

Company Sponsored Research  
Update Note  
10/10/2018

# Electra Meccanica Vehicles Corp. (NASDAQ: SOLO)

## NASDAQ Listing and Capital Raise Allow SOLO to Accelerate

### Investment Highlights:

- Electra Meccanica announced its public offering consisting of 2,353,000 units raising approximately \$10 million. The units were priced at \$4.25, with the stock and warrants now trading separately on NASDAQ under SOLO and SOLOW. Electric vehicle production typically requires large amounts of initial outlays for the fixed assets and production plants, but due to the company's agreement with Zongshen, *we believe SOLO will be able to dramatically reduce their capital expenditures during their scale up.* SOLO will use the proceeds for capital expenditures, production molds, furniture and fixtures, inventory, sales and marketing, and general working capital purposes
- The NASDAQ listing will greatly increase the visibility of SOLO with institutional investors.* The additional liquidity provided by this listing can already be seen in the average trading volume, which has greatly increased since the company's listing. *As of June 30<sup>th</sup>, 2018, the company had a pre-order book of refundable deposits of \$2.4 billion, indicative of the large market opportunity.* The company is also planning to deliver its first mass production SOLOs to customers in the fall, along with opening its first U.S. sales location in Los Angeles, California. Given the growing order book, we believe retail and institutional investors will be seeking new pure-play electric vehicle investment opportunities. *We believe SOLO offers investors a unique high-risk high reward small capitalization electric vehicle investment opportunity, with a much less demanding valuation than NIO and Tesla and adjust our valuation per share to \$5.50 post financing*

### Company Description

Electra Meccanica is a designer and manufacturer of electric vehicles.

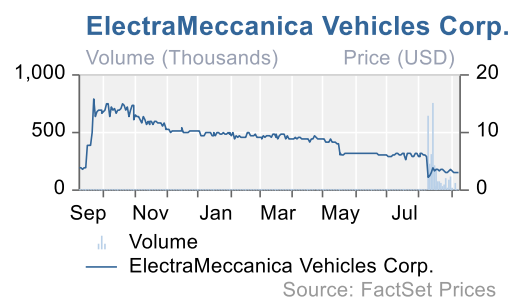
The Company builds the innovative, all electric SOLO, a single passenger vehicle developed to revolutionize the way people commute, as well as the Tofino, an elegant high-performance two seater electric roadster sports car. Intermeccanica, a subsidiary of Electra Meccanica, has successfully been building high end specialty cars for 59 years. The

Electra Meccanica family is delivering next generation affordable electric vehicles to the masses

### Electric Vehicles

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### Price- Volume History



### Key Statistics

Closing Price (As of 10/09/2018)	\$2.70
Valuation	\$5.50
52 Week Range	\$2.27-\$4.15
Average Daily Volume (3 Mo)	104,570
Shares Outstanding (M)	27.62
Market Capitalization (M)	80.37
Number of Analysts Covering	1
Enterprise Value/Revenue	177.93x

### Revenue(\$ in millions)

Dec. FY	2017A	2018E	2019E
1Q	0.00A	0.13A	19.02E
2Q	0.00A	0.21A	19.80E
3Q	0.23A	3.11E	21.35E
4Q	0.39A	6.21E	40.81E
FY	0.62A	9.77E	100.98E

### EPS(\$)

Dec. FY	2017A	2018E	2019E
1Q	(0.12)A	(0.10)A	(0.12)E
2Q	(0.07)A	(0.12)A	(0.19)E
3Q	(0.09)A	(0.19)E	(0.31)E
4Q	(0.06)A	(0.26)E	(0.61)E
FY	(0.22)A	(0.72)E	(1.23)E

## 2Q 2018 Fiscal Results

For the second quarter ending June 30, 2018 revenue was CAD \$279,366 compared to zero revenue in the second quarter of 2017. This increase in revenue was a result of SOLO's acquisition of Intermeccanica International Inc. General and administrative expenses were CAD \$934,256 million compared to CAD \$445,146 in the same quarter in the previous year. Electra Meccanica reported research and development expenses of CAD \$1,718,599 million, an increase from CAD \$621,321 in the corresponding quarter the previous year. This increase was primarily a result of development costs related to the SOLO. Net loss for the period was CAD \$2,616,215 compared to CAD \$1,574,967 in the prior period. We model growing net losses until the company scales production similar to other public electric vehicle manufacturers.

