

# Zacks Small-Cap Research

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## CBAK Energy Technology (NASDAQ: CBAT)

**CBAT: Strong topline performance across all business lines, but margins continue to trail our expectations.**

CBAK's battery cell business continues to perform well as new, larger-format cell production at Dalian comes online. Higher input costs compressed meaningfully in Q1. We believe the shares represent substantial value at current levels, given the upside to margins possible in the second half. We are maintaining our 12-month valuation target of \$1.50.

Current Price (5/18/26) **\$0.74**  
Valuation **\$1.50**

### OUTLOOK

CBAK Energy Technology released its first-quarter results, which again demonstrated significant growth in Light Electric Vehicle (LEV) sales and impressive results from the company's raw material business.

Demand for the company's cells has outstripped supply capacity recently, but significant capacity enhancements at its Dalian and Nanjing facilities are gradually enabling it to meet demand. Demand for the company's cells remains robust, but the expansion has impacted efficiency and margins more than we anticipated.

We are electing to be conservative with our topline growth and margin assumptions for now, but we believe results could outperform our current projections if market conditions remain stable.

### SUMMARY DATA

52-Week High **\$1.25**  
52-Week Low **\$0.72**  
One-Year Return (%) **-15%**  
Beta **1.30**  
Average Daily Volume (sh) **115,377**

Shares Outstanding (mil) **89**  
Market Capitalization (\$mil) **\$66**  
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 **NM**  
P/E using 2026 Estimate **NM**  
P/E using 2027 Estimate **3.0x**

Zacks Rank **N/A**

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

### ZACKS ESTIMATES

#### Revenue (in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2024	59 A	48 A	45 A	28 A	177 A
2025	35 A	40 A	61 A	59 A	195 A
2026	70 A	74 E	95 E	109 E	348 E
2027	106 E	114 E	120 E	124 E	463 E

#### EPS / Loss Per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
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	-\$0.09 A	-\$0.10 A
2026	-\$0.10 A	-\$0.06 E	\$0.00 E	\$0.04 E	-\$0.11 E
2027	\$0.03 E	\$0.06 E	\$0.07 E	\$0.08 E	\$0.24 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 Energy Reports First Quarter 2026 Results**

CBAK Energy Technology released its first-quarter 2026 results shortly after the market opened on Monday, May 18th, which demonstrated a meaningful year-over-year increase in customer demand and strong pricing for the company's battery raw materials business. As anticipated, the company's new supply capacity at Dalian and Nanjing is experiencing strong demand across several markets. The company ramped its capacity meaningfully in the fourth quarter. As of the first quarter of 2026, we believe that the company is now operating at least 8.3 GWh of capacity across 3 facilities.

The significant expansion of the Nanjing facility (growing from 1.5 GWh to 4.5 GWh) will likely take longer to fully come online, and we are now forecasting that this expansion will last into early 2027, though management indicated it expects the ramp-up to be substantially complete by the second half of 2026. The success of this first meaningful expansion by CBAK is important because the company's management continues to have ambitious growth plans, aiming to reach a total capacity of 38 GWh.

Total battery sales were about 16% above our forecast at \$37.5 million for the quarter, with almost all of the outperformance driven by significant demand for Light Electric Vehicle cells, which topped \$15 million for the first time.

The company did not host a quarterly conference call, so we were unable to inquire about the status of the Dalian facility upgrade or if the company's long-term plans have changed with regard to total capacity plans, but we are encouraged by the wording that indicates that the ramp-up is expected to be completed in the second half of 2026.

Demand for the company's 32140 cells produced at the Nanjing facility remains robust, and by focusing on markets such as India, Vietnam, and Africa, the company has been able to avoid some of the global trade challenges that continue to affect the market.

The market for battery raw materials continues to outperform as battery inputs remain in very high demand. The sharp turnaround in the raw materials business continued in the first quarter of 2026, as supply remained constrained worldwide but demand remained very strong. CBAK reported raw material sales of roughly \$32 million in the fourth quarter, about \$5 million below our aggressive forecast.

The company reaffirmed its expectation that this division will deliver record revenues in 2026. For context, we believe the previous peak of this business was 2022, when annual revenues totaled \$154 million.

