

# Zacks Small-Cap Research

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## CBAK Energy Technology (NASDAQ: CBAT)

**CBAT: Surprising pockets of strength in Q3. Valuation remains compelling.**

CBAK's battery cell business has begun the transition to larger-format cell production, and expansion at the Nanjing facility is expected to be revealed in Q4. We anticipate significant revenue growth from batteries in 2026, and we believe the shares represent substantial value at current levels. We are maintaining our 12-month valuation target of \$1.50.

Current Price (11/07/25)	\$0.88
<b>Valuation</b>	<b>\$1.50</b>

### OUTLOOK

CBAK Energy Technology released its third-quarter results, which included a substantial improvement in sales to Light Electric Vehicle (LEV) customers and a rebound in the company's raw material business.

The company has commenced production of larger-format 40135 cells at its Dalian facility and anticipates increasing its production capacity to 100,000 cells per day by year-end. The Nanjing facility expansion is also expected to be announced in the coming weeks, accompanied by a planned video walkthrough.

CBAK entered 2025 with 2.3 GWh of battery cell capacity, and we expect the company to have over 6 GWh of capacity by early 2026. This expansion could offer significant upside to our current projections.

### SUMMARY DATA

52-Week High	\$1.28
52-Week Low	\$0.57
One-Year Return (%)	-18%
Beta	2.83
<b>Average Daily Volume (sh)</b>	<b>318,157</b>
Shares Outstanding (mil)	89
Market Capitalization (\$mil)	\$78
Short Interest Ratio (days)	N/A
Institutional Ownership (%)	2
Insider Ownership (%)	13
Annual Cash Dividend	\$0.00
Dividend Yield (%)	0.00

Risk Level	Type of Stock	Above Average			
		Speculative			
Industry				Energy Storage	

### 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	61 A	65 E	201 E
2026	69 E	79 E	94 E	100 E	343 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	\$0.03 A	-\$0.03 E	-\$0.05 E
2026	-\$0.01 E	\$0.01 E	\$0.05 E	\$0.06 E	\$0.10 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 Third Quarter 2025 Results**

CBAK Energy Technology released its third-quarter results, which demonstrated the continued transition of its business in 2025. As we've noted previously, 2025 represents a significant transition for CBAK, as it has significantly upgraded its production facility in Dalian and plans the phase 2 expansion at its Nanjing facility. Total battery sales were 55% ahead of our forecast of \$21.8 million, rising to \$33.7 million, primarily due to the substantial outperformance of the company's sales to Light Electric Vehicle (LEV) manufacturers. Light Electric Vehicle sales jumped to \$18.2 million in the quarter, surpassing 2024's annual total sales for this division by nearly 80%. It appears that the company's efforts to cultivate relationships with suppliers of two- and three-wheeled scooters in India are beginning to pay dividends.

Although the Dalian facility upgrade was not completed until after the end of the third quarter, we believe that this production line is now fully operational, and the company is working towards its stated goal of producing 100,000 cells daily from the Dalian facility by year-end.

Demand for the company's 32140 cells produced at the Nanjing facility remains robust, and the company indicated that its capacity constraints limited further sales growth in the third quarter. The company will add 2 GWh of production capacity to its Nanjing facility in the fourth quarter of 2025. This expansion represents a 150% increase in total production capacity at Nanjing (from 1.3 GWh to 3.3 GWh) and is expected to have a meaningfully positive impact on the top line and profitability in the future.

Management indicated that the company intends to post videos detailing the new production capacity at Nanjing in the coming weeks, once the production lines start up. We believe this news could be a near-term catalyst for the company's shares.

The company's raw material business has been a drag on results for most of the past two years as oversupply in the market has severely depressed prices. The strong demand for battery raw material inputs has led to broad stabilization of pricing for these materials, and additional volumes sold to customers enabled this division to have its best quarter since 2023. While profitability remains elusive in this market, the company was able to generate a small gross profit of \$460k on sales of \$27.2 million (representing a 1.7% gross margin). We do not think investors have high expectations for this division, but if it could approach breakeven, we believe investors would welcome such an improvement.