## Liquidity and Balance Sheet

As of June 30, 2018, Electra Meccanica's cash and cash equivalents marginally increased from CAD \$1.6 million, to CAD \$4.2 million year over year. After the end of the quarter, SOLO completed its offering, thus subsequently the cash and/or short-term deposits balance was approximately CAD \$16.1 million with the net \$9.2 million raised in the offering. SOLO has no long-term debt but does have approximately CAD\$1.3 million of derivative liabilities. We feel the company is sufficiently capitalized to achieve near-term objectives but anticipate a financing beyond the twelve-month horizon.

## Competitive Advantage

Electra Meccanica (the "Company") competes globally with various competitors, such as the Tesla Model 3, the Chevrolet Volt, the Nissan Leaf, and more recently the NIO ES models. The company competes in technological and designing innovation; quality and safety of products; after-sale service; brand reputation; price and performance; manufacturing efficiency. Compared with other EV manufacturers, the company has a lower price of \$15,500 for the SOLO its flagship vehicle. With a global vision, the company entered an agreement with Chinese manufacturer Zongshen to produce 5,000 units with Zongshen over the next twelve months. Partnerships with manufacturers worldwide will further enhance its manufacturing efficiency and price competitiveness.

## Potential Catalysts

- New model releases which expand the total addressable market
- Greater investor interest in electric vehicle public equities given the strong returns Tesla and NIO shareholders have enjoyed to date
- Increasing investor relations and marketing outreach, which will allow Electra Meccanica to reach new retail and institutional investors
- Sales recognized by delivering the vehicles from enormous order book
- Wide public adoption of electric vehicles for commercial and personal use

## Timeline

- 02/16/2015 – Electra Meccanica (the “Company”) incorporated
- 07/15/2015 - Joint Operating Agreement created between the company and Intermeccanica
- 06/03/2016 – The company’s SOLO vehicle completes first chassis test
- 02/16/2017 – The company opens first Solo showroom in downtown Vancouver, Canada
- 06/22/2017 – The company delivers first SOLO vehicle
- 09/11/2017 – The company announces trading commencement on OTCQB under the symbol ECCTF
- 09/18/2017 – The company announces corporate orders of intent and order book amounts
- 10/02/2017 – The company announces first SOLO manufacturing agreement
- 10/17/2017 – SOLO files application for NASDAQ capital markets listing
- 10/25/2017 – The company joins in support for International Fossil Fuel-Free cities pledge
- 08/13/2018 – Trading begins on NASDAQ under stock symbol SOLO and \$10 million-dollar financing closes
- 09/05/2018- Electra Meccanica announced its collaboration with 7-11 Canada
- 10/03/2018 –SOLO confirms plans to open first Los Angeles dealership this month



Source: Company Material

## Valuation

It is very difficult to value Electra Meccanica given its early stage and the limited number of publicly traded electric vehicle companies. We believe it cannot be compared directly with other traditional car manufacturers because it specializes in producing electric cars. Thus, we looked to value the business through a comparable company analysis using high top line growth North American public companies. From our analysis, we have found the shares to be undervalued with significant upside if the company executes on the top line growth management anticipates.

Electra Meccanica (SOLO) cannot be compared to traditional automotive manufacturers given SOLO's much higher growth potential

