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Research Report – Update

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

KULR Technology Group, Inc.

Speculative Buy

Howard Halpern
November 20, 2023

KULR $0.31 — (NYSE American)

	2021A	2022A	*2023E*	*2024E*
Revenues (million)	$2.4	$4.0	***$11.5***	***$28.0***
Earnings (loss) per share	$(0.15)*	$(0.18)	***$(0.20)***	***$(0.12)***

52-Week range	$1.89 – $0.28	Fiscal year ends:	December
Common shares out as of 11/10/23	127.9 million	Revenue per share (TTM)	$0.08
Approximate float	86.9 million	Price/Sales (TTM)	3.9X
Market capitalization	$39.6 million	Price/Sales (FY2024)E	1.5X
Tangible book value/share	$0.00	Price/Earnings (TTM)	NMF
Price/tangible book value	NMF	Price/Earnings (FY2024)E	NMF

**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:

Maintaining Speculative Buy rating but reducing our twelve-month price target to $1.00 per share from $1.65 per share due primarily to a reduction in sector valuation.

KULR has an opportunity to grow revenue within the energy storage market with its KULR One offering. The market is anticipated to grow nearly 8.5% annually, reaching over $436 billion in 2030 from $211 billion in 2021.

KULR One offers customers a suite of battery packs and design solutions in order to accelerate the global transition to a sustainable electrification economy. The design capabilities of this offering brings a combination of safety, performance, intelligence, modularity, and reliability for applications within the electric vehicles, electric aviation, defense contractor, and energy storage infrastructure markets.

KULR's sales funnel indicates that 2024 revenue potential is $26 million to $34 million. Supporting this potential are recent customer wins including an initial engagement with a Tier-1 aerospace and defense manufacturer with revenue potential of at least $6 million over multiple years. This contract involves the development of a Phase Change Material Module to ensure thermal stability for critical components used in space environments.

In 3Q23, KULR reported (on 11/14/23) a loss per share of ($0.05) on revenue growth of 118.3% to over $3 million from $1.4 million in 3Q22. Last year the loss per share was ($0.05). We projected revenue of $3 million and a loss of ($0.05) per share.

For 2023, we project revenue growth of 187.8% to $11.5 million (prior was $12 million) with a loss of $(0.20) per share (prior was ($0.21)). Our revised loss per share forecast reflects 3Q23 results and 4Q23 guidance.

For 2024, we project revenue growth of 143.6% to $28 million (unchanged) with a loss of $(0.12) per share (prior was ($0.14)). We anticipate deployments of the company's energy storage and vibration control offerings to grow as customers increase spending on existing contracts and new customer contracts commence.

****Please view our disclosures on pages 15 - 17.***

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Recommendation and Valuation

Maintaining Speculative Buy rating but reducing our twelve-month price target to $1.00 per share from $1.65 per share due primarily to a reduction in sector valuation.

Our rating reflects the revenue growth prospects for the company's KULR One within the energy storage market. The energy storage market is anticipated to grow nearly 8.5% annually, reaching over $436 billion in 2030 from $211 billion in 2021. KULR One offers customers a suite of battery packs and design solutions in order to accelerate the global transition to a sustainable electrification economy. Since its January 2023 release, KULR One has had numerous development engagements with electrical vehicles, Department of Defense applications, electric aviation, and charging infrastructure customers. The company anticipates this offering has a revenue opportunity of at least $200 million by 2026.

Also, the KULR VIBE should contribute to growth in revenue growth and the company's global customer base. In December 2022, the company announced it obtained an annual subscription agreement (six-figures) with a large civilian helicopter operators that had over 250 diverse aircraft in five continents. In September 2023, the company partnered with Velos Rotors to provide its KULR VIBE service as an added enhancement to the Velos V3 UAV helicopter for reducing vibration and increasing balance of UAV payloads that are highly sensitive to the impact of aircraft vibration.

In August 2023, the company announced it received a contract from one of the world's top-selling automakers for testing and analysis of high-energy battery cells for its next generation electric vehicles.

In November 2023, KULR announced an initial engagement with a Tier-1 aerospace and defense manufacturer with revenue potential of at least $6 million over multiple years. This contract involves the development of a Phase Change Material Module to ensure thermal stability for critical components used in space environments.

Our 12-month price target of $1.00 per share implies shares could more than triple over the next twelve months. According to finviz.com, the average trailing twelve month price-to-sales multiple for companies associated with parts of the energy storage and equipment manufacturing sectors is 6.2X (prior was 10.1X), compared to KULR's trailing twelve month price-to-sales multiple of 3.9X (prior was 11X). We anticipate investors are likely to accord KULR Technology Group, Inc. the sectors multiple given our forecasted revenue growth of nearly 143.6% in 2024. We applied a price-to-sales multiple of 6.2X (prior was 10.1X) to our 2024 sales per share forecast of $0.21 (unchanged), discounted for execution and dilution risks, to obtain a year-ahead price target of approximately $1.00 per share.

