EMAV Holdings, Inc.
(OTCQB: EMAV, Target Price: $4.01)

We initiate coverage on EMAV Holdings, Inc. ("EMAV") with a price target of $4.01 per share. EMAV is a new car company which designs, manufactures, and sells rugged electric vehicles and electric vehicle technologies. The company's products include all-terrain vehicles with power system options that include electric, hybrid electric, alternative fuel, gasoline, and diesel drive systems and commercial electric power systems. EMAV hopes to launch its initial consumer vehicle, the EMAV ES, in 2H14E. The EMAV ES leverages the design of the 4-door Jeep® Wrangler and adds body, styling, interior comfort and technology upgrades to create its own brand identity. EMAV hopes that with the EMAV ES, it will create the first offering in a new automotive class of Sport Adventure Vehicles.

INVESTMENT HIGHLIGHTS

Premium electric vehicles built on 4-door Jeep Wrangler platform

EMAV plans to launch its first consumer vehicle, the ES in 2H14E. EMAV will not manufacture its vehicles, instead, it will use the iconic Jeep Wrangler platform and "upfit" the vehicles with unique body work to enhance the rugged exterior, luxurious interior improvements, a state of the art 15 inch touchscreen tablet and a new, high-performance electric drivetrain. The ES will be powered by the world's first 2-speed all-wheel drive electric motor, delivering high performance driving on any road surface or off road environment. The ES will also have features that far surpass what is currently available with the top-end Jeep Wrangler Rubicon, aside from being available as a non-emission electric vehicle ("EV"). The ES will be a unique offering in the EV space as well as luxurious and differentiated enough to compete with traditional SUVs. EMAV will also offer its signature vehicle in a gas powered model in 2014E, and eventually diesel and electric hybrid, to give consumers a wide range of options.

Significant commercial market potential

EMAV also plans to market the EMAV Power Station™ ("PS"), a commercial vehicle which has the potential to replace currently used mobile diesel generators for a widespread variety of uses. The PS will also leverage the Jeep Wrangler platform, but will be converted to a rugged, "field ready" mobile power plant vehicle by adding generators to make energy, batteries to store energy and systems to distribute energy. EMAV intends to market the PS to military, civil (Homeland Security, FEMA, police) and commercial (construction, film sets, RV parks) end markets. The opportunity is tremendous and the product would be highly differentiated in its utility from conventional diesel generators. In time, commercial applications may prove to be a greater revenue opportunity than the consumer vehicle market.

Low platform cost, made to order business model

By using the Wrangler platform instead of manufacturing its own vehicle, EMAV will have a highly flexible, non-capital intensive production model. After producing an initial 20-25 ES vehicles to place in strategically important Jeep dealerships across the U.S., EMAV plans to operate on a build to order business model, and avoid tying up capital in inventory.

Initiate coverage with a price target of $4.01

Our analysis indicates a fair value estimate of $4.01 per share (detailed on pages 9 & 10), implying an upside of 300% from the recent price of $1.00. We view EMAV as a speculative investment in the electric vehicle market place. For investors who missed out on Tesla, EMAV offers exposure to the same high-growth, luxury EV marketplace with a very different and unique production model.

Stock Details (05/16/2014)

OTCQB:	EMAV
Sector / Industry	Consumer / Auto Manufacturers
Price target	**$4.01**
Recent share price	$1.00
Shares o/s (mn)	51.5
Market cap (in $mn)	52
52-week high/low	$1.00 / 0.50

Source: Bloomberg, SeeThruEquity Research

Key Financials ($mn unless specified)

	FY14E	FY15E	FY16E
Revenues	9.6	74.8	235.1
EBITDA	(2.3)	(12.5)	18.7
EBIT	(2.5)	(12.9)	18.1
Net income	(2.5)	(12.9)	11.8
EPS ($)	(0.04)	(0.17)	0.15

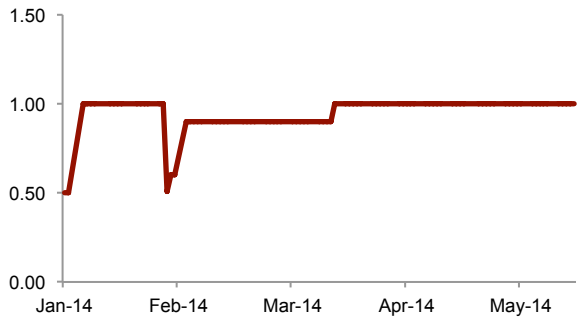
Source: SeeThruEquity Research

Key Ratios

	FY14E	FY15E	FY16E
Gross margin (%)	26.7	30.6	33.7
Operating margin (%)	(26.0)	(17.2)	7.7
EBITDA margin (%)	(24.0)	(16.6)	7.9
Net margin (%)	(26.2)	(17.2)	5.0
P/Revenue (x)	5.3	0.7	0.2
EV/EBITDA (x)	(22.3)	(4.1)	2.8
EV/Revenue (x)	5.3	0.7	0.2

Source: SeeThruEquity Research

Share Price Performance ($, LTM)



Source: Bloomberg

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SUMMARY TABLE

Figure 1. Summary Table (As of May 16, 2014)

Share data		B/S data (As of 1Q14)		Key personnel:	
Recent price:	$1.00	Total assets:	0.1mn	Chairman & CEO:	Keith Rosenbaum
Price target:	$4.01	Total debt:	0.0mn	CTO:	Wilhelm Cashen
52-week range:	1.00 / 0.50	Equity:	0.0mn	COO:	Mike Conway
Average volume*:	168	W/C:	(0.0mn)	CPO:	Pat Muldoon
Market cap:	$51.5mn	ROE '13:	N/A		
Book value/share:	$0.00	ROA '13:	N/A		
Cash/share	$0.00	Current ratio:	0.8		
Dividend yield:	0.00%	Asset turnover:	0.0		
Risk profile:	High / Speculative	Debt/Cap:	0.5		

** three month average volume (number of shares)*

	Estimates			Valuation		
FY December	Rev ($mn)	EBITDA ($mn)	EPS ($)	P/Rev (x)	EV/Rev (x)	P/E (x)
1Q14E	0.0	(0.2)	(0.00)	N/A	N/A	N/A
2Q14E	0.0	(0.2)	(0.00)	N/A	N/A	N/A
3Q14E	1.1	(1.8)	(0.03)	11.5x	11.5x	N/A
4Q14E	8.5	(0.1)	(0.00)	6.1x	1.5x	N/A
2014E	9.6	(2.3)	(0.04)	5.3x	5.3x	N/A
2015E	74.8	(12.5)	(0.17)	0.7x	0.7x	N/A

Source: SeeThruEquity Research

INVESTMENT THESIS

EMAV Holdings, Inc. ("EMAV") is a new car company which designs, manufactures, and sells rugged electric vehicles and electric vehicle technologies. EMAV is the product of a December 27, 2013 reverse merger between privately held Electric Motors and Vehicles Company and PopBig, Inc. The company name was changed to EMAV Holdings, Inc. and common shares commenced trading on the OTCQB under the ticker EMAV on December 31, 2013.

