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Kandi Technologies, Inc. (KNDI-NASDAQ)

KNDI: New Electric Car Models, Battery Swap Model & Ride Share Focus Create Opportunities For Growth

Kandi Technologies, with 18 years of operating history, is positioned to benefit from changing transportation models, through its developing line of electric vehicles (EVs), battery swapping technology and ride-share focus.

Current Price (09/15/20) \$6.20
Valuation \$12.00

OUTLOOK

Global EVs sales are increasing and China, KNDI's home market, is among the fastest growing EV markets. Kandi's Dallas-based U.S. subsidiary is expected to facilitate sales growth in the U.S. market and recently introduced EV models, the K23 and K27, are among the most affordable on the market. The company's battery swap technology and focus on the rapidly growing ride-share market in China are additional avenues for growth as regulators seek solutions to growing roadway congestion, problems of inadequate parking infrastructure and pollution from auto emissions.

SUMMARY DATA

52-Week High \$10.19
52-Week Low \$2.25
One-Year Return (%) 21.57
Beta 2.60
Average Daily Volume (sh) 6,562,918

Shares Outstanding (mil) 55
Market Capitalization (\$mil) \$339
Short Interest Ratio (days) N/A
Institutional Ownership (%) 3
Insider Ownership (%) 29

Annual Cash Dividend \$0.00
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates
Sales (%) N/A
Earnings Per Share (%) N/A
Dividend (%) N/A

P/E using TTM EPS N/A
P/E using 2018 Estimate N/A
P/E using 2019 Estimate N/A

Zacks Rank N/A

Risk Level High
Type of Stock Small-cap
Industry Automotive
Zacks Rank in Industry N/A

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2019	\$18.1	\$24.1	\$31.7	\$61.8	\$135.7
2020	\$6.4A	\$19.4A	\$21.6E	\$33.1E	\$80.5E
2021					\$137.1E

Per Share Earnings

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2019	(\$0.09)	(\$0.14)	\$0.23	(\$0.14)	(\$0.14)
2020	(\$0.03)	\$0.08A	(\$0.11)E	(\$0.09)E	(\$0.16)E
2021					(\$0.19)E

Quarters might not sum to annual reflecting rounding.

Disclosures begin on page 14.

KEY POINTS

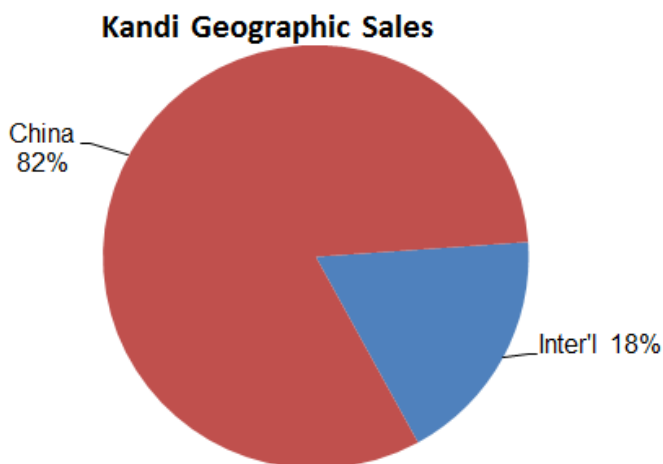
- We initiate coverage of Kandi Technologies, which is working to change mobility through its line of electric vehicles (EVs), battery swapping model and ride-share focus. Global EV sales are growing and China, which has been among the fastest growing EV markets, recently extended EV subsidies and tax exemptions to promote EV adoption amid rising concerns about deteriorating air quality.
- In the U.S., KNDI's wholly-owned Dallas-based subsidiary, SC Autosports, has a national sales presence that KNDI intends to leverage to grow sales of EVs and vehicle parts. In February 2020, KNDI also began accepting dealer applications to sell Kandi EVs in the U.S. KNDI's recently introduced EV models, the K23 and K27, are among the most affordable on the market. The company has already received deposits for 700 pre-ordered vehicles and anticipates pre-orders to grow substantially, with delivery anticipated to begin in 4Q20.
- Chinese regulators also look to ride-share as one solution to expand affordable transportation options. China is the world's largest ride share market. KNDI is focused on this high growth sector, with its ride-share program also designed to leverage its battery swapping technology that enables drivers to swap a charge-depleted battery for a fresh one and eliminate downtime. In the U.S., the absence of common standards across different automotive and EV battery manufacturers has been a challenge to battery swapping, but China's interest in promoting ride sharing and battery swapping technology implies government support and creation of uniform standards that are expected to facilitate the roll-out of battery swapping technology.
- The company also has a stake in Fengsheng Automotive, an affiliated company that is owned together with Geely Automobile Holdings, China's largest non-state owned automaker. Fengsheng Automotive's new Maple 60V EV was recently approved for purchase subsidies by China's Ministry of Industry and Information Technology.
- We believe KNDI shares represent an option on management's ability to execute its strategy and benefit from the anticipated growth of these key mobility niches.

