UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to __________

Commission file number: 001-34643

AYRO, INC.
(Exact name of registrant as specified in its charter)

Delaware	**98-0204758**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
900 E. Old Settlers Boulevard, Suite 100 Round Rock, Texas	**78664**
(Address of principal executive offices)	(Zip Code)

(512) 994-4917
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	AYRO	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐No ☒

As of November 03, 2022, the registrant had37,020,518 shares of common stock outstanding.

AYRO, Inc.
Quarter Ended September 30, 2022

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

AYRO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash	$ 39,428,850	$ 69,160,466
Marketable securities	15,790,595	-
Accounts receivable, net	456,372	969,429
Inventory	1,479,501	3,744,037
Prepaid expenses and other current assets	2,327,563	2,276,178
Total current assets	59,482,881	76,150,110
Property and equipment, net	1,663,385	835,160
Intangible assets, net	99,023	88,322
Operating lease – right-of-use asset	857,576	1,012,884
Deposits and other assets	22,491	41,288
Total assets	**$ 62,125,356**	**$ 78,127,764**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,163,398	$ 647,050
Accrued expenses	1,622,149	2,990,513
Current portion lease obligation – operating lease	159,910	206,426
Total current liabilities	2,945,457	3,843,989
Lease obligation - operating lease, net of current portion	737,124	859,543
Total liabilities	**3,682,581**	**4,703,532**
Stockholders' equity:		
Preferred Stock, (authorized – 20,000,000 shares)	-	-
Convertible Preferred Stock Series H, ($0.0001 par value; authorized – 8,500 shares; issued and outstanding – 8 shares as of September 30, 2022 and December 31, 2021, respectively)	-	-
Convertible Preferred Stock Series H-3, ($.0001 par value; authorized – 8,461 shares; issued and outstanding – 1,234 as of September 30, 2022 and December 31, 2021, respectively)	-	-
Convertible Preferred Stock Series H-6, ($.0001 par value; authorized – 50,000 shares; issued and outstanding – 50 as of September 30, 2022 and December 31, 2021, respectively)	-	-
Common Stock, ($0.0001 par value; authorized – 100,000,000 shares; issued and outstanding – 37,131,380 and 36,866,975 as of September 30, 2022 and December 31, 2021, respectively)	3,713	3,687
Additional paid-in capital	132,907,975	131,654,776
Accumulated deficit	(74,468,913)	(58,234,231)
Total stockholders' equity	58,442,775	73,424,232
Total liabilities and stockholders' equity	**$ 62,125,356**	**$ 78,127,764**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

AYRO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenue	$ 373,186	$ 559,370	$ 2,381,592	$ 1,870,306
Cost of goods sold	955,003	955,466	4,959,660	2,030,447
Gross loss	(581,817)	(396,096)	(2,578,068)	(160,141)
Operating expenses:				
Research and development	1,837,510	4,165,732	3,749,714	9,135,410
Sales and marketing	384,748	646,713	1,566,790	1,873,955
General and administrative	3,000,156	6,805,788	8,446,785	14,168,782
Total operating expenses	5,222,414	11,618,233	13,763,289	25,178,147
Loss from operations	(5,804,231)	(12,014,329)	(16,341,357)	(25,338,288)
Other income (expense):				
Other income, net	51,792	12,254	71,389	40,943
Interest expense	-	-	-	(2,312)
Realized gain on marketable securities	103,000	-	110,490	-
Unrealized loss on marketable securities	(32,135)	-	(75,204)	-
Other income (expense), net	122,657	12,254	106,675	38,631
Net loss	$ (5,681,574)	$ (12,002,075)	$ (16,234,682)	$ (25,299,657)
Net loss per share, basic and diluted	$ (0.15)	$ (0.33)	$ (0.44)	$ (0.73)
Basic and diluted weighted average Common Stock outstanding	37,094,631	36,312,478	36,995,497	34,615,858

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

AYRO, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)

Three and Nine Months Ended September 30, 2022

	Series H Preferred Stock		Series H-3 Preferred Stock		Series H-6 Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated (Deficit)	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2021	**8**	**$ -**	**1,234**	**$ -**	**50**	**$ -**	**36,866,956**	**$ 3,687**	**$ 131,654,776**	**$ (58,234,231)**	**$ 73,424,232**
Stock Based Compensation									288,110		288,110
Vesting of Restricted Stock							43,000	4	329,377		329,381
Net Loss										(4,578,660)	(4,578,660)
Balance, March 31, 2022	**8**	**-**	**1,234**	**-**	**50**	**-**	**36,909,956**	**3,691**	**132,272,263**	**(62,812,891)**	**69,463,063**
Stock Based Compensation									303,553		303,553
Vesting of Restricted Stock							110,562	11	(11)		-
Net Loss										(5,974,448)	(5,974,448)
Balance, June 30, 2022	**8**	**-**	**1,234**	**-**	**50**	**-**	**37,020,518**	**3,702**	**132,575,805**	**(68,787,339)**	**63,792,168**
Stock Based Compensation									332,181		332,181
Vesting of Restricted Stock							110,862	11	(11)		-
Net Loss										(5,681,574)	(5,681,574)
Balance, September 30, 2022	**8**	**$ -**	**1,234**	**$ -**	**50**	**$ -**	**37,131,380**	**$ 3,713**	**$ 132,907,975**	**$ (74,468,913)**	**$ 58,442,775**

Three and Nine Months Ended September 30, 2021

	Series H Preferred Stock		Series H-3 Preferred Stock		Series H-6 Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated (Deficit)	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance, December 31, 2020	**8**	**$ -**	**1,234**	**$ -**	**50**	**$ -**	**27,088,584**	**$ 2,709**	**$ 64,509,724**	**$ (25,154,817)**	**$ 39,357,616**
Stock Based Compensation									1,699,423		1,699,423
Sale of common stock, net of fees							8,035,835	804	58,269,025		58,269,829
Exercise Warrants							13,642	1	99,999		100,000
Exercise Options							74,987	7	183,418		183,425
Net Loss										(5,633,833)	(5,633,833)
Balance, March 31, 2021	8	-	1,234	-	50	-	35,213,048	3,521	124,761,589	(30,788,650)	93,976,460
Issuance of common stock for services							15,000	2	42,298		42,300
Stock Based Compensation									1,638,071		1,638,071

Exercise Options							394,589	39	1,041,452		1,041,491
Restricted stock vesting							681,725	68	(68)		-
Net Loss										(7,663,749)	(7,663,749)
Balance, June 30, 2021	**8**	**-**	**1,234**	**-**	**50**	**$ -**	**36,304,362**	**3,630**	**127,483,342**	**(38,452,399)**	**89,034,573**
Stock Based Compensation									1,012,121		1,012,121
Exercise of Options							85,428	9	282,074		282,083
Restricted stock vesting							42,999	4	(4)		-
Net loss										(12,002,075)	(12,002,075)
Balance, September 30, 2021	**8**	**$ -**	**1,234**	**$ -**	**50**	**$ -**	**36,432,789**	**$ 3,643**	**$128,777,533**	**$ (50,454,474)**	**$ 78,326,702**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

AYRO, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Nine Months Ended September 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (16,234,682)	$ (25,299,657)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	442,890	384,157
Stock-based compensation	923,844	6,997,986
Amortization of right-of-use asset	155,308	149,376
Bad debt expense	2,136	92,176
Realized gain on marketable securities	(110,490)	
Unrealized loss on marketable securities	75,204	-
Impairment of inventory and prepaid	2,351,947	-
Change in operating assets and liabilities:		
Accounts receivable	510,922	(66,550)
Inventory	462,025	(1,568,687)
Prepaid expenses and other current assets	(1,430,565)	(841,465)
Deposits	18,798	(18,797)
Accounts payable	516,347	420,420
Accrued expenses	(473,953)	1,168,858
Contract liability	-	(24,000)
Lease obligations - operating leases	(168,935)	(117,474)
Net cash used in operating activities	(12,959,204)	(18,723,657)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(970,557)	(512,298)
Purchase of marketable securities, net	(15,755,309)	-
Purchase of intangible assets	(46,546)	(57,227)
Net cash used in investing activities	(16,772,412)	(569,525)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of debt	-	(21,609)
Proceeds from exercise of warrants, net of fees	-	100,000
Proceeds from exercise of stock options	-	1,506,999
Proceeds from issuance of Common Stock, net of fees and expenses	-	58,269,829
Net cash provided by financing activities	-	59,855,219
Net change in cash	(29,731,616)	40,562,037
Cash, beginning of year	69,160,466	36,537,097
Cash, end of quarter	$ 39,428,850	$ 77,099,134
Supplemental disclosure of cash and non-cash transactions:		
Cash paid for interest	$ -	$ 1,971
Restricted Stock issued, previously accrued	$ 329,381	$ -
Accrued Fixed Assets	$ 193,053	
Supplemental non-cash amounts of lease liabilities arising from obtaining right of use assets	$ -	$ 120,440

