Zacks Small-Cap Research

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Arcimoto, Inc.

Zacks Company Report

Bringing a new product to market is risky, but Arcimoto has displayed a conservative commitment to minimizing its costs during the development process. The company has delivered its latest generation SRK at what management believes is a fraction of the cost most other manufacturers incur to get to a similar stage of development.

OUTLOOK

Arcimoto is a development stage company positioning itself to benefit from pending transitions in mobility with the SRK, an ultra-efficient, economical electric vehicle under development. The SRK weighs roughly 25% what a standard car weighs and has only about 33% of the footprint. Its smaller size and lighter weight means it can help combat urban road congestion, maneuver into parking spaces more easily than most other cars and is more energy efficient. The SRK's 70-130 mile range is more than ample for most drivers' daily needs.

Regulation A Offering Price	$11.00-$13.50
Midpoint	**$12.00**

SUMMARY DATA

52-Week High	**N/A**
52-Week Low	**N/A**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**N/A**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**N/A**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**76.5**
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/M**
P/E using 2017 Estimate	**N/M**
P/E using 2018 Estimate	**N/M**

Risk Level	**High**
Type of Stock	**Growth**
Industry	**Automotive**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2016	N/A	N/A	N/A	N/A	0.0 A
2017	N/A	N/A	N/A	N/A	0.8 E
2018	N/A	N/A	N/A	N/A	29 E
2019	N/A	N/A	N/A	N/A	120 E

Price/Sales Ratio*

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2015					N/M
2016					N/M
2017					2.4x
2018					0.6x

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

Disclosures begin on page 25 *Post-offering

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KEY POINTS

- Arcimoto is a development stage company positioning itself to benefit from pending transitions in mobility with the SRK, an ultra-efficient, economical electric vehicle under development. The SRK weighs roughly 25% what a standard car weighs and has only about 33% of the footprint. With its smaller size and lighter weight, it can help combat urban road congestion, maneuver into parking spaces more easily than most other cars and is more energy efficient.

- Arcimoto has displayed a conservative commitment to minimizing its costs. The company has delivered its latest generation SRK at what management believes is a fraction of the cost most other manufacturers incur to get to a similar stage of development. Since launching in 2007, Arcimoto has taken its SRK through eight stages of development on about $10 million. To help finance the manufacture of the SRK, the company intends to seek a low-cost loan from the Department of Energy.

- The Arcimoto SRK is designed to address the two major problems that limit the commercial appeal of most alternative vehicles: cost and range. The SRK's base model price target is $11,900. Moreover, if regulators qualify the SRK for alternative vehicle tax incentives, it could have a positive impact on sales, we believe. The SRK's 70-130 mile range per charge is more than ample for most daily driving needs.

- There are many examples of three-wheel vehicles and compact two-seat sports cars that have been commercially successful in the U.S. and internationally. They could point to proof of concept for the SRK.

- Management targets the lower-end segment of the automotive market, and believes the SRK could be attractive for first time buyers and as a potential second vehicle for households that already own a luxury car. California and Oregon, two of the three states earmarked for initial market launch (Washington is the other), are among the states with the highest adoption of electric vehicles (EVs).

- In September 2009, the company began accepting advance reservations for the SRK online. Following the introduction of the SRK Generation 8 in late 2015, Arcimoto experienced a more than 6-fold increase in presales and had more than 1,500 advance reservation deposits as of June 2017.

- In our view, the shares represent an option on management's ability to execute its strategy in a cost effective way and capitalize on the expected consumer adoption of three-wheeled green vehicles.

OVERVIEW

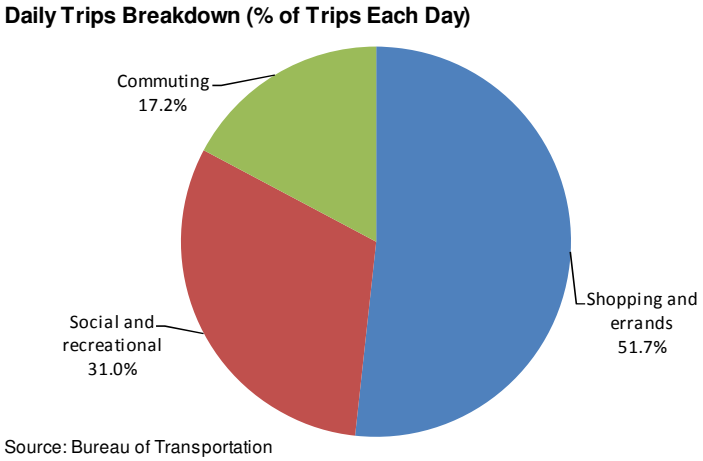
Eugene, Oregon-based Arcimoto is a development stage company that is positioning itself to benefit from pending transitions in mobility as governments mandate lower car emissions, technology companies enter the automotive space and the automobile industry looks to reduce growing roadway congestion. The company is developing an ultra-efficient, economical electric vehicle (EV) that it expects to deliver for commercial shipment in the near future. The Arcimoto SRK, pictured below, is a sporty three-wheeled, two-person vehicle that the company describes as fun to drive.



The Arcimoto SRK

Founded in 2007, Arcimoto's mission is to build products that "catalyze the shift to a sustainable transportation system." The company's first initiative has been to develop an affordable daily utility EV, the SRK. The company stresses the SRK's suitability for daily use such as commuting to work or shopping, for example. The SRK weighs roughly 25% what a standard car weighs and has only about 33% of the footprint. Its smaller size and lighter weight mean it can maneuver into parking spaces more easily than most other cars and is more energy efficient.

The SRK can accelerate to 60 mph (miles per hour) in 7.5 seconds, according to management, and obtain a maximum speed of 80 mph. It can attain a range of 70 miles on one charge or up to 130 miles with the use of an upgraded battery. This range is more than ample for most drivers' daily needs. According to a recent AAA Foundation for Traffic Safety study, people in the U.S. drive an average of 29.2 miles per day. The majority of trips are for shopping and other daily errands.



The SRK has tandem seating for two passengers and also has storage capacity behind the seats. Its target base price is $11,900, which likely makes the SRK among the first plug-in vehicles affordable for mass consumption for daily driving. An enclosure to protect against inclement weather adds an additional roughly $3,000. The SRK can function in most ways that a standard automobile can, although its smaller dimensions and three wheels classify it as a motorcycle (a motor vehicle with three or fewer wheels). However, a bill has been presented to Congress for a new classification for three-wheeled, enclosed-compartment vehicles such as the SRK – autocycle.

Arcimoto is targeting early 2018 to begin limited production, with scale production planned for early 2019. The company has displayed a conservative commitment to minimizing its production and operating costs. Consistent with these efforts, its strategy is to utilize initial assembly-line production in Oregon that will leverage local infrastructure and skilled labor and keep overhead expenses low. There are several motor coach manufacturing facilities in Oregon – including Marathon Coach and Monaco Coach – and many have downsized, leaving skilled labor in search of employment.

Arcimoto is also not building its vehicles as Detroit traditionally does. For example, instead of spot-welded pressed steel unibody construction that is generally used by the automotive industry, the company uses formed plastic panels, tube frames and break-formed sheet metal. Management expects that its overall approach will enable it to scale production at a fraction of the cost that traditional auto manufacturers incur.

Advanced Technology Vehicles Manufacturing Loan Program

To help finance the development and manufacture of the SRK, the company intends to submit an application to the ATVMLP (Advanced Technology Vehicles Manufacturing Loan Program), a unit of the Department of Energy (DOE) 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. Under the current administration, however, it is unclear that the ATVMLP will continue to operate as it historically has.