OVERVIEW

China's Kandi Technologies is positioning itself to benefit from transitions in mobility as China and other governments encourage consumer adoption of green automotive solutions to reduce growing roadway congestion and pollution. At the same time, as the economics and logistics of EVs improve, consumer sales are growing. The company has developed a product portfolio of economical electric vehicles (EVs) that it sells in China and exports internationally. The company also intends to focus on the development of its ride-share program and battery swap service (see below). Shares of Kandi Technologies have been listed on the Nasdaq since 2007 and trade under the symbol KNDI.

The company introduced its first EV, the Kandi Coco, in 2008. Kandi also offers EV replacement parts and maintenance services in China and launched a battery swap program in 2009. In the U.S., the company distributes through Dallas-based SC Autosports, a wholly-owned subsidiary that Kandi acquired in 2018. SC Autosports has a national sales presence in the U.S. In addition to Kandi EVs, SC Autosports also sells vehicles and parts. Currently some 82% of Kandi's sales are in China but with a recent initiative to accept dealer applications to sell Kandi EVs in the U.S. in February 2020, the company is optimistic that its sales in the U.S. can grow over time. The U.S. federal government subsidy of up to \$7,500 towards the purchase of an EV could have a positive impact on sales, we believe. In addition, the company has indicated that it is looking to open manufacturing in North America and is engaged in early

discussions with potential manufacturing partners. North American manufacturing would help KNDI gain cost efficiencies for U.S. sales, in our opinion.



Source: Zacks from company data

With recently introduced EV models, the K23 and K27, that are among the most [affordable](#) in the U.S. Kandi is optimistic about its prospects. The K27 will retail for \$12,499 after federal tax credits and features a driving range of up to 100 miles on a single charge. The Kandi K23 retails for \$22,499 after federal tax credits and features a driving range that exceeds 180 miles. Other EVs retail at considerably higher prices. For instance, the Nissan Leaf retails for over \$30,000 by comparison.

Separately, the company's off-road vehicles business represented roughly \$22.7 million or 16.8% of total revenue in 2019. Kandi also has expanded its product portfolio, with the 2019 launch of new intelligent vehicles, including electric scooters, which added \$2.2 million or about 1.6% of revenue. This is another transportation niche that complements the company's existing product portfolio.

Relationship With Geely Automobile

The company formed a joint venture with Geely Automobile Holdings, China's largest non-state owned automaker, in 2013, to form an intelligent vehicle company. Through this partnership, Kandi can leverage Geely's production capacity and management system, as well as its distribution networks. In November 2015, Geely announced its commitment to become a leader in new energy vehicle technologies, targeting that up to 90% of its total sales volume would be of new energy and electrified vehicles (NEEVs). Geely has expanded its international distribution, selling in 24 international markets primarily in Eastern Europe, the Middle East and Africa, although the majority of sales are in China. Reflecting an equity transfer agreement with Geely last year, Geely holds 78% of the JV entity and Kandi holds the remaining 22%.

Kandi New EV Models

The Kandi K23



The Kandi K27



Source: Company reports

Growing IP Portfolio

Through its various subsidiaries, Kandi holds a total of 121 patents in China. These patents include one invention patent and multiple utility model patents, appearance design patents and software copyright patents. The company also continues to expand its IP portfolio, applying for several additional patents in 2019.

