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INSTITUTIONAL RESEARCH

Emerging Growth

UPDATE REPORT

Arcimoto, Inc. (NASDAQ: FUV)

November 16, 2022

Sell: Q3 Review.

James McIlree, CFA
561-237-2709
jmcilree@dawsonjames.com

Q3 revenue exceeded our expectations although EBITDA was much lower than our estimate. The company needs to ramp production and sales to a much, much higher level and raise substantial capital to do so. We maintain our Sell recommendation and $0.45 price target.

Q3 revenue of $2.0 million exceeded our $1.8 million, but the EBITDA loss of $16.4 million was much greater than our estimate of an $11.7 million loss. R&D in particular was higher than expected, although we have modeled substantial operating expense reductions in Q4 and continuing through 2023.

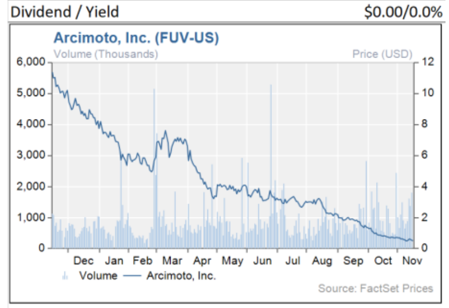
Shareholders approved a reverse stock split and the proposed convertible note issuance and equity line of credit. This will allow the company to finance operations next year, at the cost of significant dilution. We have increased our revenue estimate for next year but remain far below consensus.

Gross margin is negative, as the company is selling vehicles below the base cost of a finished unit. In addition, factory overhead has been running around $4 million per quarter. Also, we have operating expenses modeled at $8 million per quarter going forward. This is untenable, even with the funding approved by shareholders. We estimate annual cash burn post the company's recent restructuring, and at modest production volumes, at about $30 million.

At the end of September, Arcimoto had $4.2 million in cash. The company will have to tap the recently approved equity line of credit and/or convertible note this quarter, and dilution will be significant.

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			**$0.53**
Price Target			**$0.45**
Estimates	F2021A	F2022E	F2023E
Revenues ($M's)	$ 4.4	$ 6.5 E	$ 13.7
1Q March	$ 1.4	$ 0.7 A	$ 2.7
2Q June	$ 0.7	$ 1.5 A	$ 3.2
3Q September	$ 1.5	$ 2.0 A	$ 3.7
4Q December	$ 0.8	$ 2.3 E	$ 4.1
	F2021A	F2022E	F2023E
EBITDA ($000s)	$ (38.8)	$ (49.3)E	$ (27.9)
1Q March	$ (6.6)	$ (10.8)A	$ (7.0)
2Q June	$ (8.1)	$ (12.3)A	$ (7.0)
3Q September	$ (9.6)	$ (16.4)A	$ (6.9)
4Q December	$ (14.6)	$ (9.7)E	$ (6.9)
EV/Sales	NM	6.2 x	3.0 x
EV/EBITDA	NM	(0.8) x	(1.5) x
Stock Data			
52-Week Range	$0.50	-	$11.50
Shares Outstanding (mil.)			51.2
Market Capitalization (mil.)			$27
Enterprise Value (mil.)			$41
Debt to Capital			32%
Cash & Equivalents (mil.)			$4.2
Cash/Sh.			$0.08
Average Three Months Trading Volume (K)			733
Insider Ownership			17.1%
Institutional Ownership			19.1%
Short interest (mil.)			23.1%
Dividend / Yield			$0.00/0.0%



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Actual v Estimates

Q3 22 ($ in 000's except per share)	Actual	Estimates
Revenue	**$ 2,024**	**$ 1,790**
COGS	6,987	6,337
Gross Profit	(4,963)	(4,547)
R&D	6,521	3,754
Sales & Marketing	3,322	3,101
G&A	4,099	3,200
Impairment/Other	12	
Opex	13,955	10,055
Operating Income	(18,918)	(14,601)
Interest Income	0	0
Interest Expense	(85)	(124)
Other	2,039	(2,100)
Pretax Income	(16,964)	(16,825)
Taxes	0	0
Net Income	(16,964)	(16,825)
Diluted Shares (000's)	44,956	43,321
Diluted EPS	$ (0.38)	$ (0.39)
Operating Income	(18,918)	(14,601)
Depreciation	976	1,087
Stock Comp	1,550	1,812
Other		
EBITDA	**$ (16,392)**	**$ (11,703)**

Source: Arcimoto, Inc. and Dawson James Securities estimates

Estimates: Old v. New

	2022E		2023E	
	Old	New	Old	New
Revenue ($M)	$ 5.8	$ 6.5	$ 6.9	$ 13.7
EPS	$ (1.33)	$ (1.18)	$ (0.48)	$ (0.28)
EBITDA ($M)	$ (44.7)	$ (49.3)	$ (25.0)	$ (27.9)

Source: Dawson James Securities estimates

Outlook

We project revenue in 2022 of $6.5 million and $13.7 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 $49 million this year and $28 million in 2023. We expect consensus estimates will 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 and this will result in significant dilution.

