

Zacks Small-Cap Research

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CBAK Energy Technology (NASDAQ: CBAT)

CBAT: The battery cell business remains challenging in 2025, but a substantial capacity upgrade is looming.

CBAK's core battery cell business continues its transition to a larger, more modern format, while equipment delays have slowed expansion at a second facility. We expect results to bottom out in 2025 and the company should return to growth in 2026. We are maintaining our 12-month valuation target of \$1.50.

Current Price (08/18/25)	\$1.05
Valuation	\$1.50

SUMMARY DATA

52-Week High	\$1.25
52-Week Low	\$0.64
One-Year Return (%)	-9%
Beta	1.70
Average Daily Volume (sh)	158,327

Shares Outstanding (mil)	89
Market Capitalization (\$mil)	\$93
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

P/E using 2025 Estimate	NM
P/E using 2026 Estimate	13.1x

Zacks Rank

OUTLOOK

CBAK Energy Technology released its second-quarter results, indicating that the transition to 40135 cells at the Dalian facility continues to impact results as expected. The company's Nanjing facility continues to operate at full capacity, and the expansion of that facility has been delayed due to challenges in securing the necessary equipment.

The company is working with customers to navigate the new tariff landscape. Still, as negotiations between China and the US continue, the company is holding off on international expansion plans for the time being.

The company's raw material business outperformed our expectations, and we are now forecasting roughly break-even results from this division for the foreseeable future.

ZACKS ESTIMATES

Revenue (in millions of \$)	ZACKS ESTIMATES				
	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	40 A	39 E	42 E	157 E
2026	51 E	59 E	69 E	72 E	251 E

EPS / Loss Per Share

	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	-\$0.03 A	-\$0.04 E	-\$0.03 E	-\$0.12 E
2026	-\$0.01 E	\$0.01 E	\$0.03 E	\$0.04 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 Second Quarter 2025 Results

CBAK Energy Technology released its second-quarter results roughly in line with our forecast, which we had previously adjusted to reflect the planned upgrade to the Dalian production line. Total battery sales were 12% ahead of our forecast at \$21 million, driven by the strong performance of the company's Nanjing facility, which produces 32140 cells and has been operating at capacity for the majority of 2025. Light Electric Vehicle sales appear to have stabilized at around \$2.5-\$3 million per quarter, although we believe this has potential to grow given CBAK's strong relationships with suppliers of two- and three-wheeled scooters in India.

As we noted last quarter, the company is transitioning its Dalian production lines from older 26650 cells to being capable of producing 40135 cells, and customer testing has begun. It is difficult to know exactly when this transition will be complete. Still, we think that by the end of the third quarter, we should have a reasonable estimate of the timeline for Dalian to return to its previous production levels.

The company's Nanjing facility, which produces 32140 cells, continues to run at full capacity according to management. We believe that when CBAK can produce more cells at this facility, it will find a market willing to absorb that production. Demand for battery production equipment worldwide has surged in 2025, likely driven by companies looking to increase cell production outside of China to mitigate the impact of potential tariffs in the US. Challenges associated with securing equipment have caused the company to experience a two-month delay in expanding its Nanjing 32140 production lines.

While the upgrades constrain the company's output and revenues, it is worth noting that the company continues to inch closer to a meaningful capacity expansion, which could see its battery revenue more than double between 2025 and 2026.

Second Quarter Results

Total battery revenues in Q2 were roughly \$21 million, or \$2.3 million above our sharply revised forecast of \$18.8 million. It is challenging to determine when the production lines at Dalian were taken out of service to initiate the upgrade to the 40135 cells, so the timing discrepancy between our forecast and the actual equipment upgrade schedule likely contributed to the majority of the battery outperformance in the quarter. As we've noted, the company received the equipment to upgrade the production lines at Dalian in May 2025 and it still expects to begin production by the end of 2025. We continue to forecast that this production line will become operational near the end of the fourth quarter.