Kandi Patent Portfolio

	Kandi Vehicles	Jinhua Ankao	Kandi New Energy	Total
Patents				
Invention	1			1
Utility models	42	30	1	73
Appearance design	39	2	4	45
Software copyrights	2	-	-	2
Total	84	32	5	121

Source: Zacks from company reports

Kandi Technologies Time Line	
2002	Zhejiang Kandi Vehicles Co., Ltd. (Kandi Vehicles) founded
2003	Introduction of mini pickup trucks
2007	Hu Xiaoming appointed CEO and Chairman of the Board
2007	KNDI. shares listed on the NASDAQ
2008	Kandi Coco introduced
2009	Battery swap program launched
2013	JV with Geely Automobile Holdings
2018	Acquired SC Autosports
2020	Began accepting dealer applications to sell Kandi EVs in the U.S.

Source: Company reports

EXPANDING ELECTRONIC VEHICLE MARKET

The origins of the early EVs go back to the 1970s. In 1973, the Arab Oil Embargo and ensuing oil crisis and skyrocketing oil prices, gasoline shortages and concerns about dependence on foreign oil spurred interest in finding alternative automotive energy sources. Major automobile producers explored alternative fuel options including EVs. In 1973, General Motors exhibited a prototype for an urban electric car at the Environmental Protection Agency's First Symposium on Low Pollution Power Systems Development. In 1975, the US Postal Service tested electric vehicles produced by the American Motor Company.

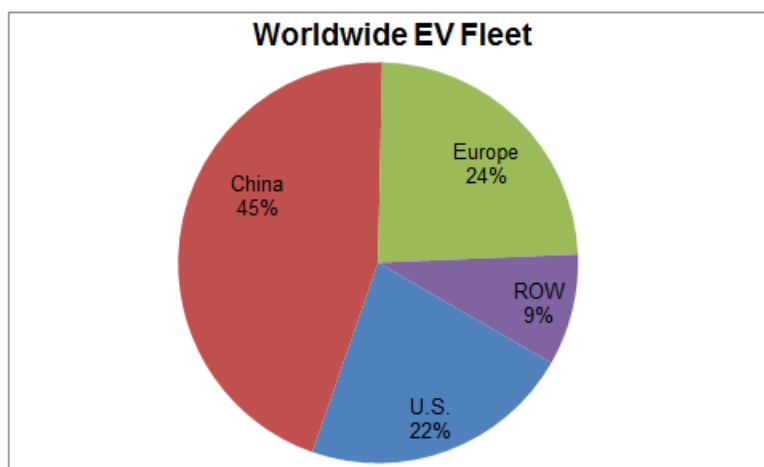
Also in 1975, the U.S. Congress passed CAFÉ (Corporate Average Fuel Economy) legislation that was intended to reverse a downward trend in gas MPG (mileage per gallon), which had fallen to 12.9 miles in 1974. The 1975 legislation mandated that cars reach 18 MPG by 1978, 27.5 by 1985 and 54.4 by 2025. One year later, Congress passed the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976, which allowed the Department of Energy to support R&D on electric and hybrid vehicles. Passages of the 1990 Clean Air Act and the 1992 Energy Policy Act sparked renewed interest in EVs. New transportation emissions regulations issued by the California Air Resources Board requiring that 10% of cars sold in the state from 2003 to 2008 be zero-emission vehicles, including EVs or hybrids, had a similar impact.

GM introduced the EV1 in 1996. The EV1 could achieve a range of 80 miles on a single charge and accelerate from 0 to 50 miles per hour in seven seconds. However, its high production costs made the EV1 unprofitable. GM discontinued the model in 2001. In Japan, Toyota introduced the Prius in 1997, which became the first mass-produced hybrid electric vehicle. Honda launched the Insight hybrid in 1999, and Toyota began commercial sales of the Prius globally in 2001.

EV Adoption Growing

In 2006, Tesla Motors, then a Silicon Valley startup, announced that it would begin producing a luxury electric sports car that could attain 200 miles on a single charge. The success of the Prius plus Tesla's announcement prompted many auto producers to renew their EV efforts and also prompted consumers' renewed interest in EVs and hybrids. The Chevy Volt hybrid and the Nissan LEAF EV were released in the U.S. in 2010. More recently, GM introduced the Bolt, which has a range of more than 235 miles. At the luxury end of the market, Tesla has delivered nearly 900,000 vehicles since it first began commercial sales.

