

INSTITUTIONAL RESEARCH

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Arcimoto, Inc. (NASDAQ: FUV)

February 15, 2023

Neutral: Upgrade to Neutral.

We are upgrading our recommendation of Arcimoto to Neutral from Sell. Although the company continues to face financial and operational challenges, the shares reached our price target and a recent financing could be used to retire a variable-priced equity deal that we believe was pressuring the shares.

We are upgrading our recommendation of Arcimoto to Neutral from Sell. The share reached our split-adjusted price target of \$9 and the company indicated it intended to use its recent \$12 million financing to retire its convertible note. The note had a call on 20% of all equity raises and carried a burdensome interest rate. We also believe the financing signals that the company will refrain from using its equity line of credit, which was a variable-priced instrument that we believe exerted constant pressure on the shares.

There are still significant financial and operational challenges the company must address. We estimate the company needs at least \$30 million to fund operations this year. Cost cutting has occurred, but more will probably be necessary, particularly the cost of manufacturing the vehicle, as the selling price has been below the base cost of a finished unit. In addition, the company will need to refine its marketing, distribution and service strategy in order to grow and sustain sales.

Gross margin is negative, as the company is selling vehicles below the base cost of a finished unit. Factory overhead has been running around \$4 million per quarter and we believe this must be reduced to preserve cash. We have cash operating expenses modeled at \$6.5 million per quarter going forward and believe this also must be reduced.

At the end of September, Arcimoto had \$4.2 million in cash. We estimate since then the company raised about \$15 million in equity via its ATM, equity line of credit and the recent financing. As much as \$6 million in cash was required to retire the convertible note leaving the company with about \$13 million to fund operations, which means more capital will be required relatively soon.

We project revenue in 2022 was \$6.5 million and estimate \$13.7 million in 2023. Our estimates reflect the challenges the company faces to lower costs, preserve cash and successfully address the market's desire for electric vehicles. Eliminating the variable-priced equity could be an important step in the company's recovery.

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

Current Price						\$2.07
Price Target						NA
Estimates		2021A		F2022E		-2023E
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 2021A	•	2.3 E F2022E	_	4.1 =2023E
EBITDA (\$000s)	\$	(38.8)	\$	(49.3)E		(28.2)
1Q March	\$	(6.6)	\$	(10.8)A		(28.2)
2Q June	\$	(8.1)	\$	(10.8)A (12.3)A		(7.1)
3Q September	\$	(9.6)	\$	(16.4)A	\$	(7.1)
4Q December	\$	(14.6)		(9.7)E		(7.0)
4Q December	7	(14.0)	Ý	(3.7)L	Ļ	(7.0)
EV/Sales		NM		4.4 x		2.1 x
EV/EBITDA		NM	_	(0.6) x	_	(1.0) x
Stock Data				(0.0) x		(2.0) X
52-Week Range		\$1.88		-		\$156.40
Shares Outstanding (mil.)		72.00				7.3
Market Capitalization (mil.	.)					\$15
Enterprise Value (mil.)	,					\$29
Debt to Capital						8%
Cash & Equivalents (mil.)						\$1.4
Cash/Sh.						\$0.19
Average Three Months Tra	adir	ng Volum	e (I	()		81
Insider Ownership				,		5.9%
Institutional Ownership						3.9%
Short interest (mil.)						6.1%
Dividend / Yield					\$0	.00/0.0%
Arcimoto, Inc. (FUV-	115	1			-]
9.000 Volume (Thousands)	-	,		Pri	ce (l	JSD) 160
8.000 A						
7,000						- 140
6.000-						- 120
						- 100
4,000-						- 80
3,000-	w	~~\				-60
2,000 -		and a				-40
1,000 -		~	/			- 20
0				~~	-	0
Mar Apr May Jun Volume — Arcimoto	Jul , Inc		Oc	t Nov Dec	Ja	n Feb
				Source:	Fact	Set Prices



Valuation

Ayro and ElectraMeccanica, like Arcimoto, are producing electric vehicles, Ayro for the delivery market and ElectraMeccanica for the consumer market. Both trade at a negative enterprise value.