Arcimoto Time Line	
2007	Arcimoto founded by Mark Frohnmayer
2009	Began accepting pre-reservations online
2011	Introduced SRK prototype
2015	Introduced Generation 8 SRK alpha prototype
2017	Construct a fleet of beta and pilot vehicles
2018	Target limited commercial production
2019	Scale production planned

Source: Company reports

The company has delivered its latest generation SRK at what management believes is a fraction of the cost most other manufacturers incur to get to a similar stage of development. In part, this reflects Arcimoto's previously noted low cost structure. It also reflects lower safety testing expenses. As the SRK is not a traditional car, much of the SRK safety testing can be done through computer simulations. Arcimoto plans to construct a fleet of beta and pilot vehicles in the near-term, some of which will go to paying customers. As noted, Arcimoto targets early 2018 to commence limited production of the SRK.

SRK Target Specifications

Weights & Measures

Length: 109" (91")
Width: 61"
Height from Ground: 61"
Ground Clearance: 5.75"
Wheelbase: 77.5"
Track Width: 56.5"

Performance

Acceleration Target: 0-60 in 7.5 s
Top Speed: 80 mph
Turning Circle: 27 feet
Range (12 kWh pack): 70 miles
Range (20 kWh pack): 130 miles

Power Plant (kW): Dual 25 kW
Power Plant (HP): 67 HP

Features

Battery System: Li-ion
On-Board Charger: 120V & 240V
Passengers: 2
Brakes: Regenerative & Hydraulic
Controls: Standard Motorcycle
Seat Belts: 3+2 Dual Harness
Direction: Forward & Reverse
Visibility: Single wiper and defrost
Heating: Heated seats and grips

Options

Cooling: Full HVAC
Hard Shell: Panel enclosure
Soft Shell: Panel enclosure
Storage: Rear tailbox
Audio: Bluetooth speakers
Additional Charging Capability: Solar panel roof
Battery: 130-mile extended range 20kWh battery pack
Deliverator: Panel enclosure with heated or chilled rear storage
Bolt-On Accessories: Bike or surfboard rack, golf bag or luggage holder
Fit & Finish: Dashboard, upholstery, and color





Source: Company reports

ELECTRONIC VEHICLES: BACKGROUND

Electric vehicles have been around for a very long time, at least in concept. After many years and many setbacks, they are finally becoming a real - albeit small - part of the overall transport sector. Arcimoto is an emerging company seeking to be an early mover in the space.

Regulators and Detroit became interested in developing a commercially viable electric car in the 1970s, in response to skyrocketing oil prices, gasoline shortages and concerns about U.S. dependence on foreign oil. Several automobile producers explored alternative fuel options including EVs, according to the DOE. As early as 1973, General Motors exhibited a prototype for an urban electric car at the Environmental Protection Agency's First Symposium on Low Pollution Power Systems Development. In 1975, the US Postal Service tested electric vehicles produced by the American Motor Company. In 1973, the Arab Oil Embargo occurred and in 1975, Congress passed CAFÉ (Corporate Average Fuel Economy) legislation that was intended to reverse a downward trend in gas mpg, which had fallen to 12.9 miles in 1974. The 1975 legislation mandated that cars reach 18 mpg by 1978, 27.5 by 1985 and 54.4 by 2025.

One year later, Congress passed the Electric and Hybrid Vehicle Research, Development, and Demonstration Act of 1976. This act allowed the DOE to support R&D on electric and hybrid vehicles. Passage of the 1990 Clean Air Act and the 1992 Energy Policy Act sparked renewed interest in EVs. New transportation emissions regulations issued by the California Air Resources Board requiring that 10% of cars sold in the state from 2003 to 2008 be zero-emission vehicles, including EVs or hybrids, had a similar impact.

Automobile manufacturers responded. GM introduced the EV1, which could achieve a range of 80 miles on a single charge and could accelerate from 0 to 50 miles per hour in seven seconds. However, the EV1's high production costs made it unprofitable. GM discontinued the model in 2001 and sued California, arguing that the hybrid provision in the state's clean air regulation violated federal law.

Toyota introduced the Prius in Japan in 1997 and it became the first mass-produced hybrid electric vehicle. Honda launched the Insight hybrid in 1999, and Toyota began commercial sales of the Prius globally in 2001. In 2006, Tesla Motors, then a Silicon Valley startup, announced that it would begin producing a luxury electric sports car that could attain 200 miles on a single charge.

The success of the Prius plus Tesla's announcement prompted many auto producers to renew their EV efforts. The Chevy Volt hybrid and the Nissan LEAF EV were released in the U.S. in 2010. The Fisker Karma began production in 2012, but had a short commercial life. Fisker Automotive's battery supplier, A123 Systems, declared Chapter 11, forcing Fisker itself to terminate production in July 2012.

EVs Have Gained a Toehold

Today there are several EVs or plug-in hybrids available, as illustrated in the table below, ranging from the Smart ED to the BMW i3 luxury SUV. However, at this early point, EVs and hybrids comprise less than 1% of the total number of cars sold in the world. According to *EV Obsession*, domestic EV and hybrid auto sales reached 19,133 units in December 2016 and 144,455 sales for 2016 overall, which represents 30% year-over-year annual growth for 2016. These metrics put EV market share at a record 1.13% for the month among all passenger automobiles and 0.82% for the year.

Electric and Hybrid Automobiles Marketed Today

Car	Category	Price	Car	Category	Price
Audi A3 E-Tron	Plug-in Hybrid	$37,900	Mercedes B-Class Electric Drive	Electric Vehicle	$42,400
BMW i3	Electric Vehicle	$43,300	Mercedes C350 Plug-in Hybrid	Plug-in Hybrid	TBD
BMW i8	Plug-in Hybrid	$137,000	Mercedes S550 Plug-in Hybrid	Plug-in Hybrid	TBD
BMW X5 xdrive40e	Plug-in Hybrid	$64,000	Mitsubishi i-MiEV	Electric Vehicle	$23,800
Cadillac ELR	Plug-in Hybrid	$76,000	Nissan LEAF	Electric Vehicle	$29,000
Chevrolet Bolt	Electric Vehicle	$37,500	Porsche 918 Spyder	Plug-in Hybrid	$845,000
Chevrolet Spark EV	Electric Vehicle	$26,000	Porsche Cayenne S E-Hybrid	Plug-in Hybrid	$78,000
Chevy Volt	Plug-in Hybrid	$34,000	Porsche Panamera S E-Hybrid	Plug-in Hybrid	$93,000
Fiat 500e	Electric Vehicle	$32,600	Smart Electric Drive	Electric Vehicle	$25,000
Ford C-Max Energi	Plug-in Hybrid	$32,600	Tesla Model 3	Electric Vehicle	$35,000
Ford Focus Electric	Electric Vehicle	$29,200	Tesla Model S	Electric Vehicle	$71,000
Ford Fusion Energi	Plug-in Hybrid	$33,900	Tesla Model X	Electric Vehicle	$80,000
Hyundai Sonata Plug-in Hybrid	Plug-in Hybrid	$35,400	Toyota Prius Plug-in Hybrid	Plug-in Hybrid	$30,800
Kia Soul EV	Electric Vehicle	$34,500	Volkswagen E-Golf	Electric Vehicle	$29,800
McLaren P1	Plug-in Hybrid	$1,150,000	Volvo XC90 T8	Plug-in Hybrid	$69,000

Source: PluginCars.com

Estimates about EV adoption vary. For instance, according to Bloomberg, by 2040, long-range electric cars will cost less than $22,000 in current dollar terms and globally 35% of new cars will have a plug. This is in sharp contrast to OPEC forecasts that, "By 2040, only 6% of the passenger car stock and 5.3% of commercial vehicles will be running on non-oil fuels." Nevertheless, most industry experts agree that there are many advantages to EVs. In addition to satisfying consumer environmental interests as electric cars do not emit pollution, EVs hold other advantages compared to gas-powered cars, including eliminating the cost of gasoline and need to refill the gas tank.

