



July 29, 2021

## Key Metrics

GTEC - NASDAQ	\$6.34
Pricing Date	Jul 28 2021
Price Target	\$14.00
52-Week Range	\$26.42 - \$1.77
Shares Outstanding (mm)	10.0
Market Capitalization (mm)	\$71.1
3-Mo Average Daily Volume	98,420
Debt/Total Capital	49.0%
Book Value/Share	\$4.63
Price/Book	1.5x

## EPS FY: December

	2020A	Prior 2021E	Curr. 2021E	Prior 2022E	Curr. 2022E
1Q-Mar	0.03	--	0.21A	--	--
2Q-Jun	0.13	--	0.11E	--	--
3Q-Sep	0.02	--	0.13E	--	--
4Q-Dec	0.50	--	0.16E	--	--
FY	0.67	--	0.60E	--	0.73E
P/E	9.46x		10.57x		8.68x

## Revenue (M)

	2020A	Prior 2021E	Curr. 2021E	Prior 2022E	Curr. 2022E
1Q-Mar	9.9	--	24.6A	--	--
2Q-Jun	16.6	--	20.6E	--	--
3Q-Sep	16.5	--	21.5E	--	--
4Q-Dec	23.9	--	24.1E	--	--
FY	66.9	--	90.8E	--	108.1E

## Company Description:

Greenland Technologies is a leading developer and producer of transmission products and integrated powertrain systems for material handling machineries, particularly electric forklift trucks. The company is also developing and plans to launch a line of electric-powered industrial vehicles. Aegis Capital lead managed an equity offering for the company in June 2021.

# Greenland Technologies Holding Corporation

## Rating: Buy

### Significant Developments with U.S. Expansion into Electric Industrial Vehicles

#### Investment Highlights:

**Two major developments announced.** Greenland Technologies recently announced two major strategic developments in the company's expansion into electric industrial vehicles, which we believe is a relatively untapped market in the U.S. In major categories of earth-moving equipment such as loaders and excavators, electric vehicles (EVs) have yet to make inroads against vehicles powered by traditional internal combustion engines (ICE). Major established players in these categories, including global companies such as Caterpillar, Komatsu, and others, have had little economic incentive thus far to develop EVs themselves, given that such disruptive technology would simply cannibalize their own sales of existing ICE vehicles. We believe these categories represent a highly lucrative opportunity for a pure play EV company such as Greenland Technologies to establish first-mover advantage and rapidly gain market share, similar to what Tesla has done in the automotive sector.

**1. New strategic partnership in electric forklifts.** Greenland Technologies announced this morning the launch of its new lithium battery-powered electric forklift models. The company recently signed a major strategic partnership with Shandong Zhongcha Heavy Machinery Co., a leading global heavy machinery and automotive manufacturing company based in China. Under this new partnership, Greenland Technologies is launching three models of GEF-series electric forklifts in the U.S., which will see initial deliveries beginning in Sept. Such new lithium-powered models will have a significant performance advantage over the current slate of competitive electric forklifts being offered today in the U.S., which mostly utilize the rather outdated lead acid battery technology. In addition, the two strategic partners will combine resources to develop next-generation electric forklifts.

**2. Launches pre-booking program for electric industrial vehicles.** The company also recently announced it has begun an online pre-booking service for its new line of electric industrial vehicles, including the GEL-1800 1.8 ton Electric Loader and the GEX-8000 Electric Excavator. We believe these electric-powered loaders or excavators offer significant advantages over traditional ICE models. In addition to generating zero emissions, EVs also offer significantly quieter operation, an important benefit when operating in a dense urban environment, or nearby to sensitive facilities such as hospitals, schools, offices, or residential areas. EVs also require much less maintenance and upkeep compared to traditional ICE motors, with their frequent required oil changes, engine overhauls, greater number of moving parts, etc.

