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## Arcimoto, Inc. (NASDAQ: FUV)

February 22, 2023

### Neutral: Production Recommences.

Arcimoto is re-starting production of its three-wheeled electric vehicle and expects deliveries to begin in March. We recently upgraded our recommendation of Arcimoto to Neutral from Sell. While Arcimoto continues to face financial and operational challenges the recent capital raise and resumption of production are the beginning stages of recovery for the company.

Arcimoto announced it will resume production of its three-wheeled electric vehicles with deliveries expected to begin in March. The company had suspended production earlier this year in order to preserve cash. Our estimates now reflect this updated delivery schedule. While Arcimoto continues to face financial and operational challenges the recent capital raise and resumption of production are the beginning stages of recovery for the company.

We recently upgraded our recommendation of Arcimoto to Neutral from Sell. We believe the company used a portion of its recent \$12 million financing to retire its convertible note which 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.

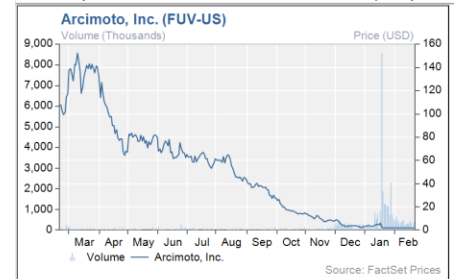
Gross margin is negative, as the company is selling vehicles below the base cost of a finished unit. Factory overhead has been running around \$4 million per quarter and we believe this must be reduced to preserve cash. We have cash operating expenses modeled at \$6.5 million per quarter going forward 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 \$11.7 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.

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Current Price	\$1.86		
Price Target	NA		
Estimates	F2021A	F2022E	F2023E
Revenues (\$M's)	\$ 4.4	\$ 6.6 E	\$ 11.7
1Q March	\$ 1.4	\$ 0.7 A	\$ 1.0
2Q June	\$ 0.7	\$ 1.5 A	\$ 2.3
3Q September	\$ 1.5	\$ 2.0 A	\$ 3.6
4Q December	\$ 0.8	\$ 2.4 E	\$ 4.7
	F2021A	F2022E	F2023E
EBITDA (\$000s)	\$ (38.8)	\$ (49.3)E	\$ (28.6)
1Q March	\$ (6.6)	\$ (10.8)A	\$ (7.5)
2Q June	\$ (8.1)	\$ (12.3)A	\$ (7.2)
3Q September	\$ (9.6)	\$ (16.4)A	\$ (7.0)
4Q December	\$ (14.6)	\$ (9.7)E	\$ (6.9)
EV/Sales	NM	4.1 x	2.3 x
EV/EBITDA	NM	(0.6) x	(1.0) x
<b>Stock Data</b>			
52-Week Range	\$1.84	-	\$156.40
Shares Outstanding (mil.)	7.3		
Market Capitalization (mil.)	\$14		
Enterprise Value (mil.)	\$27		
Debt to Capital	8%		
Cash & Equivalents (mil.)	\$1.4		
Cash/Sh.	\$0.19		
Average Three Months Trading Volume (K)	58		
Insider Ownership	5.9%		
Institutional Ownership	4.8%		
Short interest (mil.)	6.1%		
Dividend / Yield	\$0.00/0.0%		



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**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.