Lower Cost SRK Has Many Advantages

The Arcimoto SRK is designed to address the two major problems that limit the commercial appeal of most alternative vehicles: cost and range. The high cost of most EVs is a key factor constraining their commercial appeal. Another is lack of convenience, with the limited distance available per charge until recently. In fact, according to MIT Technology Review, "For all their attributes, electric cars still are haunted by two damning factors: high costs and less-than-optimal batteries." Despite initiatives aimed at making EVs a mainstream automotive choice, consumer adoption of electric vehicles has been slower than initially expected. In 2008, President Obama set a target of achieving one million plug-in electric vehicles sold by 2015, but sales fell short. Moreover, domestic 2015 sales fell 6% year-over-year to about 115,000 vehicles. This was "largely due to the known timing of upgraded 2016 models coming late last year," according to Green Car Reports. Low fuel pump prices also adversely impacted EV/PHEV purchases among U.S. consumers, according to international analytics company HIS Markit.

EVs are not affordable for mass market adoption. The sticker price of most EVs is significantly higher than that of most traditional cars. As illustrated in the table above, with the exception of a handful of cars priced in the mid $20 thousand range, most EVs are more expensive. The Tesla Model S, the best-selling EV to-date, is a luxury vehicle targeted at the high-end consumer market. Moreover, even though manufacturers including Tesla, GM, Chevy and Nissan plan to introduce long-range EVs that are more affordable over the next few years, the price points under consideration are still significantly higher than that of the Arcimoto SRK.

For example, the recently introduced Chevy Bolt, which represents an industry shift within the EV niche, is priced at $34,000 compared to $11,900 for the SKR. The SRK's $11,900 base model price target represents a little over a third the price of the Bolt. Arcimoto management therefore believes it potentially can lower the up-front price barrier for EV adoption for many consumers.

SRK is Competitive on Range Capability

The SRK range per charge is ample for local driving. Its 70 to 130 miles per charge range depending on battery meets most drivers' daily needs. As noted earlier, people in the U.S. drive an average of 29.2 miles per day, according to the aforementioned AAA study. The SRK is also convenient to charge. It can use a standard outlet. It supports Level 1 charging, which is at a rate of about 9.8 miles per hour of charge. Level 1 can be done from a standard 120-volt power outlet. The SRK also supports 240-volt Level 2 charging, which is at a rate of 17.5 miles of range per hour of charge. Level 2 can be accomplished both at home and at public charging stations.

In addition, for SRK owners who do not have a garage, Arcimoto contemplates the production of a briefcase battery that could be removed from the SRK and charged within the home. Arcimoto has developed a new patented packaging architecture for lithium-ion battery cells to reduce the cost of EV batteries, as well as a patented dual-motor gearbox that forms the basis of Arcimoto's propulsion system. The SRK does not support DC Fast Charging, which charges at the rate of up to 90 miles in 30 minutes or 160 miles in an hour, but the SRK is designed primarily for local use. Management believes another advantage of the SRK is that it has fewer moving parts, which is expected to result in lower maintenance cost and time.

The SRK is designed primarily for local trips, as noted. For long distance travel, EVs in general do not provide the same convenience of traditional vehicles yet. This is because the nation's EV recharging infrastructure lags that of gasoline refueling. This is changing, however, through public and private investments. The DOE has invested more than $115 million to help build charging infrastructure, installing more than 18,000 chargers nationwide. Automakers and other private businesses have also installed chargers. Right now, the largest network of EV recharging stations is ChargePoint. ChargePoint, BMW, and VW recently announced the completion of EV fast-charging station corridors on both US coasts. The West Coast corridor extends from Portland to San Diego. The East Coast corridor goes from Boston to Washington, D.C. ChargePoint continues to add new stations.

The network of public EV chargers now reaches more than 8,000 different locations with more than 20,000 charging outlets and it continues to expand. Nevertheless, by comparison, there were 114,533 gas stations in the U.S. at the end of 2012, the last year for which data is available, according to the U.S. Census Bureau. We expect that gap to continue to narrow as more charging stations are built.

TAX INCENTIVES

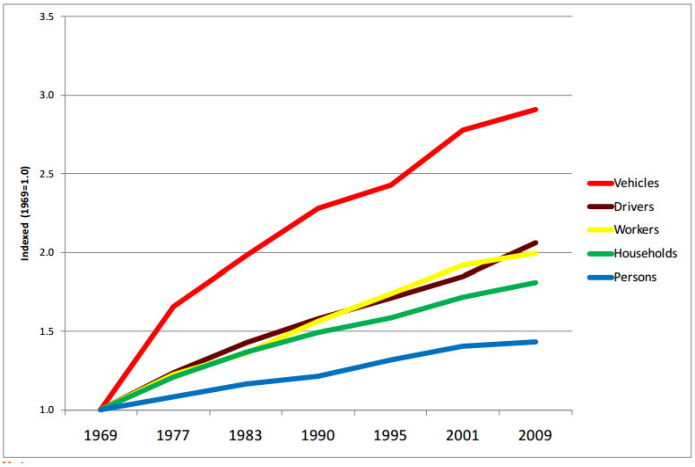
The U.S. government currently provides a $7,500 federal subsidy towards the purchase of an EV. Once each individual EV manufacturer reaches cumulative unit sales of 200,000, the incentive begins to decline for EVs produced by that manufacturer. It falls to $3,750 for two quarters, followed by two subsequent quarters at $1,875 and then the subsidy is eliminated. The SRK is currently one of the only EVs that does not qualify for a federal tax credit. Management has submitted a request to regulators to be included in the EV incentive program.

If regulators qualify the SRK for the tax incentive, it could have a positive impact on sales, we believe. For example, EV traction varies widely by state depending on incentives at the state level. Specifically, Georgia offered a Zero Emission Vehicle Tax Credit until June of 2015. Just two months after this credit was repealed, Nissan sold only 66 LEAFs in Georgia in August of 2015, a steep decline from 1,008 sold two months earlier while buyers scrambled to qualify for the tax credit.

THE THREE-WHEEL AND SPORTS CAR - AUTOCYCLE MARKET

The SRK can function in most ways a standard automobile can, but its smaller dimensions and three wheels versus four classify it as a motorcycle, as noted. Nevertheless, with the SRK, drivers who have purchased the enclosure get more wind and weather protection, while its compact construction enables the use of small engines that can obtain fuel efficiency that is similar to a motorcycle. The SRK's smaller dimensions compared to standard automobiles also means that it can help combat urban congestion, which is a growing problem for many U.S. cities. According to the U.S. Department of Transportation, the increase in workers and drivers has outpaced the increase in households and persons dramatically over the past four decades. In turn, this has contributed to rising highway and road congestion.

Growth of Cars has Outpaced Population / Household Expansion



Source: 2009 National Household Travel Survey

The National Highway Traffic Safety Administration (NHTSA) defines a motorcycle as "a motor vehicle with motive power having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground." Motorcycle manufacturers must comply with a certain set of NHTSA regulatory requirements. In addition, because the SRK is considered a motorcycle, in many states drivers must wear a helmet and obtain a motorcycle endorsement, which might dissuade some potential owners from acquiring an SRK. However, Oregon, one of the states which Arcimoto targets for initial launch, does not require the use of helmets or endorsements for three wheeled motorcycles with roll cages such as the SRK.

Manufacturers of three-wheeled vehicles are seeking a new classification: autocycle. This classification would apply to three-wheeled, enclosed-compartment vehicles. A bill to define and license three-wheeled autocycles has been presented to regulators. It would change the classification and eliminate the requirements that drivers wear helmets and have motorcycle endorsements on their licenses. It would also eliminate the variances in how these vehicles are classified and regulated from one state to another.

Management believes a standard nationwide classification and regulation would make it easier to market the SRK on a national basis, as it would set a single standard for all three-wheeled road vehicles, thereby eliminating the different and sometimes conflicting laws regarding motorcycles that currently prevail from one state to another.