**Attractive relative valuation; price target of \$14.** Shares of GTEC are currently trading at a 2021E P/E multiple of 14x, representing an approximate 30-40% discount to the peer group average of industrial vehicle companies. Given Greenland's strong double-digit organic revenue and earnings growth in its core business, combined with significant potential upside from its expansion into electric industrial vehicles, we believe shares of GTEC should trade at a 2021E P/E multiple of 23x, more in line with the peer group average, which generates our 12-month price target of \$14.

**Investment risks.** Potential risks for achieving our price target include uncertain customer adoption of electric industrial vehicles, competitive risk from major global players, tariffs on imported parts from China, high degree of customer concentration, and impact from the COVID-19 pandemic.

## Figure 1. Historical and Projected Income Statement

### GREENLAND TECHNOLOGIES HOLDING CORPORATION INCOME STATEMENT (in \$000)

Period Ending	2019	2020	1Q21	2Q21E	3Q21E	4Q21E	2021E	2022E
<b>Net Revenue</b>	<b>\$52,401</b>	<b>\$66,864</b>	<b>\$24,611</b>	<b>\$20,555</b>	<b>\$21,477</b>	<b>\$24,134</b>	<b>\$90,777</b>	<b>\$108,106</b>
% Change yr-yr		27.6%	149.3%	24.0%	30.0%	1.0%	35.8%	19.1%
Cost of revenue	40,022	54,051	19,507	16,608	17,289	19,428	72,832	86,804
% of revenue	76.4%	80.8%	79.3%	80.8%	80.5%	80.5%	80.2%	80.3%
<b>Gross Profit</b>	<b>12,379</b>	<b>12,813</b>	<b>5,104</b>	<b>3,946</b>	<b>4,188</b>	<b>4,706</b>	<b>17,945</b>	<b>21,302</b>
Gross Margin	23.6%	19.2%	20.7%	19.2%	19.5%	19.5%	19.8%	19.7%
Operating expense	5,775	6,105	2,250	2,002	2,019	2,051	8,322	9,101
% of revenue	11.0%	9.1%	9.1%	9.7%	9.4%	8.5%	9.2%	8.4%
<b>Operating Income (Loss)</b>	<b>\$6,604</b>	<b>\$6,708</b>	<b>\$2,854</b>	<b>\$1,944</b>	<b>\$2,169</b>	<b>\$2,655</b>	<b>\$9,623</b>	<b>\$12,201</b>
Operating Margin	12.6%	10.0%	11.6%	9.5%	10.1%	11.0%	10.6%	11.3%
Other expense	670	(1,936)	(112)	200	200	200	488	800
<b>Pretax income</b>	<b>5,935</b>	<b>8,645</b>	<b>2,966</b>	<b>1,744</b>	<b>1,969</b>	<b>2,455</b>	<b>9,134</b>	<b>11,401</b>
Income tax	847	2,273	523	314	354	442	1,633	2,175
Effective tax rate	14.3%	26.3%	17.6%	18.0%	18.0%	18.0%	17.9%	19.1%
<b>Net Income</b>	<b>5,087</b>	<b>6,372</b>	<b>2,443</b>	<b>1,430</b>	<b>1,615</b>	<b>2,013</b>	<b>7,502</b>	<b>9,227</b>
Net margin	9.7%	9.5%	9.9%	7.0%	7.5%	8.3%	8.3%	8.5%
Non-controlling interest	623	(387)	315	243	275	342	1,175	1,569
<b>Net income attributable to GTEC</b>	<b>4,465</b>	<b>6,759</b>	<b>2,129</b>	<b>1,187</b>	<b>1,340</b>	<b>1,671</b>	<b>6,327</b>	<b>7,658</b>
<b>GAAP Diluted earnings per share:</b>	<b>\$0.56</b>	<b>\$0.67</b>	<b>\$0.21</b>	<b>\$0.11</b>	<b>\$0.13</b>	<b>\$0.16</b>	<b>\$0.60</b>	<b>\$0.73</b>
Avg.diluted shares outstanding	7,933	10,037	10,334	10,500	10,500	10,500	10,458	10,500
Depreciation & Amortization	2,298	2,435	618	640	700	700	2,658	3,000
<b>EBITDA</b>	<b>\$8,902</b>	<b>\$9,144</b>	<b>\$3,472</b>	<b>\$2,584</b>	<b>\$2,869</b>	<b>\$3,355</b>	<b>\$12,281</b>	<b>\$15,201</b>
EBITDA Margin	17.0%	13.7%	14.1%	12.6%	13.4%	13.9%	13.5%	14.1%