Electric Motors and Vehicles Company was started in March 2010, with the intent of bringing to market rugged electric vehicles. The business was initially focused on developing a relationship with the Jeep brand as that was the desired model to use for EMAV's electric vehicles. EMAV designed a trailer/camper in conjunction with the MOPAR division of Jeep and the camper was approved as the first camper to be branded as a Jeep. EMAV sold the Jeep Camper directly through dealerships in 2010 and 2011, but abandoned its involvement in the project in 2011 due to slow sales and the lack of financial resources to support marketing for the program. Through 2011 and 2012, EMAV focused its efforts on electric vehicle technology to be used in consumer and commercial vehicles it planned to introduce.

In 2013, EMAV once again focused its efforts on bringing to market a rugged electric vehicle. EMAV plans to design, assemble, and sell premium rugged sport adventure vehicles ("SAVs"), with an emphasis on offering electric versions, in addition to commercial products for the construction, fleet, military, homeland security and related industries. Leveraging the design of the 4-door Jeep Wrangler, EMAV hopes to create a whole new class of luxurious yet rugged SAVs with the EMAV ES. Sales of electric vehicles are growing significantly, and companies like Tesla Motors, Inc. (NASDAQ: TSLA) have created cutting edge products and brought consumer awareness to the market. EMAV hopes to capitalize on this growing market with a premium product offering and a non-capital intensive made-to-order production model. By acquiring a Jeep dealership, EMAV plans to secure a consistent supply of product and parts, as well as tap into the national network of Jeep dealerships to leverage exclusive product placement opportunities.

For investors who feel that they missed out on Tesla, EMAV offers a compelling investment opportunity in the electric vehicle market. Over the longer term, EMAV's unique commercial product offerings may hold even greater potential than its consumer focused electric vehicles.

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Electric automobile market

Electric vehicles ("EVs") run on electricity only. They are propelled by an electric motor, or motors, which are powered by rechargeable battery packs. There are plug-in electric cars ("PEVs"), which can be recharged from any external source of electricity, such as wall sockets, and the electricity stored in the rechargeable battery packs drives or contributes to drive the wheels. There are also hybrid electric cars ("HEVs"), which combine a conventional (usually fossil fuel-powered) powertrain with some form of electric propulsion. After making a brief appearance in the 1990s, there has been significantly renewed global interest in EVs over the last five or so years. EVs offer consumers several advantages compared to vehicles with internal combustion engines ("ICEs"). They are more energy efficient, as studies from the U.S. Dept of Energy have shown that EVs convert about 59–62% of the electrical energy from the grid to power at the wheels, compared to 17-21% with conventional gasoline vehicles. They are environmentally friendly, as EVs emit no tailpipe pollutants. There are performance and cost benefits, as electric motors provide quiet, smooth operation and stronger acceleration and require less maintenance than ICEs. As global oil prices have become increasingly volatile, many consumers and governments view energy dependence as a matter of national security, in addition to the increased cost of fueling a vehicle. Electricity is a domestic energy source, and the utilization of EVs helps solve this issue. According to General Motors Company (NYSE: GM), driving a Chevy Volt should cost less than 2 cents per mile to drive on electricity, compared with 12 cents a mile on gasoline at a price of $3.60 a gallon.

The pushback against EVs had generally focused on battery issues and infrastructure. Most EVs can travel approximately 100-200 miles before requiring recharging, which can take four to eight hours. Even a quick charge to 80% capacity can take 30 minutes. Battery packs are expensive, and owners are required to replace them every four/five years. They are also heavy, and take up significant space in the vehicle. However, battery technology is rapidly improving, these major advancements in batteries and charging station infrastructure are bringing EVs mainstream. As the user base has grown, there has been greater incentive for companies to create new EVs and continue to build out charging infrastructure to support this growing demand. Additionally, companies like Tesla have brought luxury, high performance vehicles to the market, changing the way people think about EVs. In 2012, Motor Trend magazine named the Tesla Model S its 2013 Car of the Year, marking the first time a non-petrol powered vehicle won the accolade. Consumers can now choose from a wide range of EV models and price points. As of March 2014, there were over 30 models of highway-capable plug-in electric passenger cars and electric utility vans available mainly in the United States, Japan, Western European countries and China. To further promote EV usage, many global governments offer tax incentives to help offset the purchase price. In the U.S., a federal tax credit for new PEVs is worth $2,500 plus $417 for each kilowatt-hour of battery capacity over 5 kWh, with a total credit limit of $7,500.

Between 2007 and 2010, only 11,768 plug-in electric vehicles had been sold worldwide. After the introduction of the Nissan Leaf and the Chevrolet Volt in December 2010, the first mass-production plug-in cars by major carmakers, PEV sales jumped in 2011 to around 40,000 units. Global sales of PEVs were over 200,00 in 2013, and in January 2014, Navigant Research predicted that global sales of plug-in electric vehicles will grow by 86% in 2014E. According to the International Energy Agency ("IEA"), the multi-government Electric Vehicle Initiative policy forum is seeking to facilitate the global deployment of 20 million passenger car EVs by 2020E. Analyzing the market by brand, the Nissan Leaf was the market share leader in 2013, with approximately 47,000 vehicles sold and 23% share. The Chevy Volt was a distant 2nd with 28,000 and 13% share. In all, 21 different EV models sold more than 1,300 units in 2013. The U.S. was the world's leader in plug-in electric car sales in 2013, with a 46% share of global sales. Yet the 96,000 PEV sales figure still only represented slightly over 0.5% of the 16.5mn total U.S. vehicle market.

