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Arcimoto, Inc. (NASDAQ: FUV)

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Sell: Next Phase of Restructuring

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Arcimoto announced the next phase of its restructuring plans that includes increasing backlog, opening new markets, scaling production and exploring strategic alternatives. We maintain our Sell recommendation and \$0.45 price target.

In late September Arcimoto announced a 32% reduction in payroll expenses through furloughs and permanent workforce reduction. Headcount at the end of Q2 was 289 and the company has placed 119 employees on furlough. The company estimates workforce reduction and lower operational spending will result in \$20 million in annual expense reduction. We estimate annual cash burn post the restructuring, and at modest volumes, at about \$30 million. In the most recent 10-Q, the company indicated it required \$35 million to \$40 million in capital spending in each of the next two years. We think this is unlikely to occur and will impact the company's ability to ramp production.

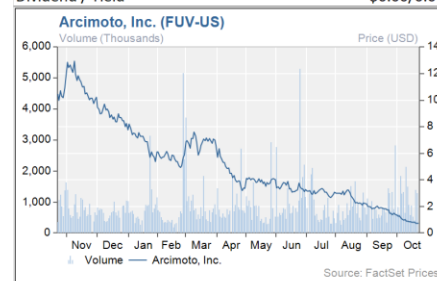
We expect the company's plans to increase backlog, open new markets and scale production will be challenging given its reduction in force, continued high cash burn and challenging capital markets. The company has scheduled a special meeting of stockholders for November 11th to approve issuance of shares of common stock, and shares issued pursuant to warrants and convertible notes. Without approval, the company's ability to raise the cash necessary to continue operations will be severely limited.

We have lowered our expense estimates and reduced our forecast of capital spending, but raising cash remains the most exigent need for the company.

At the end of June, Arcimoto had \$5 million in cash. We estimate the company raised about \$10 million via its ATM since the end of Q2 and raised another \$9.4 million with a convertible note. Assuming a cash burn of \$10 to \$12 million per quarter leaves the company with \$12 to \$14 million in cash, or enough to get through the early part of Q1 2023.

Our Sell recommendation is based on the significant mismatch between the company's cash needs and cash resources. We expect the company will have to confront painful choices over the coming months as its cash needs are exigent and options are dwindling. We believe the company will be forced to cut costs and scale back its plans for manufacturing capacity. This will result in a reduction in consensus estimates. Our \$0.45 price target is an enterprise value of \$20 million, which is the exercise floor price of the recently issued warrant until stockholder approval is received for the second tranche of notes. Risks to achieving our stock price include financing at terms better than we expect, government subsidies or a takeover.

Current Price	\$0.75		
Price Target	\$0.45		
Estimates	F2021A	F2022E	F2023E
Revenues (\$000s)	\$ 4,386	\$ 4,550 E	\$ 5,700
1Q March	\$ 1,394	650 A	\$ 1,425
2Q June	\$ 717	\$ 1,499 A	\$ 1,425
3Q September	\$ 1,498	\$ 1,200 E	\$ 1,425
4Q December	\$ 777	\$ 1,200 E	\$ 1,425
	F2021A	F2022E	F2023E
EBITDA (\$000s)	\$ (38,842)	\$ (44,957)E	\$ (25,237)
1Q March	\$ (6,553)	\$ (10,811)A	\$ (6,254)
2Q June	\$ (8,086)	\$ (12,345)A	\$ (6,290)
3Q September	\$ (9,645)	\$ (11,821)E	\$ (6,327)
4Q December	\$ (14,557)	\$ (9,981)E	\$ (6,365)
EV/Sales	NM	7.1 x	5.7 x
EV/EBITDA	NM	(0.7) x	(1.3) x
Stock Data			
52-Week Range	\$0.70 - \$13.26		
Shares Outstanding (mil.)	44.9		
Market Capitalization (mil.)	\$34		
Enterprise Value (mil.)	\$32		
Debt to Capital	22%		
Cash & Equivalents (mil.)	\$23.4		
Cash/Sh.	\$0.52		
Average Three Months Trading Volume (K)	497		
Insider Ownership	17.5%		
Institutional Ownership	18.9%		
Short interest (mil.)	23.9%		
Dividend / Yield	\$0.00/0.0%		



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Outlook

We project revenue in 2022 of \$4.6 million and \$5.7 million in 2023. These projections are significantly lower than consensus and reflect our belief the company will need to implement cash conservation measures that will impact its ability to grow production and expand sales and marketing. Even so, we project EBITDA losses of \$45 million this year and \$25 million in 2023. And this is before the \$35 million to \$40 million the company has identified it will need for capital expenditures in 2022 and a like amount in both 2023 and 2024. Unless the company is able to find capital to fund these plans, we expect consensus estimates will have to decline sharply.

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

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.