### **Third Quarter Results**

Total battery revenues in Q3 were roughly \$33.7 million, or \$11.9 million above our forecast of \$21.8 million. The company's Residential Energy Supply and Uninterruptible Supply revenues were slightly below our forecast at \$15.5 million, which we attribute to the slowdown in demand for some of the company's 26650 cells, as customers anticipated the shift to 40135 cells. With the 40135 line now operational at Dalian, we expect this business line to continue rebounding and experience renewed growth in 2026.

The company's light electric vehicle (LEV) business substantially outperformed our expectations, recording \$18.2 million in sales, which is roughly equal to the total sales of this division for both fiscal 2023 and fiscal 2024 combined. The company has been working with several leading scooter manufacturers in Asia (primarily in India) to diversify its end-user markets, and that appears to have paid off in the third quarter. While it's unclear how frequently these orders will recur, we will assume that LEVs become a more significant revenue source through 2026.

The company's battery gross margin fell by more than 300 basis points from the second quarter of 2025 to 13.1%, continuing to indicate a supply-demand imbalance in the market that is depressing unit prices for older cell formats. The 13.1% battery gross margin is significantly below the long-term trend in this market, which averages 20-30% gross margins. However, it appears to reflect today's excess capacity environment and the third-quarter revenue mix, which did not include any of the new, larger cell formats.

Cell manufacturers have been facing excess capacity and unstable end markets as a result of shifts in US trade policy. We are currently forecasting that the company's gross margin will slowly improve in the coming quarters and eventually return to approaching historical averages at the end of 2026.

The company's Hitrans raw material business again surprised to the upside with strong revenue growth, reaching total sales of \$27.2 million for the quarter, which was more than 50% above our forecast of \$17.5 million for the quarter. Management noted that the raw materials market has continued to stabilize and rebalance, enabling prices to stabilize and even increase slightly. We currently view the raw materials business as a net neutral for the CBAK as it has a very narrow gross margin of 1.7% and is still generating a sizeable net loss of \$2.1 million. Still, if demand continues to remain robust and prices stabilize, we could see this business line approach breakeven, which would be a substantial net positive for CBAK.

The growth of raw material sales and LEV sales (56% and 612% above our forecast) resulted in total revenue for CBAK being 55% or \$21 million above our third-quarter model. Despite this substantial outperformance on the topline, the very low gross margin in the raw materials business (1.7%) and the lower gross margin on LEV battery cells meant that the total gross profit for the quarter was only \$1.4 million above our forecast of \$5.4 million. We believe that Q3 likely represents the low point for gross margins, as the company's new, large-format cells are expected to begin shipping in the fourth quarter.

The balance of the company's operating expenses were roughly in line with our model, and the company reported an operating loss of \$3.7 million for the third quarter. The company recognized a sizable \$5.7 million "other income" item, which we believe was related to a customer compensating CBAK for switching from previously ordered 26650 cells to new 40135 cells. As a result of this "other income" item, the company reported a net profit of \$0.03 per share; however, excluding this gain, we estimate the net loss per share would have been roughly in line with our forecast of (\$0.04)/share.

### **2025 Transition**

As we have previously discussed, CBAK entered 2025 with 2.3 GWh of production capacity at two locations, primarily producing 26650 and 32140 series cells. At this size, CBAK would likely be considered a Tier 4, niche player in the battery cell market. We believe that Tier 1 players in the battery cell market have 25-50 GWh of capacity, Tier 2 players have roughly 10-25 GWh of capacity, Tier 3 players have 5-10 GWh, and Tier 4 players have under 5 GWh.

As of today, we estimate that CBAK has 3.3 GWh of capacity at Dalian and 1.3 GWh at Nanjing, totaling 4.6 GWh. However, as management indicated on the quarterly conference call, they expect to begin production of 32140 cells via an additional 2.0 GWh of capacity as soon as this month. This expansion would bring CBAK's total capacity to above 6 GWh and likely make CBAT one of the top cylindrical cell manufacturers in China (though still significantly smaller than the industry leaders).

We look forward to the company's next investor video update, which will showcase the production lines in operation, and anticipate that this could be a positive catalyst for the company's shares.