Source: Company filings and investor materials, www.iea.org, www.fueleconomy.gov, www.evobsession.com, SeeThruEquity Research

EMAV ES, the first premium, electric Sports Adventure Vehicle

EMAV plans to capitalize on the growing EV market by introducing the EMAV ES ("ES"), a premium, rugged Sports Adventure Vehicle ("SAV") in 2H14E. Rather than manufacture its own vehicles, EMAV plans to leverage the platform of the 4-door Jeep Wrangler and "upfit" the vehicles with unique body work to enhance the rugged exterior, luxurious interior improvements, a state of the art 15 inch touchscreen tablet and a new, high-performance electric drivetrain. The ES will be powered by the world's first 2-speed all-wheel drive electric motor, delivering high performance driving on any road surface or off road environment. The ES will also have features that far surpass what is currently available with the top-end Jeep Wrangler Rubicon, aside from being available as a non-emission EV. The ES will come equipped with EMAV's Interactive WBS System™, a high-tech interface between the driver and the vehicle, which provides full GPS capabilities, a continuous internet connection, video entertainment, 360 degree camera viewing, power audio, and a battery energy usage system that monitors terrain and driver habits optimizing energy use. The ES will be

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positioned to attract consumers with its iconic Wrangler platform, while also creating a wholly unique brand identity. EMAV hopes that this combination of ruggedness and luxury will help the ES create a new segment of the automobile market, the SAV. The ES will be highly differentiated from currently available EV models and offer tremendous versatility, which should open it up to a broad range of buyers. Is has the potential to bring new consumers to the EV market, as well as to attract consumers who are looking for a premium EV or even a luxury SUV. Depending on upgrades, features, battery, and motor type, the ES will be priced from $65,000 – 95,000, before taking into account available tax credits. This compares very favorably to the Tesla Model S ($70,000 – 94,000), luxury SUVs and high end Jeep Wrangler Rubicons ($55,000 – 68,000). EMAV also plans to have the capability to offer its vehicle in a traditional gas powered model for those customers who are not interested in owning an EV. Over the longer-term, EMAV also hopes to make diesel and electric hybrid versions of the vehicle available as well.



Figure 2. EMAV vs Range Rover HSE – Autobiography and Mercedes Benz G-Class

	EMAV ES	HSE-Autobiography	G-Class Wagen
MSRP ($)	65,000 – 95,000	83,000 – 145,000	113,000 – 124,000
Transmission	None	Automatic	Automatic
Drivetrain	4 Wheel Drive	4 Wheel Drive	All Wheel Drive
MPG	90 City / 120 Hwy	14 City / 20 Hwy	12 City / 14 Hwy
Engine	Electric	Gas V8 5.0L/305	Supercharged Gas V8 5.5L/333
Horsepower	240 @ 2500	375 @ 6500	544 @ 5500
Peak Torque	510 @ 1000/250	375 @ 3500 5.0L/305	560 @ 2000 5.5L/333

Attractive platform

The Jeep Wrangler provides EMAV with a very attractive platform to construct its ES models off of. Chrysler Group said it sold 155,502 Wranglers in the U.S. and 210,715 globally in 2013, up from 144,669 U.S. sales and 194,142 global sales in 2012. Chrysler also said it built 223,039 Wranglers in 2013, up 14 percent from 2012. Obtaining a supply of vehicles and parts for this extremely popular model should not pose a problem for EMAV. Jeep has also noted success with the special edition Wranglers it released over the last year. Jeep is an iconic brand, and the Wrangler platform has won numerous awards, including Four Wheeler Magazine's Best 4x4 Vehicle of the Decade. Although it is not a part of the core strategy, EMAV has the potential to sell a meaningful amount of gas powered EMAV vehicles, given the popularity of the Jeep Wrangler platform and the desire of consumers who are always looking for the next "new" car.

Source: Company filings and investor materials, www.autonews.com, SeeThruEquity Research

Jeep dealership provides consistent supply of vehicles and parts, entry into sales network

The initial step in EMAV's business plan is to purchase a Jeep dealership in the western U.S. The company has selected a location and is currently seeking to raise the capital necessary to make the purchase. The dealership they have targeted is well run and will provide a stable revenue stream to EMAV. However, the strategic reason for the purchase is to secure a consistent supply of vehicles and parts from Chrysler without added costs or markups. Additionally, the dealership provides immediate access to sales, accounting, service, and ordering infrastructure. Chrysler does not enter into sales agreements outside of its dealership

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network, and attempting to enter into agreements with individual dealerships is a far more cumbersome and less cost-effective process than owning a dealership outright. EMAV does not want to be put in the position where it might have to obtain vehicles or parts at unfavorable terms to fill potential orders. Relying on agreements with dealerships, rather than owning its own, is a far less attractive business model for EMAV.



Once EMAV has acquired a dealership, the company will look to enter into exclusive agreements with some of the largest Jeep dealerships in the U.S. If you drill down further into EV sales, as of mid 2013, 52% of American plug-in electric car registrations were concentrated in five metropolitan areas: San Francisco, Los Angeles, Seattle, New York and Atlanta. EMAV intends to place the model ES, with a dedicated salesperson, in selected dealerships in these regions. This will help generate significant product awareness and sales for EMAV, and the dealerships will also benefit from having product exclusivity in their territory as well as generating higher profit margins from the sales of the ES compared to Jeep Wranglers.

Non-capital intensive, made to order business model

EMAV is attempting to reduce risk in the production process, as its business model does not require the company to manufacture the vehicles. Manufacturing vehicles is a capital and labor intensive process and carries significant operational risk. Instead, EMAV plans to lease a facility in southeastern Michigan, where it can easily access the necessary inventory of vehicles from Chrysler's Toledo, Ohio plant, as well as attract experienced and talented labor. The EMAV "upfitting" process is simple and manual in nature, and EMAV has stated that it will only require $400-500k of capital to equip a 40,000-50,000 square foot facility, which it believes it can lease for $4,000-5,000 per month. 73% of the parts EMAV uses to build out its vehicles are "off the shelf" and will be easy to obtain, particularly once EMAV acquires a dealership. EMAV does not plan to build out a large stock of inventory, it will "upfit" approximately 20-25 vehicles to commence commercial operations and place in dealership showrooms. EMAV then plans to operate on a made to order business model. Without overly onerous fixed production costs, EMAV should not face significant capital burn during its initial production ramp.