### **First Quarter Results**

Total battery revenues in Q1 were roughly \$37.5 million, or \$5.1 million above our forecast of \$32.5 million. We believe this is the highest quarterly revenue recorded by the company's battery business, as the company continues to perform well across all business lines. The company's Residential Energy Supply and Uninterruptible Power Supply revenues remain its largest contributor at \$22.2 million, but we believe that as the transition from 26-series to 40-series cells progresses, there will be even greater growth potential in this business line.

The company's light electric vehicle (LEV) business had another strong quarter, recording \$15.4 million in sales, and has now generated over \$45 million in sales in just the last 9 months. Roughly a year ago, this business was generating just over \$2 million per quarter. We continue to be impressed by the company's rapid growth in this market, and we are encouraged by the prospect of future growth here, given that most demand is in markets with strong trade relations with Chinese manufacturers. For the balance of 2026, we are projecting LEV sales of roughly \$15 million per quarter, but we think demand exceeds this level, and if the company brings additional capacity online, the upside could be significant.

The company's gross margin was clearly the biggest disappointment on the income statement, as it was just 1.5%. The shift to new formats at both Dalian and Nanjing led to higher unit production costs, according to management, and higher input costs have not been passed along to customers yet in the form of higher prices. Of the total gross margin miss of about 600 basis points, it's unclear how much was due to higher input costs versus higher unit costs tied to the shift in production, and for the time being, we are assuming that this was equally distributed. We now believe gross margins may not normalize until Q4 2026, which impacts our forecasts for the next two quarters, but we still believe 2027 remains on track.

The company's Hitrans raw material is impacted significantly by industry pricing, which appears to still be robust in 2026. As a reminder, revenues peaked at \$154 million in 2022 in this division only to see massive oversupply come to market, which depressed prices in 2023 and 2024. Rather than producing at a significant loss, CBAK's management elected to reduce production at Hitrans until market conditions improved (Hitrans' revenues fell to just \$40 million in 2024). We believe the global price increases in cathode materials we've seen in 2026 are a sign of continued strength in this market, and management has indicated it expects record results from this division in 2026 (implying revenues above the previous high of \$154 million for the year).

The company's operating expenses came in slightly higher than forecast due to new hiring and expansion plans to support growth in 2026 and additional investments in R&D. As a result of the sharply lower gross margin and higher operating expenses, the company reported a net loss of (\$0.10/share), compared with our model estimate of a loss of (\$0.05/share).

We are adjusting our forecasts to reflect stronger pricing and demand in the company's raw material division, better-than-expected LEV demand, and the substantial capacity increase at Nanjing and Dalian. However, we feel it is prudent to assume that price hikes will be rolled out more slowly and the full ramp-up of the new production lines will not be completed until Q4 2026. We believe the market is still significantly underestimating the profit potential of the company's battery business, and patient investors are likely to be well rewarded as the profit levers for the business are substantial when it is running at capacity. Additionally, the former profit drag, Hitrans, is now generating net income.

We are adjusting our 2026 EPS estimate to a (\$0.11)/share loss, largely as a result of the Q1 results, and our 2027 estimate to \$0.24/share. Our 2027 forecast assumes that the raw material business remains profitable and that margins in the battery business return to historical norms once pricing increases are passed along to customers and production lines achieve operating efficiency after full installation. We are not adjusting our target valuation, which remains \$1.50/share, but we believe CBAK continues to have a very compelling valuation while both of its business lines are on the verge of major upswings. Patient investors may have to wait through another quarter or two to see results, but the upside from these levels is significant if CBAK hits our goals in late 2026 and 2027.

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## INDUSTRY UPDATE

The cylindrical cell market in 2026 has continued the 2025 trends that emerged late in the year. Buyers continue to move up in cell size and energy density, moving toward larger formats, as manufacturers like CBAK transition their production facilities to newer models.

### Market Drivers

Demand for cylindrical cells remains strong, and several companies have noted that excess demand is absorbed almost immediately.

