

Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

KULR Technology Group, Inc.

Speculative Buy

John Nobile
April 5, 2022

KULR \$2.25 — (NYSE)

	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
Revenues (million)	\$0.6	\$2.4	\$4.4	\$44.0
Earnings (loss) per share	\$(0.03)	\$(0.15)*	\$(0.14)	\$0.03

52-Week range	\$3.81 – \$1.70	Fiscal year ends:	December
Common shares out as of 3/28/22	104.9 million	Revenue per share (TTM)	\$0.02
Approximate float	64.9 million	Price/Sales (TTM)	111.5X
Market capitalization	\$234 million	Price/Sales (FY2022)E	5.3X
Tangible book value/share	\$0.15	Price/Earnings (TTM)	NMF
Price/tangible book value	14.9X	Price/Earnings (FY2022)E	74.3X

*Includes a \$(0.03) per share preferred stock deemed dividend.

KULR Technology Group, Inc., headquartered in Campbell, California, develops and commercializes high-performance thermal management technologies for batteries, electronics, and other components.

Key investment considerations:

We are maintaining coverage of KULR Technology Group, Inc. with a Speculative Buy rating and twelve-month price target of \$6.00 per share based on our robust 2023 revenue growth projection.

In December 2021, Utility Dive (a publisher of utility industry news) published an interview with Jon Williams, the CEO of Viridi Parente, parent company of Volta Energy Products. Williams stated that Volta plans to bring between 750 to 1,000 battery storage units (using KULR's technology) to market in 2022, increasing to up to 50,000 units in 2023. During the March 2022 KULR earnings call, the company confirmed Volta's 2022 order worth at least \$1.6 million and Volta's expectations for 2023.

We believe Volta's battery storage requirements could equate to revenue of at least \$80 million from this order in 2023 if prices per unit were to remain constant and the maximum number of units were shipped. Factoring in volume pricing discounts and conservatively assuming less than the maximum number of units being shipped, we anticipate revenue from this order is likely to generate revenue of at least \$40 million for KULR in 2023.

For 2022, we project an 80.3% increase in revenue to \$4.4 million with a loss of \$(0.14) per share. We previously projected revenue of \$4.4 million with a loss of \$(0.12) per share. For 2023, we project a more than 10-fold increase revenue to \$44 million with EPS of \$0.03. The dramatic increase in revenue and earnings is primarily due to the Volta order and continued organic growth. We previously projected revenue of \$44 million and EPS of \$0.05. Our revised projections reflect higher operating expenses than previously projected.

KULR reported (10-K released 3/28/22) 4Q21 revenue increased over three-fold to \$766,000 from \$208,000 in 4Q20. KULR reported a loss of \$(0.04) per share versus a loss of \$(0.01) per share in 4Q20. We projected 4Q21 revenue of \$650,000 and a loss of \$(0.03) per share.

****Please view our disclosures on pages 14 - 16.***

Recommendation and Valuation

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In December 2021, Utility Dive (a publisher of utility industry news) published an interview¹ with Jon Williams, the CEO of Viridi Parente, parent company of Volta Energy Products. Williams stated that Volta plans to bring between 750 to 1,000 battery storage units (using KULR's technology) to market in 2022, increasing to up to 50,000 units in 2023. During the March 2022 KULR earnings call, the company confirmed the 2022 order worth at least \$1.6 million and Volta's expectations for 2023.

We believe Volta's battery storage requirements could equate to revenue of at least \$80 million from this order in 2023 if prices per unit were to remain constant and the maximum number of units were shipped. Factoring in volume pricing discounts and conservatively assuming less than the maximum number of units being shipped, we anticipate revenue from this order is likely to generate revenue of at least \$40 million for KULR in 2023.

The large order from Volta along with other recent developments should support our projections for 2022 and 2023.

Shares of KULR have traded at trailing-twelve-month (ttm) P/S multiples ranging from 97X to 326X over the past year. These multiples were based off of relatively low revenue. As the company's revenue begins to show substantial growth, we believe the company's multiple will contract. We anticipate a multiple of 20X sales is reasonable given our 2023 revenue growth forecast. Applying a multiple of 20X to our 2023 sales per share projection of \$0.42, discounted for execution risks, we derive a twelve month price target of approximately \$6.00 per share.

Recent Developments

- Secured a battery safety contract with NASA to test its lithium-ion cells going into future battery packs designed for the Artemis Program, a series of US-led international human spaceflight programs. The first launch of the program, the Artemis-I, is scheduled for May 2022. KULR performed the tests on cells in reserve for upcoming Artemis missions, as well as other pending critical manned space voyages.
- Secured three additional contracts with US Department of Defense prime contractors implementing its carbon fiber cathode solution for high power magnetic and other covert pulse weaponry initiatives. KULR's carbon fiber configuration provides the conduit for transference of high-power electron pulses and can be customized for different applications including the generation of microwaves, X-rays, and lasers.
- Appointed former NASA Johnson Space Center senior leader, Dr. William Walker, as its new Director of Engineering. Dr. Walker will work with the company's engineering team on its next generation high-performance computing and hypersonic vehicle thermal management initiatives.
- Released a passive propagation resistant (PPR) solution in its KULR-Tech Safe Case product family for maritime lithium-ion battery safety. The PPR solution meets the upcoming US Coast Guard's new safety requirements for the passenger vessel industry, and provides additional battery safety options for the cargo, fishing, and cruise verticals. The company's solution prevents cell to cell thermal runaway propagation and prevents heat, fire, and explosion from exiting the KULR-Tech Safe Case enclosure.