		Price	FTM EPS	P/E	TEV (M)	FTM Sales (M)	EV/ Sales	FTM EBITDA	EV/ EBITDA
AYRO	AYRO, Inc.	\$ 0.56			\$ (37.2)				
SOLO	ElectraMeccanica Vehicles Corp.	1.03	(0.52)	(2.0)	(36.5)	29.7	(1.2)	(57.1)	0.6
GPV-CA	GreenPower Motor Company Inc.	1.96	(0.32)	(6.1)	50.0	54.8	0.9	(4.4)	(11.3)
WKHS	Workhorse Group Inc.	2.38	(0.52)	(4.6)	248.6	61.7	4.0	(82.1)	(3.0)
	Average						1.2		
FUV	Arcimoto, Inc.	\$ 0.75	\$ (1.34)	(0.6)	\$ 32.3	\$ 5.5	5.9	\$ (43.3)	(0.7)

Source: FactSet and Dawson James Securities estimates

Our price target of \$0.45 is an enterprise value above both AYRO and ElectraMeccanica. It is also the exercise floor price of the warrant until stockholder approval is received for the second tranche of notes.

The risk of the share price falling below our price target includes the company avoiding actions to cut costs, which would increase cash burn, raising funds at increasingly onerous terms resulting in a spiral of ever-increasing share issuances at lower prices or inability to raise capital altogether. Risks that the share price moves opposite the trajectory predicted in our price target include a takeover, a rally in equity markets that includes Arcimoto, funding from federal, state or local governments, or changes in government policies that drive demand for Arcimoto's products.

Exhibit 1. Income Statement

(\$ in 000's) (except per share data)	FY2019	FY2020	FY2021	Q1 22A	Q2 22A	Q3 22E	Q4 22E	FY2022E	FY2023E
Revenue	\$ 988	\$ 2,176	\$ 4,386	\$ 650	\$ 1,499	\$ 1,200	\$ 1,200	\$ 4,550	\$ 5,700
COGS	2,911	8,251	17,149	4,047	6,104	5,865	5,390	21,406	12,279
Gross Profit	(1,924)	(6,075)	(12,763)	(3,397)	(4,605)	(4,665)	(4,190)	(16,857)	(6,579)
R&D	6,032	3,011	12,106	3,907	3,716	3,754	3,316	14,693	10,151
Sales & Marketing	1,005	2,239	7,000	2,927	3,070	3,101	2,657	11,755	10,788
G&A	5,494	6,091	12,948	2,699	3,786	3,200	2,757	12,442	10,151
Impairment			6,824					0	0
Opex	12,532	11,341	38,879	9,532	10,572	10,055	8,730	38,889	31,090
Operating Income	(14,455)	(17,416)	(51,642)	(12,929)	(15,177)	(14,719)	(12,920)	(55,746)	(37,670)
Interest Income	0	0	0	0	0	0	0	0	0
Interest Expense	(892)	(721)	(216)	(50)	(124)	(124)	(265)	(563)	(872)
Other	5	17	1,360	25	(2,100)	(2,100)	(2,100)	(6,274)	(8,398)
Pretax Income	(15,342)	(18,120)	(50,498)	(12,954)	(17,401)	(16,943)	(15,284)	(62,582)	(46,940)
Taxes	0	0	(2,934)	0	3	0	0	3	0
Net Income	\$ (15,342)	\$ (18,120)	\$ (47,564)	\$ (12,954)	\$ (17,404)	\$ (16,943)	\$ (15,284)	\$ (62,586)	\$ (46,940)
Basic Shares	18,130	28,575	36,704	37,967	39,573	43,321	62,252	45,778	87,183
Basic EPS	\$ (0.85)	\$ (0.63)	\$ (1.30)	\$ (0.34)	\$ (0.44)	\$ (0.39)	\$ (0.25)	\$ (1.37)	\$ (0.54)
Operating Income	(14,455)	(17,416)	(51,642)	(12,929)	(15,177)	(14,719)	(12,920)	(55,746)	(37,670)
Depreciation	710	930	2,348	707	1,020	1,087	1,127	3,942	5,185
Stock Comp	635	1,917	3,628	1,411	1,812	1,812	1,812	6,847	7,248
Other			6,824						
EBITDA	\$ (13,109)	\$ (14,569)	\$ (38,842)	\$ (10,811)	\$ (12,345)	\$ (11,821)	\$ (9,981)	\$ (44,957)	\$ (25,237)

