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Arcimoto, Inc. (NASDAQ: FUV)

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Neutral: Initiating with Neutral Recommendation

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We initiate coverage of Arcimoto, Inc. with a Neutral recommendation. Arcimoto has developed a three-wheeled EV platform for personal and commercial use and recently announced an electric-powered three-wheeled bike. Financing risks and the likelihood of estimate reductions keep us on the sidelines for now.

We are initiating coverage of Arcimoto with a Neutral recommendation. The company has developed a three-wheeled EV platform and introduced multiple models, targeting distinct market segments. A second product platform, an e-bike, was recently announced. We estimate the company needs additional capital to fund anticipated operating losses and expansion of its manufacturing capacity. We also believe current consensus estimates are too high, and reduction will either pressure the stock or hinder its advance. These factors keep us on the sideline for now.

Vehicle production of the company's initial platform began in 2019 and was set to ramp in 2020. Then the pandemic hit. Production was delayed and the company used the pause in the economy to re-evaluate the product's design for manufacturing and its production capabilities. Recommendations from noted auto consultant, Munro & Associates, are in process of being implemented and the company has purchased a new manufacturing facility that when fully outfitted, will have capacity to produce 50,000 units per year of its three-wheeled vehicle. The company expects to begin volume production later this year, ramp to much larger volumes in 2023.

A second product platform, a three-wheeled electric bike, was introduced recently using technology and capabilities acquired, in February 2021, from Tilting Motor Works (TMW). This platform will broaden the product line and is envisioned to strengthen the company's offering to the critical resort and rental market.

Over time we expect the company's platforms will include features allowing autonomous operations and/or ride-sharing which it believes will be critical for growth in the market and its success.

Over the past four quarters, operating cash flow needs averaged \$7.7 million per quarter. At the end of Q3 2021 the company had \$33 million in cash or enough until mid-year 2022 at those burn rates. However, the burn increased to an average of \$9.9 million per quarter in the past two quarters and the recent move to a larger factory we expect will increase cash needs. We believe the stock will be under pressure until financing is more certain.

Valuation

There is a wide range of comparable valuations. Ayro and ElectraMeccanica trade at a negative enterprise value, while GreenPower Motor and Workhorse trade at an average enterprise value consistent with Arcimoto, but at a lower EV/Sales ratio than FUV. The average EV/pre-order ratio is \$40,000 per unit pre-ordered, about where the shares are trading currently.

Risks

Risks for the company include the ability to access the capital markets on favorable terms changes in the transportation market driven by the reaction to the COVID-19 pandemic, ability to target the delivery and first responder markets, achieving efficiency and scale at the company's manufacturing plant, navigating state helmet laws and direct-to-consumer sales laws and overall economic conditions.

Current Price	\$5.89		
Price Target	NA		
Estimates	F2020A	F2021E	F2022E
Revenues (\$000s)	\$ 2,176	\$ 4,610 E	\$ 10,000
1Q March	\$ 617	\$ 1,394 A	\$ 1,000
2Q June	\$ 269	\$ 717 A	\$ 2,000
3Q September	\$ 684	\$ 1,498 A	\$ 3,000
4Q December	\$ 607	\$ 1,000 E	\$ 4,000
	F2020A	F2021E	F2022E
EBITDA (\$000s)	\$ (14,569)	\$ (32,846)E	\$ (33,343)
1Q March	\$ (2,843)	\$ (6,553)A	\$ (8,544)
2Q June	\$ (2,629)	\$ (8,086)A	\$ (8,405)
3Q September	\$ (3,876)	\$ (9,645)A	\$ (8,266)
4Q December	\$ (5,221)	\$ (8,561)E	\$ (8,129)
EV/Sales	NM	41.8 x	19.3 x
EV/EBITDA	NM	(5.9) x	(5.8) x
Stock Data			
52-Week Range	\$4.51	-	\$21.42
Shares Outstanding (mil.)	37.6		
Market Capitalization (mil.)	\$221		
Enterprise Value (mil.)	\$193		
Debt to Capital	0%		
Cash & Equivalents (mil.)	\$33.0		
Cash/Sh.	\$0.88		
Average Three Months Trading Volume (K)	396		
Insider Ownership	23.6%		
Institutional Ownership	26.2%		
Short interest (mil.)	29.9%		
Dividend / Yield	\$0.00/0.0%		



Overview

Arcimoto has developed a three-wheeled EV platform, and has introduced, or previewed six models based on this platform: the Fun Utility Vehicle (FUV), The Rapid Responder, the Deliverator, the Cameo, the Flatbed and the Roadster. The models are designed to share 90% of their parts which should allow the company to leverage parts and manufacturing costs over a broader base of vehicles. The different models address market segments including personal use, resort and vacation rentals, emergency use, delivery, film production and construction/industrial. In early 2021 the company purchased Tilting Motor Works (TMW). TMW's core business was a bolt-on kit that converted a two wheeled motorcycle into a tilting three-wheeled motorcycle. Arcimoto has incorporated TMW's tilting technology in a second product platform, recently previewing an electric bike it intends to launch by the end of 2022. Arcimoto believes this platform will allow it to better serve the rental and rideshare market, one of its core target markets with a broader product portfolio.

The company is capitalizing on consumer demand for electric vehicles and intends to enable its vehicles for autonomous and ride-sharing use, two other major technology drivers for the transportation market. The company has begun to demonstrate the capability for remote control and self-driving. In July 2021 Arcimoto demonstrated progress on features including "drive-by-wire" functionality, which it believes is a foundational layer for driverless control. Arcimoto has also worked with partners to demonstrate driverless remote control for the FUV, an important step to ride-on-demand. In the long-term the company intends to provide the market with a low-cost, efficient, last-mile shared transport solutions.