### Auto-Manufacturing Comparable Multiples

Valuation		MCAP (USD)	EV (USD)	EV / Sales			EV / EBITDA			EV / EBIT			Price / Earnings		
				LTM	2016	2017	LTM	2016	2017	LTM	2016	2017	LTM	2016	2017
7201-JP	Nissan Motor	39,238	98,996	0.93x	0.94x	0.93x	7.7x	9.8x	11.5x	20.9x	14.9x	19.3x	5.7x	6.4x	5.5x
7203-JP	Toyota Motor	206,010	325,914	1.23x	1.33x	1.25x	8.6x	12.7x	10.9x	14.6x	18.4x	15.3x	8.3x	11.9x	8.5x
F	Ford Motor	36,670	153,164	0.97x	1.01x	1.05x	12.0x	11.9x	11.9x	52.5x	24.1x	34.7x	5.5x	5.2x	5.2x
GM	General Motors	46,983	123,533	0.86x	0.74x	0.85x	6.4x	7.1x	5.6x	19.0x	9.9x	9.6x	(15.0x)	5.4x	5.0x
TSLA	Tesla	51,352	63,742	4.66x	9.11x	5.42x	-	103.8x	135.4x	-	(200.9x)	(54.7x)	(18.7x)	-	-
NIO	NIO	6,227	8,287	1147.53x	-	-	-	-	-	-	-	(2.8x)	-	-	-
FCA-IT	Fiat Chrysler Automobiles	35,129	30,750	0.24x	0.24x	0.24x	2.2x	2.3x	2.0x	4.3x	4.4x	3.8x	6.9x	10.1x	6.4x
7267-JP	Honda Motor	55,565	100,364	0.72x	0.81x	0.73x	4.8x	8.8x	8.5x	13.1x	13.4x	13.5x	5.7x	10.2x	5.9x
DAI-DE	Daimler	69,230	202,955	1.06x	1.14x	1.06x	8.3x	9.5x	8.6x	15.8x	13.5x	11.9x	6.4x	7.0x	5.7x
Mean				128.69x	1.91x	1.44x	7.1x	20.7x	24.3x	20.0x	(12.8x)	6.7x	0.2x	8.0x	6.0x
Median				0.97x	0.98x	0.99x	7.7x	9.7x	9.8x	15.8x	13.5x	12.7x	5.7x	7.0x	5.7x

Source: Diamond Equity Research Analysis/ Factset Data Systems

### Auto-Manufacturing Select Historical and Projected Growth Rates

Growth		Sales			EBITDA			EBIT			Net Income		
		LTM	2016	2017	LTM	2016	2017	LTM	2016	2017	LTM	2016	2017
SOLO	ElectraMeccanica Vehicles	-	-	-	26.9%	-	-	27.6%	-	-	7.1%	-	-
7201-JP	Nissan Motor	0.7%	-3.9%	2.0%	-6.5%	-18.8%	-15.0%	-22.5%	-6.4%	-22.6%	10.7%	26.7%	12.6%
7203-JP	Toyota Motor	5.8%	-2.8%	6.5%	14.7%	-22.8%	16.5%	23.4%	-30.1%	20.3%	29.7%	-20.8%	36.2%
F	Ford Motor	3.3%	8.0%	-4.0%	4.2%	10.8%	0.1%	71.0%	-3.4%	-30.3%	53.6%	-8.6%	0.9%
GM	General Motors	-12.6%	9.2%	-12.5%	-7.9%	13.1%	27.0%	-29.6%	15.9%	2.5%	-118.0%	16.8%	2.7%
TSLA	Tesla	35.9%	32.3%	68.0%	784.8%	187.9%	-23.3%	65.2%	-100000.0%	-100000.0%	93.4%	-100000.0%	-100000.0%
NIO	NIO	-	-	-	142.1%	-	-	147.5%	-	-	154.2%	-	-
FCA-IT	Fiat Chrysler Automobiles	-0.8%	-1.9%	-0.1%	-9.1%	29.0%	15.0%	-13.8%	26.3%	16.5%	11.9%	642.7%	52.0%
7267-JP	Honda Motor	10.1%	-4.1%	9.7%	58.7%	34.2%	3.6%	12.5%	67.0%	-0.9%	69.7%	79.0%	71.8%
DAI-DE	Daimler	3.4%	2.5%	7.2%	-14.2%	-1.6%	10.0%	-2.4%	-4.5%	13.8%	-1.0%	-1.4%	27.4%
Mean		5.7%	4.9%	9.6%	99.4%	29.0%	4.2%	27.9%	-12491.9%	-12500.1%	31.1%	-12408.2%	-12474.6%
Median		3.3%	0.3%	4.2%	9.4%	12.0%	6.8%	17.9%	-3.9%	0.8%	20.8%	7.7%	20.0%