1. <https://www.utilitydive.com/news/volta-bets-on-space-technology-for-battery-storage-fire-prevention/611833/>

- Received a three-year multi-million-dollar deployment order for its PPR solution suite from Volta Energy Products, a subsidiary of Viridi Parente, Inc. The PPR solution, which includes the patented thermal runaway shield product, will be used for Volta's stationary and mobile lithium-ion battery power systems. The initial deployment order totals approximately \$1.6 million for immediate delivery with higher volume shipments expected throughout 2022 and 2023.
- Acquired the patented intellectual property rights from Centropy AB. The acquisition brings advanced carbon fiber based heatsink technology for high power computing (HPC) applications that strengthen KULR's portfolio of thermal management solutions for cloud computing, AI, and crypto mining applications. Centropy's cooling solutions will be integrated into KULR's existing technology portfolio – targeting air and liquid-cooling of HPC applications such as crypto mining, cloud computing, and AR/VR simulations.
- Received an initial order totaling approximately \$500,000 for its PPR battery systems from the Lockheed Martin Corporation.
- Joined Clarios in the US Department of Energy's lithium-ion battery lifecycle initiative to develop the manufacturing and reuse of lithium-ion batteries and their chemical elements in the US for the purpose of domestic national interest.
- Expanded its services with Heritage Battery Recycling (HBR) as a result of HBR's merger with Retrieval Technologies, creating the largest lithium-ion battery recycler in North America. In addition to the existing e-bike and scooter customer programs, KULR will also provide safe transportation logistics to Retrieval's battery collection operations in North America.

Business

Overview - KULR Technology Group, Inc., headquartered in Campbell, California, develops and commercializes high-performance thermal management technologies for batteries, electronics, and other components.

The company's main focus is a total solution to battery safety by which it aims to mitigate the effects of thermal runaway propagation (the release of cell energy and highly flammable gas which propagates to neighboring cells leading to fire and explosions). KULR targets and provides thermal solutions for electric vehicles, cloud computing, 5G communication technologies, and energy storage for commercial markets, as well as directed energy weapons and high-power missile programs for aerospace and defense.

The company's proprietary core technology is based on a carbon fiber material that provides superior thermal conductivity and heat dissipation for an ultra-lightweight and pliable material. KULR leverages its proprietary cooling solutions that have been developed through longstanding partnerships with NASA, the Jet Propulsion Lab, and others, to make commercial battery powered products safer and electronics systems cooler and lighter.

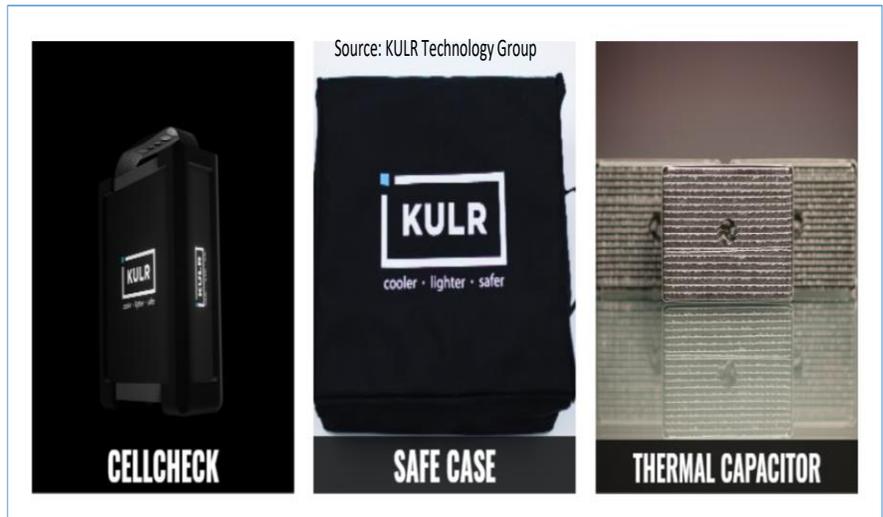
Products - Lithium Ion (L-ion) Battery Thermal Runaway Shield (TRS): KULR has developed a thermal insulation technology aimed at passive resistance to thermal runaway propagation in L-ion batteries in partnership with the National Aeronautics and Space Administration Johnson Space Center. HYDRA TRS acts as a heat sink during normal lithium-ion battery pack operation but also prevents thermal runaway propagation, which is a serious concern for aerospace and defense customers and electric vehicle manufacturers.

Battery Cell Screening and Testing Automation System – An automated battery cell testing platform to support the stringent requirements of NASA and the DoD. This platform has been designed to meet the entire specifications of NASA WI-037 battery testing requirements. The automated equipment is modular and the initial processing capability is 500K cells annually. Based on current commitments for the equipment, KULR intends to have the system installed and validated in 3Q22.

CellCheck - A scalable battery management platform to provide a new level of safety, performance optimization and regulatory compliance capabilities. The architecture is modular to allow KULR to incorporate new capabilities and enhancements to the platform as battery evolution accelerates (see picture at right).