Ultimately, at high volumes, the Fun Utility Vehicle and the various versions of this platform are expected to sell for \$10,000 per vehicle, versus \$20,000 currently, similar to the price of a motorcycle or golf cart. The e-bike platform will have a much smaller footprint and price tag although precise pricing has not yet been announced.

	Electric Car Vision	Arcimoto Platform 1 Vision	Arcimoto Platform 2 Vision
Platform Weight Target	4,000 lbs	1,000 lbs	150 lbs
Battery Capacity	50 kWh	20 kWh	3 kWh
Footprint	100 ft ²	35 ft ²	8 ft ²
Affordability Target at Mass Production	\$35,000 (Average cost of new car)	\$10,000 (Cost of motorcycle/golf cart)	\$2,000
Peak Efficiency Target	250 Wh/mi	< 150 Wh/mi	< 35 Wh/mi
Market Need	One or two people going out for coffee	One or two people going out for coffee	One or two people going out for coffee

Source: Arcimoto. April 1, 2021 Investor Presentation

Covid-19 brought about significant short, intermediate, and long-term changes to the company and its strategy. As the company entered 2020 it expected to increase production sharply from a handful of vehicles per week to 200 per week in the first half of 2021, filling its then pre-order book of over 4,200 vehicles (almost 5,500 currently). The rental and resort markets were in the early stages of deployment and expected to add another layer of demand as the year progressed. Two new models, the Deliverator and Rapid Responder, were in early stages of development and manufacturing and provided additional growth opportunities for the company in 2021 and beyond.

The pandemic shut the rental and resort markets and Arcimoto's target customers were impaired for the remainder of 2020. As the pandemic progressed it was uncertain how quickly the rental and resort market would return to equilibrium. However, the delivery market grew rapidly in response to the pandemic-driven shut-down and as the pandemic progressed it became evident home delivery services were likely to grow at elevated rates for many years. This bodes well for the longer-term prospects of the company's Deliverator model. Because of the economy-wide closing and the impact on its end markets, Arcimoto suspended production in late March 2020 and for portions of all four quarters of 2020 production was suspended. 2021 brought supply chain challenges and changes to design and manufacturing strategy that further delayed volume production.

The company also used the pause in the economy and production to engage with Munro & Associates to evaluate the company's manufacturing processes, supply chain management, cost reduction strategy and plans for high-volume production. Through Q3 2021

about \$2.4 million of Munro's \$3.75 million statement of work had been invoiced. Munro has made extensive suggestions on product design and manufacturing that will be implemented over the coming quarters, and should lead to greater product reliability, performance, and lower costs. Another outgrowth of the evaluation was Arcimoto's \$12.75 million purchase in April of 2021 of properties to house a 220,000 square foot manufacturing facility. We believe it will require \$25 million to \$50 million in additional capital to outfit the facility to achieve the goal of production capacity of 50,000 units annually. Arcimoto has submitted an application to the Advanced Technology Vehicle Manufacturing Loan Program (ATVMLP) administered by the Department of Energy, for the funds required to purchase equipment necessary to increase production to its stated goal of 50,000 units annually. In the company's 2019 10K it indicated it was preparing a \$30 million ATVM loan application to fund high volume production. The ATVMLP was created to bail-out the auto industry in the aftermath of the 2008 recession. The \$17.7 billion program still has \$8 billion left to deploy, but a loan from the program hasn't been made in ten years. This would be a low-cost source of capital for the company, but we are uncertain what funding sources the company is contemplating if the loan application is delayed or denied

Through Q3 of 2021 material and freight costs of vehicle production has been about equal to vehicle sales. In our view, this is a function of the low production levels, about 50 units per quarter, supply chain issues this year and the starting and stopping of factory production in 2020. The company has made investments in equipment for thermo forming of body panels and a multi-directional rotary brush machine to automate the deburr and finishing of metal parts, an additional mill to increase parts machining production capacity, an additional welding cell for welding the sides of the upper frame together, and a wire bonding machine for next generation battery module production. These investments are expected to lower the cost of vehicle production by at least \$1,200 per unit, or 600 basis points of margin improvement.

The monetary and fiscal responses to the pandemic have bolstered the balance sheets of consumers. A JPMorgan Chase study found U.S. household "[median cash balances are more than 50 percent higher as of the end of July 2021 compared to the same period in 2019.](#)" We believe the ample buying power of consumers, low unemployment, rising wages and subdued long-term inflation forecasts (see [the 10-year breakeven inflation rate](#), and the Federal Reserve's [summary of economic projections](#)) creates a favorable backdrop for the company.

Demand for EVs as a transportation class is increasing because vehicles like Arcimoto's Fun Utility Vehicle and the Tesla products are quiet, fun to drive and range anxiety is diminishing. Also, importantly for the market, is a desire and commitment by many consumers and companies to reduce their consumption of goods requiring oil and natural gas. For instance, Apple recently committed to zero net carbon emissions by 2030 and Amazon has ordered 100,000 EVs from Rivian (Amazon is also an investor in Rivian) as part of its pledge of zero net carbon by 2040. Amazon is targeting 10,000 Rivian vans on the road by 2022 and all 100,000 by 2030.