PRIOR THREE-WHEEL VEHICLES HAVE BEEN SUCCESSFUL

There are several examples of three-wheel vehicles, as well as of compact two-seat sports cars, that have been commercially successful in the U.S. and internationally. In the 1950s and 1960s, there were several European manufacturers producing microcars and many were three-wheeled. Arcimoto has adapted the three-wheeler concept for an electrically powered vehicle. The success of several three-wheel auto brands provides proof of concept for the SRK, management believes. Prior three-wheeled vehicles that have had strong consumer adoption include the Isetta and the Messerschmitt KR200, among others.

The Isetta
The Italian Isetta was a three-wheel vehicle that was designed in 1952 by an Italian manufacturer named Iso. In April 1955, BMW began mass production of the Isetta under a license agreement with the original manufacturer. The Isetta eventually added a fourth wheel, although production was discontinued in 1961.

Messerschmitt KR200
The German-designed Messerschmitt KR200 was a light-weight, three-wheel fully enclosed, tandem passenger vehicle propelled by a single rear-wheel drive. Between 1955 and 1960, approximately 40,000 KR200s were manufactured and sold. Production was discontinued in 1964.

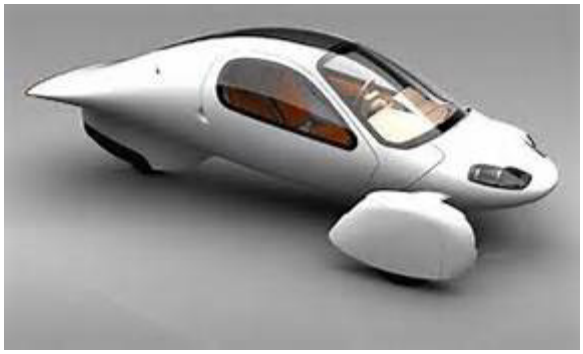
The Slingshot
The Polaris Slingshot is a three-wheeled, side-by-side two-seat vehicle that is in current production and which is also classified as a motorcycle. It is manufactured by Minnesota-based Polaris Industries. The Slingshot driver steers with the use of a wheel. There are four models with price points that range from $21,499 to $26,999.

Campagna T-Rex
Founded in 1988, Canada's Campagna Motors produced its first three-wheel side-by-side vehicle in 1995. The company manufactures two models: The Campagna T-Rex and the Campagna V13R.

Morgan 3 Wheeler
The Morgan Motor Company was established in 1909 with the design of the Morgan three-wheeler. A four-wheeled model began production in 1936. Morgan currently produces more than 1,300 cars annually. The company relaunched the Morgan 3 Wheeler in 2011.

CASE STUDY: APTERA

Above we have noted several three-wheeled vehicles that have enjoyed success. However, since not all companies developing fuel efficient vehicles have been successful, we note Aptera Motors as a case study. Aptera was a U.S. company that was founded in 2006 to develop a three-wheeled two-seater called the Aptera, pictured below. The Aptera targeted ultrahigh fuel efficiency. The three-wheeled, all-electric Aptera 2e was being designed to deliver the equivalent of up to 250 mpg.



Two years into the development process, the DOE rejected Aptera's application for an ATVM loan because three-wheeled vehicles did not qualify at that time. Aptera converted the three-wheel concept to a more traditional four-wheel car, which likely escalated the budget and extended the timeline. The company ultimately could not fund continued development of the Aptera and discontinued operations. According to trade publications, the founders cited protracted negotiations with the DOE over the ATVM loan program as a major factor that caused the company to deplete its cash position. Aptera Motors closed operations in 2011.

- Arcimoto has a conservative cost-minimization strategy
- Three-wheeled vehicles now qualify for ATVM loans

ARCIMOTO GO-TO-MARKET STRATEGY

- Target lower-end consumers, not the luxury car segment
  - Attractive for first time buyers
  - SRK potential second vehicle for households that already own a luxury car

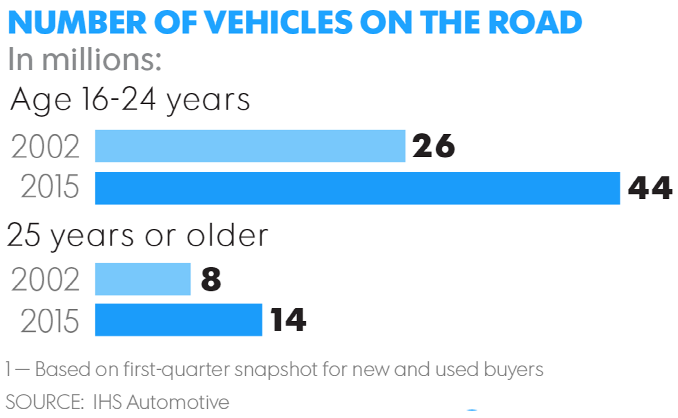
- Initial launch markets: California, Washington state and Oregon
  - States are closest to Arcimoto headquarters – minimize costs
  - Leverage local labor pool
  - California and Oregon among states with highest EV adoption

- Direct sales model blending Tesla and Dell strategies

SRK - Attractive as Affordable Second Vehicle

Rather than targeting the higher-end, more competitive luxury vehicle segment, Arcimoto is focused on the low-end segment and expects to be a market disruptor with the SRK, which management notes, "delivers … unmatched maneuverability, full comfort for two passengers with gear, optimal urban parkability, and ultra-efficient operation." By comparison, Tesla is a leader in the high-end luxury segment of the EV market and its Model S outsells competitors. According to Hybridcars, "With its 50,366 sales for the calendar year [2015], the luxury performance S model was the number-one best-selling PEV eclipsing the second-place Nissan Leaf which accounted for about 43,000 global sales. The Model S is also the cumulative second-best seller with 107,148 sales since its mid-2012 launch - behind the Nissan Leaf which had a 1.5 year head start from Dec. 2010 and ahead of GM's Volt/Ampera also released Dec. 2010 and now credited with 106,000 sales."

The Tesla Model S has a sticker price starting at $68,000 and Arcimoto management believes that many Tesla owners might be interested in an SRK as a second vehicle. Reflecting its affordable price and high mpg, management believes the SRK could be an attractive second or even third vehicle for many households. According to the 2009 National Household Travel Survey, more than 77.6 million households had one or two vehicles, accounting for 68.6% of all US households.



In addition, the SRK might also be a good replacement car for households that have an older, less efficient vehicle. Roughly 100 million vehicles in domestic use currently are six years old or older. In fact, according to IHS Markit, the average automobile in domestic use was a record-high 11.5 years old as of 2015. There are roughly 14 million cars in use that are at least 25 years old, up from about 8 million in 2002, and roughly 44 million that are 16 to 24 years old, up from 26 million in 2002, according to IHS.

Attractive for Daily Commuter Use

While the number of cars in use has been rising, vehicle occupancy rates have been declining. According to the 2009 National Household Travel Survey conducted by the Department of Transportation, the average vehicle occupancy across all types of trips was 1.67, down from 1.90 in 1977. The average vehicle occupancy to commute to work was lowest at 1.13. This statistic is supported by a 2013 American Community Survey that found that 76.4% of Americans drive to work alone. The two-passenger SRK is therefore suitable for most daily vehicle usage. According to ABC News, Americans drive 16 miles to work each way, on average, which is within the range of the SRK.