The company's electric vehicle battery line underperformed our model; however, at less than 1% of revenues, the contribution is not meaningful. The company has held early-stage discussions with domestic Chinese EV manufacturers about the prospect of using its Series 46 cell design in new electric vehicles. The potential impact on the company would be significant in the long run; however, the company is still likely at least 18 months away from commercializing these cells. Additionally, the company's management noted that the cost of equipment to produce these cells is higher than usual; therefore, any decision to expand into this line of cells would likely need to be paired with financing or an investment from a customer.

The company's first-quarter battery gross margin was 16.2%, down 700 basis points, and signals that pricing remains very challenging in the battery cell market today. Prismatic cell manufacturers continue to fight for market share, resulting in significant pricing pressure that has spilled over into the cylindrical cell market. We are currently expecting another two quarters of challenging revenue and margin performance due to the product mix to be sold over the balance of 2025, consisting of 32140 cells and 26650 cells. As

the new capacity becomes available at Nanjing for 32140 cells and the new 40135 cells enter production, we believe that the company's battery margins can rebound sharply into the low 20% range.

The company's much-maligned Hitrans raw material business posted surprisingly strong results, with second-quarter revenue of \$19.4 million, which was \$4.7 million, or 32%, above our forecast. Management indicated that the strong demand for battery raw materials drove the outperformance in the quarter; however, we would note that the gross margin on these sales was only 5%.

For the second consecutive quarter, growing raw material sales have impacted the company's topline, with raw material sales accounting for over 47% of sales in the second quarter (up from 22% in all of 2024).

The balance of the company's expenses were roughly in line with our model, and the company reported a net loss of (\$0.03)/share, versus our estimate of (\$0.04)/share for the quarter.

CBAK is now more than halfway through the pivotal transformation to expand its 32140 cell production and shift from older 26650 cells to a new production line in Dalian for 40135 cells. The delay in expanding the output at Nanjing is disappointing, but in the long run, it is unlikely to have a significant impact on the company's outlook.

We are adjusting our full-year forecasts to reflect slightly better results at the raw material business, with 2025 revenues now forecast at \$157 million and 2026 at \$251 million. However, we believe that investors should focus on the fact that we are forecasting high-margin battery revenue growth of more than 100% between 2025 and 2026 as a result of planned capacity expansions. While management did not provide guidance, the company did indicate that when the Dalian 40135 transition is complete and the additional capacity at Nanjing comes online, it "anticipates a strong rebound in production and demand". Our full-year EPS forecasts remain unchanged at (\$0.12)/share for 2025 and \$0.08/share for 2026. We are not adjusting our target valuation at this time, and it remains \$1.50/share. We believe there is upside to both our revenue forecast and margin projections in the second half of 2026 and we will revisit our target valuation when we have more clarity on the timing of the transition at Dalian and the new production line at Nanjing.

We continue to focus on the fact that CBAK entered 2025 operating 2.3 GWh of production capacity (1.3 GWh at Nanjing and 1.0 GWh) and expect that by the end of 2025 or in the first quarter of 2026, the company could be operating over 6 GWh of capacity. This significant increase in production capacity is expected to have a meaningful impact on the company's financial results in 2026.

Share Buyback

In late May, in an effort to regain compliance with the NASDAQ market's \$1 minimum bid requirement and return value to shareholders, the company's Board of Directors authorized a share buyback for up to \$20 million that runs through May 2026. As of August 2025, management indicated that it had utilized between \$1.3 and \$1.5 million of the buyback authorization to repurchase its shares. While the company has not formally indicated that its stock has regained compliance with the minimum bid requirement, the trading of the shares subsequent to the buyback announcement (when the stock traded above \$1 for most of the month of June) would indicate that the company has likely regained compliance.

Recent News

- In June, the company announced an \$11.6 million order from Africa's "largest EV players" for the company's 32140 large LFP cylindrical batteries. In a press release announcing the agreement, the company indicated that it anticipates additional orders from this customer totaling up to \$55 million. We

are encouraged by the continued geographic diversification of CBAK's customer base as the company strengthens its position in Asian, European, and African markets.