Source: Aegis Capital Corporation and Company Reports

**Figure 2. Historical Annual Cash Flow Statement****GREENLAND TECHNOLOGIES HOLDING CORPORATION  
STATEMENT OF CASH FLOWS (in \$000)**

	<b>2019</b>	<b>2020</b>
Net Income (Loss)	\$5,087	\$6,372
Depreciation & amortization	2,298	2,435
Loss on disposal of equipment	253	79
Allowance for doubtful accounts	148	(116)
Allowance for notes receivable	(161)	(16)
Provision for inventory	22	(136)
Deferred tax assets	55	370
<i>Changes in Assets and Liabilities</i>		
Accounts receivable	(2,132)	487
Notes receivable	(80)	(12,793)
Inventory	2,231	(4,330)
Advance to suppliers	(19)	(373)
Other assets	(5)	(298)
Accounts payable	(16)	5,940
Customer deposits	65	213
Other current liabilities	(1,646)	317
Income taxes payable	(142)	(13)
Due to related parties	1,820	4,769
Long-term payables		29
Other long-term liabilities	219	(242)
<b>Net Cash From Operations</b>	<b>7,999</b>	<b>2,696</b>
Purchases of long-term assets	(2,193)	(1,084)
Proceeds from government grants	634	253
Proceeds from sale of PP&E	91	8
Purchases of land use rights and other intangibles	(131)	
<b>Net Cash from Investing Activities</b>	<b>(1,600)</b>	<b>(823)</b>
Proceeds from short-term bank loans	38,675	21,128
Repayments of short-term bank loans	(41,145)	(21,564)
Repayments of long-term bank loans	(6,527)	
Notes payable	(1,814)	9,275
Proceeds from related parties	2,901	1,509
Repayment of loans from related parties	(5,428)	(708)
Repayment of loans from third parties	(2,901)	(5,724)
Proceeds from third parties		4,376
Dividend paid	(160)	
Proceeds from financing lease obligation	5,209	1,431
Deposits for financing lease obligation	(805)	(2,296)
Payment of principal on financing lease obligation	(575)	(1,511)
Reverse capitalization	2,925	
Restricted stock grant		247
Reduction of capital		(3,857)
<b>Net Cash from Financing Activities</b>	<b>(9,644)</b>	<b>2,307</b>
Effect of foreign currency translation changes	(6)	(494)
<b>Net Increase (Decrease) in Cash</b>	<b>(3,251)</b>	<b>3,686</b>
<b>Cash, Beginning of the Period</b>	<b>8,968</b>	<b>5,717</b>
<b>Cash, End of the Period</b>	<b>5,717</b>	<b>9,403</b>

Source: Aegis Capital Corporation and Company Reports

**Figure 3. Historical Annual Balance Sheet****GREENLAND TECHNOLOGIES HOLDING CORPORATION  
CONSOLIDATED BALANCE SHEET (in \$000)**