The Arcimoto Platform

Arcimoto has developed a three-wheeled electric vehicle, classified as a motorcycle, targeting multiple market segments including: 1) the daily driver, 2) resorts and rental markets 3) last-mile delivery 4) the first responder markets, and 5) light construction and grounds maintenance. Each of the vehicles for these markets is based on the same platform, which enables use of a common supply chain and manufacturing infrastructure. The company estimates 90% of the constituent parts are the same among all products currently in production and development.

The vehicle is a two-passenger, light-footprint, reverse-trike architecture. It features a low center of gravity, which results in greater stability on the road, a dual-motor front wheel drive for better traction, and it can park three to a space. The current platform is the eighth generation of its three-wheeled EV and the culmination of a ten-year development process



This basic platform is used on all the company's current models: the FUV, Rapid Responder, Deliverator, Cameo, Roadster and Flatbed.



The Fun Utility Vehicle (FUV) Arcimoto's flagship product, is a two-passenger vehicle with cargo space. The size of the vehicle allows three FUVs to occupy a single parking space. The FUV will be offered with several option packages to meet the desires of a variety of customers. The target market is consumers looking for an efficient mode of transport for relatively short rides. Short-duration trips, typically with the driver as the sole passenger comprise the vast majority of trips taken by the average American driver.

The auto market globally is very large and competitive and Arcimoto's value proposition rests on a design that results in an enjoyable driving experience, in a vehicle that is a quarter of the weight, ten times the efficiency and one-third the price (in volume production) of the average passenger car in the US.

The company's vehicle is battery powered, with a dual-motor

front wheel drive gearbox, and is likely to appeal to consumers looking to have a more cost-effective vehicle, not powered by gasoline. Tesla has shown there is a substantial market at the high-end and mid-range for EVs. Arcimoto is addressing the low-priced segment of the market with a unique solution. The FUV entered production in late 2019.

In the small one and two-seater vehicle market Arcimoto's FUV crosses a number of categories. It competes directly against other EV offerings like Electrameccanica's SOLO, and gas-powered offerings including Slingshot from Polaris. The FUV, has some motorcycle features, like handlebars, is classified as a motorcycle, and as such also competes against traditional motorcycle offerings. The FUV's use cases and initial target markets include EV enthusiasts, resort rentals, commuters, an alternative vehicle for short routes such as groceries trips and other errands. From this perspective, the FUV is an alternative to a wide variety of vehicles including traditional gas-powered cars, EVs, motorcycles, motorized scooters, kick scooters, electric bikes and pedal bikes.

There are crosscurrents from the impact COVID-19 has had on the ridesharing market and Arcimoto's place in that market. To the extent densely populated urban areas are now regarded as public health hazards there could be a population shift to suburbs where ride sharing is not as prevalent. But demand for mass transit services will also probably decline due to the health hazards laid bare by COVID and this could be positive for ride sharing and owning low-priced, efficient, easy-to-park vehicles, particularly in urban areas.

To date there has been limited marketing of the product and interest has been primarily word of mouth and trade press publicity. Yet, as of Q3 2021 quarter-end the company had unfilled pre-orders for almost 5,500, about 25% from commercial customers. We estimate the retail value of these unfilled orders between \$80 and \$110 million. The pre-orders provide reasonable visibility into demand over the next twelve months.

Resorts and vacation rentals are the key market for the company and the company has announced customers in southern Florida, Marco Island, Florida, and Turks and Caicos will be deploying the FUV for guests and renters. Arcimoto has opened rental operations in San Diego, California and Eugene, Oregon and it entered into an agreement with the Graduate Hotel in Eugene, to rent FUVs to hotel guests. Rental vehicles are also available at franchise rental locations in Key West, Florida and San Francisco, California. Unfilled orders for commercial vehicles at the end of Q3 2021 was 1,538, about \$31 million at the current FUV price of \$20,000.

The Rapid Responder, announced in February 2019, is targeted to emergency, security and law enforcement markets. The company expects the vehicle's low cost, ability to maneuver through traffic that would stop larger vehicles, ability to traverse narrow roads primarily used by pedestrians and bicycles, room to hold two people and cargo space for emergency equipment will make it attractive to the more than 50,000 fire stations across the United States that respond to calls with traditional fire engines and large emergency vehicles. The Rapid Responder is also a solution for public law enforcement and private law enforcement like campus security.



The use case is for low-acuity calls, and for calls where ability to maneuver in tight traffic or to places unavailable by larger emergency vehicles is required, or for “special events or medical calls when a fire engine may not be required.” (Bryan Jones, City Manager of Eastvale).

We believe this market will be slower to develop than the Deliverator and FUV. The sales cycle for local governments is lengthy and budgets are always tight, although that could be ameliorated by the gusher of money that flowed from the Federal government via COVID relief programs. Many local governments depend on federal funding, which can add a layer of complexity as well as time to the process. Finally, addressing this market is expensive for small companies. We believe the company needs to find a distribution partner to successfully serve this market. Pilot programs with the Eugene Springfield Fire Department in Oregon, and the City of Eastvale in California were announced in 2019. The city of Encinitas also announced tests in mid 2021.



The first **Deliverator** prototype was unveiled in March 2019. It is a last-mile delivery solution that will be customizable to carry a variety of goods including pizza, groceries, and parcels. Multiple pilot programs were announced including, in 2020, with HyreCar, Wahlburgers, and the City of Orlando. In mid 2021 additional pilots were announced in the City of Encinitas and the state of Tennessee for its EV program.

