

# KANDI TECHNOLOGIES GROUP INC.

## (NasdaqGS: KNDI)

Based in Jinhua, China, Kandi Technologies Group Inc. (Nasdaq: KNDI) develops, manufactures, and commercializes fully electric vehicle products and related technologies, with primary commercial markets in the United States and the People's Republic of China (PRC). The company's product portfolio focuses on off-road electric vehicles (EVs), power electric motors and controllers, lithium batteries and battery packs, and battery exchange systems.

### COMPANY HIGHLIGHTS

- \* **Successful Pivot to Off-Road Vehicle Categories:** In our view, Kandi Technologies is successfully pivoting its business model to focus on off-road vehicles, including golf carts, utility vehicles (UTVs), and all-terrain vehicles (ATVs), and away from the saturated traditional EV market. We have a positive commercial outlook for Kandi's golf carts in North America, as well as globally, supported by a limited-edition collaboration with retail leader Lowe's with branding for the National Football League, which launched in fall 2024. We expect the golf cart line to expand across Lowe's footprint over time.
- \* **Customizable Products in Robust Supply Chain:** KNDI's vehicle portfolio is customizable to more than 20 models, which continues to be improved upon, and we see the products supported by an established supply chain in China and a solid intellectual property (IP) portfolio for product differentiation. We see the company establishing new manufacturing and production channels in the United States and, to a lesser extent, in Taiwan, helping to mitigate the impact of tariffs on goods produced in China. We see its diversified portfolio of parts across the EV value chain, some of which are not subject to the China tariff laws, supporting the growth strategy.
- \* **Investments in Long-Term Growth Strategy:** In October 2024, Kandi issued a 5-year growth forecast through 2029, which included smart mobility, which is poised to become a high-growth market in China. The company plans

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### KEY STATISTICS

#### Key Stock Statistics

Recent price (1/13/25)	\$1.00
Fair Value Estimate	\$7.00
52 week high/low	\$2.98/\$0.89
Shares outstanding (M)	86.0
Market cap (\$M)	86.0
Dividend	NA
Yield	NA

#### Sector Overview

Sector	Consumer Discretionary
Sector % of S&P 500	10.7%

#### Financials (\$M, as of 9/30/24)

Cash & Mkt Securities	259.6
Debt	32.0
Working Capital	274.9
Current Ratio	3.3
Payout ratio	NM
Revenue (LTM)	118.1
Net Income (LTM)	NM
Net Margin (LTM)	NM

#### Risk

Beta	1.40
Inst. ownership	2%

#### Valuation

P/E Forward EPS	16.7
Price/Revenue (LTM)	0.7
Price/Book Value	0.3

#### Top Holders

Bridgeway Capital Management LLC  
 D.E. Shaw & Co. LP  
 Susquehanna Intl Group LLP, Asset Management

#### Management

Chairman	Mr. Xueqin Dong
CEO	Mr. Feng Chen
CFO	Mr. Alan Lim
Company website	www.kandigroup.com

### PRICE CHART



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to invest \$130 million to develop production lines in the U.S. for its off-road vehicle and lithium battery swap technologies, in order to enhance its supply chain in these areas, amid strong global economic demand trends.

- \* **New Leadership to Execute:** We see Kandi's leadership positioning the company to achieve its growth targets, as in October 2024, Kandi appointed Feng Chen as its new CEO, which we view positively given his strong background in lithium battery technologies. In addition, Chairman Xueqin Dong, Kandi's previous CEO, has extensive leadership experience in the EV market and is a thought leader in the space on electric vehicle infrastructure and safety, as a paper publisher and patent owner.
- \* **Healthy Balance Sheet:** As of September 30, 2024, the company had \$260 million in cash, restricted cash, and investments, with a working capital surplus, on its balance sheet. As such, we see the company as well positioned to invest in its announced growth initiatives, including building supply chain infrastructure in the U.S., acquiring companies in growth industries such as smart mobility solutions, and buying back its shares, perhaps more aggressively than it has to date, amid protracted stock price weakness.
- \* **Fair Value:** We think that Kandi's fundamentals are strong and are not reflected in the company's valuation. As of January 2025, Kandi was trading below its balance sheet cash on hand, as well as its tangible book value and shareholder equity. We expect the company's valuation to begin to normalize as it executes on its growth strategy. Based on our forward enterprise value/sales analysis, we arrive at a fair value of \$7.00 per share, well above current levels.