- **Battery Energy Storage Systems (BESS)/AI and Data center backups:** BESS systems continue to see significant demand worldwide despite recent regulatory headwinds in the United States. China is expected to remain the global leader in BESS installations, while the US market has shifted its focus toward data centers. Data centers also require significant backup capacity, and cylindrical cells are well-suited to meet this need. We believe that the company's increased R&D spending may include efforts to bring products to market that can meet this rapidly growing need.
- **LEVs:** As evidenced by strong growth at CBAK, demand for LEVs and their battery cells remains very high. Recent increases in fuel costs in developing nations are also increasing demand for electric alternatives.
- **Other markets:** While CBAK has not specifically focused on drones or autonomous robots, demand in these markets is forecast to grow dramatically over the balance of the decade. While drone batteries are unlikely to be a focus of the company, we could see a significant opportunity in low-speed autonomous delivery or security bots.
- Cell manufacturers continue to face rising input costs, leading to broad price increases from industry leaders. Given CBAK's strong customer relationships, the company is likely to phase in higher prices over the course of 2026.

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## 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 to become a major supplier of cylindrical battery cells.
- 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 supplying battery packs to the EV market, creating an opportunity for cylindrical cells in the energy storage and light electric vehicle markets, where CBAK is focusing its efforts.

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## 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 government oversight could result in a material adverse change in the company's operations and, subsequently, in 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 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 that there were insufficient accounting personnel with sufficient 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

3/30/26

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

## Battery Revenues

	2024A	2025A	Mar 1Q26A	June 2Q26E	Sept 3Q26E	Dec 4Q26E	2026E	Mar 1Q27E	June 2Q27E	Sept 3Q27E	Dec 4Q27E	2027E
Uninterruptible supplies	124,588.0	68,822.8	22,110.0	29,546.8	39,888.2	42,680.4	134,225.4	49,082.4	55,463.1	59,900.2	65,890.2	230,336.0
Light Electric Vehicles	10,319.2	36,363.4	15,407.7	12,079.5	16,911.3	15,220.2	59,618.8	12,937.2	14,230.9	19,923.3	17,930.9	65,022.3
Electric Vehicles	1,681.7	796.1	1.5	65.3	69.9	74.8	211.5	76.7	78.6	80.5	82.5	318.3

## Total Battery Revenues

Battery Revenues % change (yoy)

## Raw Material Revenues

Precursor	-	-	-	-	-	-	-	-	-	-	-	-
Cathode	-	-	-	-	-	-	-	-	-	-	-	-

## Total Raw Material Revenues

<b>Sales</b>	<b>176,614.6</b>	<b>195,189.3</b>	69,617.4	74,431.8	94,520.6	109,180.9	<b>347,750.6</b>	105,621.0	113,732.6	119,467.9	123,863.3	<b>462,684.8</b>
% change (yoy)	-14%	11%	99%	84%	55%	86%	78%	52%	53%	26%	13%	33%

Cost of Revenues	134,839	176,767	68,578	68,090	83,066	93,320	313,054	90,405	95,836	99,911	103,406	389,558
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Gross Profit	41,775	18,423	1,039	6,342	11,454	15,861	34,696	15,216	17,897	19,557	20,457	73,127
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% change (yoy)	0	(1)					88%					111%
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<b>Gross Profit Margin</b>	<b>23.7%</b>	<b>9.4%</b>	1.5%	8.5%	12.1%	14.5%	10.0%	14.4%	15.7%	16.4%	16.5%	15.8%
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## Operating Expenses:

Research and Development	13,010	15,802	4,220	4,431	4,652	4,745	18,049	4,935	4,689	4,923	5,021	19,568
Sales and marketing	5,198	5,077	1,998	2,098	2,203	2,313	8,612	2,371	2,430	2,491	2,553	9,845
General and Administrative	13,948	16,196	4,510	4,555	4,692	4,927	18,684	5,074	5,125	5,279	5,411	20,889