The massive increase in delivery demand brought on by COVID-19 will require many types of vehicles and we believe Arcimoto has a place in short-haul delivery of food, groceries, and other items. Consumers have come to expect delivery of the vast array of consumer goods they historically purchased on site. This is less of a problem for Amazon that already has an extensive infrastructure dedicated to last-mile delivery but a significant problem for most other retailers and suppliers of consumer goods. Food retailers and restaurants in particular face immediate and significant needs for ways to deliver their products to the end user

The Deliverator can carry 350 pounds of cargo, has a 15-20 cubic foot carrying capacity and a 100-mile range. It is a smaller vehicle with less carrying capacity than the most ubiquitous delivery vehicle on the road, the right-hand-drive Long Life Vehicle (LLV) in the USPS fleet, which has a cargo capacity of 121 cubic feet, 1,000 pounds. But the Deliverator is cheaper, \$20,000 versus the replacement for the LLV which is expected to have a \$35,000 price tag, can travel 100 miles on a fully charged battery which is 5x the 20 miles the LLV travels each day and can park three to a space. We believe with the increase in demand for a wide variety of delivery services, the Deliverator will be able to meet the needs of a substantial number of retailers, restaurant, and delivery service companies.

In 2020 HyreCar announced it would offer access to the Deliverator on its ridesharing platform. HyreCar is targeting delivery gig drivers and fleet operators tied to the retail industry and small business owners for last-mile food and package delivery. In July 2020, the company announced a field test of the Deliverator, at Wahlburgers new location in Key West. (Wahlburgers was co-founded by Mark Wahlberg, an early owner of a Fun Utility Vehicle). The cities of Orlando and Encinitas as well as the state of Tennessee have signed up for pilot programs as well.

The Arcimoto **Roadster** prototype was previewed in October 2020. The vehicle has a lower center of gravity, lower overall weight, and potentially improved aerodynamics compared to the FUV. Formal development began in November 2020 and the product had its debut, March 2021 at the 80th Annual Daytona Bike Week, the world’s largest motorcycle rally.

The Arcimoto **Flatbed** prototype was introduced at the FUV & Friends Summer Showcase in July 2021. The rear seat is replaced by a pickup-style flatbed. SherpTek and Arcimoto collaborated in the creation of a modular, expandable flatbed for the model. Use cases include light construction, grounds and building maintenance.



A prototype of the **Cameo** was released in September 2020. The Cameo is a FUV with a rear-facing rear seat and a modified roof designed for on-road filming. Development is still in the planning stages. The vehicle would be targeted to the film industry, and DIY film market.

The company's pre-order book has grown steadily since introduction of the FUV and unfilled orders as of September 30, 2021 were 5,463 vehicles, 3,925 for retail customers and 1,800 for commercial customers. At an ASP of \$15,000 to \$21,000 this equates to potential revenue of \$82 to \$114 million. Over the past four quarters the ASP for the company's FUV has been just shy of \$21,000. We believe prices will come down as volume scales. Customers place a \$100 refundable deposit with the company, and there is uncertainty on how many of these deposits will be cancelled once the FUV hits volume production. However, over the past three quarters cancellations for the retail model has averaged about 50 units per quarter, half the average of almost 100 new units ordered per quarter. Marketing to date has been minimal, mostly word of mouth and press coverage and we expect a more aggressive marketing plan when the company begins greater volume production in the second half of 2022. Upon customer notification of pending manufacturing and deliver of the vehicle customers place a \$2,500 deposit on the purchase.

We believe one and two-passenger vehicles, like the FUV, could over time become part of a heterogeneous fleet of vehicles providing long and short haul trips, both inter and intra city, for commuters, shoppers, social visits, transportation to entertainment venues and all of the hundreds of other reasons people want to get from one location to another. Vehicles like the FUV could also be used for package and food deliveries.

Autonomy and ridesharing will have a major impact on the transportation market. Autonomy and ridesharing can unlink a driver from the vehicle and potentially result in greater asset utilization and the need for even more specialized vehicles to meet the specific trip requirement of users. Autonomy and ride sharing will drive greater segmentation and the utilization of alternative vehicles like the FUV which will be suitable for a significant number of rides.

The company has taken the initial steps to integrate autonomy and ridesharing into its platform. In July of 2021 it unveiled a new torque vectoring technology to improve steering at low speeds. Torque vectoring is part of a broader effort to enable drive-by-wire for the FUV and lay the foundation for autonomous and remote-controlled operation. San Francisco based Faction Technology demonstrated a driverless FUV in July 2021 and showcased a next-generation driverless delivery vehicle based on the Arcimoto Platform at Arcimoto's RAMP manufacturing facility in February 2022. The vehicle was equipped with Faction's DriveLink and TeleAssist technologies, and combines autonomy with remote-control operation.

In October of 2021 Arcimoto teamed with REEF, an operator of mobility, logistics hubs, and delivery to restaurants in North America to introduce a zero-emission vehicle-sharing program. The program, located in Santa Monica, CA allows users to rent a FUV or Deliverator for touring, errands and deliveries.

We believe this backdrop offers a major opportunity for Arcimoto as its FUV appeals initially to EV enthusiasts, consumers desiring a more cost-effective vehicle that satisfies the short-trip needs that characterizes most of the trips taken by vehicle owners.

Platform 2, the Mean Lean Machine.

Arcimoto unveiled the Mean Lean Machine (MLM), a three-wheeled electric bike, utilizing tilting technology acquired from Tilting Motor Works in February 2022. The MLM e-trike is powered by three hub motors and a pedal generator with no chain, no belt, and no grease. The company expects product launch in late 2022 and is currently accepting preorders. Additional specifications, range options, pricing, features, and accessories will be disclosed later this year.



