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Arcimoto, Inc.

(FUV-NASDAQ)

FUV: 2Q18 – Still Early but Moving Towards Commercial Launch, With Near-Term Emphasis on Rental Model

Arcimoto has displayed a conservative financial approach and a commitment to minimizing costs while developing its efficient green vehicle, the FUV. As it moves the FUV towards commercial launch, the company is also launching a rental model to drive both cash flow and vehicle sales.

OUTLOOK

In 2018 to-date, Arcimoto manufactured 10 signature series FUVs and began production of 15 beta series vehicles, delivering four FUVs to customers. With growing scale as production and sales commence, Arcimoto expects to reduce operating losses and move towards profitability. The company believes that it is improving production efficiencies as it moves up its learning curve and also integrates automation. To drive cash flow, brand awareness and sales, Arcimoto intends to expand a new rental model to enable customers to experience and rent the FUV.

Current Price (08/15/18) \$3.81
Valuation \$5.00

SUMMARY DATA

52-Week High \$6.35
52-Week Low \$2.26
One-Year Return (%) N/A
Beta N/A
Average Daily Volume (sh) 38,820

Shares Outstanding (mil) 16
Market Capitalization (\$mil) \$61
Short Interest Ratio (days) N/A
Institutional Ownership (%) N/A
Insider Ownership (%) 56

Annual Cash Dividend \$0.00
Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates
Sales (%) N/A
Earnings Per Share (%) N/A
Dividend (%) N/A

P/E using TTM EPS N/A
P/E using 2018 Estimate N/A
P/E using 2019 Estimate N/A

Zacks Rank N/A

Risk Level High
Type of Stock Small-cap
Industry Automotive
Zacks Rank in Industry N/A

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	0.0A	0.0A	NA	NA	0.1A
2018	0.0A	0.1A	0.3E	1.9E	2.3E
2019*					53.7E

Per Share Earnings

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-0.04A	-0.05A	NA	NA	-0.24A
2018	-0.13A	-0.14A	-0.18E	-0.17E	-0.61E
2019					-0.09E

*2019 revenue and per share represent low end of forecast range
Quarters might not sum to annual reflecting rounding.

Disclosures begin on page 9.

KEY POINTS

- Oregon-based Arcimoto is developing an efficient, economical electric vehicle, the FUV, as it positions itself to benefit from government mandates of lower car emissions and rising consumer interest in green automotive solutions. The company is ramping up its production and distribution capabilities and expects to deliver the FUV for commercial shipment in the near future.
- In the first half of 2018, Arcimoto finalized the manufacture of 10 of its premium Signature Series FUVs and commenced production of 15 beta series vehicles. Arcimoto delivered two FUVs to customers in June 2018 and subsequently delivered another two after the second quarter closed.
- The company registered total revenues of \$85,332 in the second quarter of 2018 and an operating loss of (\$2.2) million versus no revenue and (\$0.6) million reported in 2Q17 prior to the opening of the production plant. One of the company's goals for 2018 is to lower production costs through automation and efficiencies. With growing scale once production and sales commence, Arcimoto expects to reduce its operating losses and move towards profitability.
- To enable prospective customers to test drive FUVs while simultaneously driving cash flow, the company intends to open in-market experience centers. These centers are also expected to facilitate the company's rental model. The first Arcimoto rental location in Eugene, Oregon is planned to combine rental operations with a customer experience center. The company also intends to open another site in Encinitas, California.

2Q18 FINANCIAL OVERVIEW

Arcimoto is preparing for the commercial launch of its efficient and economical electric vehicle (EV), the FUV, as it positions itself to benefit from government mandates of lower car emissions and rising consumer interest in green automotive solutions. The company is ramping up its production and distribution capabilities and expects to deliver the FUV for commercial shipment in the near future. As it moves towards mass scale production, it strives to reduce construction time and increase production efficiency. Management hopes to begin small scale retail series production by the end of 2018.

In the first half of 2018, Arcimoto finalized the manufacture of 10 of its limited production premium *Signature Series FUVs*, with several earmarked for sale to third parties. The company also commenced the production of 15 beta series vehicles. The company completed two beta units and believes that it has improved the production process as it moves up its production learning curve and also continues to integrate automation. Arcimoto delivered two FUVs to customers in June 2018 and subsequently after the second quarter closed, delivered another two vehicles.

Reflecting the delivery of the vehicles noted above, the company registered total revenues in the second quarter of 2018 of \$85,332, including \$1,332 from merchandise and metal fabrication revenue as it maximizes the use of its Oregon production facility. The company recognized \$2.2 million in operating expenses, as it continues to engage in R&D activities, build out its engineering and production capabilities and drive consumer awareness through marketing and sales efforts.