KULR's valuation improvement is contingent upon revenue growth, expense leverage, narrowing of operating losses, and reducing cash burn. We forecast revenue growth reaching $28 million in 2024, up from an estimated $11.5 million in 2023 and $4 million in 2022. In 2024, the operating loss should narrow to $14.2 million from an estimated loss of $21.9 million in 2023. Cash burn should narrow to $7.2 million in 2024 from an estimated $15.4 million in 2023.

We believe KULR Technology Group, Inc. is most suitable for high-risk tolerant investors that seek exposure to a microcap company providing a suite of offerings to accelerate the global transition to a sustainable electrification economy.

Business

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 the energy storage, electric vehicles, cloud computing, 5G communication technologies, as well as directed energy weapons and high-power missile programs for aerospace and defense. Entering 2023, the company has expanded its offering to target medical and research complexes, residential and commercial buildings, remote data centers and manufacturing facilities, as well as mobile energy solutions for construction equipment, waste disposal, and other portable industrial markets.

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 is 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 is an automated battery cell testing platform to support the stringent requirements of NASA and the Department of Defense. This platform meets the entire specifications of NASA WI-037 battery testing requirements. The automated equipment is modular and the initial processing capability is 500K cells annually.

CellCheck is a scalable battery management platform to provide a new level of safety, performance optimization and regulatory compliance capabilities.

KULR-Tech Safe Case - 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 2.5KWh batteries classified as DDR (damaged, defective or recall), recycling and prototype.

Fiber Thermal Interface Material (FTI) can 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 are composite heat sinks that provide 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 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 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.

Offerings

KULR's mission is to develop energy management platforms to accelerate the global transition to a sustainable electrification economy by providing the hardware and software solutions for renewable energy and advanced mobility applications. If successful, the company will enable its customers to use less energy, to use energy more efficiently, and to make energy consumption safer and cooler. Use of less energy was one reason for the company introducing its KULR VIBE offering as it can be applied to motors in order to reduce vibrations that in turn should reduce energy consumption.

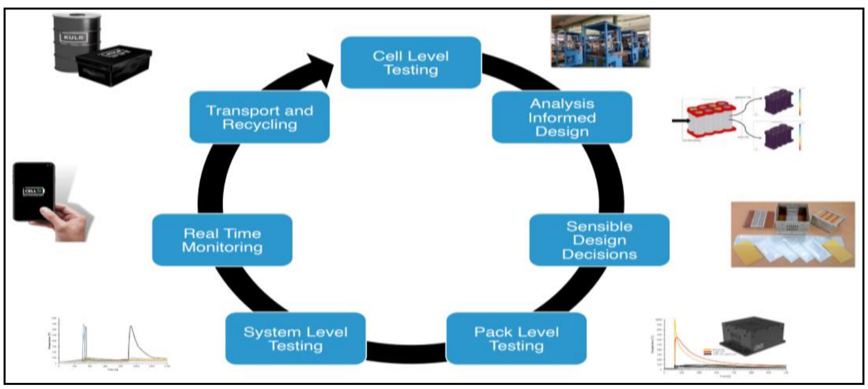
Opportunities for the company's offering exists in markets such as energy storage, electric vehicles, cloud computing, 5G communication, as well as directed energy weapons and high-power missile programs for aerospace and defense. Additional targets include medical and research complexes, residential and commercial buildings, remote data centers and manufacturing facilities, as well as mobile energy solutions for construction equipment, waste disposal, and other portable industrial markets.

KULR ONE

The KULR ONE offering is a family of battery packs that should facilitate the global transition to a sustainable electrification economy. The company anticipates it has a revenue opportunity of at least $200 million by 2026 from this offering. In 1Q23, the KULR ONE offering has had six development engagements with electrical vehicles, Department of Defense applications, electric aviation, and charging infrastructure customers.

KULR ONE brings a combination of safety, performance, intelligence, modularity and reliability for demanding applications. This approach was adopted from the NASA methodology and design flow to address the most critical battery safety pumps. It begin with deep analysis of the battery cell from the time it's made, understanding how it behaves when it goes into thermal runway through the FTRC test that takes all that data to design the battery pack. The process of thermal and mechanical analysis before building and testing the KULR ONE battery pack. The offering is developed and provided to customer its uses the real-time monitoring analysis through the company's CellCheck and Safe Case products, as well as enabling large-format batteries to be stored, transported and recycled safety.

The KULR ONE offering is built upon the company's proprietary intellectual property patents (twelve) and know-hows that have be gained over the last decade. The process for this offerings holistic methodology for battery safety is pictured on the right (source: company's 1Q23 presentation).



Research Facility

In 1Q23, KULR opened a new research and development center in Texas to accommodate the increasing number of higher margin battery development engagements that should occur through 2024 and beyond.