Source: Diamond Equity Research Analysis/ Factset Data Systems

For comparable company analysis, we have screened for two different groups of public companies: The first group is shown in the tables above, which focuses on auto-manufacturing companies such as General Motors (GM), Toyota Motor (7201-JP), Honda Motor (7267-JP) and NIO (NIO). These companies were selected because they all are global auto manufacturers like Electra Meccanica Inc. (SOLO). For this comparable company group, we used the median peer group forward looking enterprise value to revenue multiple of 1X and projected 2019 revenue for SOLO to arrive at a per share value of \$3. In addition, the second group is as the tables below, which is focus on some high projected top line growth companies such as Tesla (TSLA), Snap Inc. (SNAP), and Vivint Solar Inc. (VSLR). These companies were chosen because of their strong topline growth and cutting-edge

focus on innovation and design processes. For this group, we were using the median peer group forward looking enterprise value to revenue multiple of 7.54X, and our valuation model indicates significant upside from current trading levels, if SOLO trades in line with other high growth public companies. From the high growth comparable model, we arrive at a per share value of \$28. This value is much higher than the per share value of the automotive peer set because these high grow companies trade at extremely high valuations contingent on long term profitability. We take the average of the two comparable subsets to arrive at a valuation per share for SOLO of \$16, if the market values it partially in line with high growth equities. We acknowledge the difficulty of comparing Electra Meccanica to any other public company other than Tesla and NIO and the limited sample set of public electric vehicle companies.

### High-Growth Comparable Multiples

Valuation	MCAP (USD)	EV (USD)	EV / Sales			EV / EBITDA			EV / EBIT			Price / Earnings		
			LTM	2016	2017	LTM	2016	2017	LTM	2016	2017	LTM	2016	2017
SOLO-US ElectraMeccanica Vehicle	91	88	201.85x	-	972.44x	-	-	(12.0x)	-	-	(11.8x)	(7.6x)	-	-
TSLA-US Tesla	51,352	63,742	4.66x	9.11x	5.42x	-	103.8x	135.4x	-	(200.9x)	(54.7x)	(18.7x)	-	-
SNAP-US Snap	10,455	8,902	9.02x	22.01x	10.79x	-	(19.4x)	(12.4x)	-	(17.1x)	(2.6x)	(6.7x)	-	-
VSLR-US Vivint Solar	646	1,765	6.06x	13.05x	6.58x	-	(12.9x)	(75.1x)	-	(8.7x)	(21.0x)	3.3x	-	-
RVLN-US Revolution Lighting Techs	60	123	0.83x	0.71x	0.81x	172.3x	8.7x	26.1x	-	32.8x	(4.3x)	(1.1x)	9.3x	-
ADOM-US Adomani	39	33	20.38x	-	-	-	-	-	-	-	-	(1.8x)	-	-
AFN-CA Ag Growth Intl	819	1,253	1.90x	2.97x	2.15x	13.3x	16.2x	13.2x	17.7x	21.7x	20.1x	31.5x	26.2x	26.2x
NIO-US NIO	6,227	8,287	1147.53x	-	-	-	-	-	-	-	-	(2.8x)	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mean			174.03x	9.57x	166.36x	92.8x	19.3x	12.5x	17.7x	(34.4x)	(12.4x)	(0.5x)	17.8x	26.2x
Median			7.54x	9.11x	6.00x	92.8x	8.7x	0.6x	17.7x	(8.7x)	(8.1x)	(2.3x)	17.8x	26.2x

