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Brian Lantier
312-265-9153
blantier@zacks.com

scr.zacks.com

10 S. Riverside Plaza, Chicago, IL 60606

CBAK Energy Technology (NASDAQ: CBAT)

CBAT: The transition to a new, larger cell format will likely impact results through the end of 2025.

CBAK's core energy storage battery business is in a transition year as it upgrades to the larger 40135 format. Results will likely be impacted until the new production line begins operating in the second half of 2025. We are lowering our target to \$1.50 to reflect operating challenges over the next 12 months.

Current Price (05/19/25) \$0.81
Valuation \$1.50

OUTLOOK

CBAK Energy Technology released first-quarter results and indicated that the planned transition to the 40135 cells impacted production at the Dalian facility and will continue to impact results into the second half of 2025.

Customer demand has led the company to explore shifting production to an unnamed Southeast Asian country. Roughly 1.5 GWh of capacity of equipment previously planned to be added to the Nanjing facility will instead be earmarked for a new factory in Southeast Asia.

Tariff concerns are weighing on the sector, but CBAK reported that 92% of sales in the most recent quarter were to customers in Mainland China. This geographic focus should alleviate some concerns regarding tariffs.

SUMMARY DATA

52-Week High \$1.89
52-Week Low \$0.64
One-Year Return (%) -31%
Beta 1.66
Average Daily Volume (sh) 140,148

Shares Outstanding (mil) 90
Market Capitalization (\$mil) \$73
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 (%) NM
Earnings Per Share (%) N/A
Dividend (%) N/A

P/E using TTM EPS 8.1x

P/E using 2025 Estimate NM

P/E using 2025 Estimate 10.1x

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)
2023	42 A	42 A	63 A	56 A	204 A
2023	59 A	48 A	45 A	28 A	177 A
2025	35 A	34 E	35 E	38 E	141 E
2026	47 E	57 E	67 E	79 E	252 E

EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	-\$0.05 A	\$0.13 A
2025	-\$0.02 A	-\$0.04 E	-\$0.03 E	-\$0.03 E	-\$0.12 E
2026	-\$0.01 E	\$0.01 E	\$0.03 E	\$0.06 E	\$0.08 E

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

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

WHAT'S NEW

CBAK Energy Reports First Quarter 2025 Results

On Monday, May 19th, CBAK Energy Technology released its first quarter results, which came in sharply below our expectations due to a planned upgrade to the Dalian facility's production line. Without a clear indication of when the facility began the transition work from the 26650 cells, it is difficult to know precisely how large an impact the shift in production had on the revenue shortfall, but we believe that it could account for much of the revenue miss.

Total battery revenues in Q1 were roughly \$20.4 million, or approximately 50% below our forecast of \$40.8 million. Since the Dalian facility has a current capacity of 1 GWh or 43% of the total capacity for CBAK, if the facility were down for all of the first quarter to facilitate this transition, it would have accounted for a majority of the revenue decline. At 12/31/24, the company was operating three production lines in Dalian for the 26650 cells, intending to set up a new production line for the 40135 cells, which is to have a total capacity of 2.3 GWh. The company's 2024 10-K filing indicated that it had secured equipment to begin operations in May 2025 and achieve mass production by the end of 2025. The company has not provided any guidance beyond indicating that it expects to complete construction of the new line in the second half of 2025. We will take a conservative approach to modeling the resumption of operations at Dalian and assume that only limited test runs are conducted through 2025, with production beginning in 2026.

The company's electric vehicle battery line performed roughly as expected, generating \$538k in revenue but accounting for just 3% of sales. The company's light electric vehicle sales were also below expectations, but at just 14% of total sales, the impact on combined results was limited.

The company's first-quarter battery gross margin was 23.2%, but pricing has become more difficult over the past six months. Battery gross margins will likely remain in the low 20s until the new manufacturing lines operate at capacity. We would note that the total gross margin for the company will likely stay below these levels because we expect the raw material business to operate at a near 0% gross margin.

The company's raw material business contributed a larger percentage of overall sales in Q1 2025 as battery sales fell and raw material sales rose slightly, but the business continues to operate at basically breakeven with gross margins below 1%. The company has not provided any further guidance on its plans for this business, but we believe the underperformance of raw materials for the past two years has made it difficult to find a potential buyer.