Average Vehicle Occupancy for Selected Trip Purpose (Person Miles per Vehicle Mile

Trip Purpose	1977	1983	1990	1995	2001	2009
To or From Work	1.30	1.29	1.14	1.14	1.14	1.13
Shopping	2.10	1.79	1.71	1.74	1.79	1.78
Other Family/Personal Errands	2.00	1.81	1.84	1.78	1.83	1.84
Social and Recreational	2.40	2.12	2.08	2.04	2.03	2.20
All Purposes	1.90	1.75	1.64	1.59	1.63	1.67

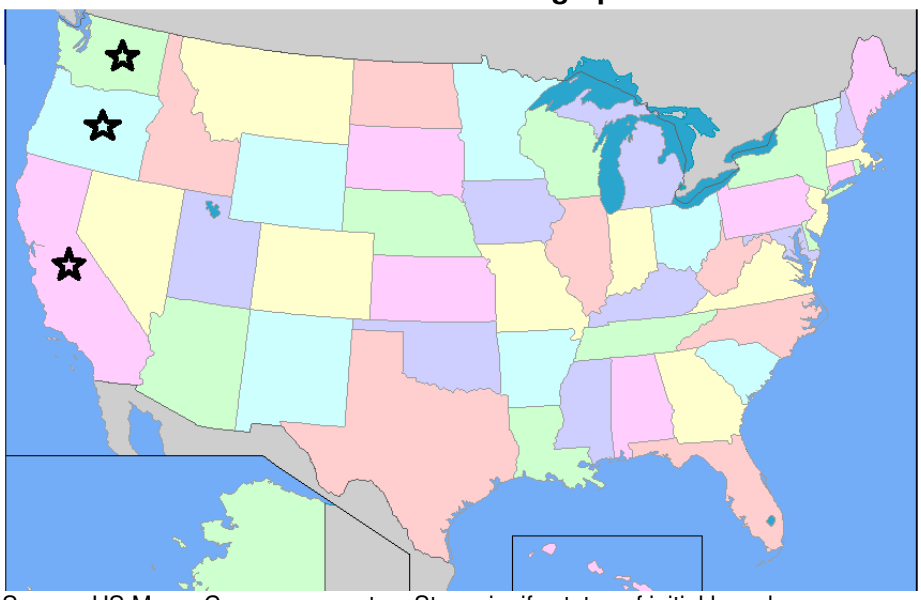
Source: NHTS

Initial Launch: States Closest to Headquarters

EV traction varies by state, with penetration generally highest in states that offer economic incentives. For example, the Clean Vehicle Rebate Project in California has encouraged EV sales, according to IHS Automotive. Arcimoto intends to deliver the first production SRKs to customers in the three west coast states of Washington, Oregon and California highlighted in the figure below. As these states are closest to Arcimoto's Oregon headquarters, the tristate launch is consistent with Arcimoto's cost conscious

strategy. Moreover, these states are also early adopters of efficient transportation solutions, according to the company, with Oregon and California currently leading in EV adoption. An October 2012 Pike Research study indicates that PEV penetration is likely to be highest in New York City, Los Angeles, San Francisco, Seattle, and Portland. With the exception of New York City, these cities are within Arcimoto's initial target market.

Arcimoto Planned Initial Geographic Launch



Source: US Maps, Company reports Stars signify states of initial launch

Moreover, the company considers these three states to be what it terms "tastemaker" zones that could boost consumer awareness of the SRK through positive word-of-mouth based on actual driving. The target tristate zone includes the film and television industry, Silicon Valley, and the Pacific Northwest's Center for Sustainability Leadership.

Currently, California has stricter emission rules than many other states. Therefore, it is not surprising that California is the country's largest EV market, according to trade publications, with nearly 50% of the nation's electric and plug-in hybrid vehicles. Oregon is also currently ahead of most other states in EV adoption. Ten states, including California, require that 15% of automobile sales be zero-emission vehicles by 2025. Targeting these three west coast states initially will also enable Arcimoto to maximize its distribution efficiency and minimize costs of early product service. Moreover, in California and Oregon, drivers will not be required to wear a helmet or obtain a motorcycle license.

Arcimoto has exhibited prototypes of the SRK or hosted test drive events in all three target states, as well as in Maryland, New York, Michigan, and Nevada and at the annual Consumer Electronic Show. Arcimoto's next steps in the following 12-18 months are:

Arcimoto's Manufacturing Strategy
➢ Complete design and testing of the SRK to ready it for serial production
➢ Build the Phase 1 production facility to begin manufacture
➢ Design the Phase 2 production facility to enable scale production

Source: Company reports

The company intends to go to market with retail vehicles in early 2018 and plans a sales approach that is similar to Tesla's direct sales model, combining in-market retail presence with online. Tesla has cited this as a key factor behind its success. Once the SRK becomes commercially available, customers can place an order on the Arcimoto website and the vehicle will be produced to-order and shipped directly to the customer. This approach will eliminate the need for revenue sharing with a dealer.

FUTURE INITIATIVES

Global Expansion Envisioned

The company is focused on getting the SRK market ready and launching it commercially in its initial three-state target market. Down the road, Arcimoto's ambitions include national and potentially international expansion for the SRK, possibly incorporating some licensing agreements to facilitate its entrance in certain markets. Over the next four years, the company intends to ramp up production to 100,000 vehicle units per year to be sold globally.

We believe the global opportunity could be substantial. McKinsey notes: "Carbon dioxide regulation is likely to continue to tighten, and not just in Europe. China, the US, and Japan have also enacted laws to reduce emissions. One immediate result will be higher costs. Because the easy things have already been done, the price of cutting future emissions is rising. In Europe, the 2020 target might be reached with the help of advanced conventional technologies, but to meet the overall fleet targets, more electrification could be necessary (especially for premium players). This will push OEMs to invest more in e-mobility, meaning electrical/hybrid powertrains, including batteries, as well as in lightweight and aerodynamic drag-reducing technologies."

Global EV sales grew by about 60% in 2015 off a very low base, according to Bloomberg. Government incentives have helped drive customer adoption in several markets, according to IHS Automotive. For instance, Norway has led the global electric vehicle/plug-in hybrid vehicle (EV/PHEV) market. In 1Q15, Norway ranked first on the IHS Automotive PHEV Index, with over 8,000 units. That represented a 40.5% year-over-year increase. There are no import taxes on EVs, which is one incentive. The Volkswagen e-Golf was the top-selling model in that market in 1Q15. Behind Norway was the Netherlands. 5,700 EVs were registered, which equated to 5.2% of the market.

IHS Automotive Plug-in Vehicle Index

Country	New EV/PHEVs Registered Q1 2015	Share of Total Registrations	New EV/PHEVs Registered Q1 2014	Share of Total Registrations	YoY % Change
Norway	8,112	22.9%	5,775	15.8%	40.5%
Netherlands	5,760	5.2%	3,306	3.1%	74.2%
United Kingdom	8,684	1.2%	1,764	0.3%	392.3%
USA	14,832	0.8%	14,799	0.8%	0.2%
France	3,626	0.8%	1,801	0.4%	101.3%
Germany	4,520	0.6%	2,286	0.3%	97.7%
Japan	7,750	0.6%	9,626	0.6%	-19.5%
China	12,555	0.3%	1,486	<0.1%	744.9%

Source: IHS Automotive

Moreover, vehicle occupancy rates in many other countries are similar to those in the U.S. In the U.K., for example, average vehicle occupancy across all types of trips was 1.6 in 2015, which is in-line with 1.67 reported in the U.S. We believe this implies that the SRK could be suitable for daily use abroad, as well as domestically.

Car / van occupancy by trip purpose: England, 2015

Purpose	Average car/van occupancy	Single occupancy rate *(percentage)*	Unweighted sample size (all car/van driver stages '000s)
Commuting	1.2	*87*	25
Business	1.2	*88*	7
Education	2.0	*37*	7
Shopping	1.7	*50*	25
Personal business	1.4	*69*	11
Leisure	1.7	*53*	22
Holiday / day trip	2.0	*43*	5
Other including just walk	2.0	*36*	7
All purposes	1.6	*62*	108

Source: National Travel Survey

Self-Driving Vehicles and Commercial Ridesharing Services

Arcimoto also intends to develop SRK models that incorporate self-driving technology. Auto accidents are occurring with greater frequency and leading to more fatalities, with driver distraction from cell phone usage a likely cause. The National Safety Council estimates that 38,300 people were killed on U.S. roads in 2015 and 4.4 million were seriously injured, representing the most lethal auto accidents since 2008. 2015 recorded an 8% annual increase in deaths from automobile accidents, the biggest annual increase in 50 years. In large part, this is being attributed to driver distractions - for instance drivers speaking on their cell phone or texting while driving. According to Google, 94% of domestic accidents involve human error.