KULR-Tech Safe Case - This product was developed for the commercial transportation and storage of Li-ion batteries and is an extension of TRS Bags which safely

store and transport Li-ion batteries to and in the International Space Station. The cases have been tested and granted special permits by the Department of Transportation for shipment of Li-ion batteries up to 2.1KWh batteries classified as DDR (damaged, defective or recall), recycling and prototype.



Fiber Thermal Interface Material (FTI): KULR thermal interface materials are selected to serve a wide range of applications, including hostile thermal and chemical environments, sliding interfaces, and interfaces with widely varying gaps. KULR'S FTI can be coated for electrical isolation, require low contact pressure, and provide high thermal conductivity. Their light weight and high compliance make the company's FTI products suited for aerospace, industrial, and high-performance commercial devices.

Phase Change Material (PCM) Heat Sink: The company's PCM composite heat sinks offer passive thermal control for instruments that would otherwise overheat or under-cool during periodic operations. A typical application involves lasers that dissipate heat but need tight thermal control where active cooling is unavailable.

Internal Short Circuit (ISC) Device: In March 2018, KULR reached an agreement with the National Renewable Energy Laboratory (NREL), a national laboratory of the US Department of Energy, to be the exclusive manufacturing and distribution partner for the patented ISC device. The ISC device causes predictable battery cell failures in L-ion batteries, making them easier to study and, therefore, safer. L-ion batteries are the industry and consumer standard for portable power. Billions of individual battery cells exist and billions more are planned for production. They provide power for everything from smart phones and laptops to electric cars and space crafts.

CRUX Cathode: The CRUX Cathode can be customized for different applications including the generation of microwaves, x-rays, and laser radiation. They can be fabricated in a wide variety of physical configurations, ranging from simple planar and cylindrical forms to more complex lobed shapes.

Battery Fires and Explosions

According to the Website batteryfires.com, numerous factors can increase the likelihood of battery failures which can cause fires or explosions. Some of these factors include battery manufacturing defects, product defects, product software issues, battery aging, battery degradation, overcharging, faulty charging, improper product use, battery puncture, and exposure to high temperatures.

Lithium-ion battery chemistry offers some of the highest energy densities available in today's batteries. However, high energy density comes at a potential price. When battery failure occurs, tremendous thermal energy is released (upwards of 1,000°C) along with toxic fluoride gas and smoke. Lithium-ion battery fires burn with prolonged intensity, oftentimes requiring special procedures and copious amounts of water to extinguish.

Lithium-ion batteries are everywhere, powering everything from consumer goods and electronics to electric vehicles. Battery production and demand are projected to increase rapidly, driven largely by automakers who aim to electrify their entire fleets over the next five to ten years. As a result, the frequency of catastrophic battery failures will also increase, and consumer-facing industries will undoubtedly look for safer battery technologies (like KULR offers) to power their products.

As the Biden administration pushes for half of new car sales to be electric vehicles by 2030, automakers that are spending billions of dollars to produce EVs are already having problems. The issues range from recalls due to vehicle fires or loss of power to cars not starting. The problems can prove especially costly when they involve batteries, specifically reputation-damaging vehicle fires, recalls, sudden power loss and problems getting some of the cars started.

The lithium-ion batteries in electric cars are similar to those found in consumer electronics, which store large amounts of energy relative to their size. But to power an automobile, there needs to be more of them, and the demands are higher, creating a unique risk.

The National Highway Traffic Safety Administration (NHTSA) said the agency has launched multiple investigations into the potential safety issues related to fires involving electric-vehicle batteries based on data it collects. NHTSA funds targeted research on advanced-battery technology and participates in developing global technical regulations.

Applications

KULR believes that battery cell testing and screening has become a topic of focus within the commercial, aerospace and defense, and high-value application markets. The company plans to expand its capabilities to include full battery analysis and testing as outlined by NASA's Johnson Space Center.

It is expected that the aerospace and defense sectors will experience high growth in directed energy weapons (ranged weapons that damage their targets with highly focused energy), hypersonic weapons (weapons such as cruise missiles that travel five or more times the speed of sound), and space missions. Experts predict that directed energy weapons will greatly impact the future of warfare. KULR's CRUX cathode generates powerful electron pulses which has the potential to further advance the current technology.

Thermal management is another critical component of both hypersonic weapons programs and space missions. KULR's carbon fiber solutions are used for thermal management in missile defense programs and are particularly effective because of their survivability at very high temperatures. They are very effective at transferring heat and mitigating the risk of overheating in such high-risk environments.

Opportunities for the company's products exists in industries such as electric motor vehicles that have become increasingly more reliant on Cloud computing, portability, and high-demand processing power. KULR's high performance thermal interface materials can be used to accelerate 5G communications development due to their high thermal conductivity, light weight, and low contact pressure. Cloud computing is also an application of interest since high power communications chips and optical communication modules require cooling.