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

AYRO, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

AYRO, Inc. ("AYRO" or the "Company"), a Delaware corporation formerly known as DropCar, Inc. ("DropCar"), a corporation headquartered outside Austin, Texas, is the merger successor (as discussed below) of AYRO Operating Company, Inc. ("AYRO Operating"), which was formed under the laws of the State of Texas on May 17, 2016 as Austin PRT Vehicle, Inc. and subsequently changed its name to Austin EV, Inc. under an Amended and Restated Certificate of Formation filed with the State of Texas on March 9, 2017. On July 24, 2019, the Company changed its name to AYRO, Inc. and converted its corporate domicile to Delaware. The Company was founded on the basis of promoting resource sustainability. The Company, and its wholly-owned subsidiaries, are principally engaged in manufacturing and sales of environmentally-conscious, minimal-footprint electric vehicles. The all-electric vehicles are typically sold both directly and to dealers in the United States.

Strategic Review

Following the hiring of our new Chief Executive Officer in the third quarter of 2021, we initiated a strategic review of our product development strategy, as we focus on creating value within the electric vehicle, last-mile delivery, smart payload and enabling infrastructure markets. In connection with the strategic review, we canceled development of our planned next-generation three-wheeled high speed vehicle.

For the past several years, the Company's primary supplier has been Cenntro Automotive Group, Ltd. ("Cenntro"), which operates a large electric vehicle factory in the automotive district in Hangzhou, China. As a result of rising shipping costs, quality issues with certain components and persistent delays, the Company has decided to cease production of the AYRO 411x from Cenntro in September 2022 in order to focus its resources on the development and launch of the new 411 fleet vehicle model year 2023 refresh, the Vanish.

In December 2021, the Company began design and development on the Vanish, including updates on its supply chain evolution, offshoring/onshoring mix, manufacturing strategy, and annual model year refresh program.

Merger

On May 28, 2020, pursuant to the previously announced Agreement and Plan of Merger, dated December 19, 2019, by and among AYRO, Inc., a Delaware corporation previously known as DropCar, Inc., ABC Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("Merger Sub"), and AYRO Operating Company, Inc., a Delaware corporation previously known as AYRO, Inc. ("AYRO Operating"), Merger Sub was merged with and into AYRO Operating, with AYRO Operating continuing after the merger as the surviving entity and a wholly owned subsidiary of the Company (the "Merger").

NOTE 2. LIQUIDITY AND OTHER UNCERTAINTIES

The unaudited condensed consolidated financial statements have been prepared in conformity with generally accepted accounting principles in the United States ("GAAP"), which contemplates continuation of the Company as a going concern. The Company is subject to a number of risks similar to those of earlier stage commercial companies, including dependence on key individuals and products, the difficulties inherent in the development of a commercial market, the potential need to obtain additional capital, competition from larger companies, other technology companies and other technologies. The Company has a limited operating history and the sales and income potential of its business and market are unproven. The Company incurred net losses of $16,234,682 for the nine months ended September 30, 2022, and negative cash flows from operations of $12,959,204 for the nine months ended September 30, 2022. At September 30, 2022, the Company had cash balances totaling $39,428,850 and marketable securities of $15,790,595. In addition, as a result of the net losses incurred working capital has decreased by $15,768,697 during the nine months ended September 30, 2022. Management believes that the existing cash at September 30, 2022 will be sufficient to fund operations for at least the next twelve months following the issuance of these unaudited condensed consolidated financial statements.

Since early 2020, when the World Health Organization declared the spread of the transmissible and pathogenic coronavirus a global pandemic, there have been business slowdowns and decreased demand for AYRO products. The outbreak of such a communicable disease has resulted in a widespread health crisis which has adversely affected general commercial activity and the economies and financial markets of many countries, including the United States. As the outbreak of the disease has continued through 2020, 2021 and into 2022, the measures taken by the governments of countries affected has adversely affected the Company's business, financial condition, and results of operations.

The Company has historically relied on foreign suppliers, including Cenntro which has been its largest supplier, for a number of raw materials, instruments and technologies that the Company purchases. The Company intends to reduce its reliance on foreign suppliers by sourcing components for the Vanish from vendors in the United States and in Europe, but its vendors may be reliant on foreign suppliers. The Company's success is dependent on the ability for it and its suppliers to import or transport such products from vendors in a timely and cost-effective manner. The Company relies heavily on third parties, including ocean carriers and truckers, in that process. The global shipping industry is experiencing ocean shipping disruptions, trucking shortages, increased ocean shipping rates and increased trucking and fuel costs, and the Company cannot predict when these disruptions will end.

There is currently a shortage of shipping capacity worldwide, and as a result, receipt of imported products by the Company or its vendors may be disrupted or delayed. The shipping industry is also experiencing issues with port congestion and pandemic-related port closures and ship diversions. Labor disputes among freight carriers and at ports of entry are common, and the Company expects labor unrest and its effects on shipping products to be a challenge for it and its vendors. A port worker strike, work slow-down or other transportation disruption in domestic ports could significantly disrupt the Company's business. The Company is currently experiencing such disruption at the port due to multiple factors brought about by the COVID-19 pandemic, such as supply and demand imbalance, a shortage of warehouse workers, truck drivers, transport equipment (tractors and trailers) and other causes, which have resulted in heightened congestion, bottlenecks and gridlock, leading to abnormally high transportation delays. This has materially and adversely affected the Company's business and could continue to materially and adversely affect our business and financial results. If significant disruptions along these lines continue, this could lead to further significant disruptions in the Company's business, delays in shipments, (including shipments of components from overseas to the Company's vendors), and revenue and profitability shortfalls, which could adversely affect the business, prospects, financial condition and operating results.

On October 3, 2022, AYRO, Inc. (the "Company") received a letter from the Listing Qualifications Department of the Nasdaq Stock Market ("Nasdaq") indicating that, based upon the closing bid price of the Company's common stock for the 30 consecutive business day period between August 19, 2022 and September 30, 2022, the Company did not meet the minimum bid price of $1.00 per share required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that the Company will be provided with a compliance period of 180 calendar days, or until April 3, 2023 (the "Compliance Period"), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

The global shipping industry is also experiencing unprecedented increases in shipping rates from ocean carriers due to various factors, including limited availability of shipping capacity. For example, the cost of shipping products by ocean freight has recently increased to at least three times historical levels and has a corresponding impact on profitability. The Company and its vendors may find it necessary to rely on an increasingly expensive spot market and other alternative sources to make up any shortfall in shipping needs. Additionally, if further increases in fuel prices occur, transportation costs would likely further increase. Similarly, supply chain disruptions such as those described in the preceding paragraphs may lead to an increase in transportation costs. Such cost increases have adversely affected the Company's business and could have additional adverse effects on the Company's business, prospects, financial condition and operating results.

The Company and its vendors may experience increases in the cost or a sustained interruption in the supply or shortage of raw materials, including lithium-ion battery cells, semiconductors, and integrated circuits. Any such increase or supply interruption could materially negatively impact the Company's business, prospects, financial condition and operating results. Currently, the Company is experiencing supply chain shortages, including with respect to lithium-ion battery cells, integrated circuits, vehicle control chips, and displays. Even if the Company reduces its reliance on foreign vendors, it still may be impacted by such shortages if its domestic vendors rely upon foreign sources for components. Certain production-ready components may be delayed in shipment to Company facilities which has and may continue to cause delays in validation and testing for these components, which would in turn create a delay in the availability of saleable vehicles.

The Company uses various raw materials, including aluminum, steel, carbon fiber, non-ferrous metals (such as copper), and cobalt. The prices for these raw materials fluctuate depending on market conditions, and global demand and could adversely affect business and operating results. For instance, the Company is exposed to multiple risks relating to price fluctuations for lithium-ion cells. These risks include:

- the inability or unwillingness of current battery manufacturers to build or operate battery cell manufacturing plants to supply the numbers of lithium-ion cells required to support the growth of the electric vehicle industry as demand for such cells increases;

- disruption in the supply of cells due to quality issues or recalls by the battery cell manufacturers; and

- an increase in the cost of raw materials, such as cobalt, used in lithium-ion cells.