The number of EV models has proliferated but at this early point, EVs and hybrids comprise only a small fraction of the total number of cars sold in the world. Despite significant increases in the number of EVs sold over the past decade, International Energy Agency (IEA) data indicates that EVs represented 2.6% of all new sales of cars worldwide in 2019 and comprise roughly 1% of the global car base. According to IEA data, China has about 45% of the world's EV fleet and generally ranks among the largest markets in terms of new EV sales per annum.



Source: Zacks from IEA data

Estimates about future EV adoption vary. For instance, according to Bloomberg, by 2040, long-range electric cars will cost less than \$22,000 in current dollar terms and globally 35% of new cars will have a plug. This is in sharp contrast to OPEC forecasts that, "By 2040, only 6% of the passenger car stock and 5.3% of commercial vehicles will be running on non-oil fuels." Nevertheless, most industry experts agree that there are many advantages to EVs. In addition to satisfying consumer environmental interests as electric cars do not emit pollution, EVs hold other advantages compared to gas-powered cars, including eliminating the cost of gasoline and need to refill the gas tank. Another significant advantage is that EVs have fewer moving parts, which is expected to result in lower maintenance cost and time for consumers.

Competition

In terms of competition within the EV niche, other auto manufacturers have begun to enter the space over the past several years, as noted. For established automotive manufacturers, EVs represent a small fraction of overall sales at this point and traditional vehicles remain a focus, unlike for Kandi. Moreover,

most other vehicles are significantly more expensive than the Kandi options. At the high-end of the EV market in the luxury category is Tesla, which has sold a cumulative nearly 900,000 units to-date. Its mass market entry, the Tesla Model 3, retails at a much higher price than the K23 or K27, as does the GM Bolt, the Kia Niro and even the Nissan Leaf, as noted. The Nio is available primarily in China and also sells at a higher price point.

CHINA: DENSE TRAFFIC & POLLUTION SPUR EV DEMAND

China Pushes For EVs And Car Sharing Services

In China, car ownership rate is still relatively low when compared to other countries, but ownership has nevertheless expanded rapidly as China's economy has grown and its middle class developed. The increase in the numbers of vehicles creates challenges in China's major cities, including rising pollution, traffic congestion, lack of sufficient available parking and scarce supply of energy. To reduce the growing problem of roadway congestion, regulators seek to expand the country's affordable public transportation system, but subway and bus routes are still fairly limited.

Another measure China has taken amid rising concerns about deteriorating air pollution is to promote EV adoption. In fact, with the government encouraging EV manufacture and adoption through subsidies China is among the fastest growing markets for EV purchases. Moreover, although certain subsidies were expected to be phased out this year, China's State Council extended two subsidies and vehicle purchase tax exemption for two additional years. In fact, Kandi recently announced that the Maple 60V EV produced by its affiliated company, Fengsheng Automotive Technology Group (Fengsheng), was approved for purchase subsidies by China's Ministry of Industry and Information Technology.

Research has shown that government supported subsidies play a major role in increasing consumer EV adoption. Specifically, government incentives have helped drive customer adoption in several markets, according to IHS Automotive. For instance, Norway is among the leaders in the global electric vehicle/plug-in hybrid vehicle (EV/PHEV) market, generally ranking first or second on the IHS Automotive Plug-in Electric Vehicle Index. The absence of import taxes on EVs is one important incentive in the market.

In recent months, Germany and France have increased their government subsidies designed to [spur EV demand](#), according to Bloomberg, which contributed to western European EV sales exceeding EV sales in China. Specifically, there were about 500,000 EV and/or hybrid vehicles registered in Europe in the first seven months of 2020, which was roughly 14,000 more than the number registered in China.

Also encouraging in terms of consumer adoption is continued improvements in EV performance. On average, the minimum performance on electric range increased to 150 kilometers (km) in 2018, from 100 km the prior year, according to McKinsey.