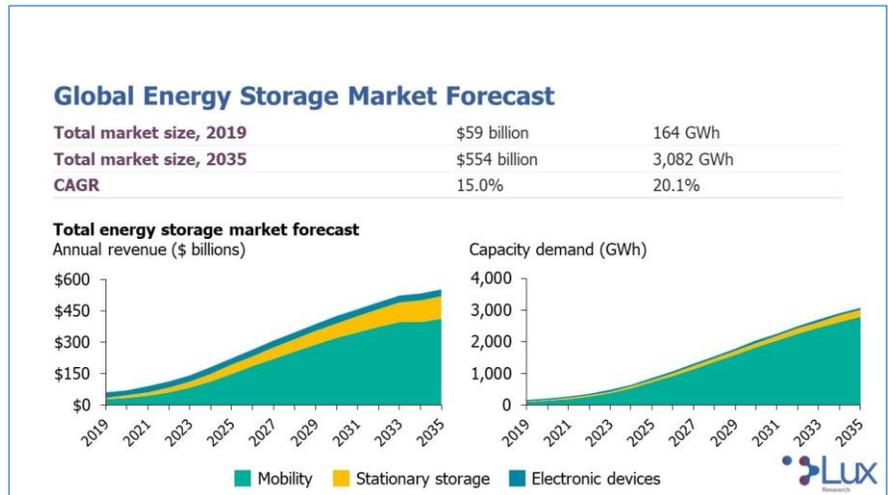
Markets

KULR operates in the thermal management market which is driven by the energy storage market.

Energy Storage Market - The total energy storage market is expected to grow to \$554 billion in annual revenue by 2035 from \$59 billion in 2019 for a compound annual growth rate of 15% according to a report by Lux Research (see chart at top right on next page).

Lux estimates that the three main drivers of energy storage – mobility applications, electronic devices, and stationary storage – will reach an annual combined deployment level of 3,082 GWh (Gigawatt hours, abbreviated as GWh, is a unit of energy representing one billion watt hours) over the next 15 years, up from the current 164 GWh, with mobility applications the primary growth driver.

LUX anticipates the energy storage industry is poised for a massive increase in annual revenue and deployment capacity as key innovative technologies, such as solid-state batteries and flow batteries, reach commercialization. Expectations are for electric mobility applications, primarily light-duty passenger vehicles, to be the principal long-term driver of energy storage annual revenue and demand. Total market share is estimated at 74% as measured by annual revenue and 91% as measured by annual deployed GWh by 2035.



Thermal Management Market – The increasing demand for the reliability of microelectronics and lithium-ion batteries has driven the thermal management market. KULR targets the following markets and applications, passive propagation resistant (PPR) battery design (prevents cell to cell thermal runaway propagation and prevents the fire and explosion of single cell thermal runaway from exiting the battery enclosure), battery storage and transportation, electrical transportation, 5G mobile and cloud computing infrastructure, and aerospace and defense.

MarketsandMarkets estimates the global thermal management market was \$8.8 billion in 2020 and projected to reach \$12.8 billion by 2025 for annualized growth of 8.2%. Market growth should be driven by the rising demand for effective thermal management solutions and systems in consumer electronics, increasing demand for electric and hybrid vehicles, increasing use of electronic devices in different end-use industries, and ongoing radical miniaturization of electronic devices.

A MarketsandMarkets published report states that the strong actions taken, such as imposing country-wide lockdowns by governments globally to curb the spread of COVID-19, had a severe impact on the entire manufacturing industry, dragging down the demand of customers for thermal management solutions.

We anticipate the shift to electric vehicles and 5G technology will be significant growth drivers fueling demand for the company’s products in the coming years.

Electrical Transportation Market – According to MarketsandMarkets, the electric vehicle market is projected to reach approximately 34.8 million units by 2030 from an estimated 4.1 million units in 2021 for a CAGR of 26.8%. Factors such as growing demand for low emission commuting and governments supporting long-range, zero emission vehicles through subsidies and tax rebates have driven demand for electric vehicles.

5G Mobile Services Market – According to Grandview Research, the global 5G services market was estimated at \$41.5 billion in 2020 and is expected to expand at an annualized rate of 43.9% from 2021 to 2027. 5G wireless mobile services are expected to enable a fully mobile and connected environment by delivering a wide range of use cases and business models to consumers. Grandview Research points out that faster data speeds and extremely low latency offered by 5G technology should enhance the user experience while using 5G services for Virtual Reality and Augmented Reality gaming, seamless video calling, and Ultra-high Definition videos. Growing demand for high-speed data connectivity for unified Internet of Things applications, such as smart home

energy management, is estimated to propel the adoption of 5G services over the forecast period. As 5G infrastructure grows, the need for thermal management technologies such that KULR offers should grow.

Economic Outlook

In January 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 4.4% for 2022 and 3.8% for 2023. While the IMF's growth projection for 2022 is down from its earlier projection calling for 4.9% growth (October 2021), the 2023 projection is up from 3.6%. The 2022 downward revision primarily reflects lower growth assumptions for the US and China. The upward revision for 2023 largely reflects a pickup in economic activity after the impediments to growth dissipate in 2H22.

The IMF revised its economic growth estimate for the US to an increase of 4% for 2022 and 2.6% for 2023. In October 2021, the IMF projected US economic growth of 5.2% and 2.2% for 2022 and 2023, respectively.

The third estimate of US GDP growth (released on March 30, 2022) showed the US economy increased at an annual rate of 6.9% in 4Q21, up from the 2.3% increase reported in 3Q21. The 4Q21 US GDP estimate primarily reflects increases in inventory investment, exports, consumer spending, and business investment, partially offset by decreases in both federal and state and local government spending.