This new facility brings KULR to the next phase of its expansion and growth as it integrates many aspects of the company's operations. The facility is outfitted with state-of-the-art prototyping equipment and tools necessary for an agile engineering team to deliver prototype designs in rapid turnaround. The company will use this new facility to maintain its excellence in technology innovation and execution by gaining momentum in the design, development, and manufacturing of next-generation carbon fiber thermal management technologies for batteries and electronic systems. The new facility is located close to other leading engineering organizations and firms including NASA, Axiom, Oceaneering International, KBR Wiley, and Lockheed Martin

Over the next three years this facility should be an integral part of the company potentially achieving over $100 million in revenue for KULR ONE's design solutions as long as the initial traction with large OEM customers continues to grow.

KULR VIBE

Acquired in 4Q22, KULR VIBE was launched as a software technology that identifies, eliminates vibration related loss of energy in motors. As KULR VIBE is integrated into the company suite of tools, it should provide additional capabilities for customer seeking efficient energy source and energy usage. In addition to one initial helicopter customer, the company has had favorable engagements with the Marine Corps industrial drone operators and commercial flight operators. As customer demonstrations continue, the company's sales pipeline should grow for this technology offering within the following markets of aviation, transportation, renewable energy (wind), manufacturing, industrial, performance racing, and autonomous aerial (drone) applications. We anticipate cross-selling opportunities between KULR VIBE and KULR ONE customers should grow.

Markets

Energy Storage Market

In October 2022, research firm BloombergNEF, published a report indicating that they anticipate energy storage installations around the world could increase 15-fold by the end of 2030 reaching a cumulative 411 gigawatts (or 1,194 gigawatt-hours) compared to 27GW/56GWh of storage at the end of 2021.

In January 2023, market research organization Facts & Factors published a report on the energy storage market. The report indicated that the global energy storage market should grow nearly 8.5% annually, reaching over $436 billion in 2030 from $211 billion in 2021. One of the driving forces for energy storage growth will be from batteries that include metal-air, sodium-ion, lead-acid, and lithium-ion batteries.

Lux Research 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 also 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.

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.

In March 2023, MarketsandMarkets estimates the global thermal management market will reach $12.1 billion (up from $10.1 billion in 2022) and should achieve $19.3 billion by 2028 for annualized growth of 9.7%. 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.

We anticipate the shift to electric vehicles will be a significant growth driver 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 and should continue to drive demand for electric vehicles.

In December 2022, market research and consulting services firm Exactitude Consultancy issued a report that projects the global electric vehicles market could grow at an annualized rate of 16.4% from 2022 to 2029, reaching over $628 billion. In 2020, the electric vehicles markets was $160 billion.

Vibration Control Systems Market
According to Grandview Research, the global vibration control system is expected to reach nearly $8 billion by 2030, up from nearly $4.7 billion in 2021 for annualized growth of approximately 6.2% from 2022 to 2030. The growth forecast reflects an emphasis on mechanical stability and balancing of industrial machinery and automobiles.

Economic Outlook

In September 2023, the International Monetary Fund (IMF) revised its global economic growth estimates of 3% for 2023 and 2.9% for 2024. In July 2023, the IMF's prior projections called for growth of 3% in both 2023 and 2024.

The IMF revised its economic growth estimate for the US to an increase of 2.1% for 2023 and 1.5% for 2024. In July 2023, the IMF projected US economic growth of 1.8% and 1% for 2023 and 2024, respectively. The increase reflects stronger than anticipated consumption amid tight labor markets.

Projections

Our revenue forecasts reflect the January 2023 release of the KULR One family of offering, which has obtained numerous development engagements with electrical vehicles, Department of Defense applications, electric aviation, and charging infrastructure customers. The company anticipates this offering has a revenue opportunity of at least $200 million by 2026. We anticipate the company's KULR VIBE offering should contribute to growth in revenue growth and the company's global customer base with two new customer contracts in December 2022 and November 2023, respectively.

During the 3Q23 earning call, KULR indicated that its 2024 sales funnel shows revenue potential of $26 million to $34 million. Supporting this potential are recent customer wins including an initial engagement with a Tier-1 aerospace and defense manufacturer with revenue potential of at least $6 million over multiple years.

2023 Forecast
We project revenue growth of 187.8% to $11.5 million (prior was $12 million) from nearly $4 million in 2022 due to 3Q23 results and 4Q23 guidance.

We project gross margins of 41.6% compared to 59.2% in 2022, the decrease reflects higher margin design work completed last year that is unlikely to reoccur at the same level of total revenue in the current period.

We anticipate the operating loss increasing to $21.9 million from $18.3 million due to lower gross margin, partly offset by operating expense margin improving to 232% from 517% in 2022 and revenue growth. We project operating expenses increasing 29.3% to $26.7 million from $20.7 million last year. The increase reflects spending to support revenue growth. SG&A expenses should increase to $20.6 million from $16.7 million in 2022 with a significant portion being stock-based compensation. R&D expenses are projected to increase to $6.1 million from $4 million in 2022 as the company continues to expand its product offerings.