## COMPANY/INDUSTRY BACKGROUND

Founded in 2002, Kandi Technologies Group is a holding company that is operating through wholly owned subsidiaries in the PRC and in the United States/Canada and that is expanding globally.

The company's current product portfolio primarily consists of off-road electric vehicles and related parts, including ATVs, UTVs, go-karts, electric scooters, electric self-balancing scooters, and lithium-ion cell batteries. The company's primary manufacturing presence and supply chain is in China, and it has recently begun to expand its manufacturing in new markets via partnership, including Taiwan, which it expects will help mitigate potential tariff issues over China-derived products.

Kandi Technologies had initially focused on the traditional EV market and sold more than 70,000 units in China as recently as 2018. Recently retired CEO and Chairman Xiaoming Hu trans-

ferred personally owned patents to Kandi and was recognized as an Innovator of the Year in China.

However, amid market saturation and declining economic benefits to vehicle manufacturers, marked by many entrenched players sacrificing profitability for increased market share, Kandi decisively pivoted its business model to off-road product categories. The company began developing electric golf crossover vehicles, UTVs, ATVs, and other off-road vehicles, although we do see potential for it to rejoin the EV market in the future, should more normalized conditions return to that market.

Over the longer term, we view Kandi as well positioned to participate in the global trends towards converting vehicles from fuel to electrification. We see the broad electric vehicle market having support from governments and automobile manufacturers globally, particularly in China, amid worsening air pollution and concerns about petroleum resource dependence. In recent years, the Chinese government has implemented policies that support new energy vehicles, which we think contributed to intensifying competition and oversaturation among electric vehicle makers. We expect support for clean energy initiatives in utility vehicles to receive similar treatment and think that additional markets including Southeast Asia represent attractive target markets, based on government support of vehicle electrification.

Thus, we view Kandi's pivot to serving the off-road segment of the EV market positively and see applications for the technology in various categories, including agriculture, tourism, and sports/recreation. We see Kandi benefiting from pollution-reduction policies that are increasingly being introduced for golf courses, given the amount of vehicle idling while in use.

In 2023, the United States/Canada accounted for 76% of Kandi's revenues, with China accounting for the balance. Off-road vehicles and parts comprised more than 85% of its sales, with lithium-ion batteries and EV parts providing most of the balance. While China has a leading market position in the traditional EV market, we note that the United States represents the largest global market for the electric off-road vehicle category. In the United States, Dallas-based SC Autosports, Kandi's wholly owned subsidiary, specializes in the market and has been instrumental in the rapid expansion of Kandi's sales channel penetration over the past few years. Further, in late 2023, SC Autosports acquired Northern Group, which has extensive U.S. sales experience and sales channels rooted in wholesale, retail, supply chain, and analytics solutions. We see this acquisition driving the expansion of SC Autosports and its product pipeline through vertical integration supporting its sales growth trajectory.

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## PEER COMPARISON

Company	Ticker	Recent Price (\$)	52-Week High (\$)	52-Week Low (\$)	Mkt. Cap (\$ML)	1-yr Price Change (%)	1-yr Rev Growth (%)	1 YR EPS Growth (%)	P/E Ratio	Beta	Yield (%)
KANDI TECH GROUP INC	NASDAQ: KNDI	1.00	2.98	0.89	86	-63	5	NM	NM	1.40	NA
LI AUTO INC	NASDAQ: LI	21.72	46.44	17.44	23421	-28	174	NM	14.4	-0.98	NA
NIO INC	NYSE: NIO	4.06	7.71	3.61	8644	-38	13	NM	NM	1.90	NA
XPENG INC	NYSE: XPEV	11.81	15.68	6.55	10974	11	14	NM	NM	2.79	NA

Outside of the vehicle market, we see opportunity for KNDI to participate in the battery market. Kandi entered the battery market via acquisition in 2021 to be able to equip its vehicles with stable battery sources, but also to sell to other companies. In June 2024, the company launched a series of new rechargeable AA batteries in the United States that are designed to offer unparalleled energy capacity, quick charging capabilities, and wide device compatibility. The series of batteries features 2,700 megawatt-hours of energy capacity, with up to 1,500 recharging cycles and minimal power loss, to save consumers money and reduce waste.