Source: Arcimoto, Inc.

Addressable Market/Competition

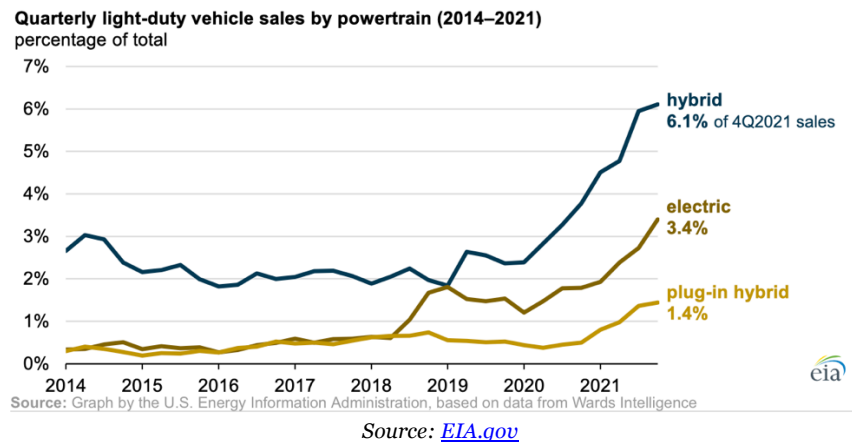
Pre-pandemic sales of cars and light trucks in the U.S. exceeded 17 million units in each of the preceding five years. Passenger car sales peaked in 2012 at 8.2 million and by 2019 had fallen to 4.8 million as an increasing share of sales went to minivans, SUVs and crossover utility vehicles like the Honda CR-V, Nissan Rogue, Toyota RAV4 and Ford Escape which can be classified as a passenger car or light truck.

We believe Arcimoto's FUV and Deliverator will compete against the sub-compact market (about 250,000 sold in 2019), minicars (about 80,000 sold in 2019), motorcycles (about 450,000 sold in 2019) scooters, and golf carts. As a reference point for the delivery market, the largest delivery fleet in the US is owned by the US Postal Service which has over 160,000 right-hand drive vehicles used by mail carriers across the country.

The FUV is a unique product and will be a viable product for multiple market segments. Since the vehicle can function as a commuter vehicle, and in many cases can supplant sub-compacts, it is an alternative for city cars and motor scooters and can replace golf carts used for campus, resort and neighborhood transportation.

We estimate the annual domestic addressable market to be about 1 million vehicles in an expanding economy and 600,000 in a severely weak economy. At the current price of \$20,000 that puts the company's addressable market at \$12 billion to \$20 billion. However, at a \$20,000 sticker price we think the addressable market is probably one-third that size, or \$4 billion to \$6 billion.

One of the fastest-growing segments of the transportation market is electric vehicles. EVs are a small, but growing portion of the passenger car market and we believe the FUV will appeal to EV enthusiasts and with a lower price point, appeal to consumers who are indifferent to internal combustion or EV powered vehicles. In 2019 there were 17 million passenger car and light truck sales in the US. About 4.8 million of the 17 million sold were passenger cars, and EV sales in 2019 were 330,000, down from 361,000 in 2018. Tesla generated almost 60% of EV unit sales in 2019.



The battery pack is a meaningful part of the cost of any electric vehicle. Battery costs can be 40% or more of the total cost of an EV, but costs are declining and as volumes for the industry increase Arcimoto will benefit from the greater scale and lower costs of batteries. Battery prices have declined significantly over the past decade from over \$1200/kWh for a lithium-ion battery pack to around \$150 per kWh. According to the DoE to “provide the full driving performance, convenience, and price of an internal combustion engine,” the cost of EV batteries needs to decline, “by more than half to less than \$100/kWh and increase the range to 300 miles while decreasing the charge time to less than 15 minutes by 2028.” (“Batteries, 2017 Annual Progress Report,” US Department of Energy, Office of Energy Efficiency and Renewable Energy, Vehicle Technologies Office).

The most direct competitor to the FUV is Electrameccanica's Solo, which lists for \$18,500 and Ayro's LSEV. Two-seater, gasoline powered options, include the Slingshot from Polaris and the Elio, which is not yet in production.

	FUV	Solo	Ayro	Slingshot
Fuel	Electric	Electric	Electric	Gasoline
Range	66-100 miles	100 miles	57 miles	250 miles
Curb Weight	1300 pounds	1710 pounds	2039 pounds	1743 pounds
Wheelbase	80 inches	80.5 inches		105 inches
Length	113 inches	122 inches	146 inches	149.6 inches
Track Width	61 inches	57.5 inches	55 inches	77.6 inches
Height	65 inches	53 inches	75 inches	51.9 inches
Passengers	2	1	2	2
ASP (retail)	\$19,900	\$18,500	\$20,000	\$20,000-\$30,000

Source: Company data

The FUV is a realistic alternative to other types of vehicles such as golf carts and motorcycles. Golf carts and motorcycles can satisfy some, but not all, of the uses of the FUV. For instance, golf carts cannot be driven on streets, have limited range and power, but are useful as transportation vehicles at resorts, and of course, golf courses. Motorcycles have excellent range and can be street legal but have limited cargo capabilities and are more exposed to inclement weather than the FUV. (The FUV is now available with half-doors). We believe the FUV can serve many of the uses currently being satisfied by a meaningful number of golf carts and motorcycles.