### High-Growth Select Historical and Projected Growth Rates

Growth	Sales			EBITDA			EBIT			Net Income		
	LTM	2016	2017	LTM	2016	2017	LTM	2016	2017	LTM	2016	2017
SOLO-US ElectraMeccanica Vehicles	-	-	-	36.5%	-	-	37.5%	-	-	24.0%	-	-
TSLA-US Tesla	35.9%	32.3%	68.0%	784.8%	187.9%	-23.3%	65.2%	-100000.0%	-100000.0%	93.4%	-100000.0%	-100000.0%
SNAP-US Snap	57.8%	-	103.9%	203.1%	-	-100000.0%	-52.4%	-	-100000.0%	-53.1%	-	-100000.0%
VSLR-US Vivint Solar	39.1%	110.6%	98.3%	-50.4%	100000.0%	100000.0%	-13.0%	100000.0%	100000.0%	332.5%	37.5%	1062.6%
RVLN-US Revolution Lighting Techs	-15.3%	32.7%	-11.5%	-86.4%	63.3%	-66.7%	127.0%	581.0%	-100000.0%	696.0%	100000.0%	-100000.0%
ADOM-US Adomani	-	-	-	117.4%	-	-	117.4%	-	-	92.0%	-	-
AFN-CA Ag Growth Intl	30.7%	15.3%	38.2%	25.9%	37.7%	23.1%	31.2%	180.5%	7.8%	6.8%	100000.0%	82.3%
NIO-US NIO	-	-	-	142.1%	-	-	147.5%	-	-	154.2%	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-
Mean	29.6%	47.7%	59.4%	146.6%	25072.2%	-13.4%	57.5%	190.4%	-39998.4%	168.2%	25009.4%	-59771.0%
Median	35.9%	32.5%	68.0%	76.9%	125.6%	-23.3%	51.3%	380.7%	-100000.0%	92.7%	50018.8%	-100000.0%

Source: Diamond Equity Research Analysis

Given the uniqueness of Electra Meccanica's business model and the limited number of public companies to compare it to, we have built a standalone discounted cash flow analysis in order value the business (full assumptions in appendix). Given Electra Meccanica has a limited operating history, we built a bottom-up model to value the business projecting the sales of their three current vehicles: SOLO, Tofino, and Super SOLO. Our model indicates a fair value per share of \$5 per share. We arrive at a conservative valuation of \$5.50 per share for SOLO, a slight premium to the DCF Model, but a large discount to our comparable company analysis model.

*We arrive at a conservative valuation of \$5.50 per share for SOLO, a slight premium to the DCF Model, but a large discount to our comparable company analysis model*

REVENUE (Bottom-Up Model)	FY2017A	FY2018E	FY2019E	FY2020E	FY2021E	FY2022E	FY 2023E
U.S. Dollars	Annual	Annual	Annual	Annual	Annual	Annual	Annual
<b>SOLO</b>							
Number of Solos sold	40	629	5,875	28,000	60,000	90,000	100,000
Q/Q% Growth							
Y/Y% Growth		1,473%	834%	377%	114%	50%	11%
Solos selling price/unit	\$ 15,527.19	\$ 15,527.19	\$ 15,527.19	\$ 15,527.19	\$ 15,527.19	\$ 15,527.19	\$ 15,527.19
Solos Sales (\$ in Mn)	\$ 0.62	\$ 9.77	\$ 91.22	\$ 434.76	\$ 931.63	\$ 1,397.45	\$ 1,552.72
<b>TOFINO</b>							
Number of Tofinos sold	0	0	250	22,000	27,500	30,800	33,572
Q/Q% Growth							
Y/Y% Growth				8,700.00%	25.00%	12.00%	9.00%
Tofino selling price/unit	\$ 39,036.58	\$ 39,036.58	\$ 39,036.58	\$ 39,036.58	\$ 39,036.58	\$ 39,036.58	\$ 39,036.58
Tofino Sales (\$ in Mn)	\$ -	\$ -	\$ 9.76	\$ 858.80	\$ 1,073.51	\$ 1,202.33	\$ 1,310.54
<b>SUPER SOLO</b>							
Number of Super Solos sold	-	-	-	800	960	1,152	1,325
Q/Q% Growth							
Y/Y% Growth					20%	20%	15%
Super Solos selling price/unit	\$ 78,073.15	\$ 78,073.15	\$ 78,073.15	\$ 78,073.15	\$ 78,073.15	\$ 78,073.15	\$ 78,073.15
Super Solos Sales (\$ in Mn)	\$ -	\$ -	\$ -	\$ 62.46	\$ 74.95	\$ 89.94	\$ 103.43
<b>TOTAL REVENUE (\$ in Mn)</b>	<b>\$ 0.62</b>	<b>\$ 9.77</b>	<b>\$ 100.98</b>	<b>\$ 1,356.02</b>	<b>\$ 2,080.09</b>	<b>\$ 2,689.71</b>	<b>\$ 2,966.69</b>
Q/Q% Growth							
Y/Y% Growth		1,472.50%	933.95%	1,242.85%	53.40%	29.31%	10.30%