- In late June, the company announced an agreement with Anker Innovations (Shenzhen: 300866) to establish a new manufacturing facility in Malaysia to produce 32140 and 40135 cells. This partnership was likely established in response to the US tariffs; however, as the tariff negotiations continue, we believe that this partnership has been paused until there is more clarity on what the final tariff agreements will look like on Chinese-manufactured battery components. Notably, the companies indicated in the initial press release announcing this relationship that potential orders a result of this agreement could be \$357 million however, the term of the agreement was not announced. We expect that the companies will further clarify the status of this partnership later this year.

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 capacity.
- 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.

PROJECTED INCOME STATEMENT

CBAK Energy Technology

8/18/25

			Mar		June		Sept		Dec			
	2023A	2024A	1Q25A	2Q25A	3Q25E	4Q25E	2025E	1Q26E	2Q26E	3Q26E	4Q26E	2026E
(USD in 000's; December Year-End)												
Battery Revenues												
Uninterruptible supplies	74,978.0	124,588.0	16,981.0	18,521.4	19,077.0	21,366.3	75,945.6	29,912.8	37,390.9	46,738.7	50,010.4	164,052.8
Light Electric Vehicles	8,029.6	10,319.2	2,844.9	2,426.6	2,547.9	2,930.1	10,749.5	3,076.6	3,384.3	3,553.5	3,731.2	13,745.6
Electric Vehicles	2,289.1	1,681.7	537.5	142.1	152.0	162.7	994.3	170.8	179.4	191.9	205.4	747.5
Total Battery Revenues	85,296.7	136,588.8	20,363.3	21,090.1	21,777.0	24,459.1	87,689.5	33,160.2	40,954.6	50,484.1	53,946.9	178,545.8
Battery Revenues % change (yoY)	-9.9%											
Raw Material Revenues												
Precursor	-	-	-	-	-	-	-	-	-	-	-	-
Cathode	-	-	-	-	-	-	-	-	-	-	-	-
Total Raw Material Revenues	119,141.7	40,025.8	14,575.6	19,434.3	17,490.8	17,665.7	69,166.4	17,842.4	18,020.8	18,201.0	18,383.0	72,447.3
Sales	204,438.4	176,614.6	34,938.9	40,524.3	39,267.8	42,124.8	156,855.9	51,002.6	58,975.4	68,685.1	72,330.0	250,993.1
% change (yoY)	-18%	-14%	-41%	-15%	-12%	66%	-11%	46%	46%	75%	72%	60%
Cost of Revenues	172,714	134,839	30,137	36,062	35,265	37,076	138,540	43,755	49,550	57,106	59,886	210,298
Gross Profit	31,724	41,775	4,802	4,462	4,003	5,048	18,316	7,248	9,425	11,579	12,443	40,695
% change (yoY)	0	-	-	-	-	-	-56%	-	-	-	-	122%
Gross Profit Margin	15.5%	23.7%	13.7%	11.0%	10.2%	12.0%	11.7%	14.2%	16.0%	16.9%	17.2%	16.2%
Operating Expenses:												
Research and Development	11,928	13,010	3,024	3,613	3,794	3,870	14,302	3,793	3,603	3,783	3,859	15,038
Sales and marketing	4,904	5,198	896	951	998	1,048	3,893	1,090	1,145	1,202	1,262	4,699
General and Administrative	13,789	13,948	3,804	3,351	3,451	3,538	14,144	3,573	3,609	3,717	3,810	14,709
	30,621	32,156	7,724	7,915	8,244	8,456	32,339	8,456	8,357	8,702	8,931	34,445
% of Sales	15.0%	18.2%	22.1%	19.5%	21.0%	20.1%	20.6%	16.6%	14.2%	12.7%	12.3%	13.7%
Operating Income (Loss)	1,103	9,620	(2,922)	(3,453)	(4,241)	(3,408)	(14,023)	(1,208)	1,069	2,877	3,513	6,250
Impairment Charge on PPE & goodwill	(7,070)	(475)	-	-	-	-	-	-	-	-	-	-
(Provision for) recovery of doubtful accounts	(1,285)	(356)	58	(76)	-	-	(18)	-	-	-	-	-
Other Income, net	(3,023)	1,046	713	353	0	0	1,066	0	0	0	0	-
Finance Expenses/(Income)	(433)	(1,283)	(45)	(163)	0	0	(118)	0	0	0	0	0
Changes in equity investee	27	55	(21)	0	0	34	-	-	-	-	-	-
Changes in fair value of warrants liability	136	0	0	0	0	0	0	0	0	0	0	0
Impairment of non-marketable equity securities	(2,393)	0	0	0	0	0	0	0	0	0	0	0
Income before Taxes	(6,053)	11,144	(2,051)	(3,360)	(4,241)	(3,408)	(13,060)	(1,208)	1,069	2,877	3,513	6,250
Loss (income) attributable to non-controlling interests	6,090	2,205	472	287	296	305	1,360	314	330	340	350	1,333
Income tax (expense)/credit	(2,486)	(1,559)	0	0	339	273	612	97	(85)	(230)	(281)	(500)
Net Income (Loss) attributable to CBAK	(2,449)	11,790	(1,579)	(3,073)	(3,605)	(2,830)	(11,088)	(797)	1,313	2,986	3,581	7,083
EPS reported	(0.03)	0.13	(0.02)	(0.03)	(0.04)	(0.03)	(0.12)	(0.01)	0.01	0.03	0.04	0.08
% 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
Diluted Shares (weighted average)	89,252.0	90,158.0	89,939.0	89,007.9	89,185.9	89,364.3	89,374.3	89,543.0	89,722.1	89,901.5	90,081.3	89,812.0
Margins:												
Gross Margin	15.5%	23.7%	13.7%	11.0%	10.2%	12.0%	11.7%	14.2%	16.0%	16.9%	17.2%	16.2%
Research and Development as a % of Sales	5.8%	7.4%	8.7%	8.9%	9.7%	9.2%	9.1%	7.4%	6.1%	5.5%	5.3%	6.0%
General & Administrative as a % of Sales	6.7%	7.9%	10.9%	8.3%	8.8%	8.4%	9.0%	7.0%	6.1%	5.4%	5.3%	5.9%