Commercial Ridesharing Services

Another initiative China has pursued to address traffic issues in cities such as Hangzhou or Beijing is to impose traffic restrictions. For example, in Beijing, drivers are only allowed to use their vehicles on days allocated to them depending on their license plate numbers.

China also has been an early promoter of car-sharing services, in part reflecting government support of ride sharing. The Chinese government supports ride sharing services and offers subsidies. In addition, the government makes it easier for car-sharing operators to obtain license plates for NEV car-sharing fleets, license plate restrictions notwithstanding. The government has also designated free parking spaces exclusively for car-sharing operators and granted subsidies for operators to expand their fleets and develop charging infrastructure.

China is the world's largest ride-hailing market. The Chinese market is estimated at about \$23 billion to \$30 billion, according to Reuters and [CNN](#) and it is expected to enjoy strong growth. There are an estimated 40,000 vehicles in China's car share services fleet, primarily servicing China's larger, more congested cities. Kandi has formed alliances with ride-share operators in more than 10 cities to form a five-year 300,000-unit online ride-sharing service alliance primarily using EVs. The alliance also uses the battery-swapping model where batteries with a low charge can be swapped for fully charged units at service stations. Kandi's technology enables the swap in a matter of seconds, virtually eliminating driver downtime.

Kandi Addressing Two Key EV Challenges: Cost & Battery Charge

Kandi's ride-share program is designed to leverage its battery swapping technology. This technology is another factor expected to help expand the EV market by enabling consumers to rent daily long-range EV battery packs and swap them for a battery that is fully charged as the charge becomes depleted. The difficulty of driving far distances on a single charge has long been a challenge to boosting consumer EV adoption. According to MIT Technology Review, "For all their attributes, electric cars still are haunted by two damning factors: high costs and less-than-optimal batteries."

Kandi has solutions to both issues that MIT cites: cost and limited battery life on a single charge. One solution that Kandi embraces is its battery-swapping model, as noted. A challenge to battery swapping models in the U.S. has been the absence of common standards across different automotive and EV battery manufacturers. Given China's interest in promoting ride sharing and battery swapping technology, the government can assist with creating uniform standards that eliminate this challenge. The Chinese government is already laying out expectations for industry standards that would facilitate EV battery swapping, according to Bloomberg.

Kandi recently delivered a proprietary intelligent [battery](#) exchange system to the rideshare operator in Haikou City, Hainan Province. The company expects this to be one of many new deliveries of the battery swap technology as the ride-share effort continues to expand in China. Earlier this week, the company announced that it has established a wholly-owned subsidiary, China Battery Exchange Technology Co., for its battery swapping services in order to monetize its many patents in addressing battery swap systems and also to enable strategic investment in a range of areas related to EV batteries.

In terms of the cost of EVs, the company recently introduced EVs that are among the most affordable in the U.S., the Kandi K27 and K23 models. Kandi will sell through its subsidiary SC Autosports under the trade name Kandi America. The company is accepting fully-refundable \$100 pre-sale deposits, with initial sales primarily focused on the Dallas-Fort Worth market. The company has already received about 700 pre-orders and anticipates that metric to grow dramatically.

Kandi anticipates that the cars will be available for delivery in 4Q20. The K27 will retail for \$12,499 after federal tax credits. The K27 compact model seats up to four passengers and features a 17.69 kWh lithium battery. Its driving range is up to 100 miles on a single charge. The Kandi K23 retails for \$22,499 after federal tax credits, features a 41.4 kWh ternary lithium battery and has a driving range that exceeds 180 miles. By comparison, GM's base Chevy Bolt has a driving range of more than 235 miles on a single charge, but its roughly \$36,600 price is more than 20% higher than the K23 and more than 80% higher than the K27 pre-tax credits.

MANAGEMENT AND INSIDE OWNERSHIP

Hu Xiaoming was appointed CEO and Chairman of the Board in June 2007. Prior to joining Kandi, he served as project manager in the WX Pure Electric Vehicle Development Important Project of Electro-

vehicle in the State 863 Plan from October 2003 to April 2005. From October 1984 to March 2003, he was Factory Director of the Yongkang Instrument Factor. He holds four invention patents and seven utility model patents that he transferred to Kandi in 2012.

Jehn Ming Lim was appointed as CFO in May 2020. He has substantial experience in financial management of US publicly traded companies.