We have a positive view of Kandi's supply chain and manufacturing infrastructure, which is largely done in China and ships parts to U.S. facilities in Dallas (where SC Autosports is located) or California to be assembled and then shipped to customers in the U.S. or Canada. The company recently expanded distribution and assembly capacity in Texas, bringing its total space to 125,000 square feet.

In October 2024, Kandi announced a new long-term growth strategy through 2029, which included aggregate investments of around \$130 million to begin to build a lithium battery production and pack factory with an annual output of 1 gigawatt-hour and a production line for all-terrain vehicles such as golf carts and farmer's carts ultimately reaching 50,000 vehicle capacity. We expect the factory to be located near its Dallas base.

We are encouraged by the plans to establish infrastructure in the U.S., as it should promote improved delivery and more efficient shipments within that market, while protecting pricing power. We see this strategy of global vehicle manufacturers strengthening their U.S.-based supply chains to drive more profitable production being executed by industry leaders including General Motors, which recently entered into a U.S. joint venture for lithium battery production. We expect Kandi to produce batteries in the U.S. for sale in North American markets, while continuing to utilize its China facility for other regions.

In our view, the threat of increased tariffs on goods produced in China has contributed to volatility in Kandi's business. As such, we view positively its proactive measures to diversify its manufacturing footprint in other less regulated and tariff-impacted markets, as evidenced by the recent partnership with Hartford Industrial in Taiwan, which covers off-road vehicles, including UTV and golf-carts for export to the United States. The deal was announced in July 2024, and products have begun shipping to the United States. We expect more widespread production of products made in Taiwan by early 2025, and we expect Taiwan to comprise up to 40% of Kandi's off-road vehicle production in 2025.

Beyond its core off-road vehicle and battery swap focus, we view positively Kandi's intent to continue to diversify its product offering in other high growth areas, particularly in China. In October 2024, the company announced its intention to acquire Hangzhou Honghu Intelligent Driving Technology Co. Ltd., which would provide entry into the field of smart mobility and ride-sharing technologies, including autonomous driving, mapping, and dispatching technologies in China. According to Kandi, Hangzhou serves approximately 100 transportation companies across a more-than-200-city footprint. The deal remains in the due diligence phase.

## INVESTMENT THESIS

In our view, Kandi is participating in several high growth areas of the EV technology market. We see its senior leadership positioning the company to achieve its growth targets. As mentioned earlier, in October 2024, Kandi appointed Feng Chen as its new CEO, which we view positively given his experience in the fast-growing battery swap and mobility services spaces that are key components of Kandi's forward growth strategy. In addition, former CEO and current Chairman Xueqin Dong has extensive leadership experience in the EV market and is a thought leader in the space on electric vehicle infrastructure and safety, as a paper publisher and patent owner. Recently retired CEO and Chairman Xiaoming Hu transferred personally owned patents to Kandi and was recognized as an Innovator of the Year in China.

We note that advances in battery-swapping technologies have resulted in rapidly condensing charging times, extending driving mileage capacity between charges, increasing the number of charges for battery life cycles, and improving corrosion resistance, among other features, with costs declining per unit. As such, we see the industry nearing the point where EV prices are on par with gas-powered versions and global infrastructure to support charging becomes more ubiquitous. Thus, we view leadership and technological experience as key to Kandi's prospects in these markets.

We view Kandi's strong balance sheet enabling its investment in these growth areas, as evidenced by its 3Q24 cash and equivalents balance of around \$260 million, with only \$25 million in short-term debt. As many industry players in the electric vehicle and battery markets have been forced to retreat on similar investment amid a challenging financing environment, we see Kandi as being able to invest in establishing key U.S. supply chain infrastructure, as well as industry M&A, while still retaining sufficient capital to pursue shareholder friendly initiatives, including share repurchases, at a greater scale than it has shown to date. We note that the shares are trading well below the company's current cash balance and the tangible book value of its China-based supply chain and facilities.