The government, automobile manufacturers and tech companies are looking to auto-driving technology as a solution to help reduce collisions and accident related injuries. The National Economic Council has said that with self-driving technology, "in the future, you can take your hands off the wheel, and your commute becomes restful or productive."

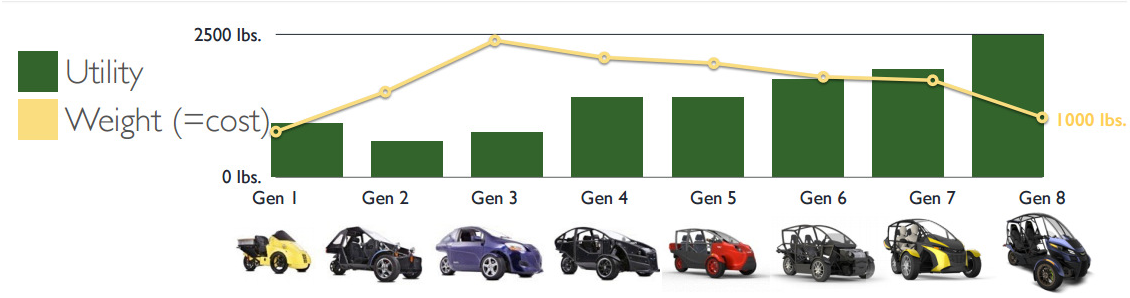
The Obama administration first issued definitions for driverless car safety technology in 2013. While he was in office, President Obama wrote in an editorial about self-driving cars, "In the seven-and-a-half years of my presidency, self-driving cars have gone from sci-fi fantasy to an emerging reality with the potential to transform the way we live." President Obama proposed roughly $4 billion in federal funding for R&D on this technology over 10 years, indicating that driverless cars could save tens of thousands of lives annually.

Technology companies such as Alphabet and Apple, and automobile manufacturers including Ford, Volvo, Tesla and BMW, among others, are investing in autonomous driving technology. Ford has been developing and testing the technology for more than a decade and targets fully autonomous cars for ride sharing services by 2021. In April 2016, Ford, Google, Uber, Lyft, and Volvo formed the Self-Driving Coalition for Safer Streets, a lobbying group to advocate for autonomous driving.

Several states have passed legislation regarding autonomous driving and the Department of Transportation has issued guidelines outlining safety expectations for driverless vehicles and encouraging uniform rules across states. The guidelines cover a 15-point safety standard for the design and development of autonomous vehicles, including how driverless cars should react in the event of a technology failure, measures to safeguard passenger privacy, measures to protect passengers in the event of a crash and how cars can communicate with passengers and other road users.

Many ridesharing services also intend to incorporate self-driving technology. Management believes the low-cost SRK could have strong appeal for these services, as the preponderance of rides are local trips. Arcimoto intends to participate in the Uber Electric pilot initiative in Portland, Oregon beginning this summer.

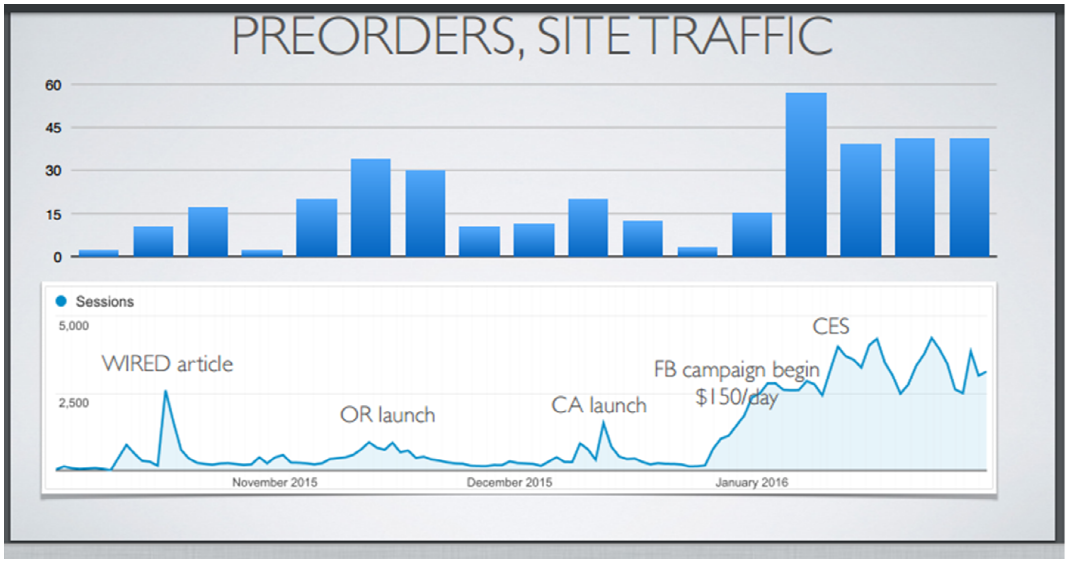
GROWING CONSUMER AWARENESS



Ultra Affordable	x	x						x
Reasonable Footprint	x							x
Ultra Fun				x	x	x	x	x
Freeway Capable			x	x	x	x	x	x
Rockstar Parking	x							x
No Range Anxiety						x	x	x
Low Maintenance / Fuel Cost	x	x	x	x	x	x	x	x
Front Wheel Drive				x	x	x	x	x
Dual Motor + Regen							x	x
Two occupant comfort				x	x	x	x	x
Easy Egress	x							x
Enclosure		x	x	x	x	x	x	x
Rollover Protection +			x	x	x	x	x	x
Sex Appeal				x		x	x	x
Delivery Capable Platform					x	x	x	x
Capital Efficient	x	x	x	x	x	x	x	x

Since it first launched in 2007, Arcimoto has taken its SRK through eight stages of development, improving the product with each sequential generation. In 2015, the company introduced the SRK Genearation-8. With the Genearation-8, Arcimoto was able to reduce the tooling cost and introduce features that are designed to make the vehicle attractive to a broader range of consumers.

The company has maintained a commitment to low costs and since 2007 has spent minimally on marketing, maximizing its use of social media. Nevertheless, Arcimoto has shown the SRK prototypes publicly as part of its preorder sales campaign at the Consumer Electronics Show, the NY Auto Show, and at test drive events in Oregon, Washington, California, Washington, DC, Maryland, New York, Michigan, and Nevada. The SRK has more than 2,000 miles driven on alpha prototypes. Following the introduction of its Generation 8 prototype, the company experienced a significant uptick in interest, as illustrated in the chart below.



Source: Company reports

Target Customer Demographic

With its sleek design, management expects the SRK to appeal to people aged 30-49 who reside in cities with temperate climates and generally commute to work alone, want a vehicle that is green, but also looks *sexy*. Census data indicates that there are 45.1 million workers aged 30-49 earning $50,000 per annum or more. Of these, more than 50% reside in the top 49 metropolitan regions and 77% commute to work by themselves. Thus, the company estimates that there are more than 20 million people in the country within its core target demographic group.

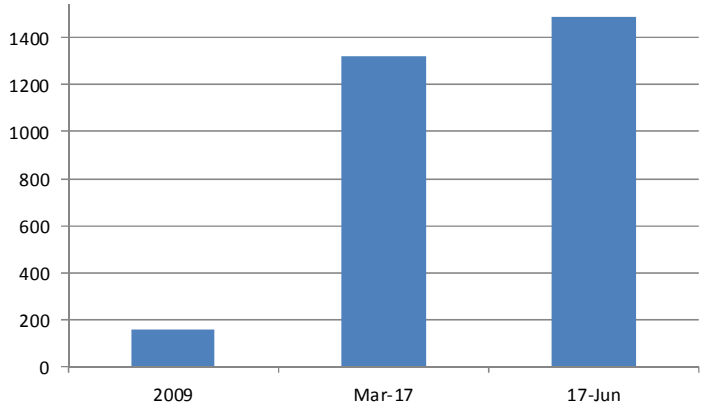
Outside of the core demo, Arcimoto expects interest from people age 25-60 who are car enthusiasts, retirees who would like a motorcycle experience but seek something safer and couples or families who need a second car. The company also intends to market the SRK for fleets and employee purchase plans for both private and public fleet markets.

