

## Cleantech & Industrial Growth

# Arcimoto, Inc. | FUV - \$2.01 - NASDAQ | Buy

### Company Update

Stock Data			
52-Week Low - High	\$1.55 - \$5.32		
Shares Out. (mil)	14.53		
Mkt. Cap.(mil)	\$29.2		
3-Mo. Avg. Vol.	38,823		
12-Mo.Price Target	\$9.00		
Cash (mil)	\$3.1		
Tot. Debt (mil)	\$0.0		
Tot. Debt (mil): Includes capital lease obligation			
EPS \$			
Yr Dec	—2018E—	—2019E—	—2020E—
		<b>Curr</b>	<b>Curr</b>
<b>1Q</b>	(0.13)A	(0.17)E	-
<b>2Q</b>	(0.14)A	(0.17)E	-
<b>3Q</b>	(0.20)A	(0.17)E	-
<b>4Q</b>	(0.23)E	(0.09)E	-
<b>YEAR</b>	(0.70)E	(0.59)E	0.19E
<b>P/E</b>	NM	NM	10.6x
Revenue (\$ millions)			
Yr Dec	—2018E—	—2019E—	—2020E—
		<b>Curr</b>	<b>Curr</b>
<b>1Q</b>	0.0A	1.8E	-
<b>2Q</b>	0.1A	3.8E	-
<b>3Q</b>	0.0A	6.0E	-
<b>4Q</b>	0.1E	16.5E	-
<b>YEAR</b>	0.1E	28.0E	125.0E

## FUV: Financing Provides Necessary Capital for the Initial Commercial Ramp

Arcimoto announced a \$4.5m financing from the issuance of \$3.0m in senior secured debt, and 0.5m common shares at \$3.00 per share. The sole investor, FOD Capital, also entered into a standard 'FUV Hub' franchise agreement for the South Florida Keys, and was granted 942,857 warrants to purchase common stock for \$3.50 per share (with no cash less exercise). We expect this financing to provide enough capital for Arcimoto to ramp initial commercial production in 1Q19.

- **Positive \$4.5m financing extends the runway through the initial commercial production ramp.** Arcimoto announced a \$4.5m financing from the issuance of \$3.0m 10% senior secured debt, and 0.5m common shares at \$3.00 per share. The sole investor, FOD Capital, also entered into a standard 'FUV Hub' franchise agreement for the South Florida Keys, and was granted 942,857 warrants to purchase common stock for \$3.50 per share (with no cash less exercise). We expect this financing to provide enough capital for Arcimoto to ramp initial commercial production in 1Q19.
- **We are leaving forecasts unchanged at this time.**
- **We maintain our \$9.00 target, using a 1.75x P/Sales on our 2020 revenue estimate of \$125m, also accounting for expected dilution.** We see a 1.75x multiple on 2020 estimates as fair for Arcimoto's growth outlook given a unique product, and substantial reservations backlog, offering an attractive transport option at a low price.

Intraday price \$2.41 as of 11:22 am ET



## VALUATION

**We maintain our \$9.00 target, using a 1.75x P/Sales on our 2020 revenue estimate of \$125m, also accounting for expected dilution.** We see a 1.75x multiple on 2020 estimates as fair for Arcimoto's growth outlook given a unique product, and substantial reservations backlog, offering an attractive transport option at a low price.

Possible impediments to the achievement of our target price could come from weekly production or the rate of deliveries below levels necessary to meet forecasts, and the potential challenges in managing the supply chain during a significant revenue ramp. The company also faces typical competition from OEMs in adjacent markets, where many have significantly greater resources. If Arcimoto's products were found to have a flaw, this could drive a material warranty expense, and negatively impact the brand.

## RISKS

- The most significant risk we see comes from the company's low current revenue, and potential for individual contracts and orders to drive lumpy quarterly results. Arcimoto also has a history of losses that are likely to continue until revenue scales.
- Arcimoto operates in a competitive market, and faces competition from large and small competitors, including multi-national auto companies. Many competitors have greater resources at their disposal, and could make investments that Arcimoto might find difficult to match.
- Arcimoto's business model is capital intensive, and the company's growth plans will be dependent on equity and debt financing. Any delays or challenges obtaining financing could drive operating delays.
- Investors in Arcimoto will face risks related to the company's access to capital, which could introduce volatility to the stock.
- Arcimoto's long-term performance depends on consumer choices supporting expansion of the market for all-electric short-haul vehicles.
- The company's business model is dependent on various third parties to deliver raw materials, parts, components and services. Any delays or price fluctuations on the part of these suppliers could significantly impact Arcimoto's ability to complete orders on a timely basis.
- Arcimoto's distribution model relies on direct sales rather than through traditional dealer franchises, which might affect the magnitude of outreach to customers.
- Macro-economic risks that might impact growth in the automotive sector could in turn impact demand for electric vehicles and Arcimoto's products.
- The company faces long and variable sales cycles, requiring significant financial and human resources before recognizing revenues, elevating risks of variance versus forecasts.
- The company is exposed to technology risks, where possible introduction of new technologies by competitors could adversely impact Arcimoto's competitive position.