In our view, Kandi is building a diversified roster of electric off-road vehicles, and we view positively its robust adoption and acceptance in the U.S. marketplace. We see KNDI's core vehicle portfolio as being customizable for different users, utilizing a solid IP portfolio covering multiple personalized features. We view KNDI's ability to personalize many of its vehicles with feature add-ons to base models positively, as they are not expected to incur additional production-related costs, supply chain demands, or inventory risk in the process. As mentioned earlier, we see KNDI effectively shipping vehicle parts and accessories to the United States unassembled in order to maximize its shipping efficiencies.

In 2022, Coleman Powersports placed its first purchase order for KNDI's crossover golf carts, which expanded to a total of more than 10,000 units by the end of 2022 and led to additional orders in early 2023. In our view, the product's success, which led to Kandi being honored at a 2023 NBC Golf Channel Expo as an innovative new product, has validated the product among multiple new channels.

Since early 2023, KNDI has begun to successfully penetrate a wide array of retail channels, totaling more than 10 big box chains, including Walmart, Peavey Mart (which holds a Canadian license to Tractor Supply and ACE Hardware), Rural King, and Camping World, as well as an e-commerce site on Amazon. More recently, the company has entered the club store market with a small deal with Costco in Canada. While the scale of many of these partnerships vary, and some are still in the trial stage, KNDI expects to work with more than 1,000 dealerships in the U.S. market in 2024, compared with approximately 300 in 2023.

In our view, Kandi is well positioned to drive product and brand awareness through an expanded partnership with home retailer Lowe's, which has more than 2,500 supercenter locations. In August 2024, Kandi launched an exclusive, limited-edition golf cart collection, produced in partnership with the National Football League, and features branding for all 32 NFL teams. While Kandi's products are not yet being sold across the entire Lowe's network, we think that the multiyear relationship is likely to extend to up to 1,000 locations by 2025, with primary products ranging in price up to \$9,900, representing the highest-priced products sold by Lowe's.

While golf carts have been KNDI's lead product under its new off-road strategy, we see the company continuing to innovate, refining its product portfolio with the development of new products for additional markets including water sports, with one-seater speed boat/mini yacht types of products that can enhance the fishing experience as well as other water-based activities.

We view KNDI's IP in the smart battery swap space positively, with a total of 96 valid patents and 4 software copyrights, including 77 utility model patents, 12 appearance design patents, and 7 invention patents, as of the end of 2023. We note that Kandi also has a robust IP portfolio across the field of electric vehicles, with approximately 180 patents. We view positively Kandi's focus on achieving dimensionality reduction, as a method of limiting the number of parts and features on its products, and customizing the variable components in order to maintain a differentiated, competitive product profile versus its peers.

## RECENT DEVELOPMENTS

Kandi Technologies shares are listed on the Nasdaq Global Market under ticker "KNDI". In 2024, the shares declined by 57%, compared with a 23% increase for the S&P 500.

In November 2024, KNDI reported results for 3Q24, which saw total revenues of \$29.9 million, down from \$36.4 million (-18%) in the year-earlier period, attributable to transient changes in the sales model for its fully electric off-road vehicles. Nine-month 2024 revenues of \$89.8 million represented a 5.7% decline year over year. Nine-month net loss was \$1.8 million, or a \$0.02 loss per fully diluted share, compared to net income of \$6.3 million, or \$0.08 per fully diluted share, for the year-earlier period.

In December 2024, Kandi Technologies appointed Bin Yu as CEO of wholly owned subsidiary SC Autosports (doing business as Kandi America). Concurrently, previous group CEO Johnny Tai transitioned to a vice president role at Kandi Technologies, with a focus on expanding its dealer network.

In October 2024, Kandi Technologies appointed Feng Chen as CEO, and former CEO Xueqin Dong was appointed chairman.

In July 2024, Kandi subsidiary Kandi America entered into a new licensing deal with leading retailer Lowe's, to introduce a limited-edition golf cart collection featuring team logos and designs for all 32 NFL teams, supported by a powerful 5,000-watt motor and powered by a 48 volt, 150 ampere-hour lithium battery.