		Price	FTM EPS	P/E	TEV (M)	FTM Sales (M)	EV/ Sales	FTM EBITDA	EV/ EBITDA
AYRO	AYRO, Inc.	\$ 0.66			\$ (28.3)				
SOLO	ElectraMeccanica Vehicles Corp.	0.88			(25.1)				
GPV-CA	GreenPower Motor Company Inc.	2.68	(0.31)	(8.5)	82.7	68.8	1.2	(4.0)	(20.6)
WKHS	Workhorse Group Inc.	2.02	(0.59)	(3.4)	229.4	79.4	2.9	(94.2)	(2.4)
	Average						2.0		
FUV	Arcimoto, Inc.	\$ 1.86			\$ 27.3	\$ 12.5	2.2	\$ (30.9)	(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)	FY2019	FY2020	FY2021	Q1 22A	Q2 22A	Q3 22A	Q4 22E	FY2022E	FY2023E
<b>Revenue</b>	<b>\$ 988</b>	<b>\$ 2,176</b>	<b>\$ 4,386</b>	<b>\$ 650</b>	<b>\$ 1,499</b>	<b>\$ 2,024</b>	<b>\$ 2,396</b>	<b>\$ 6,570</b>	<b>\$ 11,735</b>
COGS	2,911	8,251	17,149	4,047	6,104	6,987	6,809	23,948	18,959
Gross Profit	(1,924)	(6,075)	(12,763)	(3,397)	(4,605)	(4,963)	(4,414)	(17,378)	(7,224)
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)	(12,294)	(59,305)	(39,220)
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)	(10,480)	(57,786)	(31,778)
Taxes	0	0	(2,934)	0	3	0	0	3	0
<b>Net Income</b>	<b>\$ (15,342)</b>	<b>\$ (18,120)</b>	<b>\$ (47,564)</b>	<b>\$ (12,954)</b>	<b>\$ (17,404)</b>	<b>\$ (16,964)</b>	<b>\$ (10,480)</b>	<b>\$ (57,789)</b>	<b>\$ (31,778)</b>
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)	\$ (1.84)	\$ (2.59)
Operating Income	(14,455)	(17,416)	(51,642)	(12,929)	(15,177)	(18,918)	(12,294)	(59,318)	(39,220)
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						
<b>EBITDA</b>	<b>\$ (13,109)</b>	<b>\$ (14,569)</b>	<b>\$ (38,842)</b>	<b>\$ (10,811)</b>	<b>\$ (12,345)</b>	<b>\$ (16,392)</b>	<b>\$ (9,703)</b>	<b>\$ (49,250)</b>	<b>\$ (28,596)</b>

Source: Arcimoto, Inc. and Dawson James Securities estimates



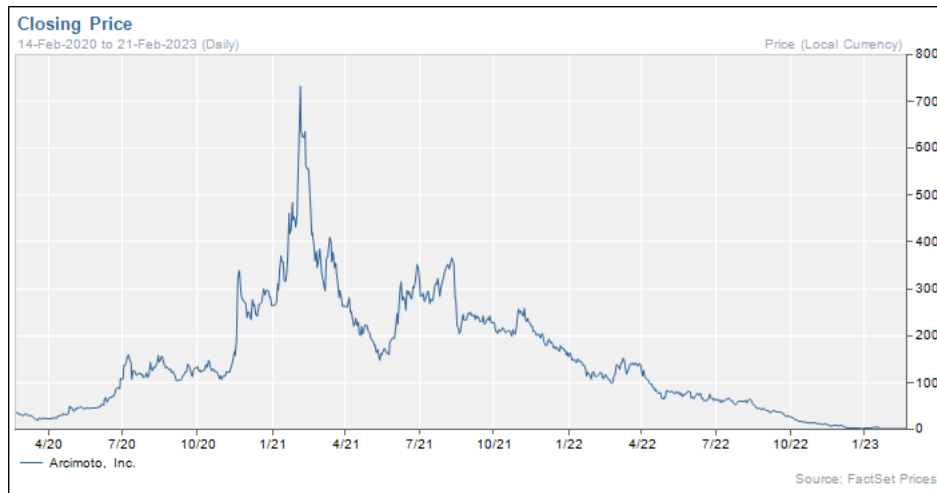
**Exhibit 2. Balance Sheet and Cash Flow Statement**