The balance of the company's expenses were roughly in line with our model, but the sharp decline in revenues at the core energy supply business was enough to cause CBAK to report a \$2.1 million loss for the quarter, or (\$0.02)/share, versus our estimate of breakeven results for the quarter.

We had previously described 2025 as the "make or break" year for CBAK, as the company aims to increase its battery capacity significantly. The decline in revenues tied to the Dalian production shift to 40135 cells will likely persist through at least the fourth quarter of 2025. The company hinted at a potentially significant new arrangement with a client related to a four-year agreement to supply cells from a new Southeast Asian facility. This agreement, when formalized, could be a very positive potential catalyst for the company if an agreement is announced, but the core battery business is likely to have difficult comparisons over the next two quarters.

We are adjusting our forecasts to reflect lower production at the Dalian facility through at least Q4 2025. If the company begins production of 40135 cells sooner than our projections, that could positively impact

our model. Our full-year EPS forecasts are now (\$0.12)/share in 2025 and \$0.08/share for 2026, and we are adjusting our target valuation to \$1.50/share.

Expansion of Production Lines

The company gave an update on its planned expansion, which includes its planned capacity expansion in Dalian and Nanjing.

Nanjing—The company had previously indicated that it would add up to 3.0 GWh of capacity for producing 32140 cells at the Nanjing facility. However, as a result of discussions with the company's customers, they are now looking to add 1.5 GWh of capacity at Nanjing and utilize the equipment that has already been ordered to facilitate the opening of a 1.5 GWh production line in a Southeast Asian country that would be constructed over the next year.

CBAK's management team was careful to note that this decision resulted from conversations with a key customer, and by establish this overseas facility the customer will commit to a four-year, high-volume supply agreement with CBAK to acquire output from the facility. CBAK indicated that they hope to formalize this agreement soon and have the facility up and running by the middle of 2026. This production line will be designed to have the flexibility to produce 32140 cells or 40135 cells.

To recap, we previously expected that the company would add up to 3.0 GWh of capacity at the Nanjing facility in 2025, up from the current capacity of 1.3 GWh. We now expect Nanjing will add 1.5 GWh of capacity (bringing the Nanjing total to 2.8 GWh) while a new overseas facility will be opened with a flexible production line and a capacity of 1.5 GWh.

Dalian—The Dalian facility operated 1.0 GWh of capacity, focused on the production of 26650 cells, but is in the process of converting to the production of 40135 cells, with construction to be completed in the second half of 2025. When the upgrade is complete, the facility's total capacity will be 3.3 GWh.

The company also noted that they have at least had preliminary discussions exploring the feasibility of bringing production to the United States. However, management was quick to note that this would only happen if the move could be justified financially, and today, the cost structure in the US would make it difficult to operate a cell business profitably.

Outlook and Catalysts

1. The company could announce a large customer agreement with a substantial prepayment in the next few months related to the establishment of a Southeast Asian facility.
2. The CATL listing in Hong Kong (CATL is the world's largest battery supplier) this week has drawn investor attention to the battery market. While battery unit volumes have soared for all companies, including CATL, dollar volumes are flat to down, indicating that pricing for battery packs (and by default, the cells sold to those pack suppliers) has been weak over the past year. However, we feel as if additional investor focus on Chinese battery manufacturers could have a positive effect on smaller industry participants like CBAK.
3. We are encouraged by CBAK's expansion plans, but we do have concerns that the company is expanding into a battery market that may have excess supply at the moment.
4. The company is currently in noncompliance with the NASDAQ \$1 minimum bid requirement and has until June 24th, 2025, to achieve a share price of \$1 for ten consecutive trading days. The company can request a second 180-day period to address the noncompliance (through December 2025), but investors will have to consider the possibility that the company could contemplate a reverse split at some point to boost its share price.

We forecast that the Dalian expansion will not be completed until the fourth quarter, and sales of these new 40135 cells will slowly resume growth. We are anticipating that the new overseas facility in Southeast Asia or the Nanjing expansion will be completed and come online in 2026.