In July 2024, Kandi Technologies announced a strategic cooperation agreement between Kandi's SC Autosports subsidiary and Taiwan-based Hartford Industrial Co., under which Hartford Industrial will manufacture off-road vehicles, including UTV and golf carts for export to the United States. The first batch of 10K fully electric UTVs manufactured by Hartford completed trial production and was delivered to the United States. Mass production was expected to be scaled by early 2025.

In June 2024, Kandi Technologies announced the expansion of its UTV portfolio with the launch of the Innovator e10K. This new electric UTV combines strong performance with an eco-friendly design, ideal for eco-conscious adventurers seeking a powerful and precise off-road experience. The Innovator e10K features dual AC electric motors with a 10,000-watt output, an 11.52 kilowatt-hour lithium battery, and a J1772 charging port. It reaches speeds up to 40 miles per hour, with an estimated range of 60 miles, and fully recharges in eight hours using a standard 120 volt outlet.

In June 2024, Kandi Technologies announced the U.S. launch of its new AA battery, which was designed to meet the growing demand for reliable and long-lasting power solutions. The primary distribution channel for Kandi's AA batteries is Amazon.

In June 2024, Kandi Technologies launched three new electric go-karts through its wholly owned subsidiary, Kandi America. These models — the Kandi Cyber 1000, Cyber 3000, and Dart 3000 — offer a range of features and price points tailored for off-road enthusiasts, including powerful electric motors, enhanced suspension systems, and robust chassis designs.

In May 2024, Kandi expanded its global presence by achieving European Economic Community (EEC) certification for the 10K all-electric UTV, paving the way for entry into the EU market.

## EARNINGS & GROWTH ANALYSIS

In 2023, KNDI generated revenue of \$123.6 million, up 5% over 2022. In the first nine months of 2024, revenues declined by approximately 6% over the prior-year period to approximately \$90 million, as a result of changes to its sales model for fully electric off-road vehicles. We expect that recent initiatives, including the launch of the NFL branded golf carts through partnership with Lowe's, and more widespread shipments of electric vehicles from its manufacturing partner in Taiwan should accelerate growth in the coming quarters.

As a result of the recently announced long-term growth strategy, we see results beginning in 2026 reflecting the commissioning of its U.S. supply chain infrastructure for its off-road vehicle and battery businesses, which we see helping to offset pricing pressures from potential tariffs on goods produced in China.

For the full year 2024, we forecast revenue of \$140 million, which would represent 13% growth over 2023. For 2025, we project 57% revenue growth to \$220 million.

We note that Kandi's long-term growth strategy issued in October 2024 anticipates revenues increasing at a 33% compound annual growth rate between 2025 and 2029, ultimately surpassing \$700 million, with gross margins remaining steady around 30%. Two-thirds of its produced vehicles are expected to be sold in the North American market, and one-third will be sold in the European and Southeast Asian markets.

Over the four-year period, revenue from off-road vehicles is expected to remain the primary revenue contributor, increasing from \$185 million in 2025 to \$526 million in 2029. Kandi expects average per unit revenues for its off-road vehicle portfolio to increase as it ramps production, achieving greater economies of scale, from \$5,100 per unit to nearly \$7,000 by 2029. Thus, we expect off-road vehicles to represent around 75% of Kandi's revenues in 2025, and drifting down over time, as battery swapping revenues accelerate from less than 10% of revenues to around 15%. Smart mobility is expected to contribute around 10% of revenues.

The company plans to begin construction of its U.S. facilities in 2025 and expects the off-road vehicle line and phase 1 of the lithium battery production and pack factory facility to take approximately 12 months and 18 months for completion, respectively.

In addition to increasing sales in the U.S. and in China, we see KNDI focusing on expanding its commercial reach in new markets, including Europe and Southeast Asia, and note that the company has initiated trial sales in many of these markets, including the U.K., Germany, Austria, Switzerland, Montenegro, Slovakia, Romania, and the Netherlands. As such, we view positively KNDI's increase in its inventory levels over the past two years to support its expansion goals.

We view positively Kandi's gross margin outlook around 30%, which we expect to be driven by the off-road vehicle category and, to a lesser extent, the battery swapping business. Over time, we expect less of its vehicle sales to fall under consignment models through its retail partners, which tend to carry lower margins than under direct sale relationships. Consignment sales accounted for a larger percentage of Kandi's revenues in 2023, which drove gross margins near 33%. We also expect margins to improve as the company achieves better economies of scale upon the buildout of its U.S. supply chain. As such, we project gross margins of 31% in 2024 and 30% in 2025.