Non-operating expense should approximate $1.6 million compared to $1.2 million in 2022 due to an increase in amortization of debt discount to $931,000 (compared to $512,000 last year), partly offset by lower interest expense of $745,000 (compared to $936,000 in 2022).

We project a net loss of $23.5 million or ($0.20) per share on 118.3 million average shares outstanding. We previously forecast a net loss of $25 million or $(0.21) per share on 116.5 million average shares outstanding.

In 2023, we project $11 million cash used by operations from a cash loss of $15.4 million and a $4.4 million decrease in working capital. The $2.2 million from financing activity is unlikely to cover cash used in operations and capital expenditures. We project a $9.1 million decrease in cash to $1.2 million at the end of 2023.

2024 Forecast

We project revenue growth of 143.6% to $28 million (unchanged) from an estimated $11.5 million as customer acceptance and order growth occurs for the company's thermal and vibration control offerings. We also anticipate the company's proprietary fail-safe Passive Propagation Resistant battery solutions offerings will be deployed by the customer at a rapid pace throughout the balance of 2024.

We project gross margins improving to 45.3% from an estimated 41.6% in 2023 due primarily to a positive revenue mix shift to higher margin offerings.

We anticipate the operating loss narrowing to $14.2 million from an estimated $21.9 million due to revenue growth, gross margin expansion, and operating expense margin improving to 96% from an estimated 232% in 2023. We project operating expenses increasing by $147,000 to $26.9 million as the company rationalizes expenses to manage revenue growth.

Non-operating expense should increase to $2 million from an estimated $1.6 million in 2023. We project a net loss of $16.2 million or ($0.12) per share on 133.8 million average shares outstanding. We previously forecast a net loss of $19.1 million or ($0.14) per share on 134.1 million average shares outstanding.

In 2024, we project $2.6 million cash used by operations from a cash loss of $7.2 million and a $4.5 million decrease in working capital. The $2.6 million from financing activity is unlikely to cover cash used in operations, capital expenditures, and repayment of advance payments. We project a $434,000 decrease in cash to $814,000 at the end of 2024.

3Q23 and 9M23 Results

3Q23 Results

Revenue increased 118.3% to $3 million from nearly $1.4 million in 3Q22 due primarily to an increased customer base to 18 from 16 last year. Product revenue reached nearly $1.9 million, up from $1.4 million from customer contracts related to KULR's internal short circuit battery cells and devices and its patented thermal runway shield technology. Contract service revenue reached $1.1 million, up from $23,000 last year driven by increased customer activity related to research and development contracts and onsite engineering services, as well as two customer contracts.

Gross profit was $1.3 million, up from $461,000 last year due to revenue growth and gross margins improving to 44% from 33.1% in 3Q22. Gross margin improvement reflects a shift to higher margin contract service revenue.

Operating loss increased to $5 million from $5 million in the year-ago period stemming from a 18.7% increase in operating expenses. R&D expense increased $571,000 to $1.6 million from nearly $1.1 million last year due primarily to increases in headcount to build future capacity and expenses related to new initiatives designed to support revenue growth. SG&A expenses increased 10.2% to $4.8 million from $4.3 million in 3Q22 due primarily to increases in depreciation and amortization expense reflecting enhancements to the company's primary facility, labor costs, legal and professional fees, software license and utility fees, board of director compensation fees, insurance, and headcount, partially offset by a decrease in marketing and advertising expenses and stock-based compensation.

Total other expense was $465,000 compared to an expense of $628,000 last year. In the current period, the components of other expense was interest expense of $188,000 and amortization of debt discount of $235,000, and a $43,000 negative change in fair value of accrued equity. In the year-ago period interest expense was $545,000 and amortization of debt discount of $696,000, partly offset by a $178,000 positive change in fair value of accrued equity.

KULR reported a net loss of $5.6 million or ($0.05) per share, on average shares outstanding of 117.1 million versus a loss of $5.6 million or ($0.05) per share, on average shares outstanding of 105.6 million in 3Q22. We projected 3Q23 revenue of $3 million and a net loss of $6.3 million or ($0.05) per share.

9M23 Results

Revenue increased 243.7% to $7.5 million from $2.2 million in 9M22 due primarily to a $2.9 million or 161.1% (to $5.5 million) increase in product sales from customer contracts related to KULR's internal short circuit battery cells and devices and its patented thermal runway shield technology, as well as a more than 24-fold increase in contract services to $2 million from new large customer contracts from research and development and onsite engineering services.

Gross profit was nearly $3 million, up from $702,000 last year due to revenue growth and gross margins improving to 39.8% from 32.2% in 9M22.

Operating loss increased to $17.4 million from $14.3 million in the year-ago period stemming from a 36.1% increase in operating expenses.

Total other expense was $1.1 million compared to an expense of $680,000 last year.

