# Equity Research Report (QS)

## QuantumScape (Nasdaq: QS)

*Executive Summary*

| | |
|---|---|
| Recommendation | Buy (bull case) |
| Current price | $7.03 |
| Target Price (Perpetuity Method DCF) | $15.00 |
| Expected return | +125% |
| Investment horizon | 12-24 months (technology validation + scale up window) |
| Sector | Solid State Battery / Next Gen Energy Storage |

### *Investment Thesis*

I view QuantumScape through the lens of the lassonde curve, and I believe the stock is currently trading in the “valley of death” – the trough between initial speculative excitement (QS’s 2020 SPAC debut and early solid state hype) and the eventual re-rating that comes with commercial validation. This stage is defined by exactly what QS is experiencing now, heavy ongoing cash burn to fund major scape-up, dilution risk from continued equity issuance, and market unwilling to pay up until manufacturing proof-points materialize. Historically, this is also where the best risk-adjusted entry points are – the technology and partnership groundwork (PowerCo’s growing capital commitment and 2026 Honda joint R&D agreement) are already in place, but the stock hasn’t re-rated yet because the market is still pricing execution risk rather than the underlying technology’s now improving odds of success. I believe that as growing technological growth and partner ships, the answer to the manufacturing yield problem that has stopped solid state batteries industry wide, represents the companies exit from the “valley of death” as yield data improves and B- sample data progresses toward C-samples, I expect the stock to begin climbing to the right side of the lassonde curve toward commercial production and eventual profitability.

### *Variant View (Market Mispricing)*

The market is pricing QuantumScape mainly on manufacturing risk, treating the the Cobra separator process and Eagle Line as unproven (QS’s revolutionary technology and method for mass-producing its sold ceramic battery separator and its pilot production facility in San Jose, Ca), rather than as scale up program with two major automakers now financially committed. We think this misses two things PowerCo's funding commitment has grown over time (now up to $261M) instead of pulling back, and Honda's 2026 R&D agreement adds a second major OEM's validation, removing the risk of depending on a single partner. As Eagle Line yield improves and cells move from B-sample to C-sample, we expect the stock to re-rate from "speculative R&D" toward a de-risked, capital-light licensing business.

### Company Overview & Industry Overview

QuantumScape makes solid-state lithium-metal batteries. Instead of building factories itself, it licenses its technology to automakers like PowerCo — a lighter, lower-cost path to scale. Its main innovation pairs an anode-free design with the Cobra separator process, aiming for batteries that charge faster, hold more energy, and are safer than standard lithium-ion. QS is currently producing B-samples (early test cells built on real production equipment, used to prove the design works before committing to full manufacturing) and working toward C-samples (a later, near-final version that closely matches what will actually ship). It competes with Toyota, Samsung SDI, CATL, and smaller peers like Solid Power and SES AI in the race to scale solid-state batteries first.

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### *Key Assumptions*

Our valuation is based on the following operating and cost-of-capital assumptions. We call these out explicitly because the investment case depends on them holding, not on the target price itself.

| DRIVER | ASSUMPTION | BASIS |
|---|---|---|
| **REVENUE (2026E → 2030E)** | ~$0 → $1,571M | Assumes PowerCo and Honda licensing revenue ramps up faster than Wall Street currently expects |
| **EBIT MARGIN (2028E → 2030E)** | 35.0% → 48.0% | Licensing costs little to deliver once revenue starts, so profit margins should climb fast, capped below what mature licensing companies like ARM and Dolby actually earn |
| **CAPEX** | ~$22–28M/year, shrinking as a share of revenue | QS doesn't build its own factories — PowerCo and Honda pay for that, so QS's own spending stays light |
| **TAX RATE** | Near 0%, rising slowly through 2030E | Years of losses mean QS can offset most future profit from taxes, though the law limits how much can be sheltered each year |
| **WACC** | 11.0% | Uses a lower risk assumption (Beta 1.22) than QS's real number (~2.60), betting the market starts treating QS as safer now that two carmakers are committed |
| **TERMINAL GROWTH RATE** | 4.5% | Assumes QS keeps growing steadily as a licensing business long after 2030 |
| **VALUATION METHOD** | DCF Perpetuity Growth (primary) | Comps aren't used for the target price, QS's peer group is too mismatched in size and profitability to give a reliable number |

*Note: The lower risk assumption (Beta 1.22 vs. the real ~2.60) is doing most of the work behind this valuation's upside. It's a bet that the market will start viewing QS as safer, not a neutral fact. The $15 target only holds if that shift actually happens.*

### *Catalysts and Risks*

Catalysts

- Eagle Line yield improvement — directly validates the manufacturing thesis
- B-sample → C-sample progression — a real step toward production-ready cells
- New OEM agreements beyond PowerCo/Honda — reduces customer concentration

Risks

- Manufacturing yield risk — Cobra must work at scale, not just in pilot runs
- Customer concentration — thesis leans heavily on PowerCo and Honda staying committed
- Dilution risk — QS has issued shares steadily since its SPAC merger and may continue

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## QuantumScape (Nasdaq: QS)

### *Valuation*

We value Keel using a combination of a Discounted Cash Flow (DCF) analysis and Public Trading Comparables, as these methodologies capture both the company's long-term intrinsic value and its valuation relative to AI infrastructure and digital infrastructure peers. Our valuation is driven primarily by assumptions surrounding AI infrastructure revenue growth, successful execution of the company's development pipeline, and multiple expansion as the market begins valuing Keel as an AI infrastructure platform rather than a legacy bitcoin miner. Based on our analysis, we derive an implied share price of approximately $10.00, representing over 75% upside from the current share price. Achieving our target price will depend on Keel securing major AI infrastructure customers, energizing additional power capacity, and successfully commercializing its development pipeline.