We also view positively its efforts to diversify the manufacturing mix in order to mitigate the impact of tariffs on goods manufactured in China. We are encouraged that its golf cart product, its likely primary revenue generator over the near term, does not fall under the electric vehicle category and is thus less affected by tariffs. While KNDI anticipates a 25% tariff on its lithium batteries, up from 7.5% previously, the company is focused on reducing costs to maintain parity to competing products.

We forecast a net loss per share of \$0.04 for 2024 and EPS of \$0.06 for 2025. We assume 86 million shares outstanding in 2024 and 85 million in 2025, as KNDI has been active in repurchasing its shares.

## FINANCIAL STRENGTH & DIVIDEND

Our financial strength rating on Kandi Technologies is High. As of September 30, 2024, the company had \$260 million in cash and equivalents on its balance sheet, consisting of \$53.5 million in cash, \$165 million of restricted cash, \$800,000 of short-term investments, and \$40 million in certificates of deposit. The company had modest debt (\$24.5 million in short-term loans and \$7.9 million in long-term debt). The net working-capital position was \$274.9 million, and the current ratio was 3.3, which we see putting the company on solid financial footing.

In addition, the company had a tangible book value of \$4.25 per share as of September 30, 2024, reflecting its physical assets including property, equipment, and inventory. We estimate that with the full liquidation value of its manufacturing facilities and infrastructure in China, book value would be closer to \$7 per share, thus underscoring the disconnect among investors with Kandi's underlying value.

Over the past few years, Kandi has continued to increase its inventory, which was \$85.8 million as of September 30, 2024, up from \$61.6 million at the end of 2023, and \$40.5 million at the end of 2022. We view this increase as a sign of management's confidence in its sales prospects, as it expands its retail channel partner focus while retaining a healthy balance sheet. We view positively that most of its inventory relates to the current off-road vehicle roster, rather than carrying legacy EV inventory that is less likely to be sold over the near term.

For the year ended December 31, 2023, net cash used in operating activities was \$101.2 million, compared to cash provided of \$31.5 million in 2022. The major operating activities that used cash in the year ended December 31, 2023, were an increase of notes receivable of \$124 million as well increased production and manufacturing related expenses, employee compensation, and interest expense. These more than offset cash received from accounts payable and from sales of its EV parts, off-road vehicles, and lithium-ion cell battery parts.

In 2023, net cash provided by investing activities was \$32.3 million, as compared to cash used in investing activities of \$35.0 million in 2022. Net cash provided by financing activities was \$14.8 million, compared to cash used in financing activities of \$4.3 million in 2022.

In October 2024, Kandi announced that it intends to pursue a spin-off of its U.S. subsidiary, Kandi America, into a separate U.S.-based, Nasdaq-listed company, whereby Kandi would retain a majority share position and report consolidated financial results. We think such a transaction could help to unlock KNDI's value, which is currently trading below its cash value.

In September 2023, the U.S. Securities and Exchange Commission (SEC) settled charges against Kandi regarding statements made pertaining to the planned launch of a class of electric vehicles in the United States that did not materialize, as KNDI had sought to resolve some vehicle safety issues related to air bags before launching. The company paid \$710,000 to settle the charges.

In 2024 through September 30, Kandi had repurchased nearly 1.5 million shares at an average price of \$2.49 (cash used of \$3.7 million), retiring approximately 2% of its shares. Given the com-

pany's solid capital position, even after allocating for the capital investments in its U.S. supply chain infrastructure and anticipated M&A activity, we see potential for Kandi to be more proactive in repurchasing its shares amid recent stock price weakness.

Kandi Technologies does not pay a dividend, and we do not expect the company to initiate a dividend policy in the near term.

## MANAGEMENT

Feng Chen was appointed as Kandi Technologies' CEO in October 2024. Mr. Chen brings over two decades of experience in strategic planning, operations, and technological innovation across sectors including electric vehicles and battery swapping. He has served as CEO of Time Space Electric Vehicles Co. Ltd. and of Hangzhou Lightning Mobility Technology Co. Ltd., where he oversaw rapid growth in shared mobility and spearheaded the development of battery swapping networks.