We are adjusting our full-year forecasts to reflect slightly better pricing at the raw material division, better than expected LEV demand, the initial production from the new Dalian 40135 line and the new Nanjing line and our 2025 revenue forecast is now \$201 million (up from a previous forecast of \$157 million) and \$343 million in 2026 (up from an earlier estimate of \$252 million). We continue to forecast a doubling of the company's high-margin battery business to more than \$226 million, and we anticipate that profitability will improve as the sales mix shifts toward newer battery cell formats. Our full-year 2025 EPS forecast decreases from a (\$0.12)/share loss to a (\$0.05)/share loss, mainly due to the gain reported as other income in the third quarter. We are increasing our 2026 EPS estimate to \$0.10/share, up from a previous estimate of \$0.08/share. However, we believe that if demand remains robust, the company's margins could materially exceed our forecasts, which would have a positive impact on the 2026 reported EPS.

We are not adjusting our target valuation, which remains \$1.50/share, as we believe many investors will likely wait to see the margin improvement that we are forecasting materialize in 2026 before committing capital to the space.

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## INDUSTRY UPDATE

Within the battery cell market, the cylindrical cell market is often overlooked in favor of the prismatic and pouch cells because of the dominance of the latter in booming markets like EVs and smartphones. However, in several applications, energy storage systems seem to work better with cylindrical cells, and demand has remained robust over the past decade. Demand has been particularly strong for cylindrical cells in energy storage systems and light electric vehicles (such as scooters). Unfortunately, with this strong demand, the market has built up a substantial degree of excess capacity, leading to pricing pressure and margin compression despite strong end demand. We believe that the Chinese government recognizes that this market has fallen out of balance and is attempting to control expansion in a way that will enable multiple companies to thrive.

The market is shifting toward higher-value-added cells that offer greater energy density, longer lengths, and wider diameters. To address this demand, companies like CBAK are adding new capacity to produce cells, such as the 40135, and eventually the 46-series cells, which could be used in large EV platforms.

The market for battery cells remains highly concentrated, with Tier 1 companies controlling the majority of the market. However, that concentration at the top of the market has allowed several small companies, like CBAK to establish strong client relationships in unique verticals. Over the next 3-5 years, we anticipate greater industry consolidation as leading companies seek to gain market share. In the near term, however, we expect most companies to focus on cost controls and new product introductions to achieve market share.

## 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 is in the midst of an ambitious expansion plan that should double capacity by 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 and light electric vehicle market, where CBAK is focusing its efforts.

## 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. Additionally, it is worth noting that rules and regulations in China can change rapidly 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 it 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 lacked appropriate policies and procedures for evaluating the proper accounting and disclosure of key documents and agreements, and there were insufficient accounting personnel with a sufficient 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.

On October 1, 2025, CBAK Energy received a notice from the NASDAQ market that it was not in compliance with the NASDAQ's \$1.00 minimum bid price requirement. To regain compliance with this rule, the company's shares must stay above \$1.00 for 10 consecutive business days before March 30, 2026.



## BALANCE SHEET

**CBAK Energy Technology, Inc.**  
 Balance Sheet in US Dollars  
 9/30/25

(US Dollars USD in 000s)

### Assets

#### Current Assets

Cash and Cash Equivalents	10,476
Pledged Deposits	52,872
Term Deposits	0
Trade and bills receivable, net	47,798
Inventories	34,488
Prepayment & other receivables	11,289
Receivables from a former subsidiary, net	2
Income Tax recoverable	767
<b>Total current assets</b>	<b>157,693</b>
Property, plant & equipment (net)	82,839
Construction in progress	89,458
Long-term investments, net	2,337
Prepaid land use rights	12,215
Intangible Assets (net)	75
Deposit paid for acquisition - long-term investment	16,262
Operating lease right-of-use assets, net	2,983
Deferred tax assets, net	
<b>Total Assets</b>	<b>363,863</b>