As noted, consumer interest in the SRK has grown, particularly since Arcimoto introduced its latest model, the SRK Generation-8. The company has more than 10,750 newsletter subscribers. As of June 2017, it had over 1,500 total reservations from people who had placed $100 deposits. Management believes the latter group represents strong leads to convert to actual SRK sales. Moreover, its pre-sale initiatives have helped reduce the direct advertising cost of preorder acquisition to below $50, according to the company.

PREORDERS

In September 2009, the company started taking online advanced reservations for the SRK. Through October of 2015, 161 potential customers made deposits to purchase an SKR when it becomes commercially available. Since the launch of the SRK Generation-8 in late 2015, the company experienced a greater-than 6-fold increase in the number of online advance reservations, acquiring more than 1,300 additional deposits. As of June 2017, Arcimoto had more than 1,500 advance reservation deposits from third parties.

SRK Preorders



Source: Company reports

COMPETITION AND COMPETITIVE ADVANTAGES

Arcimoto management believes that the Arcimoto SRK has a competitive advantage compared to other three-wheeled vehicles in terms of efficiency, urban maneuverability and parking (9'1"length versus 13'4"), and on acceleration, as well as cost. The company has two utility patents issued. One patent covers novel aspects of the vehicle architecture of the SRK through generation 7. The other covers Arcimoto's novel dual-motor gearbox design. The company also has six utility patents in process. In addition, management believes that the SRK has a competitive advantage compared to other vehicles in the microcar category, as illustrated in the chart below.

SRK Compared to Other Micro Vehicles



		SRK	Motorcycle	Elio	iRoad	Twizy	Lit
Fun	Electric Drive/Instant Torque	X					X
	Unique Form Factor	X		X	X		
Utility	Freeway Capable Speeds	X	X	X			X
	Comfortable Seating for Two	X					
	Rockstar Parking	X	X		X	X	X
	Enclosure Options	X		X	X	X	X
	Delivery Capable	X					
	Safety Features	X		X	X	X	X
Efficiency	Disruptive Price Point	X		X	X	X	
	Electric/Low Maintenance	X			X	X	X
	>200 MPGe	X					

Source: Company reports

Elio
Perhaps the most direct competitor for Arcimoto, Elio Motors is another development stage company that is also developing a three-wheeled, two-person vehicle. Elio was incorporated in October 2009.

Renault Twizy
The Renault Twizy is a four-wheel vehicle, its compact size and electric charging make it somewhat of a competitor to the Arcimoto SRK. Management notes, however, that the Twizy is limited to 25 mph in the US.

LIT
Designed by LIT Motors, the LIT is a two-wheeled stable car that is electronically charged. Lit Motors was founded in 2010 and at this point, the car is still in concept and no set date has been given for its commercial launch.

Toyota iRoad
The Toyota iRoad is a compact three-wheeled electric-powered vehicle that Toyota describes as a personal mobility vehicle.

ZAP Alias
The Alias Roadster is a plug-in electric three-wheeled sports car that is being produced by Santa Rosa, California-based EV maker ZAP (Zero Air Pollution) and UK-based Lotus Engineering. ZAP Power Systems was formed in 1992 with the goal of designing, building and selling innovative electric vehicles. The ZAP Alias Roadster was originally scheduled to go into production in 2009.

MANAGEMENT AND DIRECTORS

Mark Frohnmayer, Chairman, President and Founder
Mark Frohnmayer founded Arcimoto in 2007. Prior to that, he was the President and Founder of GarageGames, Inc., a software development company that he sold to IAC in 2007. He is a former member of the Oregon Transportation Commission and currently is a member of the Oregon Governor's Transportation Vision Council. He has a degree in Electrical Engineering and Computer Science from UC Berkeley and 20 years of experience in product design and technology development.

Douglas Campoli, Chief Financial Officer
Douglas Campoli has served as Arcimoto's CFO since June of 2015. Prior to joining the company, he founded a consulting firm, Strategic Financial Consulting, where he provided financial consulting services to startup and existing businesses from February of 2013 until June of 2015. From September 2012 to September 2013, he was the CFO of ManaFuel and of GarageGames.com from May 2007 until February of 2011. Prior to that, he was CFO of SeQuential Biofuels from 2004 to May 2007 and earlier held various financial positions at Genuity, GTE, and AT&T.

Terry Becker, Director
Terry Becker is Director of Engineering and Global Product Support with the Peterson Pacific Corporation. He was formerly an engineering manager/Deputy Ops Director at JBT AeroTech from 2008 to 2012 and has 27 years of experience in manufacturing and engineering.

Thomas Thurston, Director
Thomas Thurston is a Managing Director at W.R. Hambrecht Ventures. He was founder and principal of Growth Sciences, Inc.

Jeff Curl, Director
Jeff Curl is an Oregon entrepreneur and early investor in Arcimoto.

INSIDE OWNERSHIP

Not surprisingly, Arcimoto insiders held 76.5% of the pre-offering common shares, which likely aligns their interests with those of other shareholders, we believe. The company's largest shareholder is its founder Mark Frohnmayer, who holds 71% of the common shares. Separately, Hambrecht Ventures holds 37.9% of the preferred shares.

Insider Holdings (%)

		Shares	(%)
Common shares	Founder	3,491,941	71.0%
	All executive officers & directors	3,747,487	76.5%
Preferred shares			
	All executive officers & directors	48,591	3.4%

Source: Company reports

FINANCIAL OVERVIEW

As a development stage company, Arcimoto has generated no revenues from product sales, although the company has recognized grant money from a grant of $126,875 awarded from the Oregon Best Commercialization Program in January 2014. With minimal revenue to-date, Arcimoto generated a net loss of ($1.3) million in 2015 and ($1.9) million in 2016. With growing scale once production and sales commence, Arcimoto expects to minimize its operating losses and move towards profitability.

Until now, the company's funding has come primarily through the private placement of equity securities and loans and grants. Management estimates that it has spent a cumulative roughly $10 million since the company was founded in 2007 to take the SRK from concept to the current Generation 8 prototype. The company's current monthly cash burn rate is $192,000, although management expects this to increase as Arcimoto moves into actual SRK production. The Company hopes to supplement Regulation A and Series B offerings with a loan from the ATVM loan program.

Regulation A Offering

Arcimoto has pursued an equity offering under Regulation A of the 1933 Securities Act, which is designed to reduce the complexity and difficulty of registration requirements for small public offerings. Issuers can raise up to $50 million over a 12-month period in Regulation A offerings. $12.00 represents the rounded midpoint of the proposed $11 to $13.50 offering price. Arcimoto intends to offer a minimum of 83,333 shares at $12.00 per share, up to a maximum of 833,333 at $12.00 per share. That translates into a minimum of roughly $1.0 million capital raised to a maximum of roughly $10.0 million prior to underwriter fees. The company plans to use the proceeds to repay debt and fund its operations though initiatives discussed in this report. If Arcimoto raises less money than it expects, the company can reduce variable costs to some extent.

VALUATION

In our view, Arcimoto shares represent an option on management's ability to execute its strategy in a cost effective way and capitalize on the expected consumer adoption of three-wheeled green vehicles. The $12.00/share offering price would put the shares at 2.4x and 0.6x our respective 2018 and 2019 revenue projections, which is in-line to slightly above peers. We use the post-offering basic market cap of roughly $69.7 million (5.8 million shares x $12.00/share), which is consistent with peers in the table below. The $12.00/share offering price implies an estimated post-offering market cap of roughly $97.9 million on a fully diluted basis, if the maximum number of shares are issued.