Source: Diamond Equity Research Analysis

(\$ in millions)	FY18E	FY19E	FY20E	FY21E	FY22E	FY23E
Sales	10	101	1,356	2,080	2,690	2,967
<b>EBIT(Operating Income)</b>	<b>(22)</b>	<b>(36)</b>	<b>(51)</b>	<b>(100)</b>	<b>(66)</b>	<b>(41)</b>
Less: Tax	0	0	0	0	0	0
<b>NOPAT</b>	<b>(22)</b>	<b>(36)</b>	<b>(51)</b>	<b>(100)</b>	<b>(66)</b>	<b>(41)</b>
Changes in working capital	(2)	(26)	(239)	(121)	(167)	(26)
Depreciation & Amortization	0	1	21	57	93	131
Capex	(1)	(10)	(190)	(208)	(269)	(297)
<b>FCFF</b>	<b>(21)</b>	<b>(20)</b>	<b>19</b>	<b>(130)</b>	<b>(75)</b>	<b>413</b>
Discount factor	0.71	0.51	0.36	0.26	0.18	
PV of FCFF	(15)	(10)	7	(33)	(14)	
Terminal Value					1,098	
PV of Terminal Value	200					
Sum of PV of FCFF	(65)					
<b>Enterprise value</b>	<b>135</b>					
Cash and Equivalent	12					
Debt	0					
<b>Equity value</b>	<b>147</b>					
Shares outstanding (mn)	28					
<b>Fair value per share (\$)</b>	<b>5</b>					

Source: Diamond Equity Research Analysis



## NASDAQ Listing and Capital Raise Prepare SOLO for Expansion

On August 13th, Electra Meccanica (the “Company”) completed its initial public offering of 2,353,000 units priced at \$4.25 per unit on NASDAQ under the tickers “SOLO” and “SOLOW”. Each unit consisted of one common share and two warrants. The Warrants have an exercise price of \$4.25 and a five-year exercise period from the issuance date. The Benchmark Company, LLC and ThinkEquity, a division of Fordham Financial Management, Inc., acted as joint book-running managers and Cuttone & Co., LLC acted as co-manager for the offering. The NASDAQ listing will open up shares to numerous institutional investors, who are many times restricted from investing in OTC equities.

*Electra Meccanica up-listed to NASDAQ in August and successfully raised \$10 million in gross proceeds, which will be used to scale their production*

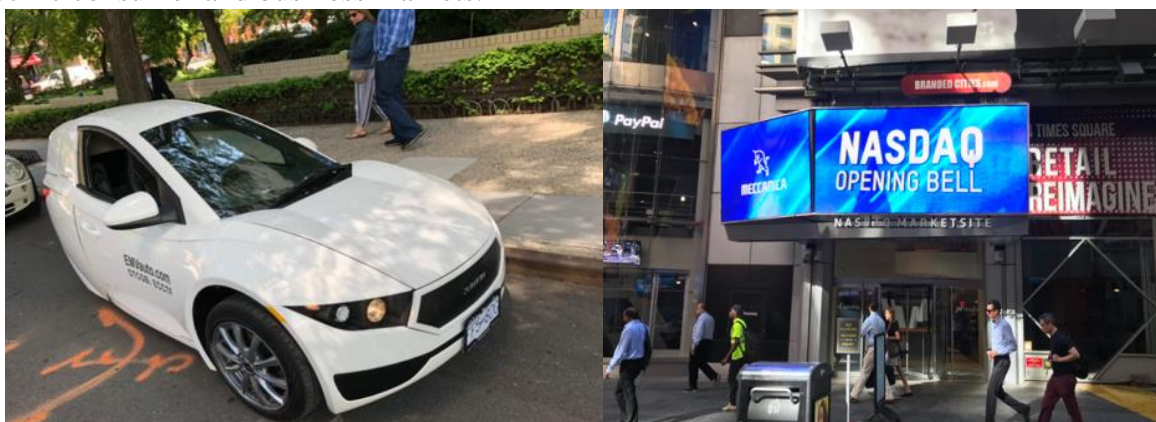
The company has publicly announced its collaboration with 7-Eleven in Canada and will be sponsoring 7-Eleven on company vehicles across Canada. The company knows how powerful and strong collaborations are to its brand, so we anticipate the company cementing more collaborations in 2019.

