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Arcimoto, Inc. (NASDAQ: FUV)

July 7, 2022

Neutral: Q2 Production and Deliveries Lower than Expected.

Arcimoto announced Q2 production and deliveries that were lower than our estimates. We have adjusted our Q2 estimate to reflect the shortfall. We continue to 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 announced Q2 production of 102 vehicles, 41 of which were delivered to customers with the remaining 61 directed to rental locations, marketing activities and pilot programs. We had estimated deliveries of about 100 vehicles. In addition, the company announced delivery of 40 TRiO conversion kits, which we estimate contributed about \$500 thousand in revenue. For the quarter, we estimate this results in revenue of \$1.4 million, short of our \$2 million estimate and lower than consensus of \$2.2 million.

In late June the company announced it 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.

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Current Price	\$2.97		
Price Target	NA		
Estimates	F2021A	F2022E	F2023E
Revenues (\$000s)	\$ 4,386	\$ 9,025 E	\$ 29,450
1Q March	\$ 1,394	\$ 650 A	\$ 5,225
2Q June	\$ 717	\$ 1,375 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)	\$ (42,363)E	\$ (39,083)
1Q March	\$ (6,553)	\$ (10,811)A	\$ (10,083)
2Q June	\$ (8,086)	\$ (10,726)E	\$ (9,874)
3Q September	\$ (9,645)	\$ (10,476)E	\$ (9,666)
4Q December	\$ (14,557)	\$ (10,351)E	\$ (9,459)
EV/Sales	NM	12.8 x	3.9 x
EV/EBITDA	NM	(2.7) x	(3.0) x
Stock Data			
52-Week Range	\$2.90	-	\$18.77
Shares Outstanding (mil.)	38.8		
Market Capitalization (mil.)	\$115		
Enterprise Value (mil.)	\$116		
Debt to Capital	12%		
Cash & Equivalents (mil.)	\$5.2		
Cash/Sh.	\$0.13		
Average Three Months Trading Volume (K)	497		
Insider Ownership	24.5%		
Institutional Ownership	28.9%		
Short interest (mil.)	31.2%		
Dividend / Yield	\$0.00/0.0%		



Outlook

We project revenue in 2022 of \$9.0 million, growing to \$29.5 million in 2023. This assumes unit deliveries of about 415 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.

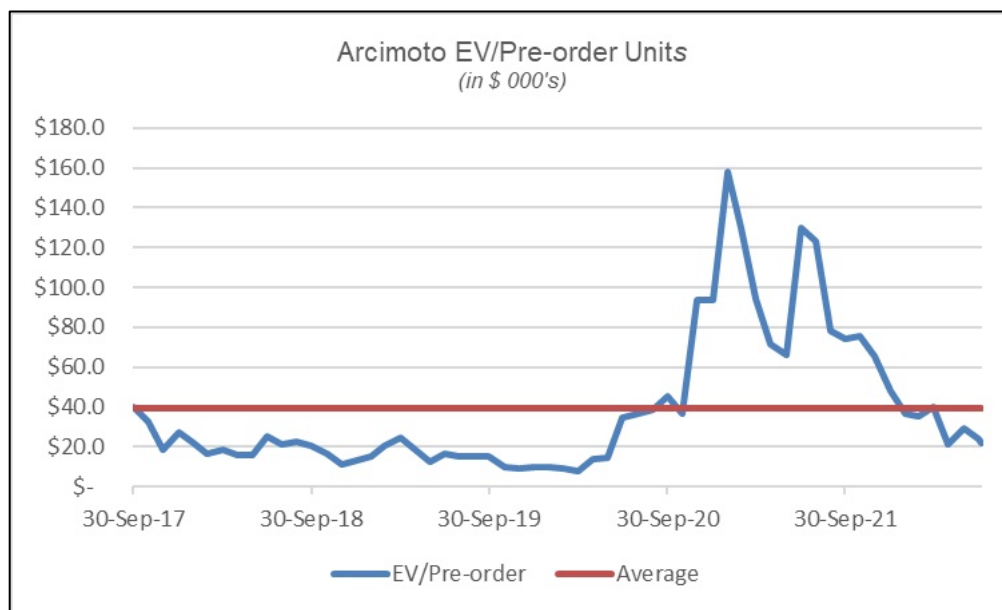
Valuation

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.	\$ 0.89	\$ (0.43)	(2.1)	\$ (29.7)	\$ 11.3	(2.6)	\$ (13.9)	2.1
SOLO	ElectraMeccanica Vehicles Corp.	1.36	(0.50)	(2.7)	(30.5)	26.4	(1.2)	(55.1)	0.6
GPV-CA	GreenPower Motor Company Inc.	3.23	(0.23)	(14.0)	69.3	52.2	1.3	(1.9)	(36.7)
WKHS	Workhorse Group Inc.	2.76	(0.47)	(5.9)	285.1	43.4	6.6	(81.0)	(3.5)
	Average						1.0		
FUV	Arcimoto, Inc.	\$ 2.97	\$ (1.02)	(2.9)	\$ 113.5	\$ 19.5	5.8	\$ (36.3)	(3.1)