	9 Months Ended (in thousands $)	
	9/23A	9/22A
Revenue	7,496	2,181
Cost of revenue	4,513	1,479
Gross profit	2,983	702
Research and development	4,874	2,791
Selling, general and administrative	15,547	12,210
Operating income (loss)	(17,438)	(14,299)
Interest expense	(545)	(677)
Debt costs and PPP forgiveness	-	150
Amortization of debt discount	(696)	(276)
Change in fair value of accrued equity	178	123
Net Income / (Loss)	(18,500)	(14,978)
EPS	(0.16)	(0.14)
Shares Outstanding	114,134	103,537
Margin Analysis		
Gross margin	39.8%	32.2%
R&D	65.0%	127.9%
SG&A	207.4%	559.8%
Year / Year Growth		
Total Revenues	243.7%	
Source: Company filings		

The net loss was $18.5 million or ($0.16) per share versus a loss of $15 million or ($0.14) per share in 9M22.

Finances

In 9M23, the company's cash loss of $13.5 million and $2.6 million decrease in working capital resulted in cash used in operations of $10.9 million. Net cash provided by financing activity did not cover cash used in operations and investing. Cash decreased by $9.2 million to $1.2 million as of September 30, 2023.

Liquidity – As of September 30, 2023, KULR had $1.2 million cash, $5.9 million (net of discount) of prepaid advance liability and shareholder's equity of $1.2 million.

In May 2022, KULR entered into a Standby Equity Purchase Agreement (SEPA) with Yorkville where the company shall have the right, but not the obligation, to sell to Yorkville up to $50 million of its shares of common stock at KULR's request any time during the commitment period. The commitment period commences on May 13, 2022 and terminates on the earlier of the first day of the month following the 24-month anniversary of the SEPA and the date on which Yorkville shall have made payment of any advances requested pursuant to the SEPA for shares of KULR's common stock equal to the commitment amount of $50 million. Each sale the company requests under the SEPA may be for a number of shares of common stock with an aggregate value of up to $5 million at 98% of the market price.

On September 18, 2023, KULR repaid to Yorkville over $1.8 million consisting of a principal amount of $1.5 million, accrued interest in of nearly $265,000, and a payment premium of $75,000.

In 9M23, the company issued nearly 4.1 million shares of common stock, at purchase prices per share ranging from $0.57 to $1.20, pursuant to investor notices submitted by Yorkville for aggregate proceeds of nearly $4.5 million. The proceeds were applied against the principal and interest due for the initial advance in the aggregate amounts of $4 million and $434,000, respectively. As of September 30, 2023, the gross principal balance on the prepaid advance liability was $5.9 million.

On November 7, 2023, the company and Yorkville executed an amended letter agreement revising repayment terms. On or before December 31, 2023, $1.5 million in principal, a 5% payment premium, and all outstanding accrued and unpaid interest. Then by another $2 million plus will be repaid on or before January 31, 2024 with the remaining balance to be repaid on or before March 1, 2024.

On September 15, 2023, KULR completed a public offering of more than 8.2 million shares of common stock, priced at $0.35 per share for net proceeds of nearly $2.3 million.

Risks

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

Limited operating history – going concern - 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. While we are not forecasting profitability through 2024, we do anticipate operating losses to narrow. However, in order to continue as a going concern, management plans to mitigate such factors through revenue growth, reducing operating expenses through careful cost management, raising additional funds through future financings, and negotiating an extension and/or conversion to equity of the company's prepaid advance liability

Dilution – Our forecast anticipates the repayment of the company's standby equity purchase agreement in 2024. While the company withdrew a public offering of its common stock on August 17, 2023, it did issue common stock on September 15, 2023. It is likely future issuances of common stock or debt will occur as market conditions settle down. Initially, we anticipate debt to be issued. If the company requires more capital than we anticipate it would dilute existing shareholders'.

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 3Q23, KULR had three customers who accounted for 85% of total revenues compared to two customer accounting for 91% of total revenues in 3Q22. There is the risk of significant loss of future revenues if a large customer were to stop ordering the company's products and services.

Technological obsolescence – The market KULR operates in 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 the October 2023, proxy filing, KULR's officers, directors and affiliates owned approximately 31.3% of KULR outstanding common stock. With such concentrated control of the company, other shareholders may have no effective voice in the company's management.

Material weakness in disclosure controls and procedures - As of September 30, 2023, KULR did not maintain effective controls to ensure that there is an independent 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 86.9 million shares in the float on 127.9 million shares outstanding and the average daily volume over the last three months to November 17, 2023 approximately 550,000 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.

