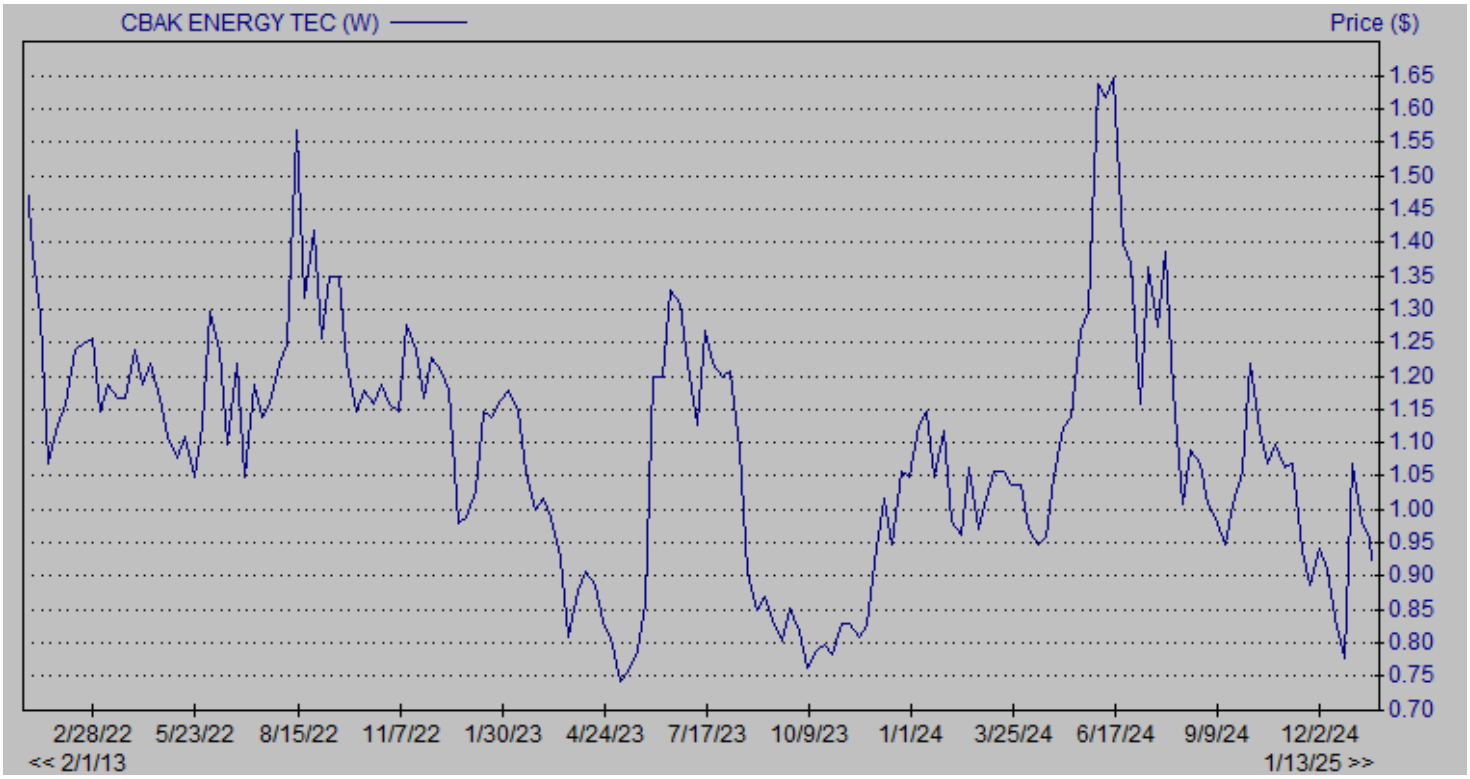
HISTORICAL STOCK PRICE



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