Xueqin Dong has been KNDI's chairman of the board since October 2024 and served as its chief executive officer from January 2023 to October 2024. Dr. Dong previously served as general manager of Jiangsu Xingchi Electric Power Technology Co., deputy general manager of Jiangsu Yixing Vehicles Co. Ltd., general manager of Yijue Automobile Co. Ltd., and deputy general manager of the business department of Automobile Design and Research Institute Co. of Shanghai Tongji University. Dr. Dong has participated in multiple technology R&D projects in China related to electric vehicles and infrastructure and safety. Dr. Dong has published 11 papers on automobile and electric vehicle engineering technology. Dr. Dong also owns 18 utility model patents, 2 invention patents, and 1 appearance design patent.

Alan Lim has been the chief financial officer of Kandi Technologies Group since May 2020. Mr. Lim has years of experience in providing financial accounting and advisory services to public and private companies in the United States. Previously, Mr. Lim was managing director of a U.S.-based financial consulting firm, Albeck Financial Services, and was mainly responsible for overseeing SEC reporting, GAAP technical consultation, financial statement audit preparation, due diligence, and internal controls compliance services. Mr. Lim also has prior experience as an auditor at Ernst & Young. He has overseen and completed more than 10 public listing applications for China-based companies to list their stocks in the U.S.

Xiaoming Hu recently retired as KNDI's chairman of the board and had served as KNDI's CEO from 2007 to January 2023. Mr. Hu controls 16.51% of KNDI's outstanding shares. Mr. Hu personally owned four invention patents and seven utility model patents, which he transferred to KNDI in 2012. Mr. Hu was named Innovator of the Year in China for EVs in 2014. The K17 was the Car of the Year for all of China in 2015.

Kandi's board has seven members, four of which are independent. The board's audit, compensation, and nominating/corporate governance committees are all comprised of independent directors, which we view positively for corporate governance purposes, given that the board chairman is not independent. The company has adopted a code of ethics that applies to all directors and employees. Lastly, we view positively for corporate governance purposes KNDI's switch in auditors to a firm, ARK Pro CPA & Co., that is

subject to inspection by the Public Company Accounting Oversight Board and is a leader in serving Chinese companies listed in the United States.

## RISKS

Investors in Kandi Technologies face a range of risks, including a highly competitive and rapidly changing market for electric vehicles, including off-road vehicles, and continually enhancing technological features, which we see impacting pricing across the industry over the long term. We also see KNDI as subject to government regulation and industry standards, including tariffs on imports from China, which could make certain products less attractive to U.S. customers. We also see KNDI as reliant on avoiding delivery delays or product recalls due to safety over the longer term.

Although we see KNDI diversifying its revenue streams over the coming years, we note that in 2023, three customers accounted for more than 10% of its revenues (56% in 2023, 23% in 2022). Lastly, we expect KNDI's operations to be impacted by changes in foreign exchange rates between U.S. dollars, renminbi, and other currencies over time, as Kandi continues to expand globally.

## VALUATION

In our view, Kandi's valuation does not reflect its traction among global retailers that we think positions it well for rapid commercial expansion of its electric off-road vehicles in the coming years, nor its experienced leadership team with proven results in its target markets and its solid balance sheet to allow it to invest in its growth.

The stock has traded in a range of \$0.89-\$2.98 over the past 52 weeks and is currently trading near the bottom of this range. We note that as recently as 2020, the stock traded as high as \$15 per share. We attribute this decline largely to uncertainty over the commercial revenue growth trajectory in the electric off-road vehicle market, given Kandi's strategy shift from the traditional electric vehicle market, with a particular concern over the potential impact of product tariffs on goods produced in China. That said, we note that recent announcements, including the start of some production in Taiwan, the intention to build supply chain infrastructure in the U.S., and a growing retail partner channel presence that we think should validate Kandi's products, have not yet begun to impact valuation.