Global golf cart sales are about 190,000 annually, or over \$1 billion, and the North American market is about 40% of the total. New golf carts range in price from \$6,000 to as much as \$15,000. Golf carts serve multiple purposes, including, of course, transportation on a golf course, but can also be used as on-premises transportation at private communities, campus transportation, in-building, and in large buildings like factories or warehouses. We believe the FUV is a reasonable alternative for many of these use cases.

Motorcycles come in a variety of sizes, shapes and prices from motor scooters, like a Vespa, standard motorcycles, Cruisers and Touring bikes. Prices range from \$4,000, for a Vespa, to as much as \$41,000 for a Harley Davidson Road Glide. Total motorcycle sales are about 450,000 annually. We see the FUV as a alternative for some motorcycles and a direct replacement for the 60,000 scooters sold annually.

The FUV, under the National Highway Traffic Safety Administration (NHTSA) classification, is a motorcycle and must comply with all relevant federal, state and local regulatory requirements including helmet laws. Helmet laws vary greatly from state-to-state and can have an impact on market acceptance of the FUV. In California and Oregon fully enclosed or enclosed cab vehicles are exempt from helmet requirements as well as motorcycle endorsement requirements. In states where laws are stricter, like Washington, the company's strategy is to engage in advocacy programs to change laws to reflect the unique aspects of the FUV compared to traditional motorcycles.

E-bike market

Arcimoto puts the annual e-bike market in the U.S. at 1 million units in 2021, more than double the sales in 2020. Even if the 2021 level is not repeated, a market of 500,000 units at ASPs ranging from \$600 to \$2,000 suggests a total addressable market of \$300 million to \$2 billion.



Source: Arcimoto

Manufacturing and Distribution

The company's manufacturing facilities in Eugene, Oregon have capacity of about 5,000 units per year which should be adequate well into 2023, but its goal is capacity of 50,000 units annually which will require additional capital equipment and financing. The company indicated it was preparing a \$30 million ATVM loan, which we believe is near the low-end of what it requires to achieve its 50,000 annual unit goal.

We expect overhead costs to increase from the \$2.8 million quarterly rate the company posted in Q3 2021 as the new factory begins production.

We believe rental facilities and vacation resorts will be core markets for the company. They could also become a meaningful user of capital as the company invests in its own rental facilities and potentially finances vehicle purchases by resorts. As of Q3 2021 the company's investment in its own fleet and rental fleet was almost \$2 million and it has indicated this will go higher. These markets are expected to generate revenue for the company and act as marketing tool for personal purchase of the vehicles.

In the retail market Arcimoto is employing a direct-to-consumer distribution model for the retail vehicle. Customers will place orders on the Arcimoto website, and the vehicle will be delivered directly to the end user. There will be small retail outlets in certain markets that supplement the direct-to-consumer strategy in order to allow customers a direct experience with the product before purchase. The company is initially focusing on the US, but Europe and other markets are likely over time. The initial markets for Arcimoto are Oregon, California and Washington.

We believe Arcimoto will need to deploy additional resources for the delivery and first responder markets. Sales cycles are long and the customers are sophisticated and cautious. However, given the increase in demand for delivery services, the normal recalcitrance to act may be mitigated. Still, engaging customers, deploying test vehicles and building a service and support organization will not be easy nor cheap. We have built additional sales and marketing expenses into our estimates.

Outlook

We project revenue in 2021 of \$4.6 million, growing to \$10 million in 2022 and almost \$30 million in 2023. This assumes unit deliveries of about 200 in 2021, 500 in 2022 and 1,550 in 2023. Our estimates are below consensus. The company recently re-located its manufacturing operations to a larger facility in Eugene Oregon and we believe has capacity to produce about 5,000 units annually with the current equipment and multiple shifts. The company's goal is production capacity of 50,000 units annually, but we believe this requires substantially more equipment and capital of at least \$30 million (based on the company's estimate of its ATVM loan application). We also believe the company would need to invest substantial amounts in marketing and service infrastructure to create that level of demand.

We estimate current cash balances are not adequate to fund the company's plans. At the end of Q3 cash was \$33 million, which supports about one year of operating cash flow. We have assumed capital raises in 2022 and 2023 to fund the company's operations and growth. We believe the need to raise capital will pressure the shares until that uncertainty is mitigated.