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.	$ 0.59			$ (32.4)				
SOLO	ElectraMeccanica Vehicles Corp.	1.28	(0.47)	(2.7)	16.1	52.6	0.3	(52.4)	(0.3)
GPV-CA	GreenPower Motor Company Inc.	2.62	(0.46)	(5.7)	74.1	52.3	1.4	(6.3)	(11.8)
WKHS	Workhorse Group Inc.	2.83	(0.60)	(4.7)	343.1	94.3	3.6	(96.3)	(3.6)
	Average						1.8		
FUV	Arcimoto, Inc.	$ 0.53	$ (1.32)	(0.4)	$ 40.6	$ 12.9	3.2	$ (38.2)	(1.1)

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 22A	Q4 22E	FY2022E	FY2023E
Revenue	**$ 988**	**$ 2,176**	**$ 4,386**	**$ 650**	**$ 1,499**	**$ 2,024**	**$ 2,349**	**$ 6,523**	**$ 13,745**
COGS	2,911	8,251	17,149	4,047	6,104	6,987	6,772	23,910	20,567
Gross Profit	(1,924)	(6,075)	(12,763)	(3,397)	(4,605)	(4,963)	(4,423)	(17,388)	(6,822)
R&D	6,032	3,011	12,106	3,907	3,716	6,521	2,500	16,644	10,151
Sales & Marketing	1,005	2,239	7,000	2,927	3,070	3,322	2,880	12,199	11,694
G&A	5,494	6,091	12,948	2,699	3,786	4,099	2,500	13,084	10,151
Impairment/Other			6,824			12		0	0
Opex	12,532	11,341	38,879	9,532	10,572	13,955	7,880	41,927	31,996
Operating Income	(14,455)	(17,416)	(51,642)	(12,929)	(15,177)	(18,918)	(12,303)	(59,315)	(38,818)
Interest Income	0	0	0	0	0	0	0	0	0
Interest Expense	(892)	(721)	(216)	(50)	(124)	(85)	(226)	(484)	(715)
Other	5	17	1,360	25	(2,100)	2,039	2,039	2,004	8,156
Pretax Income	(15,342)	(18,120)	(50,498)	(12,954)	(17,401)	(16,964)	(10,489)	(57,795)	(31,376)
Taxes	0	0	(2,934)	0	3	0	0	3	0
Net Income	**$ (15,342)**	**$ (18,120)**	**$ (47,564)**	**$ (12,954)**	**$ (17,404)**	**$ (16,964)**	**$ (10,489)**	**$ (57,799)**	**$ (31,376)**
Basic Shares	18,130	28,575	36,704	37,967	39,573	44,956	73,496	48,998	112,345
Basic EPS	$ (0.85)	$ (0.63)	$ (1.30)	$ (0.34)	$ (0.44)	$ (0.38)	$ (0.14)	$ (1.18)	$ (0.28)
Operating Income	(14,455)	(17,416)	(51,642)	(12,929)	(15,177)	(18,918)	(12,303)	(59,327)	(38,818)
Depreciation	710	930	2,348	707	1,020	976	1,041	3,744	4,756
Stock Comp	635	1,917	3,628	1,411	1,812	1,550	1,550	6,323	6,200
Other			6,824						
EBITDA	**$ (13,109)**	**$ (14,569)**	**$ (38,842)**	**$ (10,811)**	**$ (12,345)**	**$ (16,392)**	**$ (9,712)**	**$ (49,260)**	**$ (27,862)**