Any disruption in the supply of lithium-ion battery cells, semiconductors, or integrated circuits could temporarily disrupt production of the Company's vehicles until a different supplier is fully qualified. Moreover, battery cell manufacturers may refuse to supply electric vehicle manufacturers if they determine that the vehicles are not sufficiently safe. Furthermore, fluctuations or shortages in petroleum and other economic conditions may cause the Company to experience significant increases in freight charges and raw material costs. Substantial increases in the prices for our raw materials would increase operating costs and could reduce our margins if the increased costs cannot be recouped through increased electric vehicle prices. There can be no assurance that the Company will be able to recoup increasing costs of raw materials by increasing vehicle prices.

We have made certain indemnities, under which we may be required to make payments to an indemnified party, in relation to certain transactions. We indemnify our directors and officers to the maximum extent permitted under the laws of the State of Delaware. In connection with our facility leases, we have indemnified our lessors for certain claims arising from the use of the facilities. The duration of the indemnities vary and, in many cases, are indefinite. These indemnities do not provide for any limitation of the maximum potential future payments we could be obligated to make. Historically, we have not been obligated to make any payments for these obligations and no liabilities have been recorded for these indemnities.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with GAAP and in conformity with the instructions on Form 10-Q and Rule 8-03 of Regulation S-X and the related rules and regulations of the Securities and Exchange Commission ("SEC"). All intercompany accounts and transactions have been eliminated in consolidation.

The unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, AYRO Operating and DropCar Operating Company, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of such statements. The results of operations for the three and nine months ended September 30, 2022, are not necessarily indicative of the results that may be expected for the entire year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the accompanying notes for the fiscal year ended December 31, 2021, which are included in the Company's Annual Report on Form 10-K, filed with the SEC on March 23, 2022 as amended May 2, 2022.

Use of Estimates

The preparation of the accompanying unaudited condensed consolidated financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the accompanying unaudited condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

The Company's most significant estimates include allowance for doubtful accounts, valuation of inventory reserve, valuation of deferred tax asset allowance, valuation of long lived assets, sales warranties, and the measurement of stock-based compensation expenses. Actual results could differ from these estimates.

Marketable Securities

Marketable securities include investment in fixed income bonds and U.S. Treasury securities that are considered to be highly liquid and easily tradeable. The marketable securities are considered trading securities and are measured at fair value and are accounted for in accordance with ASC 320. The marketable securities are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within the Company's fair value hierarchy. The Company held $ 15,790,595 in marketable securities as of September 30, 2022.

Revenue Recognition

The Company recognizes revenue in accordance with ASC 606, *Revenue from Contracts with Customers*, the core principle of which is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to receive in exchange for those goods or services.

To achieve this core principle, five basic criteria must be met before revenue can be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Company satisfies a performance obligation.

Nature of goods and services

The following is a description of the Company's products and services from which the Company generates revenue, as well as the nature, timing of satisfaction of performance obligations, and significant payment terms for each:

Product revenue

Product revenue from customer contracts is recognized on the sale of each electric vehicle as vehicles are shipped to customers. The majority of the Company's vehicle sales orders generally have only one performance obligation: sale and delivery of complete vehicles. Ownership and risk of loss transfers to the customer based on FOB shipping point and freight charges are the responsibility of the customer. Revenue is typically recognized at the point control transfers or in accordance with payment terms customary to the business. The Company provides product warranties to assure that the product assembly complies with agreed upon specifications. The Company's product warranty is similar in all material respects to the product warranties provided by the Company's suppliers, therefore minimizing the warranty liability to the standard labor rates associated with the defective part replacement. Customers do not have the option to purchase a warranty separately; as such, warranty is not accounted for as a separate performance obligation. The Company's policy is to exclude taxes collected from a customer from the transaction price of automotive contracts.

Shipping revenue

Amounts billed to customers related to shipping and handling are classified as shipping revenue. The Company has elected to recognize the cost for freight and shipping when control over vehicles has transferred to the customer as an operating expense. The Company has reported shipping expenses of $79,767 and $98,464 for the three months ended September 30, 2022 and 2021 and $335,812 and $208,139 for the nine months ended September 30, 2022 and 2021 respectively, included in SG&A.

Services and other revenue

Services and other revenue consist of non-warranty after-sales vehicle services. Revenue is typically recognized at a point in time when services and replacement parts are provided.

Miscellaneous income

Miscellaneous income consists of late fees charged for receivables not paid within the terms of the customer agreement based upon the outstanding customer receivable balance. This revenue is earned when a customer's receivable balance becomes delinquent and its collection is reasonably assured and is calculated using a stated late fee rate multiplied by the outstanding balance that is subject to a late fee charge.

Warrants and Preferred Shares

The accounting treatment of warrants and preferred share series issued is determined pursuant to the guidance provided by ASC 470,*Debt*, ASC 480, *Distinguishing Liabilities from Equity*, and ASC 815, *Derivatives and Hedging*, as applicable. Each feature of a freestanding financial instruments including, without limitation, any rights relating to subsequent dilutive issuances, dividend issuances, equity sales, rights offerings, forced conversions, optional redemptions, automatic monthly conversions, dividends and exercise are assessed with determinations made regarding the proper classification in the Company's financial statements.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718, Compensation-Stock Compensation ("ASC 718"). The Company recognizes all employee and non-employee share-based compensation as an expense in the financial statements on a straight-line basis over the requisite service period, based on the terms of the awards. Equity-classified awards principally related to stock options, restricted stock awards ("RSAs") and equity-based compensation, are measured at the grant date fair value of the award. The Company determines grant date fair value of stock option awards using the Black-Scholes option-pricing model. The fair value of RSAs is determined using the closing price of the Company's common stock on the grant date. For service based vesting grants, expense is recognized ratably over the requisite service period based on the number of options or shares. For value-based vesting grants, expense is recognized via straight line expense over the expected period per grant as determined by outside valuation experts. Stock-based compensation is reversed for forfeitures in the period of forfeiture.

We estimate the fair value of stock-based and cash unit awards containing a market condition using a Monte Carlo simulation model. Key inputs and assumptions used in the Monte Carlo simulation model include the stock price of the award on the grant date, the expected term, the risk-free interest rate over the expected term, the expected annual dividend yield and the expected stock price volatility. The expected volatility is based on a combination of the historical and implied volatility of the Company's publicly traded, near-the-money stock options, and the valuation period is based on the vesting period of the awards. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant and, since the Company does not currently pay or plan to pay a dividend on its common stock, the expected dividend yield was zero.

Stock options and warrants issued as compensation for services provided to the Company are accounted for based upon the fair value of the underlying equity instrument. The attribution of the fair value of the equity instrument is charged directly to compensation expense over the period during which services are rendered.

Basic and Diluted Loss Per Share

Basic and diluted net loss per share is determined by dividing net loss by the weighted average ordinary shares outstanding during the period. For all periods presented with a net loss, the shares underlying the ordinary share options and warrants have been excluded from the calculation because their effect would be anti-dilutive. Therefore, the weighted-average shares outstanding used to calculate both basic and diluted loss per share are the same for periods with a net loss.

The following potentially dilutive securities have been excluded from the computation of diluted weighted average shares outstanding as they would be anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Options to purchase common stock	785,422	1,362,765	785,422	1,362,765
Restricted stock unvested	770,824	493,000	770,824	493,000
Restricted stock vested – unissued	-	434,166	-	434,166
Warrants outstanding	6,106,023	6,108,823	6,106,023	6,108,823
Preferred stock outstanding	2,475	2,475	2,475	2,475
Total	7,664,744	8,401,229	7,664,744	8,401,229

NOTE 4. REVENUES

Disaggregation of Revenue

Revenue by type was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue type				
Product revenue	$ 332,792	$ 494,011	$ 2,170,943	$ 1,710,579

Shipping revenue	35,507	65,359	165,762	123,040
Miscellaneous income	4,887	-	44,887	-
Service income	-		-	36,687
Total Revenue	$ 373,186	$ 559,370	$ 2,381,592	$ 1,870,306

Warranty Reserve

The Company records a reserve for warranty repairs upon the initial delivery of vehicles to its dealer network. The Company provides a product warranty on each vehicle including powertrain, battery pack and electronics package. Such warranty matches the product warranty provided by its supply chain for warranty parts for all unaltered vehicles and is not considered a separate performance obligation. The supply chain warranty does not cover warranty-based labor needed to replace a part under warranty. Warranty reserves include management's best estimate of the projected cost of labor to repair/replace all items under warranty. The Company reserves a percentage of all dealer-based sales to cover an industry-standard warranty fund to support dealer labor warranty repairs. Such percentage is recorded as a component of cost of revenues in the statement of operations. As of September 30, 2022 and December 31, 2021, warranty reserves were recorded within accrued expenses of $410,017 and $240,517, respectively.