	32,156	37,074	10,728	11,084	11,547	11,985	45,345	12,381	12,244	12,693	12,985	50,302
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% of Sales	18.2%	19.0%	15.4%	14.9%	12.2%	11.0%	13.0%	11.7%	10.8%	10.6%	10.5%	10.9%
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<b>Operating Income (Loss)</b>	<b>9,620</b>	<b>(18,651)</b>	<b>(9,689)</b>	<b>(4,742)</b>	<b>(93)</b>	<b>3,876</b>	<b>(10,649)</b>	<b>2,836</b>	<b>5,653</b>	<b>6,864</b>	<b>7,471</b>	<b>22,825</b>
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Impairment Charge on PPE & goodwill	(475)	-	-	-	-	-	-	-	-	-	-	-
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(Provision for) recovery of doubtful accounts	(356)	-	(12)	-	-	-	(12)	-	-	-	-	-
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Other Income, net	1,046	8,483	2,068	0	0	0	2,068	0	0	0	0	-
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Finance Expenses/(Income)	(1,283)	(673)	(416)	0	0	0	0	0	0	0	0	0
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Changes in equity investee	27	145	0	0	0	0	0	0	0	0	0	0
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Loss on derivatives instruments	0	(440)	(906)	0	0	0	0	0	0	0	0	0
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Impairment of non-marketable equity securities	0	0	0	0	0	0	0	0	0	0	0	0
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<b>Income before Taxes</b>	<b>11,144</b>	<b>(11,136)</b>	<b>(8,955)</b>	<b>(4,742)</b>	<b>(93)</b>	<b>3,876</b>	<b>(8,580)</b>	<b>2,836</b>	<b>5,653</b>	<b>6,864</b>	<b>7,471</b>	<b>22,825</b>
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Loss (income) attributable to non-controlling interests	2,205	1,574	(325)	(341)	(352)	(362)	(1,380)	(373)	(392)	(403)	(416)	(1,584)
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Income tax (expense)/credit	(1,559)	184	(7)	0	0	0	(7)	0	0	0	0	-
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<b>Net Income (Loss) attributable to CBAK</b>	<b>11,790</b>	<b>(9,378)</b>	<b>(9,288)</b>	<b>(5,084)</b>	<b>(445)</b>	<b>3,514</b>	<b>(9,968)</b>	<b>2,463</b>	<b>5,261</b>	<b>6,461</b>	<b>7,056</b>	<b>21,241</b>
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<b>EPS reported</b>	<b>0.13</b>	<b>(0.10)</b>	<b>(0.10)</b>	<b>(0.06)</b>	<b>(0.00)</b>	<b>0.04</b>	<b>(0.11)</b>	<b>0.03</b>	<b>0.06</b>	<b>0.07</b>	<b>0.08</b>	<b>0.24</b>
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% 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
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Diluted Shares (weighted average)	90158.0	89247.1	89247.1	89425.6	89604.4	89783.7	89515.2	89873.4	89963.3	90053.3	90143.3	90008.3
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<b>Margins:</b>												
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<b>Gross Margin</b>	<b>23.7%</b>	<b>9.4%</b>	1.5%	8.5%	12.1%	14.5%	10.0%	14.4%	15.7%	16.4%	16.5%	15.8%
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Research and Development as a % of Sales	7.4%	8.1%	6.1%	6.0%	4.9%	4.3%	5.2%	4.7%	4.1%	4.1%	4.1%	4.2%
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General & Administrative as a % of Sales	7.9%	8.3%	6.5%	6.1%	5.0%	4.5%	5.4%	4.8%	4.5%	4.4%	4.4%	4.5%
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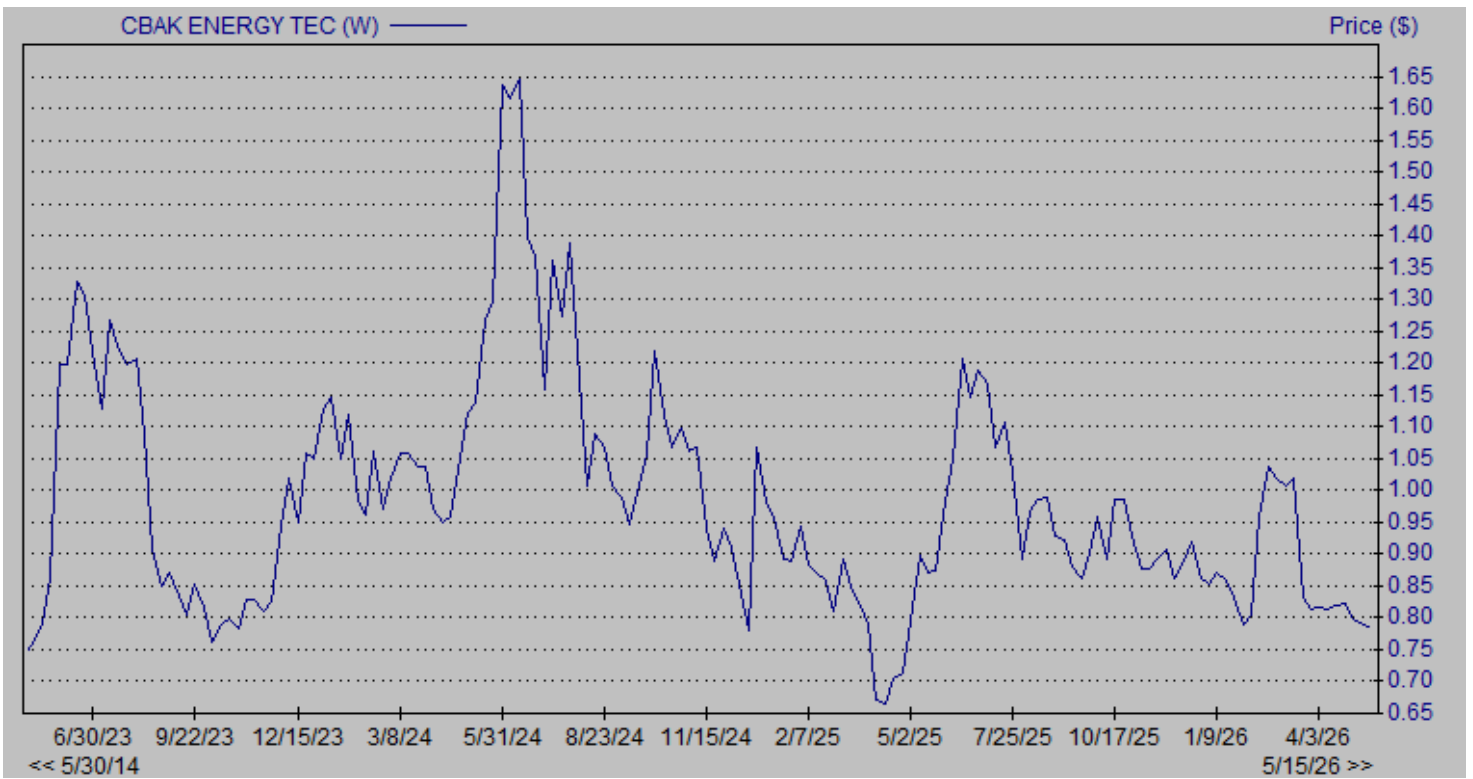
Source: Zacks SCR, Brian Lantier, Company Filings