BALANCE SHEET

CBAK Energy Technology, Inc.
 Balance Sheet in US Dollars
 6/30/25

(US Dollars USD in 000s)

Assets

Current Assets

Cash and Cash Equivalents	5,680
Pledged Deposits	53,697
Term Deposits	2,130
Trade and bills receivable, net	34,655
Inventories	37,443
Prepayment & other receivables	9,359
Receivables from a former subsidiary, net	3
Income Tax recoverable	480
Total current assets	143,448
Property, plant & equipment (net)	83,891
Construction in progress	71,636
Long-term investments, net	2,323
Prepaid land use rights	12,226
Intangible Assets (net)	154
Deposit paid for acquisition - long-term investment	16,165
Operating lease right-of-use assets, net	3,251
Deferred tax assets, net	
Total Assets	333,094

Liabilities

Current Liabilities

Trade and bills payable	97,635
Short-term bank borrowings	33,885
Other short-term loans	336
Accrued expenses and other payables	65,325
Payables to a former subsidiary, net	414
Deferred government grants, current	567
Product warranty provisions	23
Income Tax Payable	0
Operating lease liability, current	1,229
Finance lease liability, current	0
Total current liabilities	199,414
Deferred government grants, non-current	10,270
Product warranty provisions	449
Operating lease liability, non-current	2,245
Long-term bank borrowings	4,872