NOTE 5. ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consists of amounts due from invoiced customers and product deliveries and were as follows:

	September 30, 2022	December 31, 2021
Trade receivables	$ 456,372	$ 1,142,567
Less: Allowance for doubtful accounts	-	(173,138)
	$ 456,372	$ 969,429

The Company reduced allowance for doubtful accounts by $173,138 for the nine months ended September 30, 2022, due to collecting on past due accounts, and recorded $2,136 of bad debt expense of direct write off for the nine months ended September 30, 2022.

NOTE 6. INVENTORY

Inventory consisted of the following:

	September 30, 2022	December 31, 2021
Raw materials	$ 537,166	$ 3,481,614
Work-in-progress	-	51,441
Finished goods	942,335	210,982
Total	$ 1,479,501	$ 3,744,037

For the three months ended September 30, 2022 and 2021, depreciation recorded for fleet inventory was $23,886 and $23,886, and for the nine months ended September 30, 2022 and 2021, was $71,661 and $71,658 respectively. The Company determined that testing of obsolescence was required for inventory due to the quality of certain purchased components from Cenntro's lithium-ion line ("NCM"). 17 vehicles tested in the second quarter of 2022 were determined to have 49 unique failures. An inspection of the remaining NCM units discovered a 100% failure rate. As a result, all inventory associated with Cenntro's NCM line was written off to cost of goods sold for $ 1,317,289. The Club Car Discount during the three and nine months ended September 30, 2022 required a $413,561 net realizable value adjustment, necessitating the value of inventory to be written down.

NOTE 7. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	September 30, 2022	December 31, 2021
Prepaid final assembly services	$ 167,331	$ 439,660
Prepayments for inventory	1,101,693	1,622,617
Prepayments for insurance	207,599	-
Prepayments on advances on design	608,159	-
Prepayments on software	133,099	-
Prepaid other	109,682	213,901
Total Prepaid Expenses and Other Current Assets	$ 2,327,563	$ 2,276,178

During the nine months ended September 30, 2022 the Company impaired prepaid balances of $1,377,709 from Cenntro when purchase orders were on hold due to quality issues and refunds were not collectable.

NOTE 8. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	September 30, 2022	December 31, 2021
Computer and equipment	$ 1,344,204	$ 853,695
Furniture and fixtures	316,665	173,155
Lease improvements	662,013	282,271
Prototypes	450,225	300,376
Computer software	455,875	455,875
Property and equipment, gross	3,228,982	2,065,372
Less: Accumulated depreciation	(1,565,597)	(1,230,212)
Property and equipment, net	$ 1,663,385	$ 835,160

Depreciation expense for the three months ended September 30, 2022 and 2021 was $151,980 and $74,655, and for the nine months ended September 30, 2022 and 2021 was $335,385 and $220,535, respectively.

NOTE 9. MARKETABLE SECURITIES

Marketable securities consisted of the following:

September 30, 2022	Cost Basis	Realized Gains	Unrealized Loss	Transferred to Cash	Total
Bonds	$ 12,235,258	$ 110,490	$ (75,204)	$ (4,244,691)	$ 8,025,853
US Treasury securities	7,764,742	-	-	-	7,764,742
	$ 20,000,000	$ 110,490	$ (75,204)	$ (4,244,691)	$ 15,790,595

NOTE 10. STOCKHOLDERS' EQUITY

Restricted Stock

On February 24, 2021, pursuant to the AYRO, Inc. 2020 Long-Term Incentive Plan, the Company granted 172,000 shares of restricted stock to non-executive directors at a value of $7.66 per share. 43,000 shares of common stock remained unissued as of December 31, 2021; these shares were issued during the nine months ended September 30, 2022.

On February 1, 2022, pursuant to the AYRO, Inc. 2020 Long-Term Incentive Plan, the Company granted 442,249 shares of restricted stock to non-executive directors at a value of $1.29 per share. During the nine months ended September 30, 2022,221,424 shares were issued and vested.

Preferred Stock

Series H Convertible Preferred Stock

As of September 30, 2022, in the event of liquidation, the holders of preferred stock were entitled to receive payments as follows:

Number of Series H Preferred Stock outstanding as of September 30, 2022	8
Multiplied by the stated value	$ 154
Equals the gross stated value	$ 1,232
Divided by the conversion price	$ 184.8
Equals the convertible shares of Company Common Stock	7
Multiplied by the fair market value of Company Common Stock as of September 30, 2022	$ 0.59
Liquidation Value	$ 4

Series H-3 Convertible Preferred Stock

As of September 30, 2022, in the event of liquidation, the holders of preferred stock were entitled to receive payments as follows:

Number of Series H-3 Preferred Stock outstanding as of September 30, 2022	1,234
Multiplied by the stated value	$ 138.00
Equals the gross stated value	$ 170,292
Divided by the conversion price	$ 165.6
Equals the convertible shares of Company Common Stock	1,028
Multiplied by the fair market value of Company Common Stock as of September 30, 2022	$ 0.59
Liquidation Value	$ 607

Series H-6 Convertible Preferred Stock

As of September 30, 2022, in the event of liquidation, the holders of preferred stock were entitled to receive payments as follows:

Number of Series H-6 Preferred Stock outstanding as of September 30, 2022	50
Multiplied by the stated value	$ 72.00
Equals the gross stated value	$ 3,600
Divided by the conversion price	$ 2.5
Equals the convertible shares of Company Common Stock	1,440
Multiplied by the fair market value of Company Common Stock as of September 30, 2022	$ 0.59
Liquidation Value	$ 850

Warrants

-

	Shares Underlying Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)
Outstanding at December 31, 2021	6,108,823	$ 7.37	2.31
Granted	-	-	
Exercised	-	-	
Expired	(2,800)	165.60	
Outstanding at September 30, 2022	6,106,023	$ 7.30	1.57

NOTE 11. STOCK-BASED COMPENSATION

2014 Equity Incentive Plan

The Company's equity incentive plan created in 2014 (the "2014 Plan") was amended in 2018 to increase the number of shares of Company common stock available for issuance. Pursuant to the 2014 Plan, 141,326 shares of common stock were reserved for issuance. As of September 30, 2022, there were no shares available for grant under the 2014 Plan.

AYRO 2017 Long Term Incentive Plan

The Company has reserved a total of 477,983 shares of its common stock pursuant to the AYRO, Inc. 2017 Long-Term Incentive Plan. The Company had 128,606 shares of common stock outstanding under the plan at September 30, 2022. At September 30, 2022, no shares remained available for grant under future awards under the 2017 Long-Term Incentive Plan. In conjunction with the 2020 incentive plan, the remaining unissued amounts were cancelled.

AYRO 2020 Long Term Incentive Plan

The Company has reserved a total of 4,089,650 shares of its common stock pursuant to the AYRO, Inc. 2020 Long-Term Incentive Plan (the "Plan"), including shares of restricted stock that have been issued. The Company had awards concerning an aggregate of 1,366,183 shares of common stock outstanding under the Plan at September 30, 2022, including stock options and restricted stock. At September 30, 2022, 1,151,399 shares remained available for grant under future awards under the Plan.

Stock-based compensation, including restricted stock awards, stock options and warrants is included in the unaudited condensed consolidated statement of operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Research and development	$ 5,269	$ 18,786	$ 15,069	$ 62,980
Sales and marketing	6,001	60,771	19,816	184,853
General and administrative	320,911	3,580,935	888,959	6,750,153
Total	$ 332,181	$ 3,660,492	$ 923,844	$ 6,997,986

Options

The following table reflects the stock option activity:

	Number of Shares	Weighted Average Exercise Price	Contractual Life (Years)
Outstanding at December 31, 2021	1,338,675	$ 5.14	8.26
Granted	173,500	0.97	
Forfeitures	(726,753)	3.14	
Outstanding at September 30, 2022	785,422	$ 6.10	7.97

Of the outstanding options, 608,726 were vested and exercisable as of September 30, 2022. At September 30, 2022 the aggregate intrinsic value of stock options vested and exercisable was $0.