Projections

2022 Forecast - We project an 80.3% increase in revenue to \$4.4 million with a net loss of \$15 million or \$(0.14) per share. We previously projected revenue of \$4.4 million with a net loss of \$13 million or \$(0.12) per share. Our revised projections reflect higher operating expenses than previously projected.

We project gross margins of 54.6%, up from 54.3% in 2021. SG&A expenses should increase to \$15.7 million from \$11.2 million in 2021 to reflect a full year of managerial hiring that occurred in 2021. We project relatively flat R&D expenses of \$1.7 million. We project the operating loss increasing to \$15 million from \$11.5 million in 2021.

In 2022, we project \$9.5 million cash used in operations from a cash burn of \$10.3 million and a \$765,000 decrease in working capital, which should result in an \$10.9 million decrease in cash to \$4 million at the end of 2022.

2023 Forecast - We project a more than 10-fold revenue increase to \$44 million with net income of \$3.4 million or \$0.03 per share. The dramatic increase in revenue and earnings is primarily due to the Volta order and continued organic growth. We previously projected revenue of \$44 million and net income of \$5.5 million or \$0.05 per share. Our revised projections reflect higher operating expenses than previously projected.

We project gross margins of 50%, down from an estimated 54.6% in 2022 due to material price increases. SG&A expenses should increase to \$16.5 million from an estimated \$15.7 million in 2022 to support revenue growth. R&D expenses are projected to increase to \$2.1 million from an estimated \$1.7 million in 2022 as the company continues to expand its product offerings. We project operating income of \$3.4 million from an estimated \$15 million loss in 2022.

In 2023, we project \$22 million cash provided by operations from cash earnings of \$8.3 million and a \$13.7 million decrease in working capital. We project a \$20.7 million increase in cash to \$24.7 million at the end of 2023.

4Q21 and FY2021 Financial Results

4Q21 - Revenue increased over three-fold to \$766,000 from \$208,000 in 4Q20. KULR reported a net loss to common of \$4.1 million or \$(0.04) per share versus a loss of \$859,000 or \$(0.01) per share in 4Q20. We projected 4Q21 revenue of \$650,000 and a net loss of \$3.2 million or \$(0.03) per share.

KULR Technology Group, Inc.

The increase in revenue was mainly due to increased design and testing services from larger customers. Gross margins decreased to 69.9% from 80.3%. R&D expenses increased to \$704,000 from \$68,000 due primarily to increased headcount, investments in manufacturing automation, new product developments, and research in battery electrodes.

SG&A expenses increased to \$3.8 million from \$768,000 due primarily to increased headcount, sales and marketing expense, and increased non-cash stock-based compensation.

Total other expense was \$60,000 compared to \$182,000 in 4Q20 due primarily to a loss related to the change in fair value of accrued issuable equity in 2021 and a charge related to the amortization of debt discount in 2020.

FY2021 - Revenue increased nearly four-fold to \$2.4 million from \$624,000 in 2020. KULR reported a net loss to common of \$14.5 million or \$(0.15) per share versus a loss of \$2.9 million or \$(0.03) per share in 2020. The loss in 2021 included a \$2.6 million or \$(0.03) per share preferred stock deemed dividend.

The increase in revenue was mainly due to new contracts received in 2021. Gross margins decreased to 54.3% from 72.9% primarily due to low margin contracts in 1H21. R&D expenses increased to \$1.7 million from \$290,000 due primarily to increased headcount, product development related to battery electrodes, and increased software engineering services.

SG&A increased to \$11.2 million from \$2.5 million due primarily to an increase in stock-based compensation, additional marketing and advertising expense, and increased head count.

Total other expense was \$398,000 compared to \$509,000 in 2020. Total other expense in 2021 was due primarily to a loss related to the change in fair value of accrued issuable equity, debt redemption costs and a charge related to the amortization of debt discount in 2021. Total other expense in 2020 was primarily due to a charge related to the amortization of debt discount.

Liquidity – As of December 31, 2021, KULR had \$14.9 million cash, a current ratio of 6.4X, \$155,000 of total debt (all short-term) and shareholder's equity of \$16.4 million.

In 2021, the company's cash burn of \$7.2 million and a \$434,000 decrease in working capital resulted in \$6.8 million cash used in operations. Cash used in operations and investing was more than offset by \$15.5 million cash provided by financing primarily from proceeds from the sale of convertible preferred stock and the exercise of warrants, offset in part by the repayment of debt. Cash increased by \$6 million to \$14.9 million as of December 31, 2021.

Subsequent to December 31, 2021, KULR issued approximately 70,000 shares of common stock upon the exercise of outstanding warrants to which the company received \$88,000 of gross proceeds.

Risks

In our view, these are the principal risks underlying the stock.

Limited operating history - KULR was formed in 2015 and KTC was formed in 2013. The company has a limited operating history and has not yet demonstrated sales of products at a level capable of covering its fixed expenses. There can be no assurance that KULR will ever produce a profit.

Global supply chain issues – KULR could experience significant disruptions as a result of global supply chain issues and, in the event of a disruption, cannot make any assurances that it would be able to locate alternative suppliers of materials of comparable quality at an acceptable price.

Reliance on a small number of customers – In 2021, KULR had three customers who accounted for 84% of total revenues. There is the risk of significant loss of future revenues if one or more of these customers were to stop ordering the company's materials.