We are adjusting our expectations for the balance of 2025 as we now view this year as an important transition to future growth opportunities in the back half of 2026 when the Dalian, Nanjing, and overseas expansions are online. As we noted in our last update, CBAK's expansion plans have been slow to materialize in the past, and our estimates are now heavily back-end loaded in 2026. If the company slips further with its expansion timeline, we think investors will have to reevaluate its valuation.

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), and it has ambitious plans to expand production, potentially reaching 7.6 GWh of capacity by the end of 2026.
- 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, with a recent industry report indicating that it had a 19% market share of global shipments of 32140 cells.
- Today, the lithium-ion battery market is almost entirely dominated by large Asian (principally Chinese) manufacturers. 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 lowering our twelve-month valuation target at \$1.50/share based on our new estimates for earnings in 2026, which reflect a slower expansion and adoption of the new 40135 cells. Significant headline risk remains associated with any news on tariffs from the US. If the company's expansion plans are delayed or deferred further, we will have to revisit our target valuation again.

RISKS

The PRC government exerts substantial influence over various issues related to the company's business. Since the company has China-based operating subsidiaries, several issues related to the government's oversight 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 they will have access to credit, but improving its profitability will be an essential 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 expected to be built in North America and the EU.

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 to evaluate

proper accounting and disclosures of key documents and agreements, and there were insufficient accounting personnel with a proper 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.

The company's shares have traded below NASDAQ's minimum \$1 bid price for most of 2025. If the stock price cannot regain a level above the \$1 minimum bid, the company is at risk of delisting, or other options like a reverse stock split may have to be considered.

PROJECTED INCOME STATEMENT

CBAK Energy Technology

5/19/25

(USD in '000's; December Year-End)

Battery Revenues

Uninterruptible supplies
Light Electric Vehicles
Electric Vehicles

Total Battery Revenues

Battery Revenues % change (yoy)

Raw Material Revenues

Precursor
Cathode

Total Raw Material Revenues

Sales

% change (yoy)

Cost of Revenues

Gross Profit

% change (yoy)

Gross Profit Margin

Operating Expenses:

Research and Development
Sales and marketing
General and Administrative

% of Sales

Operating Income (Loss)

Impairment Charge on PPE & goodwill
(Provision for) recovery of doubtful accounts
Other Income, net
Finance Expenses/(Income)
Changes in equity investee
Changes in fair value of warrants liability
Impairment of non-marketable equity securities

Income before Taxes

Loss (income) attributable to non-controlling interests

Income tax (expense)/credit

Net Income (Loss) attributable to CBAK

EPS reported

% change (yoy)

Diluted Shares (weighted average)

Margins:

Gross Margin

Research and Development as a % of Sales

General & Administrative as a % of Sales

Source: Zacks SCR, Brian Lantier, Company Filings

		Mar	June	Sept	Dec		Mar	June	Sept	Dec	
2023A	2024A	1Q25A	2Q25E	3Q25E	4Q25E	2025E	1Q26E	2Q26E	3Q26E	4Q26E	2026E
74,978.0	124,588.0	16,981.0	15,282.9	16,047.0	18,454.1	66,764.9	27,681.1	37,369.5	46,711.8	58,389.8	170,152.2
8,029.6	10,319.2	2,844.9	2,987.1	3,136.5	3,607.0	12,575.4	3,787.3	4,166.0	4,374.3	4,593.0	16,920.7
2,289.1	1,681.7	537.5	564.4	603.9	646.2	2,351.9	678.5	712.4	762.3	815.6	2,968.7
85,296.7 -9.9%	136,588.8	20,363.3	18,834.4	19,787.4	22,707.2	81,692.2	32,146.8	42,247.9	51,848.4	63,798.4	190,041.6
-	-	-	-	-	-	-	-	-	-	-	-
119,141.7	40,025.8	14,575.6	14,721.3	14,868.5	15,017.2	59,182.6	15,167.4	15,319.1	15,472.3	15,627.0	61,585.7
204,438.4 -18%	176,614.6 -14%	34,938.9 -41%	33,555.7 -30%	34,655.9 -22%	37,724.4 49%	140,874.9 -20%	47,314.2 35%	57,566.9 72%	67,320.7 94%	79,425.4 111%	251,627.3 79%
172,714	134,839	30,137	30,297	30,570	33,061	124,065	40,715	48,933	56,795	66,567	213,009
31,724	41,775	4,802	3,259	4,086	4,664	16,810	6,599	8,634	10,526	12,859	38,618
0	0	0	0	0	0	-60%	0	0	0	0	130%
15.5%	23.7%	13.7%	9.7%	11.8%	12.4%	11.9%	13.9%	15.0%	15.6%	16.2%	15.3%
11,928	13,010	3,024	2,873	3,016	3,077	11,990	3,015	2,864	3,008	3,068	11,955
4,904	5,198	896	941	988	1,037	3,862	1,079	1,133	1,189	1,249	4,649
13,789	13,948	3,804	3,842	3,957	4,056	15,660	4,097	4,138	4,262	4,369	16,866
30,621	32,156	7,724	7,656	7,962	8,170	31,512	8,191	8,135	8,459	8,685	33,470
15.0%	18.2%	22.1%	22.8%	23.0%	21.7%	22.4%	17.3%	14.1%	12.6%	10.9%	13.3%
1,103	9,620	(2,922)	(4,397)	(3,876)	(3,507)	(14,702)	(1,592)	499	2,067	4,173	5,148
(7,070)	(475)					-					-
(1,285)	(356)	58				-					-
(3,023)	1,046	713	0	0	0	713	0	0	0	0	-
(433)	(1,283)	(45)	0	0	0	0	0	0	0	0	0
	27	55									
136	0	0	0	0	0	0	0	0	0	0	0
(2,393)	0	0	0	0	0	0	0	0	0	0	0
(6,053)	11,144	(2,051)	(4,397)	(3,876)	(3,507)	(13,989)	(1,592)	499	2,067	4,173	5,148
6,090	2,205	472	495	510	525	2,003	541	568	585	603	2,298
(2,486)	(1,559)	0	352	310	281	942	127	(40)	(165)	(334)	(412)
(2,449)	11,790	(1,579)	(3,550)	(3,056)	(2,701)	(11,044)	(923)	1,028	2,487	4,442	7,034
(0.03)	0.13	(0.02)	(0.04)	(0.03)	(0.03)	(0.12)	(0.01)	0.01	0.03	0.05	0.08
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
89252.0	90158.0	89939.0	90118.9	90299.1	90479.7	90209.2	90660.7	90842.0	91023.7	91205.7	90933.0
15.5%	23.7%	13.7%	9.7%	11.8%	12.4%	11.9%	13.9%	15.0%	15.6%	16.2%	15.3%
5.8%	7.4%	8.7%	8.6%	8.7%	8.2%	8.5%	6.4%	5.0%	4.5%	3.9%	4.8%
6.7%	7.9%	10.9%	11.5%	11.4%	10.8%	11.1%	8.7%	7.2%	6.3%	5.5%	6.7%

BALANCE SHEET

CBAK Energy Technology, Inc.

Balance Sheet in US Dollars

3/31/25

(US Dollars USD in 000s)

Assets

Current Assets

Cash and Cash Equivalents	4,052
Pledged Deposits	43,483
Term Deposits	5,530
Trade and bills receivable, net	40,835
Inventories	30,803
Prepayment & other receivables	17,991
Receivables from a former subsidiary, net	9
Income Tax recoverable	455
Total current assets	143,159

Property, plant & equipment (net)	84,284
Construction in progress	51,527
Long-term investments, net	2,314
Prepaid land use rights	11,057
Intangible Assets (net)	268
Deposit paid for acquisition - long-term investment	15,949
Operating lease right-of-use assets, net	2,907
Deferred tax assets, net	

Total Assets **311,465**

Liabilities

Current Liabilities

Trade and bills payable	93,399
Short-term bank borrowings	29,302
Other short-term loans	336
Accrued expenses and other payables	50,305
Payables to a former subsidiary, net	418
Deferred government grants, current	559
Product warranty provisions	23
Income Tax Payable	0
Operating lease liability, current	1,159
Finance lease liability, current	0
Total current liabilities	175,502

Deferred government grants, non-current	10,273
Product warranty provisions	418
Operating lease liability, non-current	2,398
Long-term bank borrowings	4,132