Unique battery pack leasing arrangement

Many of the criticisms of EVs focus on the battery pack of the vehicle. While battery technology is rapidly improving, offering faster recharging times and increased vehicle range, the batteries must be replaced every 4-5 years. EMAV will be the first EV retailer to offer a battery lease with the sale of the ES. Jeeps are notoriously sturdy vehicles, and an owner may go through two or three batteries during the life of their ES. By having a battery leasing program, owners can take advantage of the improving battery technology and not face battery replacement costs in the future, which are often significant. This is particularly relevant for owners who plan to purchase high capacity batteries. ES battery packs will use commercially available lithium-ion battery cells purchased from third party vendors, and its proprietary energy management software and system should maximize the energy efficiency of its vehicles. EMAV's proprietary WBS System technology includes charge balancing systems, battery engineering, and software and electronics management systems necessary to manage battery and vehicle performance.

Battery Cost vs. Range

Current Pricing $350=$/kWh			
Capacity	Distance	Battery Cost	Lease
45kWh	105 miles	$15,750	$187.50
60kWh	168 miles	$21,000	$250.00
105kWh	240 miles	$36,750	$437.50
135kWh	310 miles	$47,250	$562.50
145kWh	385 miles	$50,000	$595.24

*10 year battery lease. Battery pricing $600, $400, $305=$/kWh

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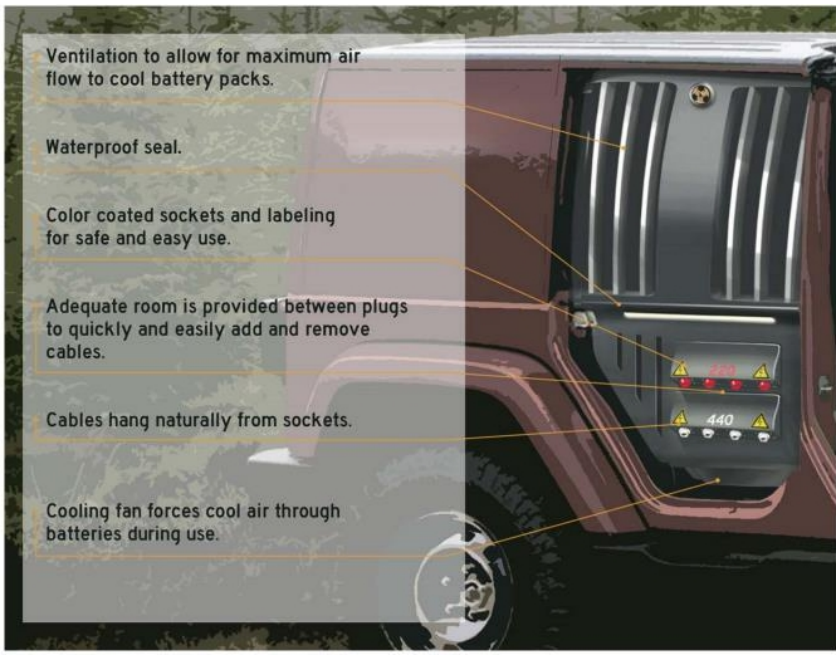
Previous project successes bring invaluable experience to EMAV

EMAV has been developing EVs since 2010, and has some notable product development accomplishments on its resume. EMAV created the world's first electric pickup when it made a Ford e150 truck. EMAV also has history with Jeep, as the company designed a trailer/camper in conjunction with the MOPAR division of Jeep. The camper was approved as the first camper to be branded as a Jeep. Even more relevant to the ES project, EMAV assembled 35 Jeep J8's under contract with the UN for deployment in Haiti. EMAV management describes the knowledge gained through this process as "invaluable," and the experience gave EMAV tremendous confidence that it could replicate this process on a much larger scale.

EMAV Power Station™ commercial vehicle has substantial sales potential

In addition to its consumer platform, EMAV intends to leverage its technology and knowledge to market the EMAV Power Station ("PS"), a commercial vehicle which has the potential to replace currently used mobile diesel generators for a widespread variety of uses. The PS will also leverage the Jeep Wrangler platform, but will be converted to a rugged, "field ready" mobile power plant vehicle by adding generators to make energy, batteries to store energy and systems to distribute energy. The PS will incorporate two power-split devices allowing for power paths from the engine to the wheels that can be either mechanical or electrical. The main principle behind the system is the decoupling of the power supplied by the engine (or other primary source) from the power demanded by the driver. The PS will provide a safe and reliable means for user to access electricity, providing outlets for electrical access from 110 to 440 volts at 8-200 amps. The PS will also employ EMAV's sophisticated battery management technology, and the vehicle will be available as gas, diesel or electric powered. The PS will be able to work onsite for 3-5 days, and operates with minimal noise and produces no polluting emissions. In the future, EMAV also plans to outfit the PS with solar paneling, increasing the field life of the vehicle.



EMAV intends to market the PS to military, civil (Homeland Security, FEMA, police) and commercial (construction, film sets, RV parks) end markets. The opportunity is tremendous and the product would be completely unique. According to industry estimates, the demand for 10-40kW and 50-200kW generators in North America is growing rapidly. An estimated 1,700 units will be sold in 2014, growing to 5,300 by 2017E. Internationally, large scale infrastructure and housing spending also provide material market opportunities for the PS. Over the long-term for EMAV, the potential of the PS might be even greater than the ES, given its versatility and numerous end market applications. EMAV has significant IP protection around the PS, giving it a strategic competitive advantage.



