

ALPHADIRECT MANAGEMENT SERIES

MARCH 25, 2020

IN FOCUS: KANDI TECHNOLOGIES GROUP, INC. (NASDAQ GS: KNDI), GENERAL OVERVIEW, BUSINESS STRATEGY AND GROWTH PROSPECTS



(Shanghai Kandi Factory Facility)
Source: <http://en.kandivehicle.com/>

THE ALPHADIRECT INSIGHT

Kandi positions itself as one of the pioneers of the EV industry in China. Kandi introduced its first EV in 2007 and now produces EVs through a joint venture with Geely, China's largest and fastest growing non-state-owned automaker. Kandi's shares have been listed on the Nasdaq for twelve years. Kandi believes it is in a unique position to leverage the fast-growing lower price point segment of the EV market both in China and abroad. According to government forecasts, China is set to be the largest EV market in the world; its "new energy vehicles" sales are projected to grow to 2.1 million units annually in 2020, which reflects only 7% penetration. Kandi's focus is to provide good quality at an accessible price point to reach a broad middle market for EVs, in contrast to competitors like Tesla or NIO that target the smaller premium segment. Kandi is also approved in the U.S. to ship its Model EX3 and Model K22 cars with distribution through its wholly-owned SC Autosports. In summary, Kandi has a differentiated position in the market relative to higher-end OEMs and is focused on a large market segment both in China and abroad. In this Management Series we focus on a general overview of the company and its strategy and growth prospects.

KNDI Business Snapshot

Founded: 2007
Headquarters: Jinhua, China
Ticker: KNDI (NASDAQ GS)
Stock Price: USD\$ 2.67
Market Cap: USD\$141M
Website: <http://en.kandivehicle.com/>
**As of March 24, 2020*



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About alphaDIRECT Advisors

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Participants

Mr. Hu Xiaoming CEO, Kandi Technologies Inc.

Mr. Hu Xiaoming was appointed as Chief Executive Officer, President and Chairman of the Board of Kandi Technologies in June of 2007. Prior to joining Kandi, from October 2003 to April 2005, Mr. Hu served as Project Manager and Chief Scientist in the WX Pure Electric Vehicle Development Project. From October 1984 to March 2003, Mr. Hu held a variety of electric vehicle-related positions within the Yongkang Group and Wan Xiang Electric Vehicle Development Center. Mr. Hu has been awarded four invention patents and seven utility model patents.

Mr. Shawn Severson Founding Partner, *alphaDIRECT* Advisors

Mr. Severson is the Founding Partner of *alphaDIRECT* Advisors, a division of EnergyTech Investor, LLC. Mr. Severson has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Prior to founding *alphaDIRECT* Advisors, he led the Energy, Environmental and Industrial Technologies practice at investor relations firm The Blueshirt Group. Mr. Severson was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Starmine's top three stock pickers.

ABOUT KANDI TECHNOLOGIES

Kandi Technologies Group, Inc. (KNDI), headquartered in the Jinhua Economic Development Zone of Zhejiang Province in China, is engaged in the research, development, manufacturing, and sales of electric vehicles and related parts and components. Kandi has established itself as one of China's leading manufacturers of pure electric vehicle parts and off-road vehicles.

Kandi is structured through three primary business units. "Kandi Vehicles" produces autos, off-road vehicles like ATVs, and other EV-related components. "SC Autosports" is Kandi's U.S. distribution arm. Both of these are wholly-owned subsidiaries.

"Fengsheng Auto" is a joint venture between Kandi and Geely Group formed in 2013. Geely is China's leading automaker. Fengsheng has established itself as one of the driving forces in the development and the manufacturing of pure EV products in China. Fengsheng develops, manufactures and sells pure electric vehicle ("EV") products. Geely owns 78% of Fengsheng, while Kandi owns 22%.

More information about KNDI is available on the Company's corporate website:
www.kandigroup.com



Mr. Hu Xiaoming, CEO of Kandi Technologies Group, Inc.

Shawn Severson: First of all, we would like to thank you, Mr. Hu, for taking the time to speak with us today. You are the founder and CEO of Kandi Technologies, the first China-based electric vehicle company listed on the Nasdaq stock exchange since 2008. Mr. Hu, before we get started can you please provide us with a brief introduction of yourself and what brought you to Kandi? Also, can you provide us with a short review of the company's history and core business?

Hu Xiaoming: Absolutely, Shawn. I founded Kandi in 2002 and have been purely focused on EVs since 2006. During our first year as a public company, we introduced our first EV model, the "Kandi Coco", and exported this model to the U.S. We ultimately sold 10,000 of them in total and Kandi was a global company from the start. We were not only listed in the U.S., but also in China where we sold our products as well.