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

(\$ in 000's) (except per share data)	FY2019	FY2020	FY2021	Q1 22A	Q2 22E	Q3 22E	Q4 22E	FY2022E	FY2023E
Revenue	\$ 988	\$ 2,176	\$ 4,386	\$ 650	\$ 1,375	\$ 3,000	\$ 4,000	\$ 9,025	\$ 29,450
COGS	2,911	8,251	17,149	4,047	4,627	5,927	6,727	21,329	37,668
Gross Profit	(1,924)	(6,075)	(12,763)	(3,397)	(3,252)	(2,927)	(2,727)	(12,303)	(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)	(12,879)	(12,651)	(12,548)	(51,007)	(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)	(12,904)	(12,675)	(12,572)	(51,105)	(48,193)
Taxes	0	0	(2,934)	0	0	0	0	0	0
Net Income	\$ (15,342)	\$ (18,120)	\$ (47,564)	\$ (12,954)	\$ (12,904)	\$ (12,675)	\$ (12,572)	\$ (51,105)	\$ (48,193)
Basic Shares	18,130	28,575	36,704	37,967	38,503	42,989	47,281	41,685	49,786
Basic EPS	\$ (0.85)	\$ (0.63)	\$ (1.30)	\$ (0.34)	\$ (0.34)	\$ (0.29)	\$ (0.27)	\$ (1.23)	\$ (0.97)
Operating Income	(14,455)	(17,416)	(51,642)	(12,929)	(12,879)	(12,651)	(12,548)	(51,007)	(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)	\$ (10,726)	\$ (10,476)	\$ (10,351)	\$ (42,363)	\$ (39,083)

Source: Arcimoto, Inc. and Dawson James Securities estimates

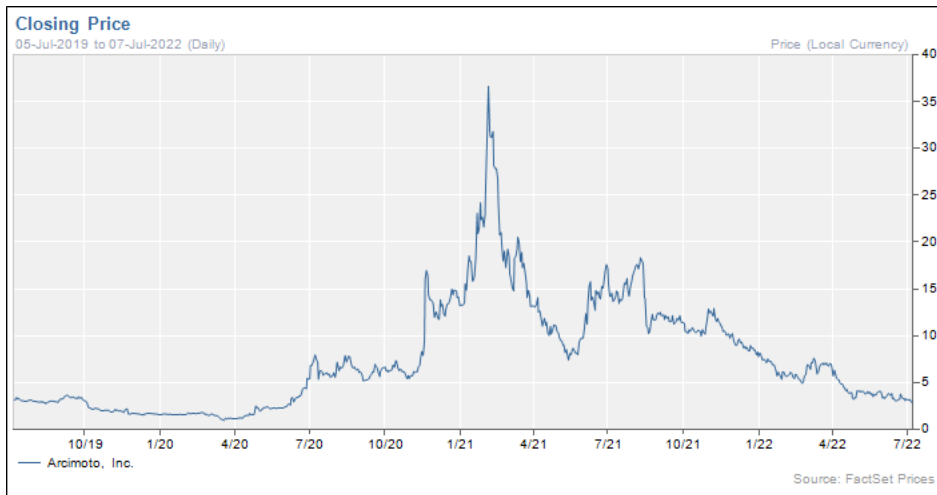
Exhibit 2. Balance Sheet and Cash Flow Statement

(\$ in 000's)	FY2019	FY2020	FY2021	FY2022E	FY2023E
Cash	5,832	39,451	16,971	20,246	27,265
A/R	244	17	128	3,200	7,600
Inventory	3,734	5,104	7,856	9,785	11,869
Prepaid Inventory	1,195	1,030	2,638	2,896	2,896
Other	665	901	2,440	18,049	42,866
Current Assets	11,671	46,503	30,033	54,175	92,497
PP&E	4,733	6,645	24,339	27,734	30,209
Intangible Assets	0	0	9,886	9,044	8,202
Goodwill	0	0	0	0	0
Operating lease right of use			0	1,675	1,675
Other	42	102	141	117	117
Total Assets	\$ 16,446	\$ 53,250	\$ 64,399	\$ 92,745	\$ 132,700
A/P	340	205	2,016	6,303	14,969
Accrued Liabilities	816	431	2,352	16,244	38,580
Customer Deposits	794	606	817	1,104	1,104
NP (net of discount)	3,032	479	2,533	2,150	2,150
Leases (finance and capital)	434	247	352	964	964
Convertible NP-related Parties	1,151	0	0	0	0
Convertible NP (net of discount)	838	0	0	0	0
Other	121	289	544	460	460
Note Payable-Other	0	658	0	0	0
Current Liabilities	7,525	2,914	8,614	27,226	58,228
Finance Lease	1,180	535	713	580	580
Equipment notes/LTD	0	2,001	1,185	1,089	1,089
Warranty Reserve	45	67	330	312	312
Operating lease				1,178	1,178
Deferred Revenue	86	50	9	7	7
Equity	7,610	47,684	53,548	62,354	71,306
Total Liabilities & Equity	\$ 16,446	\$ 53,250	\$ 64,399	\$ 92,745	\$ 132,700
	FY2019	FY2020	FY2021	FY2022E	FY2023E
Net Income	(15,342)	(18,120)	(47,564)	(51,105)	(48,193)
Depreciation	710	930	2,348	3,000	3,367
Stock Comp	635	1,917	3,628	5,644	5,644
Other	1,186	310	2,807	135	0
Working Capital	(1,481)	(1,330)	(511)	(2,878)	(299)
Operating CF	\$ (14,291)	\$ (16,294)	\$ (39,291)	\$ (45,204)	\$ (39,480)
Certificates of Deposit	0	0	0	0	0
Capx	(255)	(2,843)	(17,356)	(5,236)	(5,000)
Other	0	(60)	(16)	0	0
Investing Activities	\$ (255)	\$ (2,903)	\$ (19,126)	\$ (5,236)	\$ (5,000)
Equity	14,213	54,677	36,540	54,291	51,500
Debt	1,262	(1,862)	(603)	(577)	0
Financing	\$ 15,475	\$ 52,815	\$ 35,937	\$ 53,714	\$ 51,500
Change in Cash	\$ (256)	\$ 33,619	\$ (22,480)	\$ 3,274	\$ 7,020

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
 Update – Neutral – July 7, 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;
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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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