Source: Company filings and investor materials, SeeThruEquity Research

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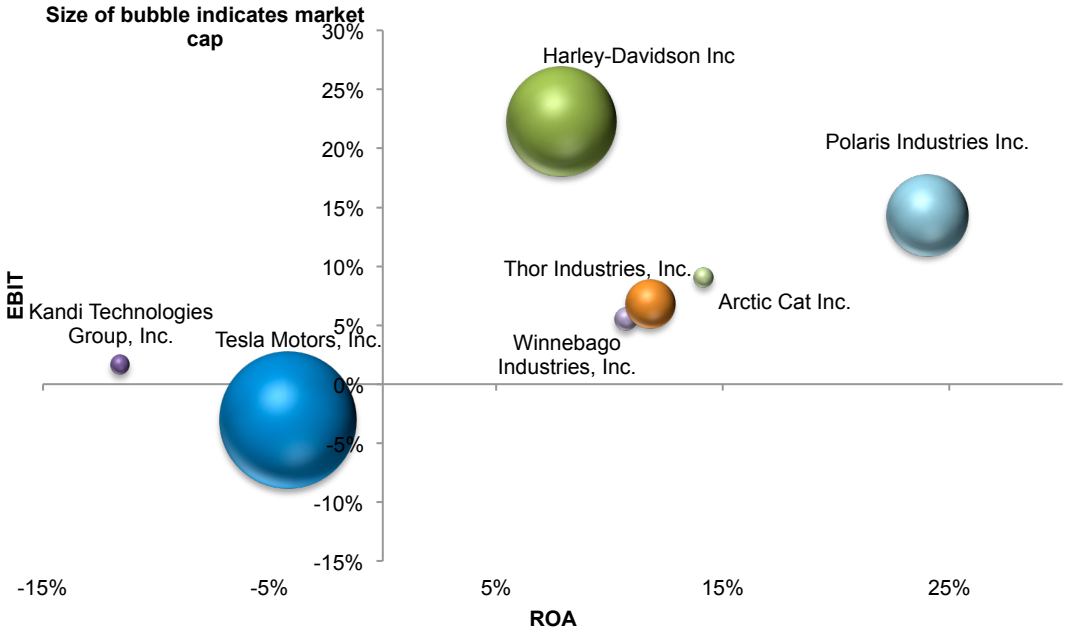
COMPETITIVE LANDSCAPE

The worldwide automotive market, particularly for alternative fuel vehicles, is highly competitive today and we expect it will become even more so in the future. We would expect competitors to continue to enter these markets within the next several years with some entering as early as 2014 and as they do so we expect that we will experience significant competition. While there is currently no other electric 4-wheel drive SUV in the marketplace, we expect other manufacturers to enter that space. EMAV believes that other electric vehicles which are not SUVs may pose a competitive risk to its products. Tesla Motors has announced it will offer an electric SUV in 2014. EMAV will also face strong competition from established automobile manufacturers of premium vehicles looking to enter the electric vehicle market, such as BMV, Mercedes Benz, and Lexus. Electric vehicles which are non-premium and non-4 wheel drive also pose a competitive threat. Such vehicles would include the Nissan Leaf and Fiat 500. Several manufacturers, including General Motors, Toyota, Ford, and Honda, are each selling hybrid vehicles, and certain of these manufacturers have announced plug-in versions of their hybrid vehicles. It has been reported other manufacturers, such as Audi, Renault, Mitsubishi, and Volkswagen, are also developing electric vehicles. Several new start-ups have also announced plans to enter the market for performance electric vehicles, although none of these have yet come to market. It is also expected that a number of Chinese electric vehicle manufacturers will seek to enter the United States market as well.

EMAV plans to position the EMAV ES at the moderately high end of pre-existing vehicle segments. The EMAV ES will enter the market as the only premium electric rugged sport adventure vehicle and its feature upgrades should position it to compete with high end comfort and driving capabilities of other SUVs, while offering significant differences in performance and adventure opportunities. The electric motor should reduce energy costs substantially and create an environmentally conscious alternative to a vehicle segment known for high ownership and energy consumption costs. Direct competition will be from vehicle market segments that have some features or similarities of/to the EMAV ES. The Premium SUV or RSUV segments, which are all internal combustion engine vehicles include: the Cadillac Escalade, GMC Yukon, Ford Expedition, Lincoln Navigator, Mercedes G-Wagon, Range Rover, Jeep Wrangler, and Toyota Range Rover. The EMAV ES will be priced within a significant price range variance in the RSUV market, starting with the Nissan Xterra at under $20,000 and the Mercedes G-Wagon at over $120,000.

Compared to the majority of the peer group, EMAV is much smaller in market capitalization. We feel that EMAV can achieve EBIT margins in the 18-22% range and an ROA greater than 20-25% over time.

Figure 3. ROA vs. EBIT– EMAV Peers



Source: Company filings, SeeThruEquity Research

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FINANCIALS AND FUTURE OUTLOOK

Revenue/Drivers

EMAV hopes to acquire a Jeep dealership in 3Q14E and begin selling vehicles in 4Q14E. We are modeling the dealership at $12.5mn annually and not assuming any growth from that part of the operation. We are assuming $6.5mn in vehicles sales in 2014E, or approximately 100 vehicles at an average price of $65,000. Our 2014 baseline prices are $54,000 for gas powered vehicles and $76,000 for the ES. We are modeling 2% annual price increases for gas and diesel powered vehicles (introduced in 2015E) and 5% annual price increases for the ES through 2019E. We are also modeling in sales of the EX (electric hybrid) commencing in 2016E at a $95,000 average sales price. Our total vehicle revenue estimates for 2019E are $1.2bn, and approximately 14,000 units sold (72% ES & EX, 28% gas and diesel). As a comparison, Tesla sold approximately 22,000 Model S vehicles in 2013 and 21 different EVs sold over 1,300 units in 2013. Jeep sold 155,502 Wranglers in the U.S. in 2013.

We are not including any international or PS sales in our model. We believe that once EMAV scales production of its consumer offerings, sales of the PS are a distinct possibility in late 2015E or 2016E.

Margins/Expenses

EMAV's business model has the potential to generate higher gross margins than a typical auto manufacturer, due to its outsourced production process of the vehicle platform. We are modeling gross margins of 26.7% for 2014E, increasing to 37.8% by 2019E. Gross margins will clearly be a function of the types of features and batteries that consumers choose, as EMAV has guided to relatively wide price range on the ES.

EMAV's largest expenses will be salaries, commissions and warranty & insurance. We are modeling SG&A of $5mn for 2014E, or 51.9% of sales, growing to $185mn, or 15.5% of sales in 2019E. We are modeling in $78k of R&D expense for 2014E, growing to an annual expense of $1.2mn in the 2016-2019E timeframe. As battery technology evolves, we would assume EMAV's largest R&D expense would be incorporating this new technology into its production process.

EMAV would like to raise roughly $3-4mn to acquire the Jeep dealership. Aside from that, the company will require another $1mn to outfit its production facility and build an initial inventory of 20-25 vehicles. We are modeling in $1mn in CAPEX in 2014E and 2015E, but we assume that figure will rise to the $3mn range in 2016E as the company will have to increase its footprint to keep up with growing production.