The company's CEO holds roughly 24% of Kandi shares through his company, Excelvantage Group Limited. When combined with his personal holdings, he controls nearly 27% of the shares.

FINANCIAL OVERVIEW

In 2019, KNDI generated revenue of \$135.7 million, which represented a 20.7% year-over-year advance compared to 2018 revenue of \$112.4 million. EV parts sales grew 11.7% to \$110.7 million, while off-road vehicles sales improved 70.5% to \$22.7 million. On the higher revenue base, the company produced an 18.7% gross margin compared to 18.0% in 2018 and operating income of \$0.9 million versus a \$1.6 million operating loss registered in 2018. KNDI also restructured its ownership in the affiliated company by transferring 21.47% of its equity interests to Geely, reducing its stake to 22%.

Results in 2020 have been hurt by the economic slowdown resulting from the COVID-19 pandemic. To-date through 2Q20, total revenue of \$25.8 million is some 38% below the 2019 level through the same period. Including a non-recurring asset sale gain, KNDI generated net income of \$4.1 million in 2Q20, or \$0.08 per share, versus net loss of \$7.3 million, or (\$0.14) per share in 2Q19.

We anticipate that sales will remain constrained in 3Q20 and improve somewhat in 4Q20 as deliveries of the K23 and K27 commence. While the uncertain economic outlook could continue to constrain results in 2020, we anticipate improvements as we move into 2021 and beyond, particularly given how the company is positioning its U.S. subsidiary to benefit from sales of the newly introduced K23 and K27 EV models.

KNDI had cash and equivalents of \$6.7 million at the end of 2Q20. Moreover, the company expects to receive the next installment from Jinhua of roughly \$17 million and about \$26 million from Geely for the stake in the associated company that was transferred to Geely, for pro forma cash expected at nearly \$50 million.

VALUATION

We believe KNDI shares represent an option on management's ability to execute its strategy and benefit from the anticipated growth of these key mobility niches. At this early stage of the company's move into the battery swapping model, ride-share service and increased focus on U.S. EV sales, it is difficult to compare KNDI to traditional automobile or more established companies, in our view. Specifically, we would expect KNDI to have a higher growth rate as these programs and products gain traction, while still benefiting from its established legacy businesses.

Similar to others involved in the automotive industry, revenue has come under pressure to-date in 2020 due to the economic slowdown. We anticipate that sales could remain constrained in the 2H20, with growth resuming in 2021. Based on our 2021E revenue forecast of \$137.1 million, KNDI shares command a roughly 2.5x. multiple of forward revenue. This compares to an average of nearly 8x for peers, which trade in a range of under 1x for established automotive manufacturers to over 10x for faster growing competitors in the EV space.

We believe the company's current price and multiple do not fully reflect the fundamental value of the company's products and prospects. As the company continues to advance its strategy, we would anticipate multiple expansion. Even at \$12, the shares would only command a multiple slightly below 4.7x forward revenue. We also believe our 2021E revenue forecast does not fully reflect KNDI's medium-term potential, in our view, reflecting the economic uncertainty and that the company is only just ramping up its efforts in the U.S. market. Moreover, expected deliveries of K23 and K27 units beginning in 4Q20 could imply upside to our current forecast. We believe there could be upside to our forecast if the economy, and company's sales, rebound more quickly than we currently expect.

Examples of Valuation Multiples

Company	Ticker	9/13/2020 Price	Revenue (\$M)			EPS		
			2019A	2020E	2021E	2019A	2020E	2021E
Arcimoto	FUV	5.41	1.0	6.4	25.6	(\$0.85)	(\$0.53)	(\$0.42)
BMW	BMWYY	25.27	104,210	-	-	\$0.00	\$0.00	\$0.00
Electrameccanica Vehicles	SOLO	2.57	1	1	15	(\$0.60)	(\$0.47)	(\$0.43)
Ford	F	7.00	143,600	114,620	138,740	\$1.19	(\$0.67)	\$0.71
General Motors	GM	30.46	137,240	118,510	132,200	\$4.82	\$2.37	\$4.43
Harley-Davidson	HOG	27.76	4,570	3,390	4,160	\$2.68	\$0.19	\$2.46
Navya	NVYAF	2.71	18	-	-	-	-	-
Nikola Motors	NKLA	32.13	-	0	93	-	(\$1.12)	(\$1.12)
NIO Limited	NIO	17.97	1,120	2,150	3,700	(\$1.50)	(\$0.72)	(\$0.47)
Polaris Industries	PII	92.67	6,780	6,760	7,040	\$6.32	\$6.57	\$6.98
Tesla	TSLA	372.72	24,580	29,750	41,320	\$0.04	\$1.68	\$3.97