We believe that it is difficult to compare Arcimoto to traditional automobile or motorcycle manufacturers, particularly at this early stage of the company's development. Many other players with longer histories would not be direct benchmarks for a start-up such as Arcimoto, which we would expect to have a higher growth rate in the early years if the SRK launch is successful.

Moreover, there are only a few ways for investors to gain exposure to the green automotive space and we believe Arcimoto represents one of the few pure plays. We believe the risk / reward ratio could be attractive for investors who want exposure to the sector and have a higher than average risk tolerance and longer time horizon. Interest from larger companies also underscores the market potential, in our view. For example, as noted, BMW acquired a license to produce the Isetta and Polaris Industries has the Slingshot. If Arcimoto can achieve $120 million in revenue by 2019 as we forecast, we would anticipate share price appreciation. In the next 18 months, if Arcimoto shares achieve a 0.9x-1.0x multiple on prospective 2019 revenue (below Polaris' multiple on one-year out revenue), it implies a share price of $18.00 to $20.00 at that time. Even on a fully diluted basis, an $18 share price in 18 months would imply a multiple of 1.2x prospective revenue, all else remaining equal.

Arcimoto Peer Analysis

		6/23/2017	Revenue ($M)			EPS		
Company	Ticker	Price	2016A	2017E	2018E	2016A	2017E	2018E
BMW	BMWYY	31.22	na	na	na	4.16	na	na
Elio	ELIO	6.10	-	1	na	(1.80)	(1.41)	na
Ford	F	11.13	141,550	143,020	143,030	1.76	1.54	1.60
General Motors	GM	34.19	166,380	160,080	149,960	6.12	6.05	6.01
Harley-Davidson	HOG	56.23	5,270	5,240	5,400	3.83	3.75	4.15
Polaris Industries	PII	88.88	4,520	5,090	5,270	3.48	4.42	5.18
Tesla	TSLA	382.61	7,000	11,500	19,030	(2.87)	(5.80)	(0.91)
Arcimoto			-	0.8	28.9	($0.39)	($0.59)	($0.89)

	52-Week		Mkt	Price / Revenue			P/E		
	High	Low	Cap ($M)						
BMW	32.93	23.65	59,240	0.5x	na	na	7.5x	na	na
Elio	21.70	5.75	162	na	nm	na	nm	nm	nm
Ford	14.04	10.67	43,518	0.3x	0.3x	0.3x	6.3x	7.2x	7.0x
General Motors	38.55	27.34	51,627	0.3x	0.3x	0.3x	5.6x	5.7x	5.7x
Harley-Davidson	63.40	41.63	9,765	1.9x	1.9x	1.8x	14.7x	15.0x	13.5x
Polaris Industries	99.00	70.14	5,599	1.2x	1.1x	1.1x	25.5x	20.1x	17.2x
Tesla	386.98	178.19	62,848	9.0x	5.5x	3.3x	nm	nm	nm
Arcimoto			70	nm	nm	2.4x	nm	nm	nm

Source: Company reports, Yahoo Finance, Zacks

INCOME STATEMENT

Arcimoto Income Statement & Projections ($)

	2014	2015	2016	2017E	2018E	2019E
Product revenue	-	-	-	752,500	28,896,000	120,400,000
Grant revenue	$60,211	$12,244	-	-	-	-
Direct costs	-	-	-	722,400	27,451,200	109,564,000
R&D	491,334	845,419	974,806	1,023,546	1,003,075	983,014
Sales and marketing	30,710	165,190	472,108	944,216	2,360,540	2,478,567
General and administrative	211,615	364,538	459,990	1,149,975	4,024,913	4,427,404
Total COGs & operating exp	733,659	1,375,147	1,906,904	3,840,137	34,839,728	117,452,985
Operating income / (loss)	(673,448)	(1,362,903)	(1,906,904)	(3,087,637)	(5,943,728)	2,947,015
Interest expense	(7,885)	(3,331)	(12,816)	(24,350)	(25,568)	(26,846)
Other income, net	400	16,942	241	200	150	100
Taxes	-	-	-	-	-	-
Net loss	($680,933)	($1,349,292)	($1,919,479)	($3,111,788)	($5,969,146)	$2,920,269
LPS	($0.14)	($0.27)	($0.39)	($0.59)	($0.89)	$0.36
Avg shares outstanding	4,978,943	4,978,943	4,978,943	5,256,721	6,721,609	8,156,499
Metrics						
SKR sales	-	-	-	50	1,920	8,000
Average SKR selling price				$15,050	$15,050	$15,050
Gross margin				4%	5%	9%

Source: Company reports, Zacks SCR estimates

BALACE SHEET AND CASH FLOW STATEMENT

Arcimoto Balance Sheet ($)

	2014	2015	2016
Cash & equivalents	$25,609	$1,000,665	$414,405
Accounts receivable	14,728	8,172	583
			26,825
Other current assets	-	26,612	28,207
Total current assets	40,337	1,035,449	470,020
Property & equipment	2,019	16,755	8,805
Deferred offering cost			40,000
Total assets	**$42,356**	**$1,052,204**	**$518,825**
Accrued expenses & other	71,751	70,448	183,821
Customer deposits	186,124	204,628	386,035
Notes payable	100,000	-	250,000
Related party notes payable	38,203	-	-
Total current liabilities	396,078	275,076	819,856
Long term convertible notes payable			275,000
Long term convertible notes payable to related party	25,000	-	50,000
Total liabilities	$421,078	$275,076	$1,144,856
Total stockholders' equity (deficit)	($378,722)	$777,128	($626,031)
Total liabilities & stockholders' equity (deficit)	**$42,356**	**$1,052,204**	**$518,825**

Source: Company reports

Arcimoto Statement of Cash Flows ($)

	2014	2015	2016
Net loss	($680,933)	($1,349,292)	($1,919,479)
D&A	27,575	5,756	7,951
Gain on the sale of assets	(400)	(16,000)	-
Stock based compensation	-	57,177	48,375
Changes in working capital	(7,799)	166	233,948
Net cash used in operating activities	**($661,557)**	**($1,302,193)**	**($1,629,205)**
Proceeds from sale of assets	400	16,000	-
Purchases of property and equipment	(21,091)	(20,491)	-
Net cash used in investing activities	**($20,691)**	**($4,491)**	**$0**
Proceeds from sale of series A-1 preferred stock	265,011	2,419,943	467,945
Proceeds from related party notes	50,000	-	50,000
Proceeds from notes payable			525,000
Repayment of related party notes	-	(38,203)	
Repayment of note payable	-	(100,000)	-
Net cash provided by financing activities	**$315,011**	**$2,281,740**	**$1,042,945**
Net cash increase (decrease) for year	**($367,237)**	**$975,056**	**($586,260)**

Source: Company reports

RISKS

We believe risks include those outlined below, among others.

- The company is under-capitalized and expects to incur costs associated with producing the SRK for commercial launch, as well as marketing, R&D and to develop its distribution effort.
- It may be more difficult than anticipated to launch the SRK commercially and Arcimoto could fall behind schedule on its current go-to-market plan.
- Regulatory risk includes that potential safety regulations on three-wheeled vehicles could impact the design, production and cost of the SRK.
- The company has indicated that it may pursue additional financings, which could be dilutive. Moreover, similar to other companies at this stage of development, Arcimoto may have difficulty finding additional sources of capital. The ATVM loan process might not be favorable.
- Increased spending on marketing and development could drive operating losses higher and also delay the company from reaching break-even.
- The company currently has debt that is secured by all of its assets.
- The company has no sales track record. Our forecasts could prove too aggressive or conservative.

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

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