One of our most important developments was in 2013, when we formed a partnership with Geely, which is one of the largest and fast-growing automakers in the world, based in China. Our partnership with Geely enabled us to accelerate the development and scale up the production of high quality EVs. In addition, it helped to grow our production capacity and improve brand recognition.

In 2019, an affiliated company Fengsheng (formerly known as Kandi Electric Vehicles Group) received an approval from NDRC and the MIIT, which officially made us dual-qualified as a pure electric passenger car manufacturer.

Today, we are broadly diversified across the electric vehicle value chain. Our core business is the development, manufacture and sale of electric vehicles, all-terrain

vehicles, battery packs, electric vehicle drive motors, electric vehicles controller, and air-conditioning systems. Since 2013, the Company has increased its focus on the development of pure EVs with a particular emphasis on expanding its market share in China. Our business has more depth now than it did at the very start, but everything we do still relates to the EV market.

Shawn Severson: Thank you, Mr. Hu. Looking at your core business, can you provide us with details on your product line? What is your current production capacity and how do you plan on handling demand?

Hu Xiaoming: Our most important vehicles are the K23, K27 and Maple 30x. Let me briefly talk about them separately and give you the consumer pitch as we see it.

The K23 is a pure multi-purpose electric vehicle, well-equipped and spacious with an attractive appearance. The K23 is suitable for both family and commercial uses. A key feature is that the customer can choose one of two battery designs. One is the permanent battery, which is good for family use and the other is a swappable battery, which is good for commercial use. The K23 will be used for our new online ride-sharing business, which we can discuss later. For ride share, battery swapping mode will be one of our biggest advantages, as it enables two shift operations.

The K27 is a compact hatchback electric car with a wide range of comfort features, such as LCD instrumentation, air conditioning, and audio. We have optimized space usage, so that this compact model still offers attractive rear space. This model is a great choice for families, with good quality and an affordable price.

The Maple 30x is a compact, pure electric SUV designed with style and aesthetics in mind. It uses the popular dual-color design to meet consumers' individual tastes. In addition, the LED daytime running lights are exquisite and expressive. This model is positioned to attract young urbanites. The Maple is important, because it was developed and is currently sold by Fengsheng Auto, which is our joint venture with Geely.

Shawn Severson: Speaking of Geely, can you give us color on this partnership? For instance, Geely has about 900 dealerships; will Fengsheng have access to those dealerships? What parts will Kandi be supplying to Fengsheng in the future?

Hu Xiaoming: Geely is one of the most successful auto companies in China and we are pleased to be working together. We originally owned 50% of Fengsheng, but recently adjusted so that Geely owns 78%. Geely purchasing more of Fengsheng made a lot of sense since it provided capital to grow faster by Geely putting more weight behind it. We have signed up 190 dealers for the Maple 30x, out of which 105 are Geely dealers, meaning nearly half of them are not. Geely has 900 dealerships, so there is plenty of room to grow distribution of the Maple 30x.

Shawn Severson: Leadership in China is not your only aspiration. What is your expectation for your sales in US? What is your sales target in US in 2020?

Hu Xiaoming: We expect the EV market in China to be gigantic and we will have room to grow domestically for years to come. However, in keeping up with our heritage, our aspirations are global, and we have long term expansion plans and growth strategies beyond the domestic China

market. We recently entered the U.S. market with our exciting new line of modern, middle market EVs that I just described, namely the K23 and K27.

To penetrate the U.S. market, we bought a US distributor, SC Autosports and we are taking dealership applications as we speak. SCA has done an enormous amount of preparation for our entry into the US market and some key milestones are:

- 1) Our cars qualify for the IRS \$7500 federal tax credit, which is very important in order to drive demand.
- 2) We received approval from the National Highway Traffic Safety Administration for our EVs.
- 3) We have an agreement with Northpoint Commercial Finance to provide Kandi dealers with inventory financing.
- 4) Finally, we hosted a successful K23 conference that attracted hundreds of potential U.S. distributors.

We will start to penetrate the U.S. market this year by importing 2000 units and we intend to continue growing from there.

Shawn Severson: We understand that you are moving beyond just EVs, and plan on also focusing future growth on “Modern Mobility”. Can you discuss the concept of “Modern Mobility” and what that entails?

Hu Xiaoming: Of course, Shawn. That is a great question, because we have so many opportunities in today's world. The most exciting one is our partnership to develop a ride-share operating platform for lower tier markets in China.