	52-Week		Mkt Cap (\$M)	Price / Revenue		
	High	Low		2019A	2020E	2021E
Arcimoto	8.89	0.97	181	183.1x	28.3x	7.1x
BMW	28.55	13.26	49,073	0.5x	na	na
Electrameccanica Vehicles	6.00	0.89	164	nm	na	na
Ford	9.60	3.96	28,327	0.2x	0.2x	0.2x
General Motors	38.96	14.33	44,607	0.3x	0.4x	0.3x
Harley-Davidson	40.89	14.31	4,292	0.9x	1.3x	1.0x
Navya	3.19	0.63	91	5.1x	na	na
Nikola Motors	93.99	10.27	13,564	nm	nm	146.3x
NIO Limited	21.05	1.19	22,900	20.4x	10.7x	6.2x
Polaris Industries	110.30	37.35	5,757	0.8x	0.9x	0.8x
Tesla	502.49	43.67	391,006	15.9x	13.1x	9.5x
Average				25.3x	7.8x	21.4x

Source: Company reports, Yahoo Finance, Thomson Reuters, Zacks

We also believe interest by established players demonstrates the expected opportunities in the market. GM recently took an 11% stake in Nikola Motors, valuing the largely pre-revenue Nikola at about \$18 billion.

We believe the risk / reward ratio could be attractive for investors who want exposure to the sector and have a higher than average risk tolerance and longer time horizon. Moreover, there are only a few ways for investors to gain exposure to the green automotive space and we believe KNDI represents one of the few.

RECENT NEWS

- On September 14, 2020, KNDI announced that it had established China Battery Exchange Technology Co., as a wholly-owned subsidiary.
- On August 20, 2020, Kandi announced that it was exploring opportunities to install a manufacturing facility in North America as the company expects significant growth from the U.S. market with the recent introduction of the K23 and K27.
- Kandi released 2Q20 results on August 10, 2020.
- Kandi delivered its battery exchange equipment to rideshare operators in China's Hainan Province on August 3, 2020.
- Kandi introduced one of the most affordable pure EVs in the U.S. on July 30, 2020.
- Kandi announced that its affiliate company, Fengsheng, had received approval for subsidies for its new Maple edition EV on July 22, 2020.
- Fengsheng released its new Maple 30X "City SUV" EV edition on July 13, 2020.

RISKS

We believe risks include those outlined below, among others.

- The biggest risk, in our view, is that the KNDI's EV sales, ride share and/or battery swap services achieve traction more slowly than expected, which leads to lower than anticipated revenue.
- The company might need to raise additional capital to finance its strategy.
- The economy might not rebound as quickly as we anticipate.
- The company's costs associated with marketing new products and services could exceed expectations.

PROJECTED INCOME STATEMENT

Kandi Technologies Income Statement & Projections (\$M)