The Company recognized $18,821 and $669,999 of stock option expense for the three months ended September 30, 2022 and 2021, and $44,899 and $1,170,958 for the nine months ended September 30, 2022 and September 30, 2021, respectively. Total compensation cost related to non-vested stock option awards not yet recognized as of September 30, 2022 was $191,176 and will be recognized on a straight-line basis through the end of the vesting periods through December 2023. The amount of future stock option compensation expense could be affected by any future option grants or by any forfeitures.

The Company uses the following inputs when valuing stock-based awards.

	For the nine months ended September 30, 2022
Company Common Stock as of Grant Date May 6, 2022	0.97
Time to Maturity	6
Dividend	-
Annual risk-free interest rate	2.04%
Annualized volatility	130.23%
Black-Scholes Value	0.87

Restricted Stock

	Number of Shares	Weighted Average Grant Price
Outstanding at December 31, 2021	450,000	$ 2.48
Granted	542,248	1.06
Vested	(221,424)	1.29
Outstanding at September 30, 2022	770,824	$ 1.89

On February 1, 2022, pursuant to the Plan, the Company issued 442,248 shares of restricted stock to non-executive directors at a value of $1.29 per share. On August 23, 2022, pursuant to the employment agreement with David E. Hollingsworth, the Company issued 100,000 shares of restricted stock at a value of $0.03 per share. Vesting will occur as predetermined value-based targets are met. We estimate the fair value of stock-based and cash unit awards containing a market condition using a Monte Carlo simulation model. The Company recognized compensation expense related to all restricted stock during the three months ended September 30, 2022 and 2021 of $313,360 and $2,990,493 and for the nine months ended September 30, 2022 and 2021 of $878,945 and $5,827,028, respectively. Total compensation cost related to non-vested restricted stock not yet recognized as of September 30, 2022 was $631,307.

NOTE 12. CONCENTRATIONS AND CREDIT RISK

Revenues

In March 2019, the Company entered into a five-year Master Procurement Agreement, or the MPA, with Club Car, LLC ("Club Car") for the sale of AYRO's four-wheeled vehicle. The MPA grants Club Car the exclusive right to sell AYRO's four-wheeled vehicle in North America, provided that Club Car orders at least 500 vehicles per year. The MPA has an initial term of five (5) years commencing January 1, 2019 and may be renewed by Club Car for successive one-year periods upon 60 days' prior written notice, so long as those minimums are met. One customer accounted for approximately 100% of the Company's revenues for the three months ended September 30, 2022 and for99% for the three months ended September 30, 2021. Two customers accounted for approximately 96% and 4%, respectively, of the Company's revenues for the nine months ended September 30, 2022 and for 71% and 28%, respectively, of the Company's revenues for the nine months ended September 30, 2021.

In connection with the forthcoming introduction of the Vanish, the Company is reevaluating its channel strategy with an eye towards distributing their next-generation platform and payloads in a manner that maximizes visibility, moderates channel costs and creates value. Accordingly, the Company is evaluating their relationship with Club Car and may seek to replace Club Car with new business partners and channel partners for selling their products beginning with the Vanish. Any loss of Club Car as a customer, or significant reduction in purchases by Club Car, could have an adverse impact on the Company's financial condition and operating results.

Accounts Receivable

As of September 30, 2022 one customer accounted for approximately 100% of the Company's net accounts receivable. As of December 31, 2021 two customers accounted for more than 10% of the Company's net accounts receivable. One customer accounted for approximately 87% of the Company's gross account receivable and a second customer accounted for approximately 10% of the Company's net accounts receivable.

Purchasing

The Company places orders with various suppliers. During the nine months ended September 30, 2022 and 2021, three suppliers provided more than 10% of the Company's raw materials purchases. During the nine months ended September 30, 2022, one supplier accounted for approximately 57%, and two other suppliers accounted for 12% of the Company's raw materials purchases. During the nine months ended September 30, 2021 one supplier accounted for approximately 51%, and another supplier accounted for 11% of the Company's raw materials purchases. The Company's purchases of raw materials from three suppliers were approximately49%, 17%, and 13% respectively, of its total purchases of raw materials for the three months ended September 30, 2022, and approximately 56% and 16%, respectively, of such purchases for the three months ended September 30, 2021. Any disruption in the operation of any of these suppliers could adversely affect the Company's operations.

Manufacturing

Cenntro owns the design of the AYRO 411x model and has granted the Company an exclusive license to manufacture the AYRO 411x model for sale in North America. Under the Manufacturing License Agreement, dated April 27, 2017, between Cenntro and the Company (the "MLA"), the Company is required to purchase a minimum volume of product units from Cenntro, among other obligations, to maintain the license.

On May 31, 2022, the Company received a letter from Cenntro purporting to terminate all agreements and contracts between the Company and Cenntro. Although the Company does not believe Cenntro's termination of the MLA is valid, the Company has determined to cease production of the AYRO 411x and focus its resources on the development and launch of the Vanish. The Company has canceled all purchase orders and future builds with Cenntro and currently intends to only order replacement parts for vehicles from Cenntro in the future. The Company is in discussions with Cenntro concerning the potential repurchase by Cenntro of unsaleable inventory due to quality concerns. AYRO expects to lose its exclusive license under the MLA, in which case Cenntro could sell similar products through other companies or directly to the Company's customers, which could have a material adverse effect on its results of operations and financial condition.

NOTE 13. COMMITMENTS AND CONTINGENCIES

Manufacturing Agreements

On September 25, 2020, AYRO entered into a Master Manufacturing Services Agreement (the "Karma Agreement") with Karma Automotive, LLC ("Karma"). The Karma Agreement expired in September 2022. Pursuant to the agreement Karma agreed to provide certain manufacturing services, starting in 2021, under an attached statement of work including final assembly, raw material storage and logistical support of our vehicles in return for compensation of $1,160,800.

The Company paid Karma an amount of $440,000 for the first production level builds and $80,000 for setup costs. In addition, the Company issued warrants to an advisor to the transaction with a fair value of $66,845 due at signing of the contract, which amount was expensed in the prior year. The payment was recorded as prepaid expense as of December 31, 2020. For the year ended December 31, 2021, the Company recorded expense of $641,140 related to the Karma Agreement for the assembly of the AYRO 411 and 411x vehicles (the "AYRO 411 Fleet"), of which $468,480 was recorded to reduce the total remaining prepaid expense to match the expected number of 411x vehicles to be built in 2022. This amount was recorded against cost of goods for direct labor as part of the first production level builds, and $73,333 was recorded for pre-production costs. $167,331 prepaid balance remained as of September 30, 2022. During the three and nine months ended September 30, 2022, $110,349 and $272,329 was expensed, respectively. During the three and nine months ended September 30, 2021, $60,520 and $90,780 was expensed respectively.

Litigation

The Company is subject to various legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, that it believes are incidental to the operation of its business. While the outcome of these claims cannot be predicted with certainty, management does not believe that the outcome of any of these legal matters will have a material adverse effect on its results of operations, financial positions or cash flows.

Supply Chain Agreements

In 2017, the Company executed a supply chain contract with Cenntro, which has historically been the Company's primary supplier. Prior to the Merger, Cenntro was a significant shareholder in AYRO Operating. Cenntro owns the design of the AYRO 411 Fleet vehicles and has granted the Company an exclusive license to purchase the AYRO 411 Fleet vehicles for sale in North America. The Company purchased 100% of its vehicle chassis, cabs and wheels for AYRO 411 Fleet Vehicles through this supply chain relationship with Cenntro. The Company must sell a minimum number of units in order to maintain its exclusive supply chain contract. See Note 12 for concentration amounts.

As of December 31, 2021 the net balance between prepaid expenses and accrued expenses with Cenntro was a prepaid balance of $602,016. As of September 30, 2022 the balance was zero. Impairments of prepaid expenses led to a write-down, netted with the balance in accrued expenses. The remainder of the balance was expensed through cost of goods sold for $621,097. Additionally, all inventory associated with Cenntro's NCM line was written off to cost of goods sold for $1,317,289.

The Company has canceled all purchase orders and future builds with Cenntro and currently intends to only order replacement parts from Cenntro in the future.

Other

As of January 1, 2019, DropCar had accrued approximately $232,000 for the settlement of multiple employment disputes. As of September 30, 2022 and December 31, 2021, approximately $3,500 remained accrued as accounts payable and accrued expenses for the settlement of the final remaining employment dispute.