Arcimoto reported an operating loss of (\$2.2) million versus (\$0.6) million reported in 2Q17 prior to the opening of the production plant. The net loss came in at (\$2.2) million, which equates to (\$0.14) per share versus (\$0.59) million or (\$0.05) per share registered in 2Q17. One of the company's goals for 2018 is to lower production costs through automation and efficiencies. With growing scale once production and sales commence, Arcimoto expects to reduce its operating losses and move towards profitability. We have revised our estimates somewhat, reflecting the second quarter results.

Balance Sheet

Arcimoto had \$2.14 million in cash and equivalents on its balance sheet at June 30, 2018, compared to \$1.4 million at the end of the prior quarter. The company had \$5.2 million in short-term investments compared to \$9.7 million at the end of the March 2018 quarter. With its current cash burn rate, we estimate that Arcimoto has sufficient resources for the next two to three quarters.

The company expects its cash burn rate will decline dramatically once it achieves commercial launch. Moreover, to help finance the development and manufacture of the FUV, the company has submitted an application to the ATVMLP (Advanced Technology Vehicles Manufacturing Loan Program), a unit of the Department of Energy that supports the development of advanced technology vehicles (ATVs) that meet higher fuel efficiency standards. The ATVMLP provides low-cost loans that can be used for manufacturing facilities for such vehicles. Arcimoto has completed its ATVMLP application for \$100 million in funds. The company also hopes to generate high-margin cash flow through its recent launch of a rental model in conjunction with retail partners.

RENTAL STRATEGY

Arcimoto has displayed prototypes of the FUV or hosted test drive events in several states and at several trade and consumer shows, including the annual Consumer Electronic Show and New York Auto Show. To enable prospective customers to test drive FUVs while simultaneously driving cash flow, the company intends to open in-market experience centers in certain markets. These centers are also expected to facilitate the company's rental model.

Through this rental model, the company expects to allow customers in certain markets to rent the FUV on an hourly, daily or weekly basis from the in-market experience centers. This model is expected to be cash flow positive for Arcimoto and management anticipates forging partnerships with other companies to facilitate rentals. For example, the company has formed a partnership with HULA Holdings to introduce the EV Oasis charging, education, and rental center and anticipates additional in-market experience centers over time.

The company expects to expand its rental concept with various partners and franchisees on a revenue-share basis. Given the daily rental fees and fleet utilization rates – which managements estimates at above 60% -- the company believes this channel could prove to be an attractive source of cash flow that could also help drive sales.

The company will seek an upfront fee from partners and then participate in the rental revenue through a revenue sharing agreement. Not surprisingly, the prices and gross margins on the vehicles sold to rental partners are expected to be lower than on vehicles earmarked for the consumer market, with the company's share of the rental revenue contributing to ongoing cash flow.

The first Arcimoto rental location is planned in Eugene, Oregon to combine rental operations with a customer experience center. The company also intends to open another site in Encinitas, California. Management believes that it can boost brand awareness in well-trafficked destination markets with rentals, as people note the vehicle on the road. The company also expects to expand its rental footprint through franchises, which will enable it to minimize its own capital expenditures while broadening its network. Over time, the company believes that vacation markets such as the Hamptons in New York and many Florida, Hawaii and California cities, among other places, would be good places for an in-market experience and rental center.

The rental concept has proven successful with other three-wheeled mini-vehicles such as the Renault Twizy, Panther ScootCoupe and Polaris Slingshot, as illustrated below. For the most part, the rental

concept appears to begin in tourism and destination markets, but can expand beyond. For example, Panther Motors notes that it “originally built the ScootCoupes for the tourism rental market,” although over time, the vehicles have also been adopted “for local and recreational use.”

3-Wheeled Vehicle Rentals

Vehicle	Market	Daily Rental Rate
Renault Twizy	Bermuda	\$99
Renault Twizy	Barcelona	€60
Scoot Coupe	Hawaii	\$149
Scoot Coupe	Fort Lauderdale, FL	\$109
Scoot Coupe	Captiva & Sanibel, FL	\$199
Polaris Slingshot	Houston	\$190
Polaris Slingshot	Las Vegas	\$349

