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Arcimoto, Inc. (NASDAQ: FUV)

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Neutral: Q1 Review. Reiterate Neutral.

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Arcimoto's Q1 revenue of \$650 thousand was impacted by the move into a new manufacturing facility. Production has resumed and is set to increase. However, cash balances are low and cash needs great. We remain on the sidelines for now due to financing risks and the likelihood of consensus estimate reductions.

Arcimoto ended Q1 with \$5.2 million in cash, but requires \$40 to \$80 million over the coming twelve months to fund operating losses and purchase of capital equipment. We believe this mis-match will weigh on the shares until corrected.

The company moved into a new factory in Q1. This caused a temporary cessation in production during the quarter and resulted in production of 26 vehicles and delivery of 24. However, the company is now producing 4 vehicles per day, is scheduled to increase production to 6 per day by month-end and 12 per day by year-end. This should enable Arcimoto to reach its goal of producing 1,000 vehicles this year.

Meeting the company's production goals will require significant amounts of cash. The quarterly average operating cash flow use over the past twelve months was \$10.8 million. Assuming that rate for the coming twelve months, we expect operating cash flow requirements of at least \$40 million. In addition, the company stated in its 10Q it needs \$35 million to \$40 million for capital expenditures in 2022 and in each of the next two fiscal years. The company points to an at-the-money (ATM) offering agreement as a source of cash but we think the price and volume is simply not enough for an ATM to satisfy the cash requirements. We believe the company will be forced to raise equity in larger chunks than an ATM can accommodate and that it will probably be expensive.

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, above 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				\$3.85
Price Target				NA
Estimates	F2021A	F2022E	F2023E	
Revenues (\$000s)	\$ 4,386	\$ 9,650 E	\$ 29,450	
1Q March	\$ 1,394	\$ 650 A	\$ 5,225	
2Q June	\$ 717	\$ 2,000 E	\$ 6,650	
3Q September	\$ 1,498	\$ 3,000 E	\$ 8,075	
4Q December	\$ 777	\$ 4,000 E	\$ 9,500	
	F2021A	F2022E	F2023E	
EBITDA (\$000s)	\$ (38,842)	\$ (42,238)E	\$ (39,083)	
1Q March	\$ (6,553)	\$ (10,811)A	\$ (10,083)	
2Q June	\$ (8,086)	\$ (10,601)E	\$ (9,874)	
3Q September	\$ (9,645)	\$ (10,476)E	\$ (9,666)	
4Q December	\$ (14,557)	\$ (10,351)E	\$ (9,459)	
EV/Sales	NM	15.5 x	5.1 x	
EV/EBITDA	NM	(3.6) x	(3.8) x	
Stock Data				
52-Week Range	\$3.09	-	\$18.77	
Shares Outstanding (mil.)				38.8
Market Capitalization (mil.)				\$149
Enterprise Value (mil.)				\$150
Debt to Capital				12%
Cash & Equivalents (mil.)				\$5.2
Cash/Sh.				\$0.13
Average Three Months Trading Volume (K)				366
Insider Ownership				23.0%
Institutional Ownership				27.0%
Short interest (mil.)				34.6%
Dividend / Yield				\$0.00/0.0%



Outlook

We project revenue in 2022 of \$9.6 million, growing to \$29.5 million in 2023. This assumes unit deliveries of about 470 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 it has the 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. The company estimates its 18-month cash needs at \$100 million, and the bulk of this amount for capital equipment.

We estimate current cash balances are not adequate to fund the company's plans. 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.

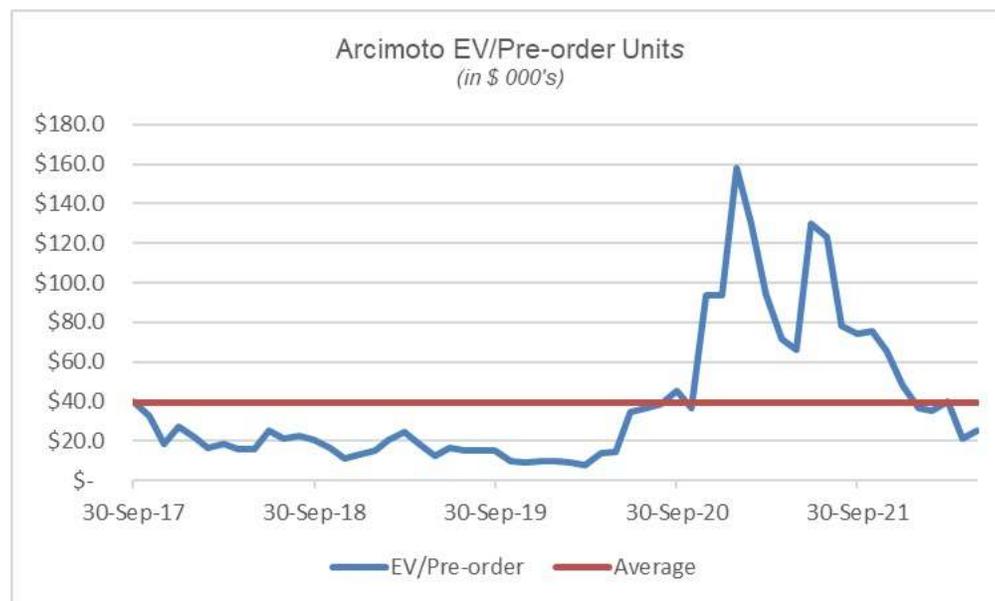
Valuation

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. Both trade close to 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.