On March 23, 2018, DropCar was made aware of an audit being conducted by the New York State Department of Labor ("DOL") regarding a claim filed by an employee. The

DOL is investigating whether DropCar properly paid overtime for which DropCar has raised several defenses. In addition, the DOL is conducting its audit to determine whether the Company owes spread of hours pay (an hour's pay for each day an employee worked or was scheduled for a period over ten hours in a day). Management believes the case has no merit.

DropCar was a defendant in a class action lawsuit which resulted in a judgement entered into whereby the Company is required to pay legal fees in the amount of $45,000 to the plaintiff's counsel. As of September 30, 2022 and December 31, 2021, the balance due remains $45,000, recorded as a component of accounts payable on the accompanying consolidated balance sheet. In addition, this amount was included in the $186,000 of prefunded liabilities assumed by AYRO in the Merger.

DropCar was audited by the New York State Department of Taxation and Finance ("DOTF") for its sales tax paid over the period of 2017 – 2020. The DOTF believed DropCar owed additional sales tax plus interest. Management investigated the details. As of December 31, 2021 the Company had accrued the balance and as of June 30, 2022 paid the balance of $476,280 for such additional sales tax and interest.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis should be read in conjunction with our historical financial statements and the related notes thereto. This management's discussion and analysis contains forward-looking statements, such as statements of our plans, objectives, expectations and intentions. Any statements that are not statements of historical fact are forward-looking statements. When used, the words "believe," "plan," "intend," "anticipate," "target," "estimate," "expect" and the like, and/or future tense or conditional constructions ("will," "may," "could," "should," etc.), or similar expressions, identify certain of these forward-looking statements. These forward-looking statements are subject to risks and uncertainties, including those under "Risk Factors" in our filings with the Securities and Exchange Commission ("SEC") that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of several factors. See "Cautionary Note Regarding Forward-Looking Statements."

References in this management's discussion and analysis to "we," "us," "our," "the Company," "our Company," or "AYRO" refer to AYRO, Inc. and its subsidiaries.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q (this "Form 10-Q") contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terms such as "anticipates," "assumes," "believes," "can," "could," "estimates," "expects," "forecasts," "guides," "intends," "is confident that," "may," "plans," "seeks," "projects," "targets," "would" and "will" or the negative of such terms or other variations on such terms or comparable terminology. Such forward-looking statements include, but are not limited to, future financial and operating results, the company's plans, objectives, expectations and intentions, statements concerning the strategic review of our product development strategy, the development and launch of the Vanish and other statements that are not historical facts. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition, and results of operations. These forward-looking statements speak only as of the date of this Form 10-Q and are subject to a number of risks, uncertainties, and assumptions that could cause actual results to differ materially from our historical experience and our present expectations, or projections described under the sections in this Form 10-Q and our other reports filed with the SEC titled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

A summary of the principal risk factors that make investing in our securities risky and might cause our actual results to differ materially from those projected in these forward-looking statements is set forth below. If any of the following risks occur, our business, financial condition, results of operations, cash flows, cash available for distribution, ability to service our debt obligations and prospects could be materially and adversely affected.

- we may be acquired by a third party;
- we have a history of losses and have never been profitable, and we expect to incur additional losses in the future and may never be profitable;
- if our Master Procurement Agreement with Club Car is terminated, we will need to identify new strategic channel partners to support the sales of our vehicles;
- our failure to meet the continued listing requirements of The Nasdaq Capital Market could result in a delisting of our common stock;
- if we lose our exclusive license to manufacture the AYRO 411x model in North America, Cenntro could sell identical or similar products through other companies or directly to our customers;
- we may be unable to replace lost manufacturing capacity on a timely and cost-effective basis, which could adversely impact our operations and ability to meet delivery timelines;
- we may experience delays in the development and introduction of new products;
- the market for our products is developing and may not develop as expected;
- we are currently evaluating our product development strategy, which may result in significant changes and have a material impact on our business, results of operations and financial condition;
- our business is subject to general economic and market conditions, including trade wars and tariffs;

- our business, results of operations and financial condition may be adversely impacted by public health epidemics, including the COVID-19 outbreak;
- if disruptions in our transportation network continue to occur or our shipping costs continue to increase, we may be unable to sell or timely deliver our products, and our gross margin could decrease;
- our limited operating history makes evaluating our business and future prospects difficult and may increase the risk of any investment in our securities;
- if we are unable to effectively implement or manage our growth strategy, our operating results and financial condition could be materially and adversely affected;
- developments in alternative technologies or improvements in the internal combustion engine may have a materially adverse effect on the demand for our electric vehicles;
- the markets in which we operate are highly competitive, and we may not be successful in competing in these industries;

- a significant portion of our revenues is derived from a single customer;
- our future growth depends on customers' willingness to adopt electric vehicles;
- if we are unable to manage our growth and expand our operations successfully, our business and operating results will be harmed, and our reputation may be damaged;
- unanticipated changes in industry standards could render our vehicles incompatible with such standards and adversely affect our business;
- our future success depends on our ability to identify additional market opportunities and develop and successfully introduce new and enhanced products that address such markets and meet the needs of customers in such markets;
- unforeseen or recurring operational problems at ours or our prime supplier's facilities, or a catastrophic loss of ours or our prime supplier's manufacturing facilities, may cause significant lost or delayed production and adversely affect our results of operations;
- we may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims;
- we currently have limited electric vehicles marketing and sales experience, and if we are unable to establish sales and marketing capabilities or enter into dealer agreements to market and sell our vehicles, we may be unable to generate any revenue;
- the range of our electric vehicles on a single charge declines over time, which may negatively influence potential customers' decisions whether to purchase our vehicles;
- increases in costs, disruption of supply or shortage of raw materials, in particular lithium-ion battery cells, chipsets and displays, could harm our business;
- customer financing and insuring our vehicles may prove difficult because retail lenders are unfamiliar with our vehicles and our vehicles have a limited loss history determining residual values and within the insurance industry;
- our electric vehicles make use of lithium-ion battery cells, which, if not appropriately managed and controlled, have occasionally been observed to catch fire or vent smoke and flames;

- our business may be adversely affected by labor and union activities;
- we rely on our dealers for the service of our vehicles and have limited experience servicing our vehicles, and if we are unable to address the service requirements of our future customers, our business will be materially and adversely affected;
- if we fail to deliver vehicles and accessories to market as scheduled, our business will be harmed;
- we may be required to raise additional capital to fund our operations, and such capital raising may be costly or difficult to obtain and could dilute our stockholders' ownership interests, and our long-term capital requirements are subject to numerous risks;
- increased safety, emissions, fuel economy or other regulations may result in higher costs, cash expenditures, and/or sales restrictions;
- we may fail to comply with evolving environmental and safety laws and regulations;
- changes in regulations could render our vehicles incompatible with federal, state or local regulations, or use cases.
- we have identified a material weakness in our internal control over financial reporting, and if we are unable to remediate the material weakness, or if we experience additional material weaknesses in the future, our business may be harmed;
- if we are unable to adequately protect our proprietary designs and intellectual property rights, our competitive position could be harmed;
- we may need to obtain rights to other intellectual property in the future, and if we fail to obtain licenses we need or fail to comply with our obligations in existing agreements under which we have licensed intellectual property and other rights from third parties, we could lose our ability to manufacture our vehicles;
- our proprietary designs are susceptible to reverse engineering by our competitors;
- if we are unable to protect the confidentiality of our trade secrets or know-how, such proprietary information may be used by others to compete against us;
- we are subject to exposure from changes in the exchange rates of local currencies; and
- we are subject to governmental export and import controls that could impair our ability to compete in international markets due to licensing requirements and subject us to liability if we are not in compliance with applicable laws.

For a more detailed discussion of these and other factors that may affect our business and that could cause the actual results to differ materially from those projected in these forward-looking statements, see the risk factors and uncertainties set forth in Part II, Item 1A of this Form 10-Q and in Part I, Item 1A of our Annual Report on Form 10-K as filed on March 23, 2022 and amended on May 2, 2022 ("Form 10-K"). Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise, except as required by law.

Merger

On May 28, 2020, pursuant to the previously announced Agreement and Plan of Merger, dated December 19, 2019, by and among AYRO, Inc., a Delaware corporation previously known as DropCar, Inc., ABC Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of the Company ("Merger Sub"), and AYRO Operating Company, Inc., a Delaware corporation previously known as AYRO, Inc. ("AYRO Operating"), Merger Sub was merged with and into AYRO Operating, with AYRO Operating continuing after the merger as the surviving entity and a wholly owned subsidiary of the Company (the "Merger").