	2018	1Q19	2Q19	3Q19	4Q19	2019	1Q20	2Q20	3Q20	4Q20	2020E	2021E
Revenues - 3rd parties	\$63.7	\$16.3	\$20.1	\$27.0	\$56.5	\$119.9	\$6.4	\$19.4	\$21.6	\$31.1	\$78.4	\$121.1
Revenues - to affiliates	48.7	1.7	4.1	4.7	5.3	15.9	-	0.0	0.0	2.0	2.0	16.0
Total revenues	112.4	18.1	24.1	31.7	61.8	135.7	6.4	19.4	21.6	33.1	80.5	137.1
COGs	(92.2)	(14.9)	(19.9)	(26.4)	(49.0)	(110.3)	(5.2)	(15.9)	(17.7)	(27.1)	(65.9)	(112.4)
Gross profit	20.2	3.1	4.2	5.3	12.8	25.4	1.2	3.5	3.9	6.0	14.5	24.7
Gross margin	18.0%	17.4%	17.4%	16.7%	20.7%	18.7%	18.3%	18.2%	18.0%	18.0%	18.1%	18.0%
R&D	(10.1)	(0.5)	(0.6)	(0.6)	(4.4)	(6.2)	(0.6)	(1.1)	(1.3)	(1.4)	(4.4)	(4.7)
Selling and marketing	(3.2)	(0.6)	(0.9)	(0.9)	(1.6)	(4.1)	(0.9)	(0.8)	(0.8)	(0.9)	(3.4)	(3.6)
General and administrative	(8.6)	(2.0)	(5.6)	(3.4)	(3.1)	(14.2)	(3.1)	(3.9)	(4.3)	(4.7)	(16.0)	(17.0)
Gain on asset disposal	-	-	-	-	-	-	-	13.9	-	-	13.9	-
Total Operating Expenses	(21.9)	(3.2)	(7.2)	(5.0)	(9.2)	(24.5)	(4.6)	8.1	(6.4)	(7.0)	(9.9)	(25.3)
Operating income / (loss)	(1.6)	(0.1)	(3.0)	0.3	3.6	0.9	(3.4)	11.6	(2.5)	(1.1)	4.6	(0.6)
Interest income	1.3	0.3	0.1	0.2	0.2	0.8	0.3	0.2	0.2	0.3	1.1	1.1
Interest expense	(1.9)	(0.4)	(0.4)	(0.4)	(3.5)	(4.8)	(1.0)	(1.1)	(1.2)	(1.4)	(4.7)	(5.0)
Chg - fair value	3.4	0.1	0.5	0.1	(1.8)	(1.1)	3.8	(0.9)	(1.0)	(1.1)	0.7	0.8
Government grants	17.8	0.0	0.2	0.5	0.1	0.8	0.0	0.1	0.1	0.1	0.3	0.3
Affiliate dilution	-	4.4	(0.0)	(0.0)	(0.0)	4.3	-	-	-	-	-	-
Gain - equity sale in affiliate	-	-	-	20.6	(0.1)	20.4	-	-	-	-	-	-
Equity pickup	(17.9)	(9.9)	(4.5)	(8.4)	(7.8)	(30.7)	(1.1)	(3.0)	(3.3)	(3.6)	(11.0)	(11.6)
Other	1.0	0.5	(0.2)	0.1	1.2	1.6	0.0	1.0	1.1	1.3	3.5	3.7
Total other	3.7	(5.2)	(4.3)	12.5	(11.8)	(8.8)	2.1	(3.7)	(4.0)	(4.5)	(10.1)	(10.7)
Pretax income / (loss)	2.1	(5.2)	(7.3)	12.8	(8.2)	(7.9)	(1.3)	7.9	(6.6)	(5.5)	(5.5)	(11.3)
Taxes	(7.8)	0.8	(0.1)	(0.7)	0.7	0.7	(0.2)	(3.9)	0.7	0.6	(2.9)	1.1
Net income / (loss)	(5.7)	(4.4)	(7.3)	12.1	(7.6)	(7.2)	(1.6)	4.1	(5.9)	(5.0)	(8.4)	(10.2)
Foreign currency translation	(13.6)	5.4	(4.9)	(8.5)	5.2	(2.8)	(3.5)	0.5	0.5	0.5	(2.0)	0.5
Comprehensive income/(loss)	(19.3)	1.0	(12.2)	3.6	(2.3)	(10.0)	(5.1)	4.5	(5.4)	(4.5)	(10.5)	(9.7)
<i>Per share data</i>												
Loss per share (FD)	(\$0.11)	(\$0.09)	(\$0.14)	\$0.23	(\$0.14)	(\$0.14)	(\$0.03)	\$0.08	(\$0.11)	(\$0.09)	(\$0.16)	(\$0.19)
Avg shares out (FD)	51.2	51.6	52.8	52.6	52.4	52.3	52.4	53.4	53.7	54.0	53.3	53.6

Source: Company reports, Yahoo Finance, Thomson Reuters, Zacks

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