### Liabilities

#### Current Liabilities

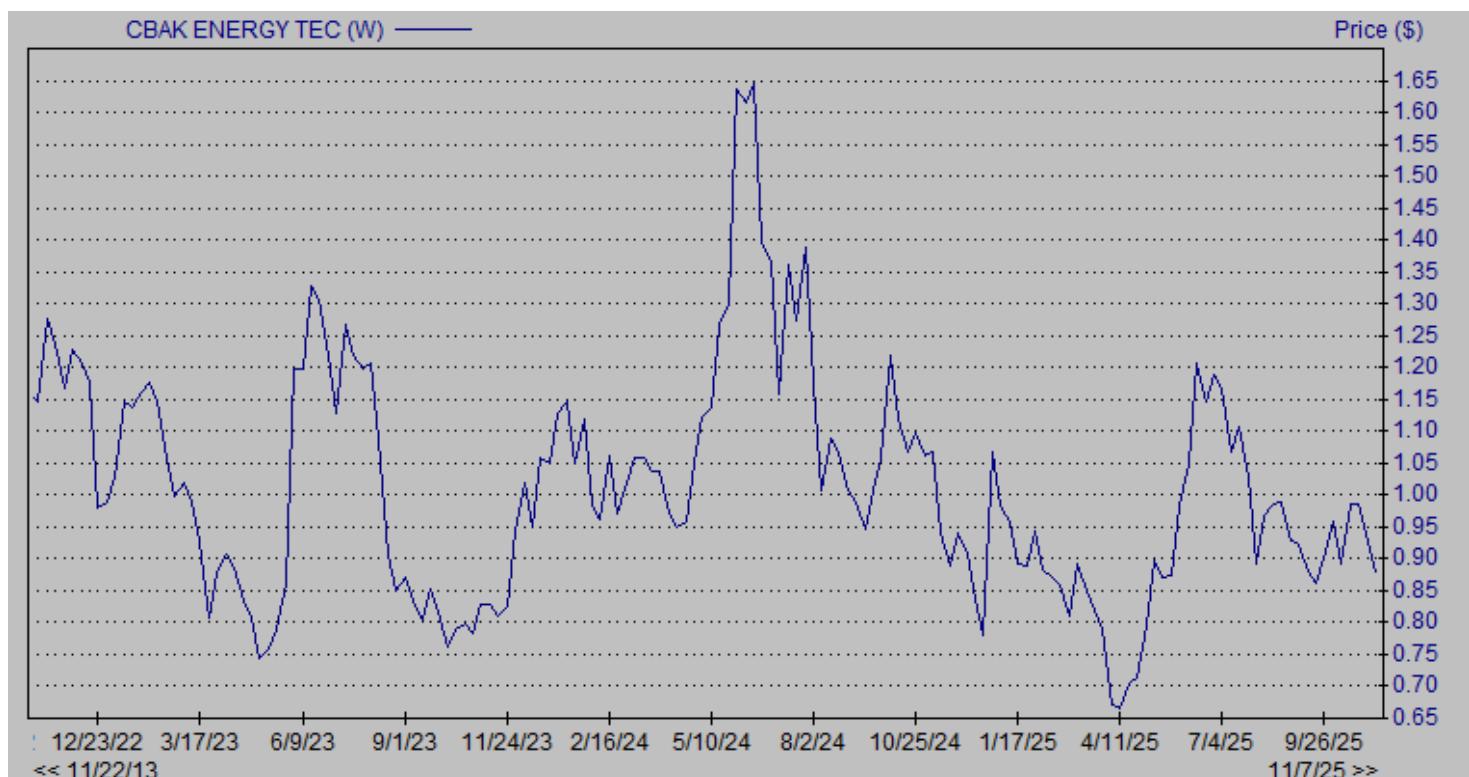
Trade and bills payable	118,436
Short-term bank borrowings	29,570
Other short-term loans	337
Accrued expenses and other payables	77,306
Payables to a former subsidiary, net	412
Deferred government grants, current	570
Product warranty provisions	23
Operating lease liability, current	1,348
<b>Total current liabilities</b>	<b>228,003</b>
Deferred government grants, non-current	10,189
Product warranty provisions	473
Operating lease liability, non-current	1,981
Long-term bank borrowings	4,761
<b>Total Liabilities</b>	<b>245,407</b>

### Shareholder's Equity

Common stock	89
Donated shares	7,955
Additional Paid-in Capital	248,487
Statutory reserves	3,043
Accumulated Deficit	(126,420)
Accumulated Other Comprehensive Loss	(11,745)
<b>Shareholder's Equity</b>	<b>121,409</b>
Less: Treasury Shares	-
<b>Total shareholders' equity</b>	<b>121,409</b>
Non-controlling interests	(2,953)
<b>Total equity</b>	<b>118,456</b>
<b>Total Liabilities &amp; Equity</b>	<b>363,863</b>

Source: Company Press Release

## HISTORICAL STOCK PRICE



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