Total Liabilities

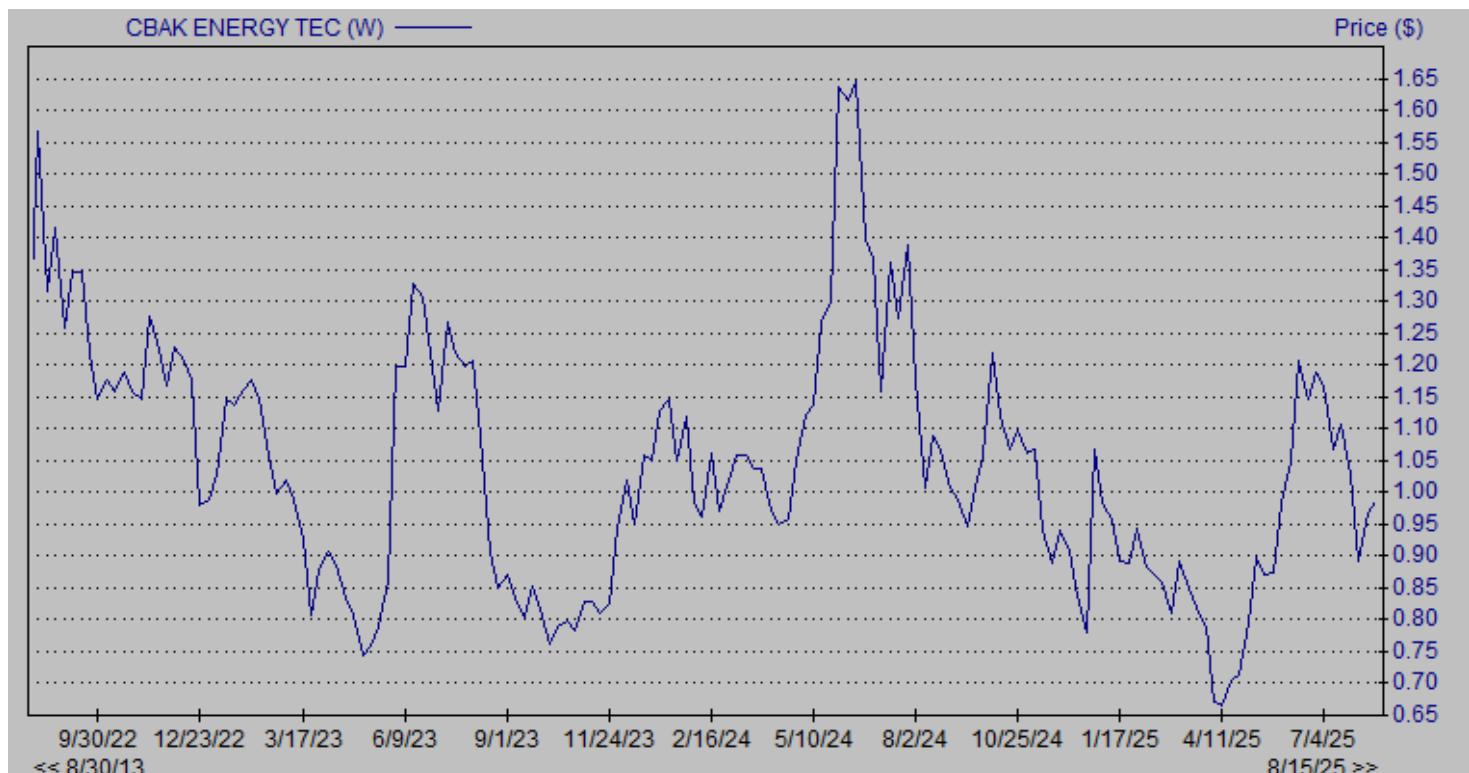
217,250

Shareholder's Equity

Common stock	90
Donated shares	14,102
Additional Paid-in Capital	247,892
Statutory reserves	3,043
Accumulated Deficit	(129,070)
Accumulated Other Comprehensive Loss	(12,542)
Shareholder's Equity	123,515
Less: Treasury Shares	(5,304)
Total shareholders' equity	118,211
Non-controlling interests	(2,367)
Total equity	115,844
Total Liabilities & Equity	333,094

Source: Company Press Release

HISTORICAL STOCK PRICE



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