				FTM		TEV	FTM	EV/	FTM	EV/
		F	Price	EPS	P/E	(M)	Sales (M)	Sales	EBITDA	EBITDA
AYRO SOLO	AYRO, Inc. ElectraMeccanica Vehicles Corp.	\$	0.67 0.95		\$	(29.9) (23.1)				
GPV-CA WKHS	GreenPower Motor Company Inc. Workhorse Group Inc. Average		2.85 2.05	(0.39) (0.59)	(7.3) (3.5)	85.3 208.5	54.2 79.4	1.6 2.6 2.1	(4.8) (94.2)	(17.8) (2.2)
FUV	Arcimoto, Inc.	\$	2.07		\$	28.8	\$ 14.6	2.0	\$ (30.6)	(0.9)

Source: FactSet and Dawson James Securities estimates

The risk to our recommendation includes the company's success at cutting costs, which would increase cash burn, raising funds at onerous terms, or the inability to raise capital altogether. There is also risk the Fed's interest rate hikes could impact consumer balance sheets and spending and result in lower consumer demand for products such as electric vehicles.



Exhibit 1. Income Statement

(\$ in 000's)																		
(except per share data)	F	Y2019	F	FY2020	F	FY2021	(Q1 22A	(Q2 22A	(Q3 22A	(Q4 22E	F	Y2022E	F	Y2023E
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		2,806		31,326		12,268
Basic EPS	\$	(0.85)	\$	(0.63)	\$	(1.30)	\$	(0.34)	\$	(0.44)	\$	(0.38)	\$	(3.74)	\$	(1.85)	\$	(2.56)
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		4,424
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)	\$	(28,194)