Source: Arcimoto, Inc. and Dawson James Securities estimates

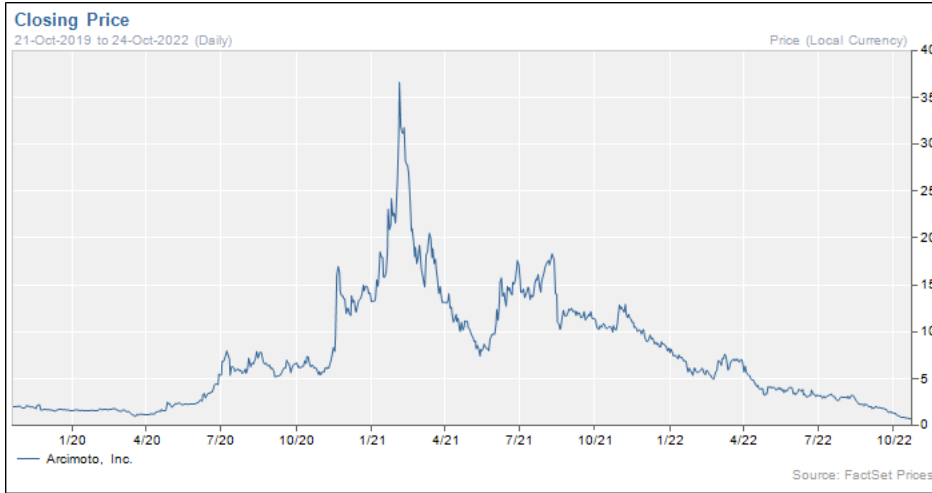
Exhibit 2. Balance Sheet and Cash Flow Statement

(\$ in 000's)	FY2019	FY2020	FY2021	FY2022E	FY2023E
Cash	5,832	39,451	16,971	18,886	636
A/R	244	17	128	274	456
Inventory	3,734	5,104	7,856	9,582	3,778
Prepaid Inventory	1,195	1,030	2,638	2,749	2,749
Other	665	901	2,440	3,661	4,347
Current Assets	11,671	46,503	30,033	35,153	11,967
PP&E	4,733	6,645	24,339	31,120	32,777
Intangible Assets	0	0	9,886	9,044	8,202
Operating lease right of use	0	0	0	1,636	1,636
Other	42	102	141	117	117
Total Assets	\$ 16,446	\$ 53,250	\$ 64,399	\$ 77,070	\$ 54,699
A/P	340	205	2,016	2,207	2,621
Accrued Liabilities	816	431	2,352	2,170	2,577
Customer Deposits	794	606	817	1,079	1,079
NP (net of discount)	3,032	479	2,533	1,706	1,706
Leases (finance and capital)	434	247	352	1,064	1,064
Convertible NP-related Parties	1,151	0	0	0	0
Convertible NP (net of discount)	838	0	0	5,000	3,750
Other	121	289	544	520	520
Note Payable-Other	0	658	0	0	0
Current Liabilities	7,525	2,914	8,614	13,746	13,317
Finance Lease	1,180	535	713	547	547
Equipment notes/LTD	0	2,001	1,185	1,042	1,042
Convertible note	0	0	0	10,477	6,727
Warranty Reserve	45	67	330	353	353
Operating lease	0	0	0	1,043	1,043
Deferred Revenue	86	50	9	5	5
Equity	7,610	47,684	53,548	49,858	31,666
Total Liabilities & Equity	\$ 16,446	\$ 53,250	\$ 64,399	\$ 77,070	\$ 54,699
	FY2019	FY2020	FY2021	FY2022E	FY2023E
Net Income	(15,342)	(18,120)	(47,564)	(62,586)	(46,940)
Depreciation	710	930	2,348	3,942	5,185
Stock Comp	635	1,917	3,628	6,847	7,248
Other	1,186	310	2,807	2,802	0
Working Capital	(1,481)	(1,330)	(511)	(1,770)	5,756
Operating CF	\$ (14,291)	\$ (16,294)	\$ (39,291)	\$ (50,765)	\$ (28,750)
Capx	(255)	(2,843)	(17,356)	(11,108)	(6,000)
Other	0	(60)	(16)	0	0
Investing Activities	\$ (255)	\$ (2,903)	\$ (19,126)	\$ (11,108)	\$ (6,000)
Equity	14,213	54,677	36,540	50,453	16,500
Debt	1,262	(1,862)	(603)	13,336	0
Financing	\$ 15,475	\$ 52,815	\$ 35,937	\$ 63,788	\$ 16,500
Change in Cash	\$ (256)	\$ 33,619	\$ (22,480)	\$ 1,915	\$ (18,250)

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
 Update – Neutral – August 16, 2022 – Price Target NA
 Rating Change – Sell – September 6, 2022 – Price Target \$0.45
 Update – Sell – September 30, 2022 – Price Target \$0.45
 Update – Sell – October 7, 2022 – Price Target \$0.45
 Update – Sell – October 24, 2022 – Price Target \$0.45

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Ratings Definitions:

- 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.

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 19-Oct-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	83%	3	12%
Market Perform (Neutral)	4	13%	1	25%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	4	13%

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