# BALANCE SHEET

**CBAK Energy Technology, Inc.**  
Balance Sheet in US Dollars  
3/31/26

(US Dollars USD in 000s)	
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Cash Equivalents	9,339
Pledged Deposits	89,258
Trade and bills receivable, net	46,499
Inventories	75,674
Prepayment & other receivables	16,863
Receivables from a former subsidiary, net	2
Income Tax recoverable	790
<b>Total current assets</b>	<b>238,424</b>
Property, plant & equipment (net)	188,221
Construction in progress	29,690
Long-term investments, net	2,523
Prepaid land use rights	12,406
Intangible Assets (net)	68
Deposit paid for acquisition - long-term investment	16,751
Operating lease right-of-use assets, net	2,920
Deferred tax assets, net	
<b>Total Assets</b>	<b>491,006</b>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Trade and bills payable	203,021
Short-term bank borrowings	37,387
Other short-term loans	337
Accrued expenses and other payables	122,673
Payables to a former subsidiary, net	403
Deferred government grants, current	597
Product warranty provisions	483
Operating lease liability, current	1,179
Finance lease liability, current	2,125
<b>Total current liabilities</b>	<b>368,203</b>
Deferred government grants, non-current	10,202
Product warranty provisions	413
Operating lease liability, non-current	2,229
Finance lease liability, non-current	97
Long-term bank borrowings	7,652
<b>Total Liabilities</b>	<b>388,797</b>
<b>Shareholder's Equity</b>	
Common stock	89
Donated shares	7,955
Additional Paid-in Capital	248,500
Statutory reserves	3,043
Accumulated Deficit	(143,083)
Accumulated Other Comprehensive Loss	(11,343)
<b>Shareholder's Equity</b>	<b>105,161</b>
Less: Treasury Shares	-
<b>Total shareholders' equity</b>	<b>105,161</b>
Non-controlling interests	(2,952)
<b>Total equity</b>	<b>102,209</b>
<b>Total Liabilities &amp; Equity</b>	<b>491,006</b>
<i>Source: Company Press Release</i>	

## HISTORICAL STOCK PRICE



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