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Arcimoto, Inc. (NASDAQ: FUV)

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Neutral: \$6M Loan Bridges Short Term Capital Needs.

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Arcimoto signed a \$6 million loan that bridges its short-term capital needs. 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 signed a \$6 million loan with Hilco Real Estate, secured by the company's real property, that we believe has a book value of at least twice the loan value. The loan carries a 6-month maturity with a 20% annual interest rate, although there is a path for the loan to extend an additional 6 months and the interest rate to be reduced to 10%. Since the company is still not cash flow positive, we expect repayment of this loan will require an additional equity raise, which is already reflected in our estimates. This short-term bridge loan, the recent capital raise and the resumption of production are the beginning stages of recovery for the company.

Earlier this week the company 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.

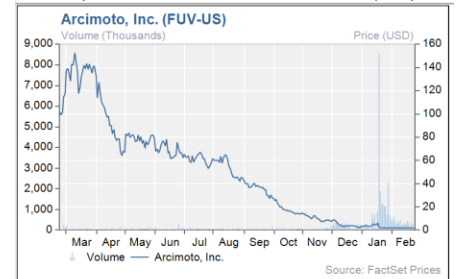
There are still significant financial and operational challenges the company must address. We estimate the company needs at least \$30 million to fund operations this year. Cost cutting has occurred, but more will probably be necessary, particularly the cost of manufacturing the vehicle, as the selling 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.

Current Price	\$1.95		
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	4.3 x	2.4 x
EV/EBITDA	NM	(0.6) x	(1.0) x
Stock Data			
52-Week Range	\$1.80	-	\$156.40
Shares Outstanding (mil.)	7.3		
Market Capitalization (mil.)	\$14		
Enterprise Value (mil.)	\$28		
Debt to Capital	8%		
Cash & Equivalents (mil.)	\$1.4		
Cash/Sh.	\$0.19		
Average Three Months Trading Volume (K)	49		
Insider Ownership	5.6%		
Institutional Ownership	4.6%		
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			\$ (29.8)				
SOLO	ElectraMeccanica Vehicles Corp.	0.87			(32.6)				
GPV-CA	GreenPower Motor Company Inc.	2.76	(0.39)	(7.2)	80.2	59.0	1.4	(4.9)	(16.3)
WKHS	Workhorse Group Inc.	2.01	(0.59)	(3.4)	211.8	79.4	2.7	(94.2)	(2.2)
	Average						2.0		
FUV	Arcimoto, Inc.	\$ 1.95			\$ 27.9	\$ 12.5	2.2	\$ (31.4)	(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.

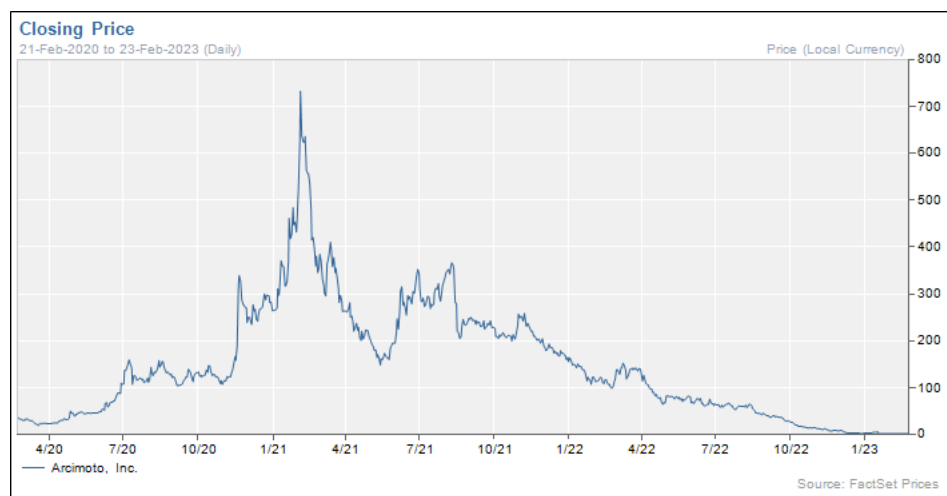
Exhibit 1. Income Statement

(\$ in 000's) (except per share data)	FY2019	FY2020	FY2021	Q1 22A	Q2 22A	Q3 22A	Q4 22E	FY2022E	FY2023E
Revenue	\$ 988	\$ 2,176	\$ 4,386	\$ 650	\$ 1,499	\$ 2,024	\$ 2,396	\$ 6,570	\$ 11,735
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
Net Income	\$ (15,342)	\$ (18,120)	\$ (47,564)	\$ (12,954)	\$ (17,404)	\$ (16,964)	\$ (10,480)	\$ (57,789)	\$ (31,778)
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						
EBITDA	\$ (13,109)	\$ (14,569)	\$ (38,842)	\$ (10,811)	\$ (12,345)	\$ (16,392)	\$ (9,703)	\$ (49,250)	\$ (28,596)

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
 Update – Neutral – February 23, 2023 – 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;
- 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

	Company Coverage		Investment Banking	
Ratings Distribution	# 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%
Total	34	100%	3	9%

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