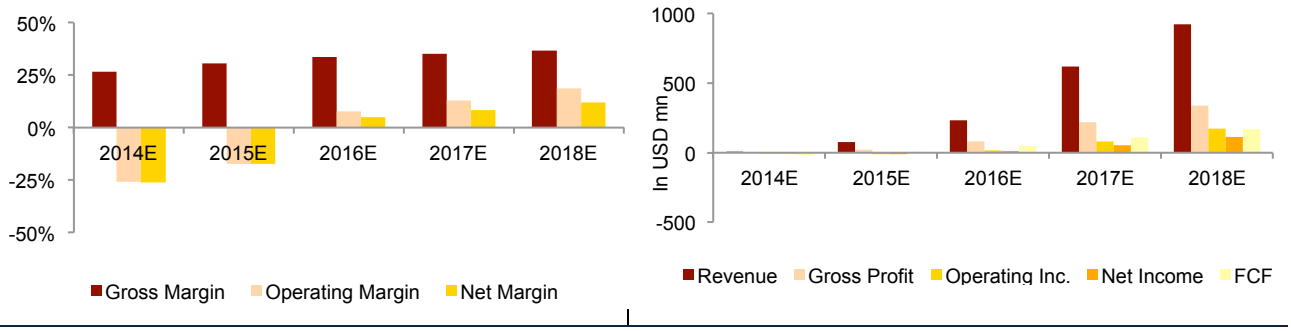
Balance Sheet & Financial Liquidity

EMAV had $40,276 in cash and $38,274 in PP&E as of March 31, 2014.

EMAV had total liabilities of $48,799 as of March 31, 2014. These liabilities included $12,000 of accounts payables and $33,867 in short term debt.

EMAV had 51.5mn shares outstanding as of March 31, 2014. EMAV will need to raise roughly $9-10mn in 2014E. We are modeling in $9.6mn in additional capital raised in 2014E and $17mn in 2015E. This takes the share count to 74.1mn in 2015E.

Figure 4. Key Performance Indicators of EMAV, FY14E–18E



Source: Company filings, SeeThruEquity Research

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VALUATION

We have valued EMAV using two different valuation methods; discounted cash flow ("DCF") and Peer Group Valuation. Our blended valuation, combining the two methodologies mentioned above, yields a fair value of $4.01 per share, representing an upside of 300% from the recent price of $1.00 as of May 16, 2014.

DCF

We expect revenue growth for EMAV to commence in 2014E. We project free cash flow to move from ($4.3mn) in 2014E to $170.9mn in 2019E. We discounted cash flows at a weighted average cost of capital of 22.7% and assumed a terminal growth rate of 1.5% at the end of 2019E to arrive at an enterprise value of $369.6mn. Adjusting for the cash balance of $40k and debt of $34k as of March 31, 2014, we arrived at a fair value of $7.17 per share.

Figure 4. Discounted Cash Flow Analysis

$' 000	FY14E	FY15E	FY16E	FY17E	FY18E	FY19E
EBIT	(2,501)	(12,853)	18,133	80,398	171,756	265,171
Less: Tax	0	0	6,346	28,139	60,115	92,810
NOPLAT	(2,501)	(12,853)	11,786	52,259	111,641	172,361
Changes in working capital	(1,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Depreciation & Amortization	193	396	553	817	1,193	1,551
Capex	(1,000)	(1,000)	(3,000)	(1,000)	(1,000)	(1,000)
FCFF	**(4,309)**	**(15,456)**	**7,339**	**50,076**	**109,835**	**170,912**
Discount factor	0.88	0.72	0.59	0.48	0.39	0.32
PV of FCFE	(3,796)	(11,100)	4,296	23,891	42,710	54,170
Sum of PV of FCFE						110,170
Terminal cash flow						818,705
PV of terminal cash flow						259,484
Enterprise value						369,654
Less: Debt						34
Add: Cash						40
Equity value						**369,728**
Fully diluted shares (mn)						51.5
Fair value per share ($)						**7.17**

Summary conclusions		Key assumptions	
DCF FV ($ per share)	7.17	Beta	2.0
Recent price ($ per share)	1.00	Cost of equity	22.7%
Upside (downside)	617.4%	Cost of debt (post tax)	6.0%
WACC	22.7%	Terminal Growth Rate	1.5%

Source: SeeThruEquity Research

Figure 5. Sensitivity of Valuation – WACC vs. Terminal Growth Rate

		WACC (%)				
		21.7%	22.2%	22.7%	23.2%	23.7%
Terminal growth rate (%)	0.50%	7.45	7.17	6.90	6.64	6.40
	1.00%	7.61	7.31	7.03	6.77	6.52
	1.50%	7.77	7.46	**7.17**	6.90	6.64
	2.00%	7.93	7.62	7.32	7.04	6.77
	2.50%	8.11	7.78	7.48	7.18	6.91
	3.00%	8.30	7.96	7.64	7.33	7.05

Source: SeeThruEquity Research

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Peer Group Valuation

We compared EMAV with vehicle manufacturers Tesla Motors, Inc., Harley-Davidson Inc. and Thor Industries, Inc., among others, using a market multiple approach.

We arrived at a fair value range of $2.49 to $2.81 per share based on P/Revenue and EV/Revenue multiples of selected peers. We considered a target multiple of 1.7x for the P/Revenue multiple and 2015E revenue of $74.8mn to arrive at a fair value of $2.49 per share. Similarly, we used an EV/Revenue multiple of 1.9x our 2015E revenue forecast to arrive at a fair value of $2.81 per share. EMAV currently trades at a roughly 65% discount to the peer group. EMAV has not yet produced a vehicle, so this discount is justified. However, once EMAV raises capital, purchases a dealership and begins production, we think its product and business model is quite unique and that the valuation gap will close dramatically. Tesla, which we feel is the best comparison for EMAV, trades at an over 100% premium to the group on 2014 and 2015 estimates.