Technological obsolescence – The company operates in a market that is subject to rapid technological change. If KULR is not able to adapt to new advances in materials sciences, the company's revenues and business prospects would likely be adversely affected.

Competition – The company operates in a market that is expected to have significant competition in the future. Global research is being conducted by substantially larger companies who have greater financial, personnel, technical, and marketing resources. There can be no assurance that KULR will be able to compete with other companies.

Economic conditions - Downturns in general economic conditions can reduce demand for the company's products, product prices, volumes and gross margins. A decline in the demand for KULR's products or a shift to lower-margin products due to deteriorating economic conditions could adversely affect sales of the company's products and profitability.

High level of unpredictability in sales growth – KULR's customers and prospective customers are large organizations with multiple levels of management, controls/procedures, and contract evaluation/authorization. The business activity cycle between initial customer interest to shipping, acceptance and billing can be lengthy, unpredictable and lumpy, which can influence the timing, consistency and reporting of sales growth.

High concentration of insider ownership – As of March 28, 2022, KULR's officers, directors and affiliates owned approximately 37% of KULR outstanding common stock. With such concentrated control of the company, other shareholders may have no effective voice in the company's management.

Pandemic concerns - Given the uncertainty around the extent and timing of the potential future spread or mitigation of COVID-19, it is difficult to reasonably estimate the impact this pandemic will have on KULR's future results of operations, cash flows, or financial condition.

Material weakness in disclosure controls and procedures - As of December 31, 2021, KULR did not maintain effective controls to ensure that there is an appropriate review and approval of electronic payments (wires, EFT's, ACH's and credit card payments). The company is in the process of developing a detailed plan for remediation of the material weakness, including developing and maintaining preventative controls around the electronic payment process to ensure proper segregation of duties.

Liquidity risk - Shares of KULR have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. There are 63.3 million shares in the float and the average daily volume is approximately 1.6 million shares.

Miscellaneous risk - The company's financial results and equity values are subject to other risks and uncertainties including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

KULR Technology Group, Inc.

Consolidated Balance Sheets
(in thousands \$)

	2019A	2020A	2021A	2022E	2023E
Cash	109	8,880	14,863	3,973	24,698
Accounts receivable	30	56	136	242	2,689
Inventory	27	55	191	329	3,667
Prepaid expenses and other	43	150	571	571	571
Total current assets	209	9,141	15,761	5,114	31,624
Property and equipment	28	58	374	1,416	2,298
Vendor deposits	-	-	2,154	2,154	2,154
Security deposits	-	9	59	59	59
Intangible assets	-	-	217	217	217
Right of use asset	-	-	666	666	666
Total assets	237	9,208	19,231	9,626	37,018
Accounts payable	349	66	455	817	6,417
Accrued expenses and other	659	398	1,163	2,088	16,280
Accrued expenses and other-related party	10	-	-	-	-
Accrued issuable equity	-	128	291	291	291
Notes payable	-	2,322	-	-	-
Loans payable	-	13	155	-	-
Lease liability	-	-	262	262	262
Deferred revenue	15	20	132	132	132
Total current liabilities	1,033	2,947	2,458	3,590	23,382
Lease liability	-	-	408	408	408
Loans payable	-	142	-	-	-
Total liabilities	1,033	3,089	2,866	3,998	23,790
Total stockholders' equity (deficit)	(796)	6,119	16,365	5,629	13,229
Total liabilities & stockholders' equity	237	9,208	19,231	9,626	37,018

Source: Company filings and Taglich Brothers' estimates

KULR Technology Group, Inc.

Income Statements for the Fiscal Years Ended
(in thousands \$)

	<u>2019A</u>	<u>2020A</u>	<u>2021A</u>	<u>2022E</u>	<u>2023E</u>
Revenue	830	624	2,413	4,350	44,000
Cost of revenue	<u>226</u>	<u>169</u>	<u>1,102</u>	<u>1,974</u>	<u>22,000</u>
Gross profit	604	455	1,311	2,377	22,000
Research and development	502	290	1,662	1,700	2,100
Selling, general and administrative	<u>2,081</u>	<u>2,506</u>	<u>11,162</u>	<u>15,700</u>	<u>16,500</u>
Operating income (loss)	(1,979)	(2,341)	(11,513)	(15,024)	3,400
Interest expense	(2)	(5)	(3)	-	-
Other income (expense)	1	-	(140)	-	-
Amortization of debt discount	-	(502)	(128)	-	-
Loss on foreign currency transactions	-	-	(1)	-	-
Change in fair value of accrued equity	<u>-</u>	<u>(2)</u>	<u>(126)</u>	<u>-</u>	<u>-</u>
Net Income / (Loss)	<u>(1,980)</u>	<u>(2,850)</u>	<u>(11,911)</u>	<u>(15,024)</u>	<u>3,400</u>
Preferred stock deemed dividend	-	-	(2,624)	-	-
Net Income / (Loss) to common	<u>(1,980)</u>	<u>(2,850)</u>	<u>(14,535)</u>	<u>(15,024)</u>	<u>3,400</u>
EPS	<u>(0.02)</u>	<u>(0.03)</u>	<u>(0.15)</u>	<u>(0.14)</u>	<u>0.03</u>
Shares Outstanding	80,123	82,032	97,708	104,900	104,900
<u>Margin Analysis</u>					
Gross margin	72.8%	72.9%	54.3%	54.6%	50.0%
R&D	60.5%	46.5%	68.9%	39.1%	4.8%
SG&A	250.7%	401.6%	462.6%	360.9%	37.5%
Operating margin	(238.4)%	(375.2)%	(477.1)%	(345.4)%	7.7%
<u>Year / Year Growth</u>					
Total Revenues	(34.9)%	(24.8)%	286.7%	80.3%	911.5%

Source: Company filings and Taglich Brothers' estimates

KULR Technology Group, Inc.