Everyone knows about Uber for example, but they know little about the software and

infrastructure that power the business and similar business in the field. We are developing an operating platform that will enable smaller companies to offer similar ride-share services in the smaller markets that Didi, as an example does not serve. Didi is a ride sharing company similar to Uber, operating mainly in the larger cities in China. Even with an established operator like Didi, the market can be huge. Consultants Bain & Company estimate that the ride-share market in China may double in size by 2020.

In January we signed a framework agreement with a company called Zhejiang Ruibo to be their primary vehicle vendor. We will supply 300,000 government-approved vehicles for this ride-share service. Government approval is important, as this market is getting more regulated. At present, there are significant issues to be resolved in China's ride-share industry, and most ride-share vehicles are not compliant with current regulations. By providing assistance to establish this platform's infrastructure, and introduce the service across China, we can benefit from the services themselves, and also by selling cars directly to the operators. Our biggest advantage is our battery swapping technology, which enables two-shift operation. This can significantly reduce the operating cost and thus increase profit.

Shawn Severson: China is by far the biggest EV market in the world, providing companies like Kandi with great opportunities, but also with competition. Who do you view as your main competitor and how do you differentiate Kandi on the market?

Hu Xiaoming: Yes, you are correct that the EV market in China is gigantic and growing. China accounts for well over half of the

global EV sales, a number that will increase in the years ahead.

Frost & Sullivan estimates that EV volume will expand over 40% annually in China, and 36% globally. Sales of EVs in China are expected to reach 2.6 million EVs a year by 2022. There is plenty of room to grow, both from overall vehicle sales growth, and market share gains for EVs.

The China market is still dominated by entry-level vehicles, which is not surprising since the per capita income is still around \$6,000 a year. Premium models like Tesla get a lot of attention but represents small volume markets. We target the low and middle markets, the space where most families are now at, and where they will go as their income increases. At a lower income, they can get their first EV with our basic lineup. As they prosper, and they want a nicer vehicle, they can trade up to our middle market models. We are positioning "where the puck is going", as they say. Our price range and mileage range are in the mainstream for pure EVs in China.

Our major competitors are BAIC Motor, BYD, Chery and JAC.

Shawn Severson: Recently you put out a press release stating that you will move to a new more efficient manufacturing facility and also increase your cash flow in the process. Can you provide us more some details?

Hu Xiaoming: I would love to, because this is a very important deal that we have been working on for some time now. In fact, we have been negotiating with our local government in Jinhua for over two years, but the deal is a win-win for every party involved.

We have several production plants, but our main one in Jinhua is an older one-story facility on a very large plot in an industrial park in Jinhua. The city government wanted to use that land for other purposes, so they asked us to move into a new EV industrial park a couple kilometers away. We were happy to do that, as long as we were properly compensated for the move. Now that negotiations are concluded, we can say that the deal was a success

Hu Xiaoming: My pleasure, Shawn and thank you as well.

First of all, they are repurchasing our land use rights for a substantial—and fair—sum. We will get payments in phases as we meet the requirements for vacating the land and all the details are in the published press release.

At the same time, we will buy a new smaller lot in the new EV zone and build a very modern and efficient multistory factory. The new factory will lower our operating costs meaningfully. The cash from the old land repurchase will fund the cost of vacating as well as the new factory, with plenty of money to spare. We will use the extra money for further business developments.

As a kicker, the local government is putting financial incentives into place for us. If we hit certain goals on financial contributions to the community, we can be awarded substantial incentives over the next eight years. This is a great example of private-public cooperation that is a win for everyone, including the local labor force.

Shawn Severson: Thank you very much for your time today. We believe investor will have a better understanding of the company and we look forward to speaking with you again in the near future.

SHAWN SEVERSON FOUNDING PARTNER

Mr. Severson founded *alphaDIRECT* Advisors, a division of EnergyTech Investor, LLC in 2016 after seeing a significant communication and information gap developing between small and micro-cap companies and the financial community. Mr. Severson has over 20 years of experience as a senior research analyst covering the technology and cleantech industries. Previously, he was Managing Director at the Blueshirt Group where he was the head of the Energy, Environmental and Industrial Technologies practice. Prior to the Blueshirt Group, Mr. Severson was at JMP Securities where he was a Senior Equity Research Analyst and Managing Director of the firm's Energy, Environmental & Industrial Technologies research team. Before joining JMP, he held senior positions at ThinkEquity, Robert W. Baird (London) and Raymond James. He began his career as an Equity Research Associate at Kemper Securities. He was frequently ranked as a top research analyst including one of the Wall Street Journal's "Best on the Street" stock pickers and multiple awards as Starmine's top three stock pickers.



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