Figure 6. Comparable Valuation (Data as of 05/16/14)

Company	Mkt cap ($ mn)	EV/Revenue(x)		Price/Revenue(x)	
		FY14E	FY15E	FY14E	FY15E
Tesla Motors, Inc.	24,303	5.8x	4.3x	6.4x	4.7x
Harley-Davidson Inc.	15,832	3.5x	3.3x	2.7x	2.6x
ZAP	54	2.2x	2.2x	1.1x	1.1x
Kandi Technologies Group, Inc.	463	4.2x	3.2x	3.8x	2.9x
Arctic Cat Inc.	455	0.6x	0.5x	0.6x	0.6x
Winnebago Industries, Inc.	637	0.7x	0.7x	0.7x	0.7x
Thor Industries, Inc.	3,119	0.8x	0.8x	0.9x	0.8x
Polaris Industries Inc.	8,517	2.0x	1.8x	1.9x	1.7x
Average		**2.5x**	**2.1x**	**2.3x**	**1.9x**
EMAV Holdings, Inc.	52	5.3x	0.7x	5.3x	0.7x
Premium (discount)		116.3%	(66.9%)	136.0%	(63.2%)

Source: Bloomberg, SeeThruEquity Research

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RISK CONSIDERATIONS

Development stage company

EMAV was formed in March 2010. Since March 2010, the majority of its resources have been dedicated to development efforts in preparation to bring its signature electric vehicle to market. It has only recently begun to transition into the very early stages of commercial production. EMAV does not have a stable operating history that an investor can rely on in connection with an evaluation of its business and future business prospects. EMAV's business and prospects must be carefully considered in light of its limited operating history and the relative infancy of the electric vehicle market. There are also many business risks, uncertainties, and difficulties that are typically encountered by development stage companies that have sporadic revenues and are committed to focusing on research, development, and product testing for an indeterminate period of time. Any financial projections, especially those based on ventures with minimal operating history, are inherently subject to a high degree of uncertainty, and their ultimate achievement depends on the timing and occurrence of a complex series of future events, both internal and external to the enterprise. There can be no assurance that potential revenues or expenses we project will, in fact, be received or incurred.

Production of first vehicle

EMAV faces significant barriers as is attempts to produce its first vehicle, the EMAV ES. EMAV has not yet produced an actual drivable prototype. Further, it does not currently have a full production prototype, a final design, a built-out manufacturing facility, or a manufacturing process. As a manufacturer and seller of primarily electric vehicles, EMAV will face a variety of added challenges to entry that a traditional automobile manufacturer would not encounter including additional costs of producing an electric powertrain that has comparable performance to a traditional gasoline engine in terms of range and power, inexperience with servicing electric vehicles, regulations associated with the transport of lithium-ion batteries and unproven high-volume customer demand for fully electric vehicles.

Competition

The worldwide automotive market, particularly for alternative fuel vehicles, is highly competitive today and we expect it will become even more so in the future. We expect competitors to continue to enter these markets within the next several years with some entering as early as 2014 and as they do so we expect that we will experience significant competition. While there is currently no other electric 4-wheel drive SUV in the marketplace, we expect other manufacturers to enter that space. We also believe that other electric vehicles which are not SUVs may pose a competitive risk to our products. Tesla Motors has announced it will offer an electric SUV in 2014. We will also face strong competition from established automobile manufacturers of premium vehicles looking to enter the electric vehicle market, such as BMV, Mercedes Benz, and Lexus. Electric vehicles which are non-premium and non-4 wheel drive also pose a competitive threat to us. Such vehicles would include the Nissan Leaf and Fiat 500. Several manufacturers, including General Motors, Toyota, Ford, and Honda, are each selling hybrid vehicles, and certain of these manufacturers have announced plug-in versions of their hybrid vehicles. It has been reported other manufacturers, such as Audi, Renault, Mitsubishi, and Volkswagen, are also developing electric vehicles. Several start-ups have attempted to enter the market for performance electric vehicles, though many (such as Fisker) have failed and gone out of business. We also expect that a number of Chinese electric vehicle manufacturers will seek to enter the United States market as well.

Share liquidity and penny stock rules

EMAV is currently considered a "penny stock," which requires a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from those rules, to deliver a standardized risk disclosure document prepared by the SEC, which specifies information about penny stocks and the nature and significance of risks of the penny stock market. This may further limit trading of EMAV shares. EMAV has averaged 168 shares traded a day since January 1, 2014. At a recent price of $1.00, this comes to $168 per day in trading volume. Getting into or out of a position in EMAV may be very difficult.

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Management Team

Keith A. Rosenbaum – Chairman & Chief Executive Officer

Keith A. Rosenbaum has served as the sole director and officer of EMAV since January, 2013. Keith has served as EMAV's Chairman, CEO, CFO, and Secretary since EMAV's formation in March, 2010. Keith brings with him over 30-years of experience and a well-deserved reputation as a "deal maker", having been profiled in Forbes, The Wall Street Journal, and Inc. Magazine. Keith has curtailed his commitment as Managing Partner of SPECTRUM LAW GROUP, LLP, where he focuses on "deals" (capital intensive financing transactions, both public and private; mergers and acquisitions; and, business formation and partnering arrangements) in order to serve as CEO of EMAV. In his role as advisor, and not "just the attorney", to many of his clients, Keith has relied upon his experience to provide exceptional analytical and execution skills, counseling his clients in virtually all areas of business. A graduate of Cal. State Fullerton with a degree in Finance, Keith graduated from California Western School of Law (Magna Cum Laude) and holds an LL.M. degree in Taxation from New York University School of Law. Keith has taught corporate law and federal income tax law as an adjunct professor at Western State University College of Law and Chapman University School of Law.

Wilhelm Cashen –Chief Technology Officer

Wilhelm ("Wil") Cashen has served as EMAV's Chief Technology Officer since EMAV's formation in March, 2010. Wil has been in the OEM automotive industry for over 30 years, building successful automotive OEM engineering, manufacturing, and technical services companies. He has applied his broad experience to achieve success with disruptive automotive technology domestically and internationally, creating early intercooler and charge air heat exchangers production systems, products, and programs. He also had similar successes with turbochargers and systems development involving the wide spread introduction, manufacturing, and deployment of charger air cooler technology in the mid 1980's for many of the world's largest automobile manufacturers. Wil was the founder and driving force behind a company that developed the technology which enabled the transformation to robotic dark room manufacturing worldwide. This strategy was based on his proprietary software and electromagnetic actuation and motor control technology. With his extensive background in automotive production and engine development, Wil has developed web applications for the direct sales and service of vehicles, selling hundreds of sports cars world-wide through a customer direct program.

Mike Conway – Chief Operating Officer

Mike Conway joined EMAV in June, 2013 as Chief Operating Officer. Mike started his business career with sales and management leadership roles at McCaw Cellular and Pitney Bowes. In 1992 Mike and a business started a sourcing warehousing distribution company for manufacturers. Over the course of the next 16-years Mike grew the business into an industry leader and sold the company in 2008. Thereafter, Mike started another successful venture which manufactures and distributes protective eyewear for the military and police tactical markets. As a highly successful senior-level executive, Mike brings to EMAV the ability to build and lead high performing teams by leveraging his expertise in sales management, business development, marketing and customer relationships. Mike is a graduate of Arizona State University (Business) and is actively involved in numerous charitable organizations.