Consolidated Balance Sheets
(in thousands $)

	2020A	2021A	2022A	3Q23A	**2023E**	**2024E**
Cash	8,880	14,863	10,334	1,167	**1,248**	**814**
Accounts receivable	56	136	1,542	1,297	**1,756**	**1,867**
Inventory	55	191	1,962	1,551	**1,678**	**1,702**
Prepaid expenses and other includes deposits	150	571	1,898	1,036	**1,200**	**1,000**
Total current assets	9,141	15,761	15,736	5,052	**5,883**	**5,383**
Property and equipment	58	374	3,193	4,910	**4,900**	**4,890**
Vendor (equipment) deposits	-	2,154	3,515	1,615	**1,650**	**1,675**
Security deposits	9	59	60	10	**10**	**10**
Intangible assets	-	217	721	755	**700**	**680**
Deferred financing costs	-	-	72	72	**72**	**72**
Right of use asset	-	666	329	193	**193**	**193**
Total assets	9,208	19,231	23,626	12,607	**13,408**	**12,903**
Accounts payable	66	455	1,408	1,813	**1,865**	**4,894**
Accrued expenses and other	398	1,163	2,142	3,018	**3,104**	**4,480**
Accrued issuable equity	128	291	228	99	**99**	**99**
Notes payable	2,322	-	-	-	**2,000**	**9,000**
Loans payable	13	155	-	-	**-**	**-**
Lease liability	-	262	224	173	**173**	**173**
Prepaid advance liability, net	-	-	5,656	5,910	**4,410**	**-**
Deferred revenue	20	132	23	394	**400**	**500**
Total current liabilities	2,947	2,458	9,681	11,407	**12,051**	**19,146**
Lease liability	-	408	98	-	**-**	**-**
Prepaid advance liability, net	-	-	3,197	-	**-**	**-**
Accrued interest	-	-	157	-	**-**	**-**
Loans payable	142	-	-	-	**-**	**-**
Total liabilities	3,089	2,866	13,132	11,407	**12,051**	**19,146**
Total stockholders' equity (deficit)	6,119	16,365	10,494	1,200	**1,357**	**(6,243)**
Total liabilities & stockholders' equity	9,208	19,231	23,626	12,607	**13,408**	**12,903**

Source: Company filings and Taglich Brothers' estimates

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

	2020A	2021A	2022A	**2023E**	**2024E**
Revenue	624	2,413	3,995	**11,496**	**28,000**
Cost of revenue	169	1,102	1,631	**6,713**	**15,320**
Gross profit	455	1,311	2,364	**4,783**	**12,680**
Research and development	290	1,662	3,978	**6,102**	**7,300**
Selling, general and administrative	2,506	11,162	16,673	**20,601**	**19,550**
Operating income (loss)	(2,341)	(11,513)	(18,286)	**(21,920)**	**(14,170)**
Interest expense	(5)	(3)	(936)	**(745)**	**(1,200)**
Other income (expense)	-	(140)	150	**-**	**-**
Amortization of debt discount	(502)	(128)	(512)	**(931)**	**(835)**
Change in fair value of accrued equity	(2)	(126)	147	**95**	**-**
Net Income / (Loss)	(2,850)	(11,911)	(19,436)	**(23,500)**	**(16,205)**
Preferred stock deemed dividend	-	(2,624)	-	**-**	**-**
Net Income / (Loss) to common	(2,850)	(14,535)	(19,436)	**(23,500)**	**(16,205)**
EPS	(0.03)	(0.15)	(0.18)	**(0.20)**	**(0.12)**
Shares Outstanding	82,032	97,708	105,656	**118,326**	**133,750**
Margin Analysis					
Gross margin	72.9%	54.3%	59.2%	**41.6%**	**45.3%**
R&D	46.5%	68.9%	99.6%	**53.1%**	**26.1%**
SG&A	401.6%	462.6%	417.4%	**179.2%**	**69.8%**
Operating margin	(375.2)%	(477.1)%	(457.8)%	**(190.7)%**	**(50.6)%**
Year / Year Growth					
Total Revenues	(24.8)%	286.7%	65.5%	**187.8%**	**143.6%**

Source: Company filings and Taglich Brothers' estimates

Quarterly Income Statements 2022A - 2024E
(in thousands $)