Source: Arcimoto, Inc. and Dawson James Securities estimates

Exhibit 2. Balance Sheet and Cash Flow Statement

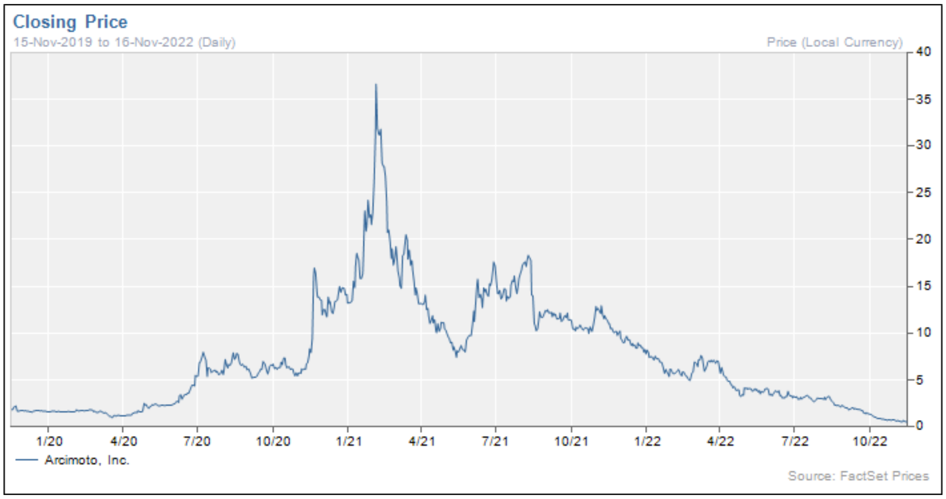
($ in 000's)	FY2019	FY2020	FY2021	FY2022E	FY2023E
Cash	5,832	39,451	16,971	19,692	10,787
A/R	244	17	128	537	1,328
Inventory	3,734	5,104	7,856	12,039	7,030
Prepaid Inventory	1,195	1,030	2,638	3,110	3,110
Other	665	901	2,440	6,256	11,050
Current Assets	11,671	46,503	30,033	41,634	33,305
PP&E	4,733	6,645	24,339	32,609	34,688
Intangible Assets	0	0	9,886	9,048	8,213
Operating lease right of use	0	0	0	1,478	1,478
Other	42	102	141	120	120
Total Assets	**$ 16,446**	**$ 53,250**	**$ 64,399**	**$ 84,887**	**$ 77,803**
A/P	340	205	2,016	3,143	5,551
Accrued Liabilites	816	431	2,352	5,459	9,643
Customer Deposits	794	606	817	1,048	1,048
NP (net of discount)	3,032	479	2,533	415	415
Leases (finance and capital)	434	247	352	1,192	1,192
Convertible NP-related Parties	1,151	0	0	0	0
Short-term convertible note	838	0	0	5,000	3,750
Other	121	289	544	1,038	1,038
Note Payable-Other	0	658	0	0	0
Current Liabilities	7,525	2,914	8,614	17,295	22,637
Finance Lease	1,180	535	713	934	934
Equipment notes/LTD	0	2,001	1,185	959	959
Convertible note	0	0	0	10,477	6,727
Warranty Reserve	45	67	330	277	277
Operating lease	0	0	0	864	864
Deferred Revenue	86	50	9	2	2
Equity	7,610	47,684	53,548	54,079	45,403
Total Liabilities & Equity	**$ 16,446**	**$ 53,250**	**$ 64,399**	**$ 84,887**	**$ 77,803**

	FY2019	FY2020	FY2021	FY2022E	FY2023E
Net Income	(15,342)	(18,120)	(47,564)	(57,799)	(31,376)
Depreciation	710	930	2,348	3,744	4,756
Stock Comp	635	1,917	3,628	6,323	6,200
Other	1,186	310	2,807	1,151	0
Working Capital	(1,481)	(1,330)	(511)	(1,799)	6,016
Operating CF	**$ (14,291)**	**$ (16,294)**	**$ (39,291)**	**$ (48,379)**	**$ (14,405)**
Capx	(255)	(2,843)	(17,356)	(13,372)	(6,000)
Other	0	(60)	(16)	(2)	0
Investing Activities	**$ (255)**	**$ (2,903)**	**$ (19,126)**	**$ (13,374)**	**$ (6,000)**
Equity	14,213	54,677	36,540	51,628	16,500
Debt	1,262	(1,862)	(603)	12,858	(5,000)
Financing	**$ 15,475**	**$ 52,815**	**$ 35,937**	**$ 64,486**	**$ 11,500**
Change in Cash	**$ (256)**	**$ 33,619**	**$ (22,480)**	**$ 2,721**	**$ (8,905)**

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
Update – Sell – November 3, 2022 – Price Target $0.45
Update – Sell – November 16, 2022 – Price Target $0.45

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Current as of 10-Nov-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	77%	3	13%
Market Perform (Neutral)	6	20%	1	17%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	4	13%

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