Overview

We design and manufacture compact, sustainable electric vehicles for closed campus mobility, low speed urban and community transport, local on-demand and last mile delivery and government use. Our four-wheeled purpose-built electric vehicles are geared toward commercial customers, including universities, business and medical campuses, last mile delivery services and food service providers. We are currently updating our next model year (model year 2023) vehicle lineup in support of the aforementioned markets.

Strategic Review

Following the hiring of our new Chief Executive Officer in the third quarter of 2021, we initiated a strategic review of our product development strategy, as we focus on creating value within the electric vehicle, last-mile delivery, smart payload and enabling infrastructure markets. In connection with the strategic review, we canceled development of our planned next-generation three-wheeled high speed vehicle.

For the past several years, our primary supplier has been Cenntro Automotive Group, Ltd. ("Cenntro"), which operates a large electric vehicle factory in the automotive district in Hangzhou, China. As a result of rising shipping costs, quality issues with certain components and persistent delays, we ceased production of the AYRO 411x from Cenntro in September 2022 in order to focus our resources on the development and launch of the new 411 fleet vehicle model year 2023 refresh, the Vanish.

In December 2021, we began design and development on the Vanish, including updates on our supply chain evolution, the offshoring/onshoring mix, our manufacturing strategy, and our annual model year refresh program. We expect to unveil the first Vanish prototype in the fourth quarter of 2022.

Nasdaq Minimum Bid Price Requirement

On October 3, 2022, we received a letter from the Listing Qualifications Department of the Nasdaq Stock Market ("Nasdaq") indicating that, based upon the closing bid price of the Company's common stock for the 30 consecutive business day period between August 19, 2022 and September 30, 2022, we did not meet the minimum bid price of $1.00 per share required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). The letter also indicated that we will be provided with a compliance period of 180 calendar days, or until April 3, 2023 (the "Compliance Period"), in which to regain compliance pursuant to Nasdaq Listing Rule 5810(c)(3)(A).

In order to regain compliance with Nasdaq's minimum bid price requirement, our common stock must maintain a minimum closing bid price of $1.00 for at least ten consecutive business days during the Compliance Period. In the event we do not regain compliance by the end of the Compliance Period, we may be eligible for additional time to regain compliance. To qualify, we will be required to meet the continued listing requirement for the market value of our publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the bid price requirement, and will need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary. If we meet these requirements, we may be granted an additional 180 calendar days to regain compliance. However, if it appears to Nasdaq that we will be unable to cure the deficiency, or if we are not otherwise eligible for the additional cure period, Nasdaq will provide notice that our common stock will be subject to delisting. We have not regained compliance as of the date of this report.

Products

Our vehicles provide the end user an environmentally friendly alternative to internal combustion engine vehicles (cars powered by gasoline or diesel oil), for light duty uses, including low-speed logistics, maintenance services, cargo services, and personal/group transport in a quiet, zero emissions vehicle with a lower total cost of ownership. The majority of our sales are currently comprised of sales of our four-wheeled vehicle to Club Car, LLC ("Club Car"), through a strategic arrangement entered into in early 2019.

Manufacturing Agreement with Cenntro

In 2017, AYRO Operating partnered with Cenntro in a supply chain agreement to provide sub-assembly manufacturing services. Cenntro owns the design of the AYRO Club Car 411 and 411x ("AYRO 411 Fleet") vehicles and has granted us an exclusive license to purchase the AYRO 411 Fleet vehicles for sale in North America.

Under our Manufacturing License Agreement with Cenntro (the "MLA"), in order for us to maintain our exclusive territorial rights pursuant to the MLA, we must meet certain minimum purchase requirements.

We have imported semi-knocked-down vehicle kits from Cenntro for the AYRO 411x models comprising our model year 2022 lineup. The vehicle kits are received through shipping containers at the assembly facility of Karma Automotive LLC ("Karma"), our manufacturing partner, in southern California, as well as at our customization, service and integration facility in Round Rock, Texas. The vehicles are then assembled with tailored customization requirements per order.

On May 31, 2022, we received a letter from Cenntro purporting to terminate all agreements and contracts between the Company and Cenntro. Although we do not believe Cenntro's termination of the MLA is valid, we have determined to cease production of the AYRO 411x and focus our resources on the development and launch of the Vanish. We have canceled all purchase orders and future builds with Cenntro and currently intend to only order replacement parts for vehicles from Cenntro in the future. We are in discussions with Cenntro concerning the potential repurchase by Cenntro of unsaleable inventory. We expect to lose our exclusive license under the MLA, in which case Cenntro could sell identical or similar products through other companies or directly to our customers, which could have a material adverse effect on our results of operations and financial condition.

We intend for the new Vanish to utilize assemblies and products that will largely eliminate our dependency on Chinese imports and optimize the supply chain to rely primarily upon North American and European sources. Final assembly of the Vanish is expected to occur in our Round Rock, Texas facilities, which we are currently building out in anticipation of Vanish production.

Master Procurement Agreement with Club Car

In March 2019, we entered into a five-year Master Procurement Agreement (the "MPA") with Club Car for the sale of our four-wheeled vehicles. The MPA grants Club Car the exclusive right to sell our four-wheeled vehicles in North America, provided that Club Car orders at least 500 vehicles per year.

Although Club Car did not meet the volume threshold for 2020 or 2021, we have not sold our model year 2022 411x vehicles commercially other than through Club Car. Under the terms of the MPA, we receive orders from Club Car dealers for vehicles of specific configurations, and we invoice Club Car once the vehicle has shipped. The MPA has an initial term of five (5) years commencing January 1, 2019 and may be renewed by Club Car for successive one-year periods upon 60 days' prior written notice, so long as those minimums are met. Pursuant to the MPA, we granted Club Car a right of first refusal for sales of 51% or more of AYRO Operating's assets or equity interests, which right of first refusal is exercisable for a period of 45 days following delivery of an acquisition notice to Club Car. We also agreed to collaborate with Club Car on new products similar to our four-wheeled vehicle and improvements to existing products and granted Club Car a right of first refusal to purchase similar commercial utility vehicles which AYRO Operating may develop during the term of the MPA. For the three and nine months ended September 30, 2022, revenues from Club Car constituted approximately 100% of our revenues.

In connection with the forthcoming introduction of the Vanish, we are reevaluating our channel strategy with an eye towards distributing our next-generation platform and payloads in a manner that maximizes visibility, moderates channel costs and creates value. Accordingly, we are evaluating our relationship with Club Car and may seek to replace Club Car with new business partners and channel partners for selling our products beginning with the Vanish. Any loss of Club Car as a customer, or significant reduction in purchases by Club Car, could have an adverse impact on our financial condition and operating results.

Manufacturing Services Agreement with Karma

On September 25, 2020, we entered into a Master Manufacturing Services Agreement (the "Karma Agreement") with Karma, pursuant to which Karma agreed to provide certain manufacturing services for the production of our vehicles. The initial statement of work provides that Karma will perform assembly of a certain quantity of the AYRO 411 vehicles and provide testing, materials management and outbound logistics services. For such services in the initial statement of work, we agreed to pay $1.2 million to Karma, of which (i) $0.52 million was paid at closing and (ii) $0.64 million was due and payable five months following the satisfaction of certain production requirements. This second payment was accrued for as of December 31, 2021 and paid February 3, 2022.

On February 24, 2021, the Karma Agreement was amended to allow Karma to assemble a certain number of units of the AYRO 411x vehicle. The Karma Agreement expired in September 2022.

In late September 2022, we retired the 411x assembly line in connection with our transition to production of the Vanish.

Supply Agreement with Gallery Carts

During 2020, we entered into a supply agreement with Gallery Carts ("Gallery"), a leading provider of food and beverage kiosks, carts, and mobile storefront solutions. Joint development efforts have led to the launch of the parties' first all-electric configurable mobile hospitality vehicle for "on-the-go" venues across the United States. This innovative solution permits food, beverage and merchandising operators to bring goods directly to consumers.

The configurable Powered Vendor Box, in the rear of the vehicle, features long-life lithium batteries that power the preconfigured hot/cold beverage and food equipment and is directly integrated with the 411 and 411x. The canopy doors, as well as the full vehicle, can be customized with end-user logos and graphics to enhance the brand experience. Gallery, with 40 years of experience delivering custom food kiosk solutions, has expanded into electric mobile delivery vehicles, as customers increasingly want food, beverages and merchandise delivered to where they are gathering. For example, a recent study conducted by Technomic found that a large majority of students, 77%, desired alternative mobile and to-go food options on campuses.