	3/22A	6/22A	9/22A	12/22A	2022A	3/23A	6/23A	9/23A	12/23E	**2023E**	3/24E	6/24E	9/24E	12/24E	**2024E**
Revenue	200	588	1,393	1,814	3,995	1,760	2,696	3,041	4,000	**11,496**	5,000	6,000	8,000	9,000	**28,000**
Cost of revenue	123	424	932	151	1,631	1,116	1,693	1,704	2,200	**6,713**	3,000	3,360	4,280	4,680	**15,320**
Gross profit	77	164	461	1,662	2,364	643	1,002	1,337	1,800	**4,783**	2,000	2,640	3,720	4,320	**12,680**
Research and development	721	999	1,070	1,187	3,978	1,388	1,408	1,641	1,665	**6,102**	1,700	1,800	1,850	1,950	**7,300**
Selling, general and administrative	3,535	4,326	4,349	4,462	16,673	5,516	5,592	4,794	4,700	**20,601**	4,800	4,850	4,900	5,000	**19,550**
Operating income (loss)	(4,179)	(5,162)	(4,958)	(3,987)	(18,286)	(6,261)	(5,997)	(5,097)	(4,565)	**(21,920)**	(4,500)	(4,010)	(3,030)	(2,630)	**(14,170)**
				(472)											
Interest expense	(1)	(42)	(633)	(259)	(936)	(160)	(197)	(188)	(200)	**(745)**	(275)	(300)	(310)	(315)	**(1,200)**
Other income (expense)	-	-	150	-	150	-	-	-	-	**-**	-	-	-	-	**-**
Amortization of debt discount	-	(103)	(172)	(236)	(512)	(246)	(215)	(235)	(235)	**(931)**	(235)	(200)	(200)	(200)	**(835)**
Change in fair value of accrued equity	43	53	27	24	147	64	74	(43)	-	**95**	-	-	-	-	**-**
Net Income / (Loss)	(4,137)	(5,255)	(5,587)	(4,458)	(19,436)	(6,603)	(6,335)	(5,562)	(5,000)	**(23,500)**	(5,010)	(4,510)	(3,540)	(3,145)	**(16,205)**
Preferred stock deemed dividend	-	-	-	-	-	-	-	-	-	**-**	-	-	-	-	**-**
Net Income / (Loss) to common	(4,137)	(5,255)	(5,587)	(4,458)	(19,436)	(6,603)	(6,335)	(5,562)	(5,000)	**(23,500)**	(5,010)	(4,510)	(3,540)	(3,145)	**(16,205)**
EPS	(0.04)	(0.05)	(0.05)	(0.04)	(0.18)	(0.06)	(0.05)	(0.05)	(0.04)	**(0.20)**	(0.04)	(0.03)	(0.03)	(0.02)	**(0.12)**
Shares Outstanding	102,561	104,546	105,573	109,943	105,656	112,877	115,381	117,144	127,900	**118,326**	130,000	132,500	135,000	137,500	**133,750**
Margin Analysis															
Gross margin	38.5%	27.9%	33.1%	91.7%	59.2%	36.6%	37.2%	44.0%	45.0%	**41.6%**	40.0%	44.0%	46.5%	48.0%	**45.3%**
R&D	360.5%	170.1%	76.8%	65.5%	99.6%	78.9%	52.2%	54.0%	41.6%	**53.1%**	34.0%	30.0%	23.1%	21.7%	**26.1%**
SG&A	1767.5%	736.4%	312.2%	246.0%	417.4%	313.4%	207.4%	157.6%	117.5%	**179.2%**	96.0%	80.8%	61.3%	55.6%	**69.8%**
Operating margin	NMF	(878.6)%	(355.9)%	(219.8)%	(457.8)%	(355.8)%	(222.5)%	(167.6)%	(114.1)%	**(190.7)%**	(90.0)%	(66.8)%	(37.9)%	(29.2)%	**(50.6)%**
Year / Year Growth															
Total Revenues	(52.2)%	(6.4)%	131.8%	136.8%	65.5%	779.9%	358.8%	118.3%	120.5%	**187.8%**	184.1%	122.6%	163.1%	125.0%	**143.6%**

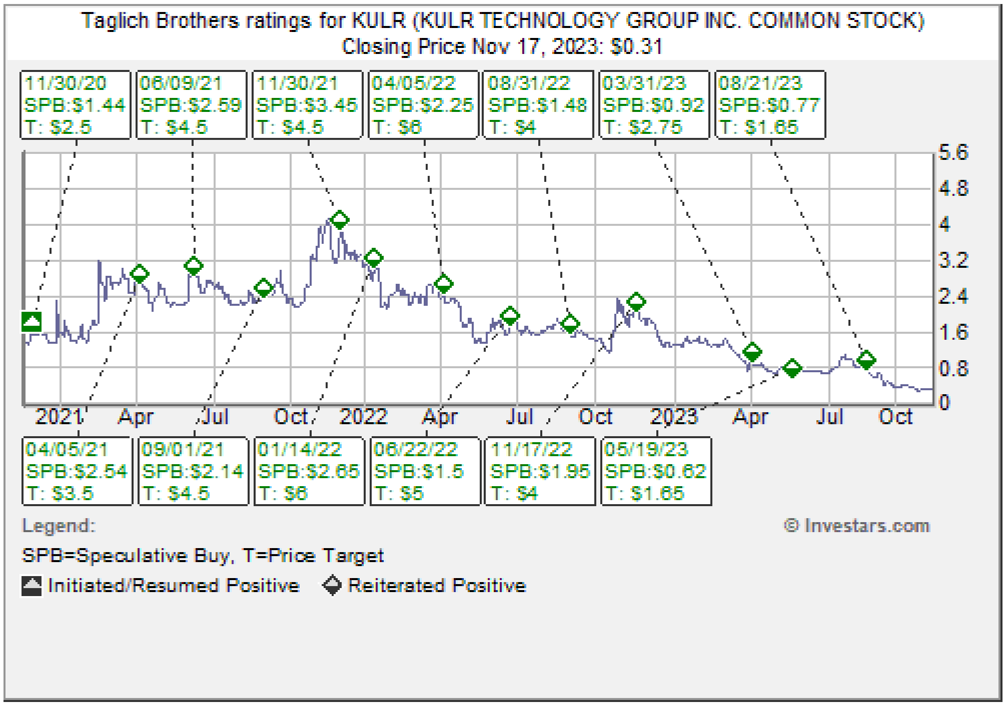
Source: Company filings and Taglich Brothers' estimates