Source: Arcimoto, Inc. and Dawson James Securities estimates



Exhibit 2. Balance Sheet and Cash Flow Statement

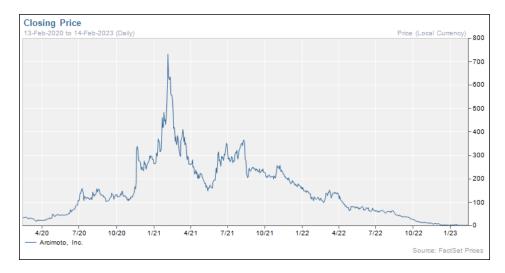
(% in 2001)	Iu C	asii Fiu	W 1	Statemen	11		1											
(\$ in 000's)	F١	/2019	F	Y2020		FY2021	Q	1 22A		Q2 22A	(Q3 22A	1.5	Q4 22E	F	Y2022E	F	Y2023E
Cash		5,832		39,451		16,971		5,228		5,013		4,218		1,383		1,383		10,978
A/R		244		17		128		124		324		332		537		537		1,328
Inventory		3,734		5,104		7,856		8,987		11,440		12,290		10,000		10,000		7,030
		1,195														The second second second		
Prepaid Inventory				1,030		2,638		2,896		2,749		3,110		3,110		3,110		3,110
Other		665		901		2,440		2,934		4,574		5,392		6,256		6,256		11,050
Current Assets		11,671		46,503		30,033		20,169		24,101		25,342		21,286		21,286		33,497
PP&E		4,733		6,645		24,339		25,645		27,413		29,441		29,109		29,109		31,520
Intangible Assets		0		0		9,886		9,675		9,465		9,256		9,048		9,048		8,213
Operating lease right of use		0		0		0		1,675		1,636		1,478		1,478		1,478		1,478
Other		42		102		141		117		117		120		120		120		120
Total Assets	\$	16,446	\$	53,250	\$	64,399	\$	57,282	\$	62,732	\$	65,637	\$	61,040	\$	61,040	\$	74,827
A/P		340		205		2,016		1,025		2,758		2,709		3,143		3,143		5,551
Accrued Liabilites		816		431		2,352		2,641		2,711		4,705		5,459		5,459		9,643
Customer Deposits		794		606		817		1,104		1,079		1,048		1,048		1,048		1,048
		2000																
NP (net of discount)		3,032		479		2,533		2,150		1,706		415		415		415		415
Leases (finance and capital)		434		247		352		964		1,064		1,192		1,192		1,192		1,192
Convertible NP-related Parties		1,151		0		0		0		0		0		0		0		0
Short-term convertible note		838		0		0		0		0		8,674		3,928		3,928		0
Other		121		289		544		460		520		1,038		1,038		1,038		1,038
Note Payable-Other		0		658		0		0		0		0		0		0		0
Current Liabilities		7,525		2,914		8,614		8,344		9,838		19,780		16,223		16,223		18,887
Finance Lease		1,180		535		713		580		547		934		934		934		934
Equipment notes/LTD		0		2,001		1,185		1,089		1,042		959		959		959		959
Convertible note		0		0		0		0		6,727		4,802		4,802		4,802		0
Warranty Reserve		45		67		330		312		353		277		277		277		277
		0		0		0				1,043		864		864		864		
Operating lease		-						1,178										864
Deferred Revenue		86		50		9		7		5		2		2		2		2
Equity		7,610		47,684		53,548		45,773		43,178		38,019		36,979		36,979		52,903
Total Liabilities & Equity	\$	16,446	\$	53,250	\$	64,399	\$	57,282	\$	62,732	\$	65,637	\$	61,040	\$	61,040	\$	74,827
	F	/2019	F	=Y2020		FY2021	Q	1 22A	(Q2 22A	(Q3 22A		Q4 22E	F	Y2022E	F	Y2023E
																		(0.1.070)
Net Income		(15,342)		(18,120)		(47,564)	((12,954)		(17,404)		(16,964)		(10,489)		(57,799)		(31,376)
Depreciation		710		930		2,348		707		1,020		976		1,041		3,744		4,424
Stock Comp		635		1,917		3,628		1,411		1,812		1,550		1,550		6,323		6,200
Other		1,186		310		2,807		135		2,667		(1,650)		0		1,151		0
Working Capital		(1,481)		(1,330)		(511)		(2,771)		(729)		1,330		2,410		239		3,977
Operating CF	\$	(14,291)		(16,294)	\$	(39,291)	- 177 C	(13,471)	\$	(12,634)	\$	(14,759)	\$	(5,489)	\$	(46,340)	\$	(16,775
Сарх		(255)		(2,843)		(17,356)		(1,486)		(4,123)		(3,764)		(500)		(9,872)		(6,000
Other		0		(60)		(16)		0		0		(2)		0		(2)		(5,550
Investing Activities	\$	(255)	\$	(2,903)	\$	(19,126)		(1,486)	\$	(4,123)	\$	(3,766)		(500)	\$	(9,874)	\$	(6,000
Equity		14,213		54,677		36,540		3,791		12,628		10,209		3,154		29,782		41,100
Debt		1,262		(1,862)				(577)		3,913		7,521		0,104		10,856		
Financing	\$	1,202	\$	52,815	\$	(603) 35,937	\$	3,214	\$	16,541	\$	17,730	\$	3,154	\$	40,638	\$	(8,729 32,371
-			•	33,619	•		•										•	
Change in Cash	\$	(256)	Þ	33,019	\$	(22,480)	D ((11,743)	Ф	(215)	Ф	(795)	Þ	(2,835)	D.	(15,588)	4	9,595

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

(Price targets prior to November 30, 2022 do not reflect 1:20 reverse split)

Rating Change – Neutral – February 15, 2023 – Price Target NA

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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 15-F	eb-23
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	Company Coverage		Investment Banking	
				% of
Ratings Distribution	# of Companies	% of Total	# of Companies	Totals
Market Outperform (Buy)	22	67%	1	5%
Market Perform (Neutral)	11	33%	2	18%
Market Underperform (Sell)	0	0%	0	0%
Total	33	100%	3	9%

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