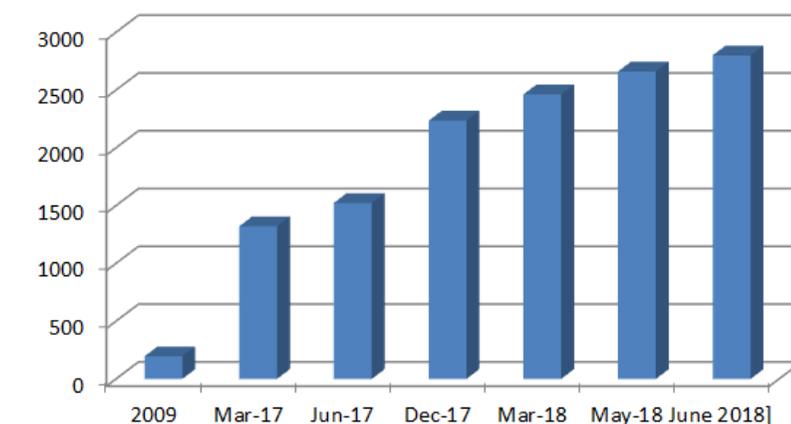
Sources: www.slingshot.rent, TripAdvisor & company reports, among others

PREORDERS

Since the company first began taking online advanced reservations for the FUV in September 2009, the number of advanced orders has grown significantly, albeit off a low base. Through October of 2015, 161 potential customers made deposits to purchase an FUV when it becomes commercially available. Since the launch of the FUV Generation-8 in late 2015, the number of online advance reservations increased substantially. As of March 31, 2017, Arcimoto had 1,281 advance reservation deposits from third parties. This figure had reached 2,234 by December 31, 2017, 2,660 by May of 2018 and 2,800 units as of June 30, 2018, despite what management believes is fairly minimal market activity.

Management has indicated that these preorders represent about \$42 million in future revenue if they are converted into actual sales. The company anticipates that pre-orders could accelerate as it opens the planned rental locations, with the first two set to open, as noted, in Eugene, Oregon and Encinitas, California.

FUV Preorders



Source: Company reports

Reservations represent people who have placed \$100 deposits. Management believes this group represents strong leads to convert to actual FUV sales. Moreover, its pre-sale initiatives have helped reduce the direct advertising cost of preorder acquisition to below \$50, according to the company.

RISKS

We believe risks include those outlined below, among others.

- The biggest risk, in our view, is that the FUV achieves traction more slowly than the company expects, which leads to lower than anticipated sales.
- The company is under-capitalized and expects to incur costs associated with marketing, R&D and sales for new products and services it expects to launch.
- Arcimoto could fall behind schedule on its current production and go-to-market plan.
- The company faces potential regulatory risk. TSA is reviewing new safety regulations pertaining to three wheeled motor vehicles.
- The company faces litigation risk. Arcimoto was served with a class action lawsuit in March of 2018 with regard to the completion of its Reg A offering.

PROJECTED INCOME STATEMENT

Arcimoto Income Statement & Projections (\$)

	1Q17	2Q17	3Q17E	4Q17E	2017A	1Q18A	2Q18A	3Q18E	4Q18E	2018E	2019E Range estimated	
Grant revenue	40,580				40,580							
Product sales - related party	-			42,000	42,000	625	282.00	-	-	907.00		
Product sales	-	-	-	44,436	44,436	31	85,050	284,800	1,740,000	2,109,881	52,500,000	75,000,000
Rentail revenue	-	-	-	-	-	-	-	2,848	180,000	182,848	1,237,500	2,400,000
Total revenues	40,580	-	-	86,436	127,016	656	85,332	287,648	1,920,000	2,293,636	53,737,500	77,400,000
Cost of goods sold	-	-	-	78,439	78,439	-	95,815	348,376	1,905,200	2,349,391	44,625,000	60,000,000
Gross profit	40,580	-	-	7,997	48,577	656	(10,483)	(60,728)	14,800	(55,755)	9,112,500	17,400,000
Research and development	268,104	263,797	469,493	450,000	1,451,394	1,047,799	363,652	407,290	421,545	2,240,287	2,352,301	2,352,301
Sales and marketing	84,995	150,358	292,588	300,000	827,941	355,515	418,162	543,938	620,089	1,937,704	2,228,360	2,228,360
General and administrative	186,961	160,158	416,516	300,000	1,063,635	642,147	1,400,018	1,624,021	1,669,161	5,335,346	5,945,050	5,945,050
Total operating expenses	540,060	574,313	1,178,597	1,050,000	3,342,970	2,045,461	2,181,832	2,575,249	2,710,795	9,513,337	10,525,710	10,525,710
Income /(loss) from operations	(499,480)	(574,313)	(1,178,597)	(1,042,003)	(3,294,393)	(2,044,805)	(2,192,315)	(2,635,977)	(2,695,995)	(9,569,092)	(1,413,210)	6,874,290
Interest expense	(10,493)	(10,857)	(7,883)	(7,883)	(34,143)	(3,601)	(16,921)	(17,598)	(17,950)	(56,070)	(64,480)	(64,480)
Other	12	48	4,399	4,399	13,209	334	40,137	(10,000)	(10,200)	20,271	20,474	20,474
Net income /(loss)	(509,961)	(585,122)	(1,182,081)	(1,045,487)	(3,315,327)	(2,048,072)	(2,169,099)	(2,663,575)	(2,724,145)	(9,604,891)	(1,457,217)	6,830,283
<i>Per share data</i>												
EPS/(LPS)	(\$0.04)	(\$0.05)	(\$0.08)	(\$0.07)	(\$0.24)	(\$0.13)	(\$0.14)	(\$0.18)	(\$0.17)	(\$0.61)	(\$0.09)	\$0.43
Avg shares out	12,369,017	12,761,712	12,762,212	13,158,247	13,554,282	15,896,575	15,919,215	15,919,315	15,919,415	15,913,630	15,915,630	15,915,630