Total Liabilities **192,722**

Shareholder's Equity

Common stock	90
Donated shares	14,102
Additional Paid-in Capital	247,870
Statutory reserves	3,043
Accumulated Deficit	(125,997)
Accumulated Other Comprehensive Loss	(14,248)

Shareholder's Equity **124,858**

Less: Treasury Shares (4,067)

Total shareholders' equity **120,791**

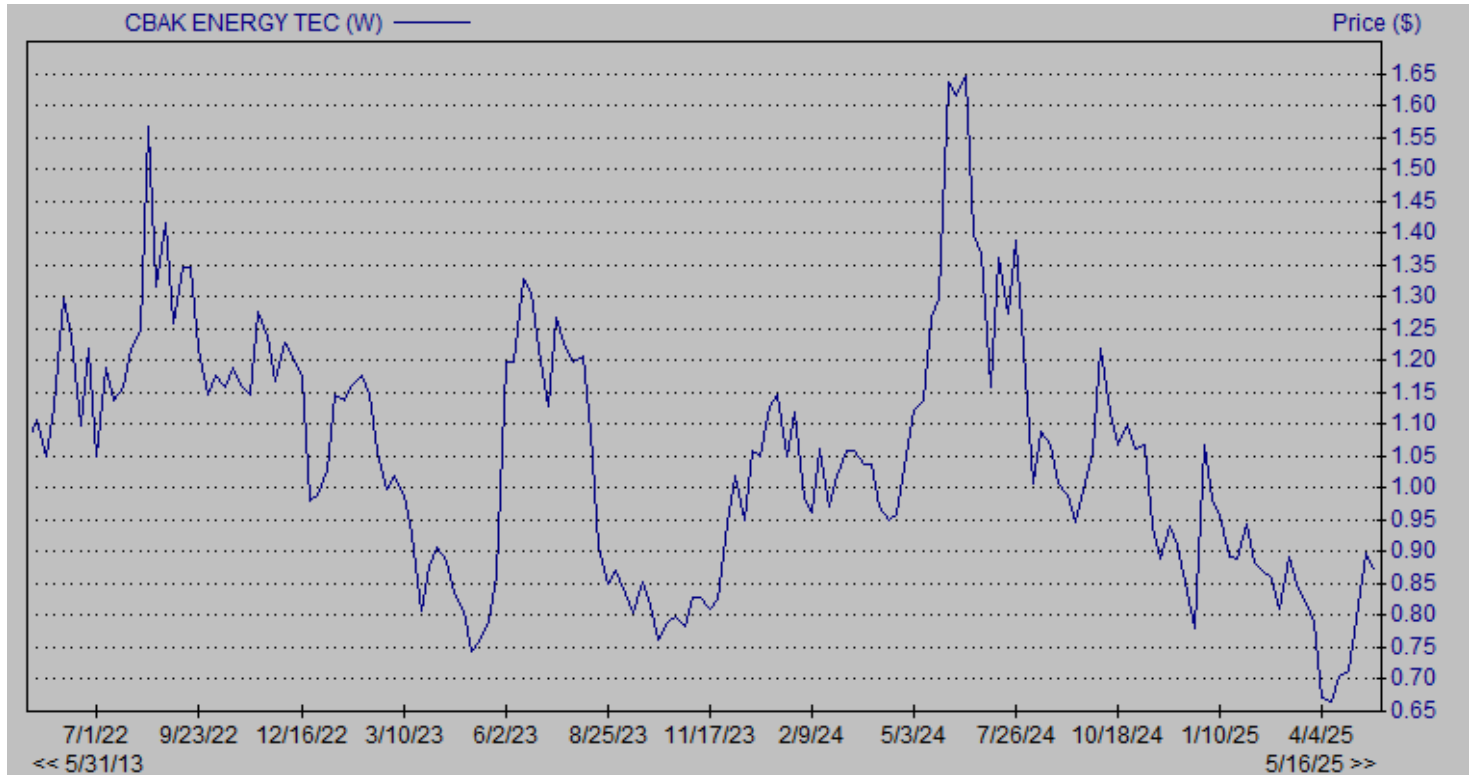
Non-controlling interests (2,049)

Total equity **118,743**

Total Liabilities & Equity **311,465**

Source: Company 10-Q

HISTORICAL STOCK PRICE



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