Pat Muldoon – Chief Production Officer

Pat is currently the General Manager Vehicle Engineering for Osirius Group LLC, a Detroit-based Vehicle Engineering/ Industrialization Company. He was former Vice President of Product Development Engineering for Venchurs Vehicle Systems VWerks Division. While at VVS, Muldoon led the development of new vehicle programs including high-profile image vehicles for the Discovery Channel show Sons of Guns, limited-production buzz-model specialty programs (Predator), commercial fleet trucks and QVM alternative fuel solutions for the Adrian-based second stage manufacturer.

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Muldoon's resume is quite diverse — his experience, skills and passion for building high-performance, special-edition vehicles have made him a fixture in the Detroit Specialty Vehicle landscape for the past 20 years. As the former Senior Manager of Product Development Engineering at Chrysler's Mopar Division, Muldoon has more than 25 years of progressive product engineering experience, building some of the brand's well-known show cars and concepts, buzz models and CKD vehicles. Prior to joining Mopar, Muldoon had stints in Powertrain, Powertrain Electrical, Special Programs and Vehicle Testing at the Chelsea Proving Grounds. Prior to joining Chrysler, Muldoon was a Journeyman Tool and Die Maker with Dearborn Heights-based Motorama Engineering before going on to complete his Bachelors degree at Eastern Michigan University.

Among his notable projects was development of Mopar's Jeep Wrangler Blue Crush that combined high-speed off-road prowess with rock-crawling finesse, the Grand Cherokee Limited Plus and the right hand drive Jeep Wrangler. Muldoon has had a hand in developing many of Mopar's most iconic and outrageous vehicles like the V-10 Drag-Pak Challenger and the desert-conquering Mopar Ram Runner. Other key accomplishments include the Mopar JK-8 Independence conversion package that converts a four-door Wrangler into a two-door pickup, and launching the limited-edition Mopar 10 Challenger and the Mopar 11 Charger.

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FINANCIAL SUMMARY

Figure 7. Income Statement

Figures in $mn unless specified	FY14E	FY15E	FY16E	FY17E	FY18E
Revenue	**9.6**	**74.8**	**235.1**	**618.0**	**920.8**
YoY growth	NM	676.4%	214.3%	162.8%	49.0%
Cost of sales	7.1	51.9	155.8	400.5	582.1
Gross Profit	**2.6**	**22.9**	**79.3**	**217.6**	**338.7**
Margin	26.7%	30.6%	33.7%	35.2%	36.8%
Operating expenses	5.1	35.7	61.2	137.2	166.9
EBIT	(2.5)	(12.9)	18.1	80.4	171.8
Margin	(26.0%)	(17.2%)	7.7%	13.0%	18.7%
EBITDA	**(2.3)**	**(12.5)**	**18.7**	**81.2**	**172.9**
Margin	(24.0%)	(16.6%)	7.9%	13.1%	18.8%
Other income/ (expense)	(0.0)	(0.0)	0.0	0.0	0.0
Profit before tax	(2.5)	(12.9)	18.1	80.4	171.8
Tax	0.0	0.0	6.3	28.1	60.1
Net income	**(2.5)**	**(12.9)**	**11.8**	**52.3**	**111.6**
Margin	(26.2%)	(17.2%)	5.0%	8.5%	12.1%
EPS (per share)	**(0.04)**	**(0.17)**	**0.15**	**0.66**	**1.40**

Source: SeeThruEquity Research

Figure 8. Balance Sheet

Figures in $mn, unless specified	FY14E	FY15E	FY16E	FY17E	FY18E
Current assets	1.4	4.9	19.3	71.4	183.2
Intangibles	0.0	0.0	0.0	0.0	0.0
Other assets	5.8	6.4	8.9	9.1	8.9
Total assets	**7.3**	**11.4**	**28.2**	**80.4**	**192.1**
Current liabilities	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	7.2	11.3	28.1	80.4	192.0
Total liab and shareholder equity	**7.3**	**11.4**	**28.2**	**80.4**	**192.1**

Source: SeeThruEquity Research

Figure 9. Cash Flow Statement

Figures in $mn, unless specified	FY14E	FY15E	FY16E	FY17E	FY18E
Cash from operating activities	(3.3)	(14.5)	10.3	51.1	110.8
Cash from investing activities	(4.0)	(1.0)	(3.0)	(1.0)	(1.0)
Cash from financing activities	9.6	17.0	5.0	0.0	0.0
Net inc/(dec) in cash	**2.3**	**1.5**	**12.3**	**50.1**	**109.8**
Cash at beginning of the year	0.1	2.5	4.0	16.3	66.4
Cash at the end of the year	**2.5**	**4.0**	**16.3**	**66.4**	**176.2**

Source: SeeThruEquity Research

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About EMAV Holdings, Inc.

Electric Motors and Vehicles Company, EMAV Holdings, Inc. ("EMAV') assembles, markets, sells, and services EMAV-branded, electric 4-wheel drive Jeep® Wrangler consumer and commercial vehicles. EMAV's consumer-grade vehicles cater to a large niche market for premium-level SUV and light duty-vehicle consumers who beforehand had little to no choice in electric vehicles. EMAV's consumer vehicles will be sold through a network of the Company's Jeep/Chrysler dealerships and for special order for any Jeep/Chrysler dealership. EMAV's commercial line will also be built on the Jeep platform and will be designed as a stand-alone mobile energy system for the commercial, military, and civil agencies and intended to replace tow-behind, noisy and polluting diesel generators.

Founded in 2010 with a business model premised on low cost entry into the electric vehicle industry, the Company's mission is to (i) deliver unique and superior consumer & commercial electric vehicles; (ii) provide an engaging and fulfilling work environment for our employees; and, (iii) reward our stockholders with transparent operations and superior return on investment.

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CONTACT:

Ajay Tandon
Director of Research
SeeThruEquity, LLC
www.seethruequity.com
(646) 495-0939
ajay@seethruequity.com

Brandon Primack, CFA
Senior Equity Research Analyst
SeeThruEquity, LLC
www.seethruequity.com
(646) 495-0939
brandon@seethruequity.com

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