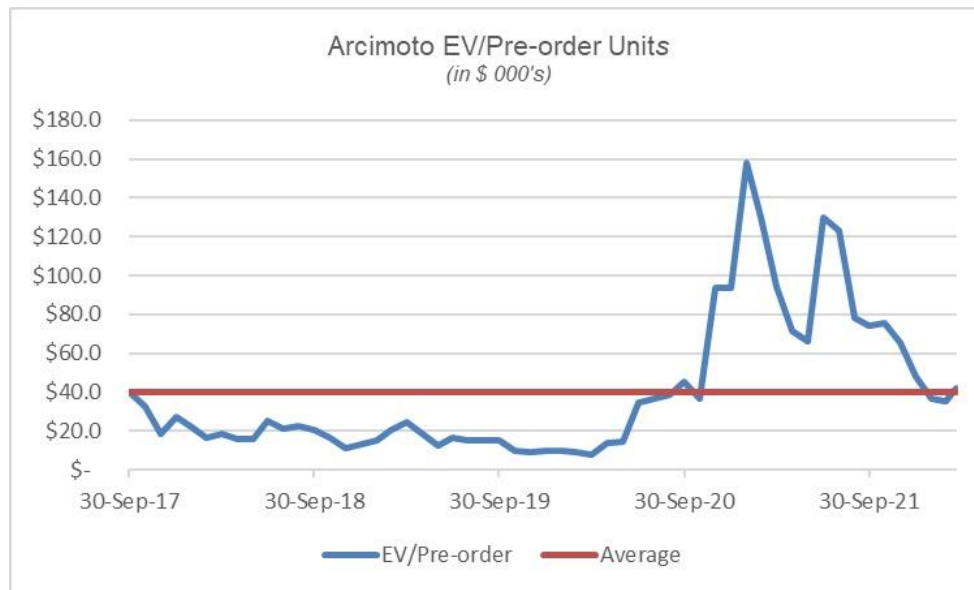
Valuation

There is a wide range of comparable valuations, reducing its efficacy as a valuation tool. Ayro and ElectraMeccanica, like Arcimoto, are producing electric vehicles, Ayro for the delivery market and ElectraMeccanica for the consumer market, and both trade at a negative enterprise value. Both GreenPower Motor, and Workhorse are producing electric vehicles for the bus and truck markets and trade at an average enterprise value consistent with Arcimoto, but at a lower EV/Sales ratio.

		Price	FTM EPS	P/E	TEV (M)	FTM Sales (M)	EV/ Sales	FTM EBITDA	EV/ EBITDA
AYRO	AYRO, Inc.	\$ 1.13	\$ (0.53)	(2.1)	\$ (30.6)	\$ 4.8	(6.4)	\$ (3.7)	8.3
SOLO	ElectraMeccanica Vehicles Corp.	1.70	(0.48)	(3.5)	(15.3)	11.7	(1.3)	(53.4)	0.3
GPV-CA	GreenPower Motor Company Inc.	5.43	(0.24)	(22.8)	134.0	39.3	3.4	(2.6)	(52.2)
WKHS	Workhorse Group Inc.	3.04	(0.48)	(6.3)	263.4	23.5	11.2	(62.0)	(4.3)
	Average						1.7		
FUV	Arcimoto, Inc.	\$ 5.89	\$ (0.87)	(6.8)	\$ 227.8	\$ 13.7	16.6	\$ (29.2)	(7.8)

Source: FactSet and Dawson James Securities estimates

We believe the shares have been partly driven by the company's pre-order book, which has grown from about 1,100 units at the end of 2017 to almost 5,500 units at the end of Q3 2021. The following chart constructs the Enterprise Value/Pre-order ratio since late 2017. Over that time frame, the average EV/pre-order ratio is \$40,000 per unit pre-ordered. This valuation is where the shares are currently trading.



Source: Arcimoto, FactSet, Dawson James Securities estimates.

Risks for the company include the ability to access the capital markets on favorable terms, changes in the transportation market driven by the reaction to the COVID-19 pandemic, ability to target the delivery and first responder markets, achieving efficiency and scale at the company's manufacturing plant, navigating state helmet laws and direct-to-consumer sales laws and overall economic conditions.

Exhibit 1. Income Statement

(\$ in 000's) (except per share data)	FY2018	FY2019	FY2020	Q1 21A	Q2 21A	Q3 21A	Q4 21E	FY2021E	FY2022E	FY2023E
Revenue	\$ 95	\$ 988	\$ 2,176	\$ 1,394	\$ 717	\$ 1,498	\$ 1,000	\$ 4,610	\$ 10,000	\$ 29,450
COGS	128	2,911	8,251	3,245	3,248	4,856	3,301	14,650	18,005	33,565
Gross Profit	(33)	(1,924)	(6,075)	(1,851)	(2,531)	(3,358)	(2,301)	(10,041)	(8,005)	(4,115)
R&D	3,815	6,032	3,011	2,408	2,646	3,186	3,186	11,427	12,938	13,330
Sales & Marketing	1,570	1,005	2,239	964	1,589	1,984	1,984	6,521	8,055	8,299
G&A	5,605	5,494	6,091	2,421	2,587	3,062	3,062	11,131	12,431	12,808
Opex	10,989	12,532	11,341	5,793	6,822	8,232	8,232	29,079	33,424	34,437
Operating Income	(11,022)	(14,455)	(17,416)	(7,643)	(9,353)	(11,590)	(10,533)	(39,119)	(41,430)	(38,552)
Interest Income	0	0	0	0	0	0	0	0	0	0
Interest Expense	(101)	(892)	(721)	(52)	(47)	(52)	(52)	(203)	(207)	(207)
Other	72	5	17	14	1,154	132	132	1,431	527	527
Pretax Income	(11,051)	(15,342)	(18,120)	(7,681)	(8,247)	(11,510)	(10,453)	(37,891)	(41,109)	(38,232)
Taxes	0	0	0	(2,939)	0	0	0	(2,939)	0	0
Net Income	\$ (11,051)	\$ (15,342)	\$ (18,120)	\$ (4,743)	\$ (8,247)	\$ (11,510)	\$ (10,453)	\$ (34,952)	\$ (41,109)	\$ (38,232)
Basic Shares	15,829	18,130	28,575	35,327	36,146	37,525	37,579	36,644	40,444	46,173
Basic EPS	\$ (0.70)	\$ (0.85)	\$ (0.63)	\$ (0.13)	\$ (0.23)	\$ (0.31)	\$ (0.28)	\$ (0.95)	\$ (1.02)	\$ (0.83)
Operating Income	(11,022)	(14,455)	(17,416)	(7,643)	(9,353)	(11,590)	(10,533)	(39,119)	(41,430)	(38,552)
Depreciation	454	710	930	430	589	623	650	2,291	2,798	3,142
Stock Comp	496	635	1,917	660	678	1,322	1,322	3,983	5,288	5,288
EBITDA	\$ (10,072)	\$ (13,109)	\$ (14,569)	\$ (6,553)	\$ (8,086)	\$ (9,645)	\$ (8,561)	\$ (32,846)	\$ (33,343)	\$ (30,122)