Listing on NASDAQ was a major step forward to increase the company’s visibility in the United States. The company has many brand awareness campaigns set to launch, one will be creating buzz and excitement on social media. Social media can create wide-spread outreach to potential consumers and investors, we note the CEO Jerry Kroll already does numerous Facebook live videos for interested consumers and stakeholders.

The company will look to expand past the United States and Canadian markets with the additional capital. The volume of electric vehicles sold in Europe increased by 42% in 2018. Meanwhile, in China the volume of electric vehicles sold increased by nearly 49% in 2018, indicating the wide-spread adoption of electric vehicles globally. The company views these percentages as an opportunity to expand and capture market share in this emerging global industry.

*Electra Meccanica seeks to expand beyond North America, targeting the Chinese and European markets*

Currently, the SOLO is getting prepared for mass production and the company is considering other improved designs for the SOLO going forward. We view the company as a brand and believe new models will be continuously designed to target specific consumer and business markets.



Source: NASDAQ Twitter Account & SFGATE

Please see last page for important disclosures

The SOLO is a unique car, as one of the most affordable EV's on the market. The car has a range of 100 miles and runs 100% on clean energy. We model 25% gross margins for the SOLO at scale, in line with Tesla and other larger scale electric vehicle manufacturers. We also are optimistic on the company's scalable sales and service model, for both corporate and independent dealers.

## The SOLO – Our Flagship Electric Vehicle





**100% Clean Energy**  
Eliminates fossil fuels

**One Person Vehicle**  
Designed for an enhanced driving experience for commuters, not to replace the family sedan  
Equipped with an ample cargo area for daily errands and deliveries

**Retail: ~\$15,888 USD**  
The least expensive EV on the market

**Superior Range**  
100 miles

- High performance electric drivetrain
- Lightweight composite body
- Low center of gravity allows for higher speeds and mobility
- 80mph top speed
- 128 ft-lbs. torque enables 0-60 acceleration in 8 seconds
- Expect to realize ~25% gross margins on the SOLO at scale

- 17.1 kWh lithium ion battery, leveraging patented battery technology, provides a range of up to 100 miles
- Battery can be fully recharged in just three hours using a Level 2 charger
- Comprehensive two-year bumper to bumper warranty; 5-year battery warranty
- **Deliveries beginning in Q4 2018**

SLIDE 6

Source: Company October 2018 Investor Presentation

DIRECT SALES WHILE LEVERAGING EXISTING DEALER NETWORKS

## Scalable Sales and Service Model



### Direct Sales

- Accepting online reservations with refundable deposits of \$250 CAD for the SOLO and \$1,000 CAD for Tofino
- Existing dealership established in Vancouver
- Pending opening of Los Angeles dealership to receive initial U.S. SOLO deliveries in Q4 2018
- The Company expects to open corporate dealerships in key strategic markets

### Dealer Network

- Electra Meccanica will partner with existing dealership networks to drive sales of the SOLO in non-core markets and where the Company currently does not maintain a dealership presence
- Currently experiencing significant dealer interest worldwide – evidenced by dealer letters of intent for over 21,000 SOLOS

### Service

- SOLOs to be serviced at both corporate and independent dealers



Source: Company October 2018 Investor Presentation



## Partnership with 7-Eleven Canada Indicates Larger Strategy

On September 5th, Electra Meccanica announced its partnership with 7-Eleven stores in Canada. 7-Eleven is the world's largest convenience store chain brand and has more than 66,000 stores in 17 countries around the world. According to the CEO of Electra Meccanica, these two companies share the same business value of creating convenient solutions for the majority of people. Given that 7-Eleven has more than 600 stores in Canada, it is an opportunity for Electra Meccanica to spread its brand. In the future, 7-Eleven's worldwide business coverage might also help Electra Meccanica expand its business to other countries in the world.