(\$ in 000's)	FY2019	FY2020	FY2021	Q1 22A	Q2 22A	Q3 22A	Q4 22E	FY2022E	FY2023E
Cash	5,832	39,451	16,971	5,228	5,013	4,218	1,429	1,429	10,402
A/R	244	17	128	124	324	332	548	548	1,520
Inventory	3,734	5,104	7,856	8,987	11,440	12,290	10,000	10,000	7,621
Prepaid Inventory	1,195	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	6,381	6,381	12,649
<b>Current Assets</b>	<b>11,671</b>	<b>46,503</b>	<b>30,033</b>	<b>20,169</b>	<b>24,101</b>	<b>25,342</b>	<b>21,468</b>	<b>21,468</b>	<b>35,301</b>
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
<b>Total Assets</b>	<b>\$ 16,446</b>	<b>\$ 53,250</b>	<b>\$ 64,399</b>	<b>\$ 57,282</b>	<b>\$ 62,732</b>	<b>\$ 65,637</b>	<b>\$ 61,222</b>	<b>\$ 61,222</b>	<b>\$ 76,631</b>
A/P	340	205	2,016	1,025	2,758	2,709	3,206	3,206	6,354
Accrued Liabilities	816	431	2,352	2,641	2,711	4,705	5,568	5,568	11,038
Customer Deposits	794	606	817	1,104	1,079	1,048	1,048	1,048	1,048
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
<b>Current Liabilities</b>	<b>7,525</b>	<b>2,914</b>	<b>8,614</b>	<b>8,344</b>	<b>9,838</b>	<b>19,780</b>	<b>16,395</b>	<b>16,395</b>	<b>21,085</b>
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
Operating lease	0	0	0	1,178	1,043	864	864	864	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	36,989	36,989	52,510
<b>Total Liabilities &amp; Equity</b>	<b>\$ 16,446</b>	<b>\$ 53,250</b>	<b>\$ 64,399</b>	<b>\$ 57,282</b>	<b>\$ 62,732</b>	<b>\$ 65,637</b>	<b>\$ 61,222</b>	<b>\$ 61,222</b>	<b>\$ 76,631</b>
	FY2019	FY2020	FY2021	Q1 22A	Q2 22A	Q3 22A	Q4 22E	FY2022E	FY2023E
Net Income	(15,342)	(18,120)	(47,564)	(12,954)	(17,404)	(16,964)	(10,480)	(57,789)	(31,778)
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	2,446	276	3,758
<b>Operating CF</b>	<b>\$ (14,291)</b>	<b>\$ (16,294)</b>	<b>\$ (39,291)</b>	<b>\$ (13,471)</b>	<b>\$ (12,634)</b>	<b>\$ (14,759)</b>	<b>\$ (5,443)</b>	<b>\$ (46,295)</b>	<b>\$ (17,397)</b>
Capx	(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)	0
<b>Investing Activities</b>	<b>\$ (255)</b>	<b>\$ (2,903)</b>	<b>\$ (19,126)</b>	<b>\$ (1,486)</b>	<b>\$ (4,123)</b>	<b>\$ (3,766)</b>	<b>\$ (500)</b>	<b>\$ (9,874)</b>	<b>\$ (6,000)</b>
Equity	14,213	54,677	36,540	3,791	12,628	10,209	3,154	29,782	41,100
Debt	1,262	(1,862)	(603)	(577)	3,913	7,521	0	10,856	(8,729)
<b>Financing</b>	<b>\$ 15,475</b>	<b>\$ 52,815</b>	<b>\$ 35,937</b>	<b>\$ 3,214</b>	<b>\$ 16,541</b>	<b>\$ 17,730</b>	<b>\$ 3,154</b>	<b>\$ 40,638</b>	<b>\$ 32,371</b>
<b>Change in Cash</b>	<b>\$ (256)</b>	<b>\$ 33,619</b>	<b>\$ (22,480)</b>	<b>\$ (11,743)</b>	<b>\$ (215)</b>	<b>\$ (795)</b>	<b>\$ (2,789)</b>	<b>\$ (15,543)</b>	<b>\$ 8,974</b>

*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  
 Update – Neutral – February 22, 2023 – Price Target NA

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- 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 22-Feb-23

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	68%	1	4%
Market Perform (Neutral)	11	32%	2	18%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>34</b>	<b>100%</b>	<b>3</b>	<b>9%</b>

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