		Price	FTM EPS	P/E	TEV (M)	FTM Sales (M)	EV/ Sales	FTM EBITDA	EV/ EBITDA
AYRO	AYRO, Inc.	\$ 0.93	\$ (0.43)	(2.2)	\$ (27.6)	\$ 11.3	(2.5)	\$ (13.9)	2.0
SOLO	ElectraMeccanica Vehicles Corp.	1.60	(0.45)	(3.6)	(49.1)	36.6	(1.3)	(49.4)	1.0
GPV-CA	GreenPower Motor Company Inc.	3.97	(0.23)	(17.0)	106.3	38.4	2.8	(2.5)	(42.2)
WKHS	Workhorse Group Inc.	2.75	(0.47)	(5.9)	187.5	43.4	4.3	(76.7)	(2.4)
	Average						0.8		
FUV	Arcimoto, Inc.	\$ 3.85	\$ (1.16)	(3.3)	\$ 138.3	\$ 17.0	8.1	\$ (40.9)	(3.4)

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 5,514 units at the end of Q4 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. Current valuation is near the range before the share price increase beginning in the early part of 2020.



Source: Arcimoto, FactSet, Dawson James Securities estimates.

Risk Analysis: Risks 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.

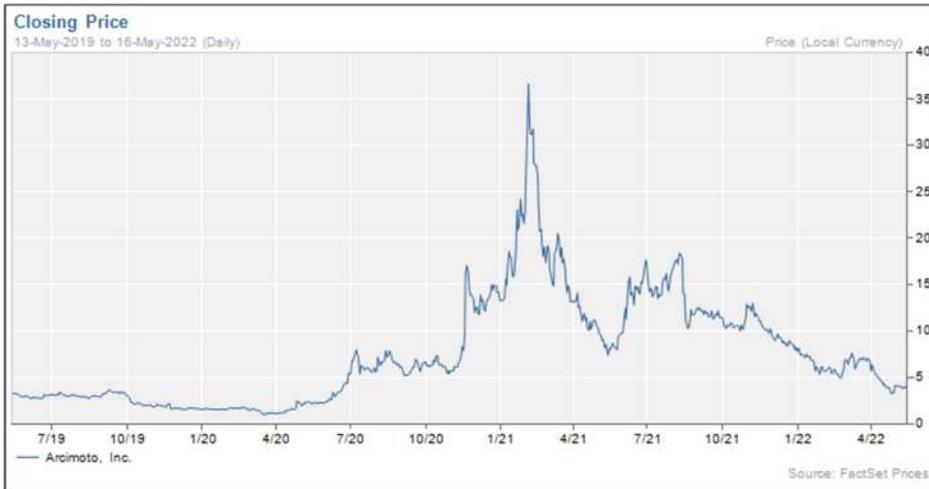
Exhibit 1. Income Statement

(except per share data)	FY2019	FY2020	FY2021	Q1 22A	Q2 22E	Q3 22E	Q4 22E	FY2022E	FY2023E
Revenue	\$ 988	\$ 2,176	\$ 4,386	\$ 650	\$ 2,000	\$ 3,000	\$ 4,000	\$ 9,650	\$ 29,450
COGS	2,911	8,251	17,149	4,047	5,127	5,927	6,727	21,829	37,668
Gross Profit	(1,924)	(6,075)	(12,763)	(3,397)	(3,127)	(2,927)	(2,727)	(12,178)	(8,218)
R&D	6,032	3,011	12,106	3,907	3,946	3,985	4,025	15,862	16,343
Sales & Marketing	1,005	2,239	7,000	2,927	2,956	2,985	3,015	11,883	12,243
G&A	5,494	6,091	12,948	2,699	2,726	2,753	2,781	10,959	11,291
Impairment			6,824					0	0
Opex	12,532	11,341	38,879	9,532	9,627	9,724	9,821	38,704	39,877
Operating Income	(14,455)	(17,416)	(51,642)	(12,929)	(12,754)	(12,651)	(12,548)	(50,882)	(48,095)
Interest Income	0	0	0	0	0	0	0	0	0
Interest Expense	(892)	(721)	(216)	(50)	(50)	(50)	(50)	(199)	(199)
Other	5	17	1,360	25	25	25	25	101	101
Pretax Income	(15,342)	(18,120)	(50,498)	(12,954)	(12,779)	(12,675)	(12,572)	(50,980)	(48,193)
Taxes	0	0	(2,934)	0	0	0	0	0	0
Net Income	\$ (15,342)	\$ (18,120)	\$ (47,564)	\$ (12,954)	\$ (12,779)	\$ (12,675)	\$ (12,572)	\$ (50,980)	\$ (48,193)
Basic Shares	18,130	28,575	36,704	37,967	38,503	42,027	45,338	40,959	47,270
Basic EPS	\$ (0.85)	\$ (0.63)	\$ (1.30)	\$ (0.34)	\$ (0.33)	\$ (0.30)	\$ (0.28)	\$ (1.24)	\$ (1.02)
Operating Income	(14,455)	(17,416)	(51,642)	(12,929)	(12,754)	(12,651)	(12,548)	(50,882)	(48,095)
Depreciation	710	930	2,348	707	742	764	786	3,000	3,367
Stock Comp	635	1,917	3,628	1,411	1,411	1,411	1,411	5,644	5,644
Other			6,824						
EBITDA	\$ (13,109)	\$ (14,569)	\$ (38,842)	\$ (10,811)	\$ (10,601)	\$ (10,476)	\$ (10,351)	\$ (42,238)	\$ (39,083)

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

Update – Neutral – April 4, 2022 – Price Target NA

Update – Neutral – April 27, 2022 – Price Target NA

Update – Neutral – May 3, 2022 – Price Target NA

Update – Neutral – May 17, 2022 – Price Target NA

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Current as of 16-May-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	72%	4	13%
Market Perform (Neutral)	12	28%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

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