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Arcimoto, Inc. (NASDAQ: FUV)

June 21, 2022

Neutral: 6 Per day. ATM Not Enough.
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Arcimoto is now producing 6 vehicles per day, up from 4 per day last month and still on track, we believe, for 12 per day by year end and 1,000 vehicles manufactured this year. However, we regard the company's most exigent challenge is raising cash necessary to fund estimated operating losses and the \$70 to \$80 million of capital expenditures the company estimates it requires over the next two years. We remain on the sidelines for now due to financing risks and the likelihood of consensus estimate reductions.

Arcimoto is [now producing 6 vehicles per day](#) and is scheduled to increase production to 12 per day by year-end. This should enable Arcimoto to reach its goal of producing 1,000 vehicles this year. We believe a substantial share of the vehicles produced will be allocated to company owned and operated rental facilities or provided to third-party rental operations in return for revenue sharing arrangements.

Cash to fund operations and capital spending remains the most important issue for Arcimoto. The company ended Q1 with \$5.2 million in cash and it is burning over \$10 million per quarter before the \$35 million to \$40 million it has identified it needs for capital spending in each of the next two years. The company has stated it believes an at-the-market (ATM) offering will be adequate for its needs. We disagree. Even if the company were able to sell 10% of current volume, it would take over two years to fund one year of estimated operating losses and capital spending needs. We believe funding needs will weigh on the shares until corrected.

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 almost \$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 | \$3.12 | | |
|---|-------------|--------------|-------------|
| 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 | 12.6 x | 4.1 x |
| EV/EBITDA | NM | (2.9) x | (3.1) x |
| Stock Data | | | |
| 52-Week Range | \$3.05 | - | \$18.77 |
| Shares Outstanding (mil.) | 38.8 | | |
| Market Capitalization (mil.) | \$121 | | |
| Enterprise Value (mil.) | \$122 | | |
| Debt to Capital | 12% | | |
| Cash & Equivalents (mil.) | \$5.2 | | |
| Cash/Sh. | \$0.13 | | |
| Average Three Months Trading Volume (K) | 544 | | |
| Insider Ownership | 22.7% | | |
| Institutional Ownership | 26.6% | | |
| Short interest (mil.) | 32.3% | | |
| 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.

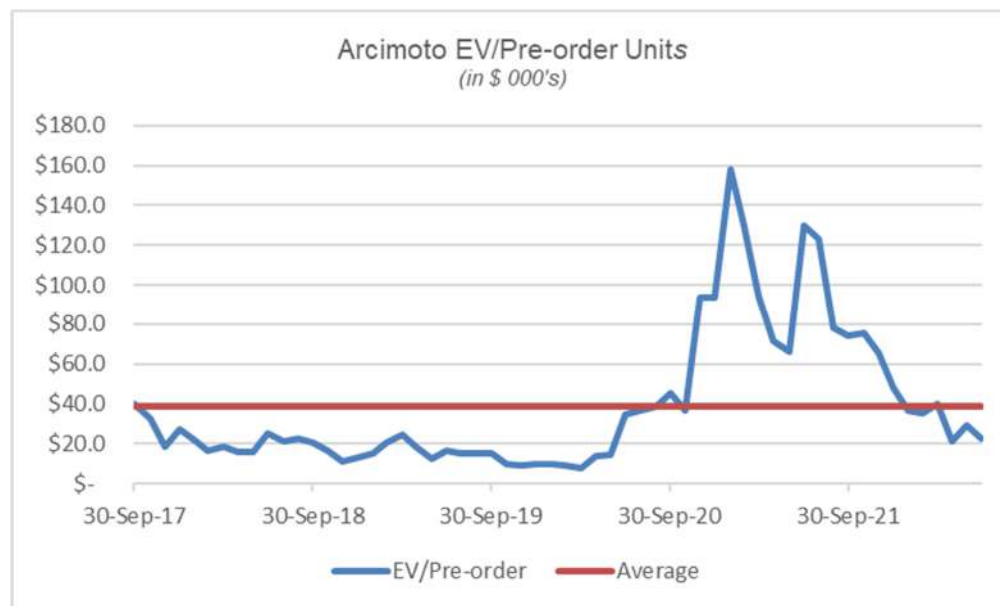
Valuation

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. | \$ 0.87 | \$ (0.43) | (2.0) | \$ (30.4) | \$ 11.3 | (2.7) | \$ (13.9) | 2.2 |
| SOLO | ElectraMeccanica Vehicles Corp. | 1.31 | (0.47) | (2.8) | (36.5) | 26.3 | (1.4) | (50.9) | 0.7 |
| GPV-CA | GreenPower Motor Company Inc. | 3.59 | (0.02) | (217.6) | 83.9 | 65.0 | 1.3 | 1.5 | 57.1 |
| WKHS | Workhorse Group Inc. | 2.94 | (0.47) | (6.3) | 312.5 | 43.4 | 7.2 | (81.0) | (3.9) |
| | Average | | | | | | 1.1 | | |
| FUV | Arcimoto, Inc. | \$ 3.12 | \$ (1.04) | (3.0) | \$ 119.2 | \$ 19.0 | 6.3 | \$ (36.3) | (3.3) |

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 almost \$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.

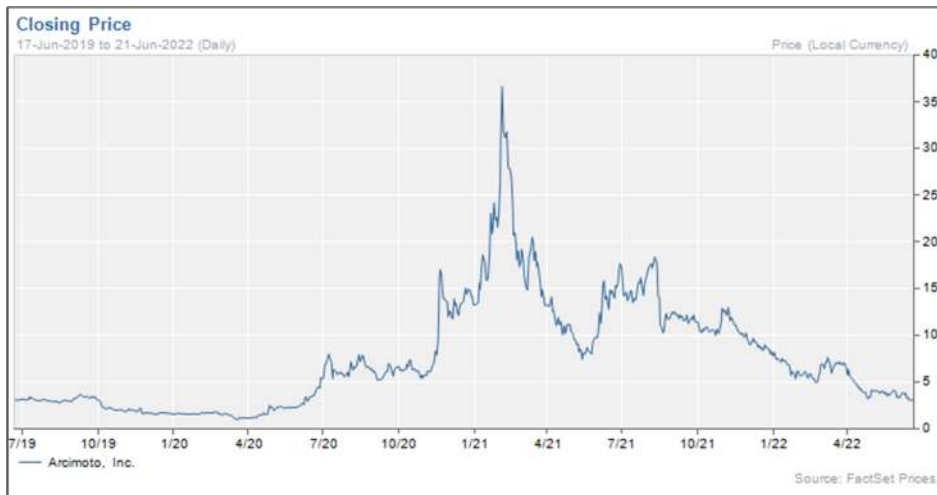
Exhibit 1. Income Statement

| (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
 Update – Neutral – June 21, 2022 – Price Target NA

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- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

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Current as of 16-Jun-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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