Blended Target Price: $10.00/share & Expected Return: ~75% (based on current share price)

Key Valuation Drivers:

- AI infrastructure revenue growth
- Successful customer contract announcements
- Power energization and project execution
- Valuation multiple expansion toward AI infrastructure peers

**Valuation Face to Face**

* DCF Perpetuity Method: discounts QS's projected free cash flow (2026E–2030E) plus a terminal value beyond 2030E back to today's dollars, using an 11.1% WACC and 4.5% terminal growth rate. This method implies a share price of $15.86, roughly 126% upside from the current $7.03 price. This is our primary valuation method; I did not blend in a comps-based target given the instability of multiples across QS's peer set

| Company Name | Qauntum Scape (QS) |
|---|---|
| **Discounted Cash Flow For the Year Ended 2021** | |
| Latest Annual Filing | 2/25/2026 |
| Share Price in Latest Annual Filing | $ 7.03 |
| DCF Value | $ 15.86 |
| **Upside/Downside** | **125.56%** |
| Diluted Shares Outstanding | 647.24 |
| **in $ millions except share price* | |

| Key Valuation Assumptions | |
|---|---|
| Exit Multiple: 10.0x | |
| *Factset | |
| WACC: | 11.10% |
| Risk Free Rate of Return | 4.4% |
| Beta | 1.22 |
| Market Risk Premium | 5.5% |
| Terminal Growth Rate | 4.5% |

| | | | | Forecast | | | | |
|---|---|---|---|---|---|---|---|---|
| Discounted Cash Flow For the Year Ended 2021 | 2023 | 2024 | 2025 | 2026E | 2027E | 2028E | 2029E | 2030E |
| Revenue | $ - | $ - | $ - | $ 393.7 | $ 621.5 | $ 812.5 | $ 1,214.0 | $ 1,571.0 |
| % of growth | 0.0% | 0.0% | 0.0% | 0.0% | 57.9% | 30.7% | 49.4% | 29.4% |
| **EBIT** | **$ (457.5)** | **$ (511.9)** | **$ (466.0)** | **$ (413.6)** | **$ (171.0)** | **$ 284.4** | **$ 449.2** | **$ 754.1** |
| %of margin | 0.0% | 0.0% | 0.0% | -105.0% | -27.5% | 35.0% | 37.0% | 48.0% |
| Taxes | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2.84 | 5.39 | 15.08 |
| % of EBIT | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.0% | 1.2% | 2.0% |
| **EBIAT** | **(457.5)** | **(511.9)** | **(466.0)** | **(413.6)** | **(171.0)** | **281.5** | **443.8** | **739.0** |
| D&A | 42.0 | 57.8 | 65.6 | 75.0 | 90.0 | 102.0 | 117.0 | 121.0 |
| %of sales | 0.0% | 0.0% | 0.0% | 0.0% | 14.5% | 12.6% | 9.6% | 7.7% |
| **EBITDA** | **(415.54)** | **-454.08** | **(400.46)** | **(339)** | **(81)** | **386** | **566** | **875** |
| Capex | -84.5 | -62.2 | -36.3 | -26.0 | -28.0 | -22.0 | -21.0 | -24.0 |
| % of Sales | 0.0% | 0.0% | 0.0% | 0.0% | -4.5% | -2.7% | -1.7% | -1.5% |
| Change in NWC | -14.1 | 8.8 | -11.7 | -6.0 | -1.3 | -15.5 | -9.5 | -8.0 |
| % of sales | 0.0% | 0.0% | 0.0% | 0.0% | -0.2% | -1.9% | -0.8% | -0.5% |
| **Unlevered Free cash flows to the firm (FCFF)** | | | | $ (371) | $ (52) | $ 421 | $ 591 | $ 892 |
| **Present Value Free cash flows to the firm (FCFF)** | | | | **$ (334)** | **$ (42)** | **$ 307** | **$ 388** | **$ 527** |

| **Perpetuity Method** | |
|---|---|
| Terminal Value | 14,349 |
| Present Value of Terminal Value | 8,517 |
| PV of FCFs | 847 |
| **Enterprise Value** | **9,363** |
| Cash + | 971 |
| Debt - | 71 |
| **Equity Value** | **10,263** |
| Shares | 647 |
| **Implied Share Price** | **15.86** |

# Equity Research Report (QS)

## QuantumScape (Nasdaq: QS)

* WACC Calculation — combines Cost of Equity (CAPM) and after-tax Cost of Debt, weighted by QS's capital structure, to get an 11.0% discount rate. We use a Beta of 1.22, below QS's actual ~2.60, reflecting a bull-case bet that the market re-rates QS's risk as PowerCo/Honda de-risk the technology. This is the biggest single driver of our $15.86 target, using the QS current beta would produce a meaningfully lower valuation.

| WAAC Calculation | |
|---|---|
| Waac = (% Equity x Cost of Equity) + (% Debt x Cost of Debt x (1- tax rate)) | |
| Cost of Equity = Risk Free Rate + (Beta x (Expected Market Return - Risk Free Rate) | |
| | |
| Debt | 71 |
| % Debt | 1.5% |
| Cost of Debt | 4.5% |
| Tax Rate | 21% |
| | |
| Equity Value | 4,650 |
| | |
| % Equity | 98.5% |
| Cost of Equity | 11.1% |
| Risk Free Rate | 4.40% |
| Beta | 1.22 |
| Market Risk Premium | 5.50% |
| | |
| Current Market Value of Capital | 4,721 |
| | |
| **WAAC** | **11.00%** |
| Terminal Growth Rate | 4.5% |

*Debt + Equity

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