Source: Arcimoto, Inc. and Dawson James Securities estimates

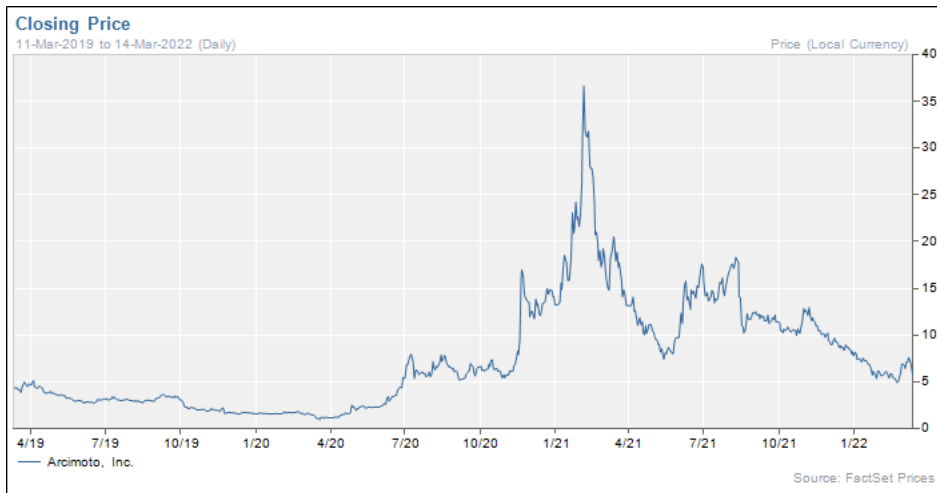
Exhibit 2. Balance Sheet and Cash Flow Statement

(\$ in 000's)	FY2018	FY2019	FY2020	FY2021E	FY2022E	FY2023E
Cash	4,903	5,832	39,451	21,878	32,730	44,505
A/R	0	244	17	800	3,200	7,600
Inventory	1,704	3,734	5,104	7,000	8,293	10,775
Prepaid Inventory	1,168	1,195	1,030	2,758	2,758	2,758
Other	459	665	901	1,277	5,109	12,133
Current Assets	8,233	11,671	46,503	33,712	52,089	77,770
PP&E	5,810	4,733	6,645	22,965	26,009	28,709
Intangible Assets	0	0	0	9,886	9,044	8,202
Goodwill	0	0	0	6,824	6,824	6,824
Other	42	42	102	126	126	126
Total Assets	\$ 14,085	\$ 16,446	\$ 53,250	\$ 73,513	\$ 94,091	\$ 121,631
A/P	717	340	205	538	2,152	5,111
Accrued Liabilities	246	816	431	1,095	4,381	10,404
Customer Deposits	455	794	606	740	740	740
Capital Lease	384	434	247	810	810	810
Convertible NP-related Parties	0	1,151	0	0	0	0
Convertible NP (net of discount)	0	838	0	0	0	0
NP (net of discount)	2,677	3,032	479	1,654	1,654	1,654
Other	0	121	289	317	317	317
Note Payable to Bank			658			
Current Liabilities	4,479	7,525	2,914	5,154	10,054	19,036
Capital Lease	1,514	1,180	535	1,970	1,970	1,970
Warranty Reserve	25	45	67	106	106	106
Deferred Revenue	0	86	50	11	11	11
Equity	8,067	7,610	47,684	66,270	81,950	100,506
Total Liabilities & Equity	\$ 14,085	\$ 16,446	\$ 53,250	\$ 73,513	\$ 94,091	\$ 121,631
	FY2018	FY2019	FY2020	FY2021E	FY2022E	FY2023E
Net Income	(11,051)	(15,342)	(18,120)	(34,952)	(41,109)	(38,232)
Depreciation	454	710	930	2,291	2,798	3,142
Stock Comp	496	635	1,917	3,983	5,288	5,288
Other	39	1,186	310	(4,017)	0	0
Working Capital	(2,610)	(1,481)	(1,330)	(2,758)	(2,625)	(4,924)
Operating CF	\$ (12,672)	\$ (14,291)	\$ (16,294)	\$ (35,454)	\$ (35,648)	\$ (34,725)
Certificates of Deposit	6,247	0	0	0	0	0
Capx	(1,717)	(255)	(2,843)	(15,839)	(5,000)	(5,000)
Other	(42)	0	(60)	(24)	0	0
Investing Activities	\$ 4,488	\$ (255)	\$ (2,903)	\$ (15,863)	\$ (5,000)	\$ (5,000)
Equity	2,518	14,213	54,677	36,296	51,500	51,500
Debt	2,745	1,262	(1,862)	(799)	0	0
Financing	\$ 5,263	\$ 15,475	\$ 52,815	\$ 35,497	\$ 51,500	\$ 51,500
Change in Cash	\$ (2,921)	\$ (256)	\$ 33,619	\$ (17,574)	\$ 10,852	\$ 11,775

Source: Arcimoto, Inc. and Dawson James Securities estimates

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

Initiated – Neutral – March 15, 2022 – Price Target NA

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The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of... 15-Mar-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	74%	4	13%
Market Perform (Neutral)	11	26%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	42	100%	4	10%

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