We note that while Kandi's nine-month revenues in 2024 show a single-digit decline year over year, recently issued long-term guidance suggests strong growth in 2025 and nearly 33% compound annual growth between 2025 and 2029. As mentioned earlier, the stock is trading below half of its 3Q2024 cash and equivalents level of \$260 million and \$275 million working capital positions. In addition, it is trading at approximately 20% of the tangible book value on its assets. We note that over the past three years, despite a much stronger balance sheet, Kandi's institutional holdings have dropped from a peak of approximately 15% to current levels below 3%. We view these levels as unlikely to be sustained, as it executes on its growth strategy.

To value KNDI, we utilize a peer group of public electric vehicle manufacturers who, as a group, are averaging a forward enterprise value/2025 sales multiple of 2.0-times. This group includes Rivian Automotive Inc. (RIVN, 2.5), NIO Inc. (NIO, 0.5),

XPeng Inc. (XPEV, 1.0) Li Auto Inc. (LI, 0.8), and Lucid Group Inc. (LCID, 5.2). We exclude industry leader Tesla Inc. (TSLA) from our comparison, given that it trades as an outlier to the group multiples.

Based on its solid balance sheet and expectation for accelerating revenue growth, we believe the stock warrants a narrower

discounted multiple to the peer average. Thus, we apply an enterprise value/revenue multiple of 1.7 to our 2025 revenue estimate of \$220 million and, adjusting for net cash, we arrive at a fair value estimate of \$7.00 per share, which we note is also consistent with the book value of its tangible assets and manufacturing infrastructure.

Steve Silver,  
Argus Research Analyst

**INCOME STATEMENT**

<b>Growth Analysis (\$MIL)</b>	<b>2022</b>	<b>2023</b>	<b>Q1 2024</b>	<b>Q2 2024</b>	<b>Q3 2024</b>	<b>Q4 2024E</b>	<b>2024E</b>	<b>Q1 2025E</b>	<b>Q2 2025E</b>	<b>Q3 2025E</b>	<b>Q4 2025E</b>	<b>2025E</b>
Revenue	117.8	123.6	29.9	39.2	29.9	41.0	140.0	45.3	52.3	58.3	64.3	220.2
Gross Profit	19.5	41.4					42.8					66.1
SG&A	37.8	48.7					51.3					58.0
R&D	6.0	4.3					5.9					8.0
Operating Income	-24.3	-11.6					-14.4					0.1
Interest Expense	-0.7	-1.4					-2.3					-2.0
Pretax Income	-13.3	3.5					-3.4					5.6
Tax Rate (%)	NA	NA					NA					10
Net Income	-12.1	0.0					-3.2					5.1
EPS (\$)	-0.16	0.00	0.01	0.02	-0.05	-0.02	-0.04	0.00	0.01	0.02	0.03	0.06
Diluted Shares	75.6	79.9					86.2					85.0
Dividend Per Share (\$)	NA	NA					NA					NA
<b>Growth Rates (%)</b>												
Revenue	29	5					13					57
Operating Income	NA	NA					NA					NA
Pre-Tax Income	NA	NA					NA					NA
Net Income	NA	NA					NA					NA
EPS	NA	NA					NA					NA
<b>Valuation Analysis</b>												
Price (\$): High	3.75	4.27					3.13					NA
Price (\$): Low	2.00	2.22					0.89					NA
PE: High	NA	NA					NA					NA
PE: Low	NA	NA					NA					NA
PS: High	3.1	2.9					NA					NA
PS: Low	1.7	1.5					NA					NA
Yield: High	NA	NA					NA					NA
Yield: Low	NA	NA					NA					NA
<b>Financial &amp; Risk Analysis (\$MIL)</b>												
Cash/ST/Restricted	232.3	127.6					NA					NA
Working Capital	247.8	266.8					NA					NA
Current Ratio	4.0	4.5					NA					NA
LTDebt/Equity (%)	NA	4.4					NA					NA
Total Debt/Equity (%)	1	2.1					NA					NA
<b>Ratio Analysis</b>												
Gross Profit Margin	52.5%	33.5%					30.6%					30.0%
Operating Margin	NM	NM					NM					0%
Net Margin	NM	NM					NM					2%
Return on Assets	NM	NM					NA					NA
Return on Equity	NM	0.4%					NA					NA
Op Inc/Int Exp	NM	NM					NA					NA



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