Source: Company reports and Zacks estimates

BALANCE SHEET AND CASH FLOW STATEMENT

Arcimoto Balance Sheet (\$)

	2014	2015	2016	2017	Mar-18	Jun-18
Cash & equivalents	\$25,609	\$1,000,665	\$414,405	\$7,824,109	\$1,425,288	\$2,136,934
Certificates of deposit			-	6,246,850	9,746,490	5,247,523
Accounts receivable	14,728	8,172	583	500	595	341
Inventory			26,825	194,525	616,559	1,290,548
Other current assets	-	26,612	28,207	401,160	666,201	1,034,668
Total current assets	40,337	1,035,449	470,020	14,667,144	12,455,133	9,710,014
Property and equipment, net	2,019	16,755	8,805	2,434,026	3,407,427	4,555,628
Other	-	-	40,000	-	-	38,844
Total assets	\$42,356	\$1,052,204	\$518,825	\$17,101,170	\$15,862,560	\$14,304,486
Accounts payable		9,229	81,045	663,773	375,404	29,764
Accrued liabilities	71,751	61,219	102,776	255,758	254,628	470,949
Customer deposits	186,124	204,628	386,035	399,967	431,864	370,824
Other current debt	138,203	-	250,000	-	149,956	297,315
Total current liabilities	396,078	275,076	819,856	1,319,498	1,211,852	1,168,852
Long-term convertible notes payable			275,000	-		
Long-term convertible notes payable related party	25,000		50,000	-		
Capital lease obligations	-	-	-	-	774,254	1,376,478
Total liabilities	\$421,078	\$275,076	\$1,144,856	\$1,319,498	\$1,986,106	\$2,545,330
Total stockholders' equity (deficit)	(\$378,722)	\$777,128	\$626,031	\$15,781,672	\$13,876,454	\$11,759,156
Total liabilities & stockholder equity (deficit)	\$42,356	\$1,052,204	\$518,825	\$17,101,170	\$15,862,560	\$14,304,486

Arcimoto Statement of Cash Flows (\$)

	2014	2015	2016	2017	3-Mos Mar-18	6-Mos Jun-18
Net loss	(680,933)	(1,349,292)	(1,919,479)	(3,315,327)	(2,048,072)	(4,217,171)
D&A	27,575	5,756	7,951	20,107	73,524	160,255
Gain / (loss) on asset sale	(400)	(16,000)	-		19,000	24,438
Stock-based compensation		57,177	48,375	203,734	113,596	165,397
Changes in working capital	(7,799)	166	243,948	(252,951)	(945,685)	(2,023,346)
Net cash used in operating activities	(\$661,557)	(\$1,302,193)	(\$1,619,205)	(\$3,344,437)	(\$2,787,637)	(\$5,890,427)
Purchases of CDs				(6,246,850)	(5,000,000)	(5,250,000)
Redemption of CDs					1,500,000	6,250,000
Proceeds from asset sales	400	16,000			250	250
Purchases of property & equipment	(21,091)	(20,491)	-	(1,960,438)	(65,271)	(709,243)
Other	-	-	-	-	-	(38,844)
Net cash used in investing activities	(\$20,691)	(\$4,491)	\$0	(\$8,207,288)	(\$3,565,021)	\$252,163
Proceeds from sale of stock	265,011	2,419,943	467,945	20,372,271		
Proceeds from stock options exercise					29,259	29,259
Payment of offering costs			(10,000)	(1,285,842)		
Proceeds convertible notes related parties	50,000		50,000	175,000		
Proceeds from convertible notes payable			525,000	100,000		
Payment of capital lease obligations					(75,422)	(78,170)
Repayment of notes payable	-	(138,203)	-	(400,000)	-	-
Net cash from financing activities	\$315,011	\$2,281,740	\$1,032,945	\$18,961,429	(\$46,163)	(\$48,911)
Net cash increase (decrease)	(\$367,237)	\$975,056	(\$586,260)	\$7,409,704	(\$6,398,821)	(\$5,687,175)

Source: Company reports

HISTORICAL STOCK PRICE



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