## COMPANY DESCRIPTION

Arcimoto, Inc. provides all-electric three-wheeled motorcycle for daily transportation. The company's FUV is a pure electric solution that defines the Fun Utility Vehicle category. Its platform comprises four technologies, such as Arcimoto Battery System, FutureDrive, FUV Generation 8 and Arcimoto Switchboard. The Company's products include Adventurer, Transporter, Deliverator and GoGoMoto. Adventurer is the base model FUV, an open-air vehicle for everyday use in mild and warm climates. Transporter features a hard-panel enclosure and extended range battery pack that expands the utility of the FUV in colder climates, sprawling cities, and rural environments. Deliverator features an expanded cargo storage area that replaces the rear seat section for various delivery applications. GoGoMoto is its last mile autonomous solution. *Source: Thomson Eikon, October 2018*

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**Arcimoto Inc. - Income Statement**

(\$'000s, YE Dec-31)	2016	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18E	2018E	1Q19E	2Q19E	3Q19E	4Q19E	2019E	2020E
Total Revenue	-	41	-	-	86	127	1	85	6	50	142	1,800	3,750	6,000	16,450	28,000	125,000
Operating Expenses:																	
Cost of Sales	-	-	-	-	78	78	-	96	32	50	177	1,764	3,638	5,760	14,641	25,802	103,550
Research and Dev.	975	268	264	288	631	1,451	1,048	364	779	800	2,991	800	800	900	900	3,400	4,000
Sales and Marketing	472	85	150	243	350	828	356	418	386	700	1,859	700	750	800	850	3,100	3,900
G&A	460	187	160	156	561	1,064	642	1,400	2,054	2,200	6,296	2,100	2,100	2,200	2,200	8,600	8,800
Other, (net)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Profit	(1,907)	(499)	(574)	(687)	(1,534)	(3,294)	(2,045)	(2,192)	(3,245)	(3,700)	(11,182)	(3,564)	(3,538)	(3,660)	(2,141)	(12,902)	4,750
Interest, (Net)	(13)	(10)	(11)	(9)	(4)	(34)	(4)	(17)	(37)	(15)	(73)	(15)	(15)	(15)	(15)	(60)	(60)
Other, (net)	0	0	0	1	12	13	0	40	36	-	76	-	-	-	-	-	-
EBT	(1,919)	(510)	(585)	(695)	(1,526)	(3,315)	(2,048)	(2,169)	(3,246)	(3,715)	(11,178)	(3,579)	(3,553)	(3,675)	(2,156)	(12,962)	4,690
Income Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Rate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(1,919)	(510)	(585)	(695)	(1,526)	(3,315)	(2,048)	(2,169)	(3,246)	(3,715)	(11,178)	(3,579)	(3,553)	(3,675)	(2,156)	(12,962)	4,690
<b>EPS - GAAP</b>	<b>(\$0.19)</b>	<b>(\$0.04)</b>	<b>(\$0.05)</b>	<b>(\$0.05)</b>	<b>(\$0.10)</b>	<b>(\$0.24)</b>	<b>(\$0.13)</b>	<b>(\$0.14)</b>	<b>(\$0.20)</b>	<b>(\$0.23)</b>	<b>(\$0.70)</b>	<b>(\$0.17)</b>	<b>(\$0.17)</b>	<b>(\$0.17)</b>	<b>(\$0.09)</b>	<b>(\$0.59)</b>	<b>\$0.19</b>
Basic Shares	10.0	12.4	12.8	13.2	15.9	13.6	5.9	15.9	16.0	16.0	13.4	16.0	16.0	16.1	16.1	16.1	16.2
Diluted Shares	10.0	12.4	12.8	13.2	15.9	13.6	15.9	15.9	16.0	16.2	16.0	21.0	21.0	21.1	24.1	21.8	24.2
<b>As a % of Revenue</b>																	
Revenue	0%	0%	0%	0%	0%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Gross Profit	0%	0%	0%	0%	0%	38%	0%	-12%	-446%	0%	-25%	2%	3%	4%	11%	8%	17%
Research and Dev.	0%	0%	0%	0%	0%	0%	0%	426%	n/a	1600%	2109%	44%	21%	15%	5%	12%	3%
Operating Profit	0%	0%	0%	0%	0%	0%	0%	0%	n/a	n/m	n/m	n/m	-94%	-61%	-13%	-46%	4%

Source: SEC filings and ROTH Capital Partners estimates.

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Rating	Count	Percent	IB Serv./Past 12 Mos. as of 12/28/18	
			Count	Percent
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Neutral [N]	47	13.66	27	57.45
Sell [S]	3	0.87	2	66.67
Under Review [UR]	24	6.98	11	45.83

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