Quarterly Income Statements 2021A - 2023E
(in thousands \$)

	3/21A	6/21A	9/21A	12/21A	2021A	3/22E	6/22E	9/22E	12/22E	2022E	3/23E	6/23E	9/23E	12/23E	2023E
Revenue	418	628	601	766	2,413	750	1,250	1,050	1,300	4,350	5,000	9,000	13,000	17,000	44,000
Cost of revenue	275	439	155	233	1,102	293	538	494	650	1,974	2,500	4,500	6,500	8,500	22,000
Gross profit	143	189	446	533	1,311	458	713	557	650	2,377	2,500	4,500	6,500	8,500	22,000
Research and development	123	353	482	704	1,662	400	400	450	450	1,700	500	500	550	550	2,100
Selling, general and administrative	1,493	2,723	3,104	3,842	11,162	3,850	3,900	3,950	4,000	15,700	4,050	4,100	4,150	4,200	16,500
Operating income (loss)	(1,473)	(2,887)	(3,140)	(4,013)	(11,513)	(3,793)	(3,588)	(3,844)	(3,800)	(15,024)	(2,050)	(100)	1,800	3,750	3,400
Interest expense	(1)	(1)	(1)	-	(3)	-	-	-	-	-	-	-	-	-	-
Other income (expense)	-	(140)	-	-	(140)	-	-	-	-	-	-	-	-	-	-
Amortization of debt discount	(108)	(20)	-	-	(128)	-	-	-	-	-	-	-	-	-	-
Loss on foreign currency transactions	-	-	-	(1)	(1)	-	-	-	-	-	-	-	-	-	-
Change in fair value of accrued equity	(133)	21	45	(59)	(126)	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss)	(1,715)	(3,027)	(3,096)	(4,073)	(11,911)	(3,793)	(3,588)	(3,844)	(3,800)	(15,024)	(2,050)	(100)	1,800	3,750	3,400
Preferred stock deemed dividend	-	(2,624)	-	-	(2,624)	-	-	-	-	-	-	-	-	-	-
Net Income / (Loss) to common	(1,715)	(5,651)	(3,096)	(4,073)	(14,535)	(3,793)	(3,588)	(3,844)	(3,800)	(15,024)	(2,050)	(100)	1,800	3,750	3,400
EPS	(0.02)	(0.06)	(0.03)	(0.04)	(0.15)	(0.04)	(0.03)	(0.04)	(0.04)	(0.14)	(0.02)	(0.00)	0.02	0.04	0.03
Shares Outstanding	90,079	92,513	99,019	97,708	97,708	104,900	104,900	104,900	104,900	104,900	104,900	104,900	104,900	104,900	104,900
<u>Margin Analysis</u>															
Gross margin	34.2%	30.1%	74.2%	69.6%	54.3%	61.0%	57.0%	53.0%	50.0%	54.6%	50.0%	50.0%	50.0%	50.0%	50.0%
R&D	29.4%	56.2%	80.2%	91.9%	68.9%	53.3%	32.0%	42.9%	34.6%	39.1%	10.0%	5.6%	4.2%	3.2%	4.8%
SG&A	357.2%	433.6%	516.5%	501.6%	462.6%	513.3%	312.0%	376.2%	307.7%	360.9%	81.0%	45.6%	31.9%	24.7%	37.5%
Operating margin	(352.4)%	(459.7)%	(522.5)%	(523.9)%	(477.1)%	(505.7)%	(287.0)%	(366.0)%	(292.3)%	(345.4)%	(41.0)%	(1.1)%	13.8%	22.1%	7.7%
<u>Year / Year Growth</u>															
Total Revenues	435.9%	212.4%	338.7%	268.3%	286.7%	79.4%	99.0%	74.7%	69.7%	80.3%	566.7%	620.0%	1138.1%	1207.7%	911.5%