Electra Meccanica is attempting to bring in more partnerships in 2019. To establish its brand globally, Electra Meccanica will likely keep creating partnerships like the partnership with 7-Eleven to show investors and consumers the corporate support and further expand the awareness of their brand and vehicles. We view this as an attractive customer acquisition strategy. Moreover, the CEO of Electra Meccanica talked about how delivery market becomes a big opportunity in the [NASDAQ](#) interview yesterday, which we concur is a major opportunity for their SOLO, as they can establish additional partnerships with major pizza chains and fast food businesses for their drivers.

*Electra Meccanica established a partnership with the world's largest convenience store brand 7-Eleven, we anticipate continued partnership announcements*



Source: Yahoo Finance, Electra Meccanica Announces Collaboration with 7-Eleven Canada

## SOLO's Debut is On-schedule

Electra Meccanica's flagship product SOLO, a single passenger electric vehicle, is under production at Zongshen as scheduled. SOLO will be exhibited at the Alt-Car Expo in Santa Monica, CA on October 12. The Alt-Car Expo is known as the premier event for alt-energy cars in the U.S. In the past, Chevy Volt, the Nissan Leaf and many more electric vehicle models had their successful debut events at the Alt-Car Expo. Additional dealerships are scheduled in California and Pacific Northwest in 2019, which will further expand the west-coast adoption of Electra Meccanica's vehicles. Early this year, the SOLO had a preview at the CES show in Las Vegas, where it received the Automotive Innovation Award for 2018. In August, the SOLO was displayed at Time Square in New York City. These campaigns and marketing events are helping Electra Meccanica gain recognition in the United States.

*SOLO's first dealership is scheduled to launch at the Alt-Car Expo in Santa Monica, CA on October 12. This exhibition will bring more exposure and public recognition in the U.S.*

## Investment Thesis

- The global electric vehicle (EV) market is growing quickly, as EVs are cheaper to charge, maintain, safer and more environment-friendly. According to Frost & Sullivan's recently released ["Global Electric Vehicle Market Outlook 2018,"](#) global sales of electric vehicles are poised to climb from 1.2 million in 2017 to 1.6 million in 2018 and projected to reach an estimated 2 million cars in 2019. There are very few publicly listed pure play electric vehicle companies
- SOLO has strong gross margin potential, we model approximately 25% gross margins when the company scales. SOLO also has a demonstrated sales, distribution and service model, coupled with an experienced management team with a history of building cars with 75,000 SOLOs expected to be delivered over the next three years
- Electra Meccanica's SOLO is cheaper and has a quicker charge time than its competitors such as the Tesla Model S, Chevrolet Volt, Nissan Leaf etc. The single person commuter vehicle is also a large addressable market which has historically been neglected



Source: Electra Meccanica Company Website

## Key Risk Factors

- Electra Meccanica (the “Company”) has a limited operating history, and it has not yet generated any meaningful revenues, which makes it difficult to evaluate its business and future prospects. The company’s vehicles require significant investment prior to commercial introduction and may never be successfully developed or commercially successful
- The company currently has negative operating cash flows, and if it is unable to generate positive operating cash flows in the future its viability as an operating business is challenged
- The company’s future growth depends upon consumers’ willingness to adopt three-wheeled single passenger electric vehicles. If the market for three-wheeled single passenger electric vehicles does not develop or develops too slowly, the company’s business, prospects and financial conditions will be negatively impacted
- If the company’s vehicles fail to perform as expected, its ability to develop, market and sell their electric vehicles could be harmed
- The company is expected to experience an increase in losses prior to the launch of the SOLO, the Super SOLO and the Tofino
- The company will require a significant amount of capital to develop, manufacture, sell and service electric vehicles. The company has little experience in mass-producing electric vehicles
- The company depends on a third-party for its near-term manufacturing targets. The company has entered into a manufacturing agreement with Zongshen Industrial Group Co. of China to produce 75,000 SOLO vehicles over the next three years. If Zongshen fails to fulfill its obligations, the company will not be able to sell its SOLO vehicle in its anticipated volumes
- The company is also subject to numerous environmental and health and safety laws, and all vehicles sold must comply with federal, state and provincial motor vehicle safety standards. Any breach of such laws and/or requirements would harm the company and its business

*For a full list of risk factors please read SOLOs prospectus or 10-k filings*

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