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

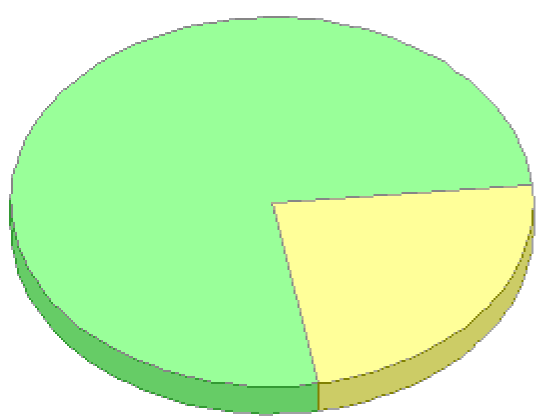
	2020A	2021A	2022A	9M23A	**2023E**	**2024E**
Net income (loss)	(2,850)	(11,911)	(19,436)	(18,500)	**(23,500)**	**(16,205)**
Amortization of debt discount	502	128	512	696	**931**	**835**
Non-cash lease expense	-	149	193	187	**200**	**200**
Depreciation and amortization expense	16	68	259	1,533	**2,045**	**2,000**
Bad debt expense and forgivness of PPP loan	1	-	(144)	-	**-**	**-**
Change in fair value of accrued issuable equity	2	126	(147)	(178)	**(95)**	**-**
Non-cash interest expense	-	-	577	-	**-**	**-**
Loss on extinguishment of note payable	-	-	9	-	**-**	**-**
Share-based compensation	344	4,200	4,175	2,731	**5,000**	**6,000**
Cash earnings (loss)	(1,985)	(7,240)	(14,002)	(13,532)	**(15,420)**	**(7,170)**
Changes in assets and liabilities						
Accounts receivable	(26)	(81)	(1,421)	245	**(214)**	**(110)**
Inventory	(29)	(136)	(1,771)	605	**284**	**(24)**
Prepaid expenses and other	(116)	(420)	(1,328)	668	**698**	**200**
Deposits - Security and Vendor	(296)	(50)	(2)	50	**1,865**	**(25)**
Accounts payable	(271)	385	659	(103)	**457**	**3,029**
Accrued expenses and other	(12)	768	825	1,003	**962**	**1,376**
Lease liability	-	(144)	(205)	(200)	**-**	**-**
Deferred revenue	5	112	(109)	371	**377**	**100**
(Increase) decrease in working capital	(745)	434	(3,352)	2,639	**4,428**	**4,546**
Net cash provided by (used in) operations	(2,730)	(6,806)	(17,354)	(10,893)	**(10,992)**	**(2,624)**
Deposits for equipment purchases	-	(2,154)	(1,421)	(621)	**-**	**-**
Purchase of intangible asset	-	(200)	(544)	(135)	**-**	**-**
Purchase of property and equipment	(46)	(383)	(2,683)	(238)	**(315)**	**(400)**
Net cash used in investing	(46)	(2,737)	(4,648)	(994)	**(315)**	**(400)**
Proceeds from note payable	3,710	-	4,750	-	**1,000**	**7,000**
Repayments of note payable	(759)	(2,450)	(1,000)	-	**-**	**-**
Payment of debt issuance costs	(340)	-	(17)	(229)	**(229)**	**-**
Proceeds from the exercise of warrants	-	11,719	3,021	-	**-**	**-**
Proceeds from Paycheck Protection Program loan	155	-	-	-	**-**	**-**
Proceeds from the SEPA, net	-	-	250	-	**-**	**-**
Proceeds from prepaid advance liability	-	-	10,573	2,000	**2,000**	**-**
Payment on prepaid advance liability	-	-	-	(1,575)	**(3,075)**	**(4,410)**
Proceeds from sale of Series D conv. pref. stock	-	6,500	-	-	**-**	**-**
Proceeds from sale of common stock and equity financin	9,501	-	-	2,875	**2,875**	**-**
Repurchase of common stock	-	-	-		**-**	**-**
Proceeds from exercise of options	-	122	53	-	**-**	**-**
Payment of financing costs	(720)	(365)	(158)	(350)	**(350)**	**-**
Net cash provided by (used in) financing	11,547	15,526	17,472	2,721	**2,221**	**2,590**
Net Change in Cash	8,771	5,983	(4,530)	(9,166)	**(9,086)**	**(434)**
Cash - Beginning of Period	230	8,880	14,863	10,334	**10,334**	**1,248**
Cash - End of Period	8,880	14,863	10,334	1,167	**1,248**	**814**

Source: Company filings and Taglich Brothers' estimates

Price Chart



Taglich Brothers' Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	**2**	**11**
Hold		
Sell		
Not Rated		

Important Disclosures

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I, Howard Halpern, 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.