Source: Company filings and Taglich Brothers' estimates

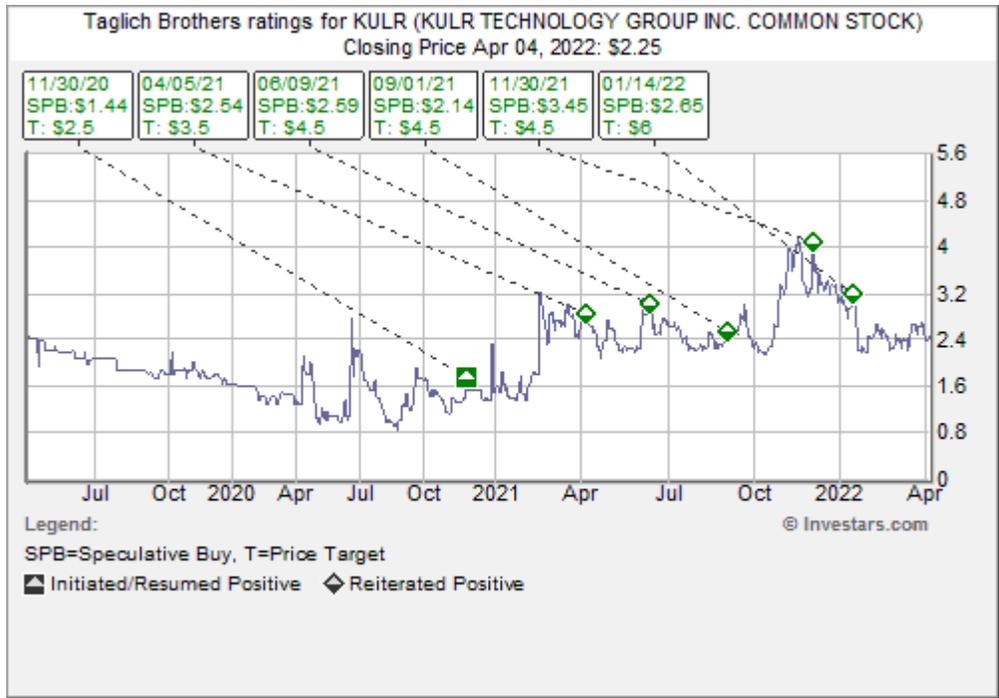
KULR Technology Group, Inc.

Statement of Cash Flows for the Periods Ended
(in thousands \$)

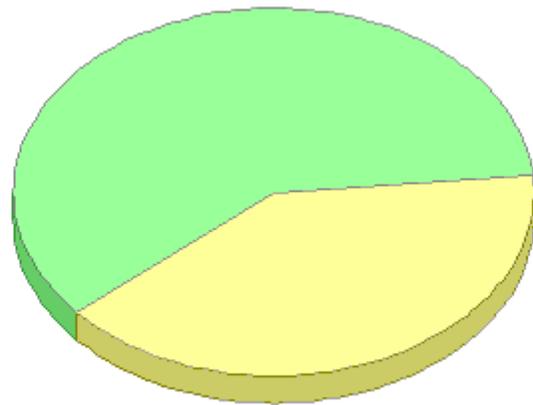
	2019A	2020A	2021A	2022E	2023E
Net income (loss)	(1,980)	(2,850)	(11,911)	(15,024)	3,400
Amortization of debt discount	-	502	128	128	128
Non-cash lease expense	-	-	149	149	149
Depreciation expense	17	16	68	258	418
Bad debt expense	-	1	-	-	-
Change in fair value of accrued issuable equity	-	2	126	-	-
Share-based compensation	221	344	4,200	4,200	4,200
Cash earnings (loss)	(1,742)	(1,985)	(7,240)	(10,289)	8,295
<i>Changes in assets and liabilities</i>					
Accounts receivable	82	(26)	(81)	(106)	(2,447)
Inventory	(17)	(29)	(136)	(138)	(3,338)
Prepaid expenses and other	11	(116)	(420)	-	-
Security deposits	-	(296)	(50)	-	-
Accounts payable	231	(271)	385	362	5,600
Accrued expenses and other	232	(12)	768	925	14,192
Lease liability	-	-	(144)	(278)	(277)
Deferred revenue	15	5	112	-	-
(Increase) decrease in working capital	554	(745)	434	765	13,730
Net cash provided by (used in) operations	(1,188)	(2,730)	(6,806)	(9,523)	22,025
Deposits for equipment purchases	-	-	(2,154)	-	-
Purchase of intangible asset	-	-	(200)	-	-
Purchase of property and equipment	-	(46)	(383)	(1,300)	(1,300)
Net cash used in investing	-	(46)	(2,737)	(1,300)	(1,300)
Proceeds from note payable	-	3,710	-	-	-
Repayments of note payable	-	(759)	(2,450)	(155)	-
Payment of debt issuance costs	-	(340)	-	-	-
Proceeds from the exercise of warrants	-	-	11,719	88	-
Proceeds from Paycheck Protection Program loan	-	155	-	-	-
Proceeds from sale of Series C conv. pref. stock	184	-	-	-	-
Proceeds from sale of Series D conv. pref. stock	-	-	6,500	-	-
Proceeds from sale of common stock	898	9,501	-	-	-
Proceeds from exercise of options	-	-	122	-	-
Payment of financing costs	(15)	(720)	(365)	-	-
Net cash provided by (used in) financing	1,067	11,547	15,526	(67)	-
Net Change in Cash	(121)	8,771	5,983	(10,890)	20,725
Cash - Beginning of Period	351	230	8,880	14,863	3,973
Cash - End of Period	230	8,880	14,863	3,973	24,698

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



60 % Buy | 40 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months			
Rating		#	%
Buy		5	25
Hold			
Sell			
Not Rated			

Important Disclosures

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Analyst Certification

I, John Nobile, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be, directly, or indirectly, related to the specific recommendations or views contained in this report.

Public companies mentioned in this report:

Honeywell (NYSE: HON)

Lydall (NYSE: LDL)

3M (NYSE: MMM)

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.