<u>ASSETS</u>	<u>2019</u>	<u>2020</u>
Current Assets		
Cash and equivalents	2,123	7,159
Restricted cash	3,594	2,244
Notes receivable	16,157	30,804
Accounts receivable	11,972	12,409
Inventory	9,973	15,380
Due from related parties - current	36,043	38,535
Advance to suppliers	51	448
Prepayments and other current assets	328	665
Total Current Assets	<u>80,240</u>	<u>107,643</u>
Non-Current Assets		
Property, plant, and equipment, net	20,630	20,135
Land use rights, net	3,863	4,035
Other intangible assets	5	
Due from related parties - non-current	430	
Deferred tax assets	514	158
Goodwill	4	4
Other non-current assets	798	2
Total Assets	<u>106,484</u>	<u>131,979</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities		
Short-term bank loans	16,862	18,487
Notes payable	15,051	25,889
Accounts payable	14,713	22,005
Taxes payable	13	
Customer deposits	132	366
Due to related parties	3,482	9,051
Other current liabilities	3,087	2,212
Lease obligations - current	2,654	797
Total Current Liabilities	<u>55,993</u>	<u>78,808</u>
Lease obligations	1,350	166
Other long-term liabilities	2,179	2,343
Total Liabilities	<u>59,522</u>	<u>81,317</u>
Stockholders' Equity		
Additional paid in capital	15,227	13,707
Statutory reserves	3,867	4,517
Retained earnings	19,864	26,728
Accumulated other comprehensive inc (loss)	(361)	(63)
Total Stockholders' Equity	<u>38,596</u>	<u>44,890</u>
Non-controlling interest	<u>8,366</u>	<u>5,772</u>
Total Liabilities & Stockholders' Equity	<u>106,484</u>	<u>131,979</u>

Source: Aegis Capital Corporation and Company Reports

## Required Disclosures

### Price Target

Our 12-month price target on shares of GTEC is \$14.

### Valuation Methodology

Our price target is derived by applying a 2021E P/E multiple of 23x.

### Risk Factors

- Uncertain customer adoption of upcoming electric industrial vehicles.
- Competitive risk from large, well-entrenched global players in the earth-moving equipment industry.
- Recently implemented tariffs on imported products from China could impact sourcing of parts for upcoming EV models.
- High degree of customer concentration.
- Impact from the COVID-19 pandemic.

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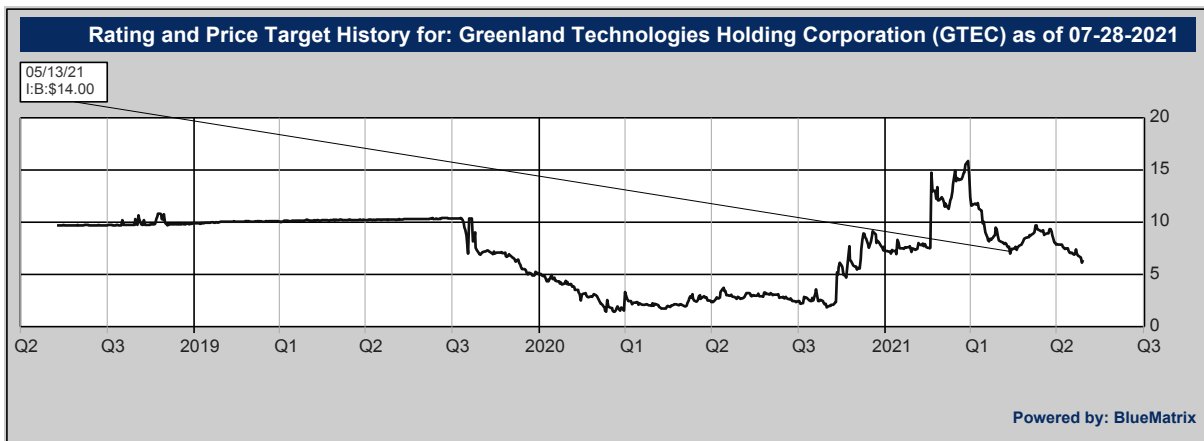
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Aegis Capital Corp. makes a market in Greenland Technologies Holding Corporation.

Aegis Capital Corp. has performed investment banking services for and received fees from Greenland Technologies Holding Corporation within the past 12 months.



Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	92.71	38.20
HOLD [HOLD]	7.29	28.57
SELL [SELL]	0.00	0.00

#### Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

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