Gallery, a premier distributor of AYRO vehicles, has a diverse clientele throughout mobile food, beverage and merchandise distribution markets, for key customer applications such as university, corporate and government campuses, major league and amateur-level stadiums and arenas, resorts, airports and event centers. In addition to finding innovative and safe ways to deliver food and beverages to their patrons, reducing and ultimately eliminating their carbon footprint is a top priority for many of these customers.

Factors Affecting Results of Operations

Master Procurement Agreement

In March 2019, we entered into the MPA with Club Car. In partnership with Club Car and in interaction with its substantial dealer network, we have redirected our business development resources towards supporting Club Car's enterprise and fleet sales function as Club Car proceeds in its new product introduction initiatives. We are evaluating our relationship with Club Car and may seek to replace Club Car with new business partners for selling our products beginning with the Vanish.

COVID-19 Pandemic

Our business, results of operations and financial condition have been adversely impacted by the coronavirus outbreak both in China and the United States. This has delayed our ability to timely procure raw materials from our supplier in China, which in turn, has delayed shipments to and corresponding revenue from customers. The pandemic and social distancing directives have interfered with our ability, and the ability of our employees, workers, contractors, suppliers and other business partners to perform our and their respective responsibilities and obligations relative to the conduct of our business. The COVID-19 pandemic poses restrictions on our employees' and other service providers' ability to travel on pre-sales meetings, customers' abilities to physically meet with our employees and the ability of our customers to test drive or purchase our vehicles and shutdowns that may be requested or mandated by governmental authorities, and we expect these restrictions to continue at least through the fourth quarter of 2022. The pandemic adversely impacted our sales and the demand for our products in 2021 and the first half of 2022.

Tariffs

Countervailing tariffs on certain goods from China continued to have an adverse impact on raw material costs throughout 2021 and the first three quarters of 2022 and are expected to continue to do so through the fourth quarter of 2022.

Shipping Costs and Delays

A majority of our raw materials have historically been shipped via container from overseas vendors in China, such as Cenntro, which has been our largest supplier. Although we intend to reduce our reliance on foreign suppliers by sourcing components for the Vanish from vendors in the United States, our vendors may be reliant on foreign suppliers. We rely heavily on third parties, including ocean carriers and truckers, in that process. The global shipping industry is experiencing a shortage of shipping capacity, trucking shortages, increased ocean shipping rates and increased trucking and fuel costs. As a result, our receipt of imported products has been, and may continue to be, disrupted or delayed.

The shipping industry is also experiencing issues with port congestion and pandemic-related port closures and ship diversions. A port worker strike, work slow-down or other transportation disruption in domestic ports could significantly disrupt our business or that of our vendors. We are currently experiencing such disruption due to multiple factors brought about by the COVID-19 pandemic, such as supply and demand imbalance, a shortage of warehouse workers, truck drivers, transport equipment (tractors and trailers) and other causes, which have resulted in heightened congestion, bottlenecks and gridlock, leading to abnormally high transportation delays. This has materially and adversely affected our business and financial results for the three and nine months ended September 30, 2022 and could continue to materially and adversely affect our business and financial results throughout the remainder of 2022. If significant disruptions along these lines continue, this could lead to further significant disruptions in our business, delays in shipments to us and our vendors, and revenue and profitability shortfalls, which could adversely affect our business, prospects, financial condition and operating results.

The global shipping industry is also experiencing unprecedented increases in shipping rates from ocean carriers due to various factors, including limited availability of shipping capacity. For example, the cost of shipping our products by ocean freight has recently increased to at least three times historical levels and has had a corresponding impact upon our profitability. Additionally, if further increases in fuel prices occur, our transportation costs would likely further increase. Shipping pricing and logistical challenges have had an unfavorable impact on our margins and our ability to assemble vehicles during 2021 and the first three quarters of 2022. We expect these impacts to continue through the fourth quarter of 2022.

Supply Chain

Beginning in the second quarter of 2021, we offered a configuration of our 411x powered by lithium-ion battery technology. Additionally, our powered food box offerings are currently powered by lithium-ion battery technology. Our business depends on the continued supply of battery cells and other parts for our vehicles. During the year 2021 and the first three quarters of 2022 we at times experienced supply chain shortages of both lithium-ion battery cells and other critical components used to produce our vehicles, which has slowed our planned production of vehicles. We expect these shortages of lithium-ion battery cells and the varying supply limitations of other critical components to continued impacting our business through the fourth quarter of 2022. In addition, we could be impacted by shortages of other products or raw materials, including silicon chips that we use or our suppliers use in the production of our vehicles or parts sourced for our vehicles.

In December 2021, we began design and development on the new 411 fleet vehicle model year 2023 refresh the Vanish, including updates on our supply chain evolution, the offshoring/onshoring mix, our manufacturing strategy, and our annual model year refresh program. We intend for the new Vanish to utilize assemblies and products that will largely eliminate our dependency on Chinese imports and optimize the supply chain to North American and European sources. We expect to unveil the first Vanish prototype in the fourth quarter of 2022.

Inventory Obsolescence

At June 30, 2022, we determined that testing of obsolescence was required for inventory due to the quality of certain purchased components from Cenntro's lithium-ion line ("NCM"). 17 vehicles tested in the second quarter of 2022 were determined to have 49 unique failures. An inspection of the remaining NCM units revealed a 100% failure rate. As a result, all inventory associated with Cenntro's NCM line was written off for $1,317,289 to cost of goods sold. As of December 31, 2021 the balance of prepaid expenses and accrued expenses with Cenntro was $602,016. As of September 30, 2022, there was no longer a balance. Impairments of prepaid expenses led to a write-down, netted with the balance in accrued expenses. The remainder of the balance was expensed through cost of goods sold for $621,097. During the three and nine months ended September 30, 2022 a $413,561 net realizable value adjustment was recorded in September 2022 due to the Club Car Discount During the three and nine months ended September 30, 2022 $413,561 and $2,351,947 was expensed for impairment of inventory.

Components of Results of Operations

Revenue

We derive revenue from the sale of our four-wheeled electric vehicles, and, to a lesser extent, shipping, parts and service fees. In the past we also derived rental revenue from vehicle revenue sharing agreements with our tourist destination fleet operators, and, to a lesser extent, shipping, parts and service fees. Provided that all other revenue recognition criteria have been met, we typically recognize revenue upon shipment, as title and risk of loss are transferred to customers and channel partners at that time. Products are typically shipped to dealers or directly to end customers, or in some cases to our international distributors. These international distributors assist with import regulations, currency conversions and local language. Our vehicle product sales revenues vary from period to period based on, among other things, the customer orders received and our ability to produce and deliver the ordered products. Customers often specify requested delivery dates that coincide with their need for our vehicles.

Because these customers may use our products in connection with a variety of projects of different sizes and durations, a customer's orders for one reporting period generally do not indicate a trend for future orders by that customer. Additionally, order patterns do not necessarily correlate amongst customers. In September 2022, Club Car required a discount of $2,000 per vehicle, to be applied to all past and future 2022 sales (the "Club Car Discount"). Revenue was reduced by $0.13 million as a result of the Club Car Discount for the three and nine-months ended September 30, 2022.

Cost of Goods Sold

Cost of goods sold primarily consists of costs of materials and personnel costs associated with manufacturing operations, and an accrual for post-sale warranty claims. Personnel costs consist of wages and associated taxes and benefits. Cost of goods sold also includes freight and changes to our warranty reserves. Allocated overhead costs consist of certain facilities and utility costs. We expect cost of revenue to increase in absolute dollars as product revenue increases. At June 30, 2022, we determined that testing of obsolescence was required for inventory due to the quality of NCM components received from Cenntro. 17 vehicles tested in the second quarter of 2022 were determined to have 49 unique failures. An inspection of the remaining NCM units revealed a 100% failure rate. As a result, all inventory associated with Cenntro's NCM line was written off to cost of goods sold for $1,317,289. Impairments of prepaid expenses led to a write-down, netted with the balance in accrued expenses. The remainder of the balance was expensed through cost of goods sold for $621,097. During the three and nine months ended September 30, 2022, The Club Car Discount required a $413,561 net realizable value adjustment, necessitating a write down of the value of inventory. During the three and nine months ended September 30, 2022 $413,561 and $2,351,947 was expensed for impairment of inventory.

Operating Expenses

Our operating expenses consist of general and administrative, sales and marketing and research and development expenses. Salaries and personnel-related costs, benefits, and stock-based compensation expense are the most significant components of each category of operating expenses. Operating expenses also include allocated overhead costs for facilities and utility costs.

Stock-based compensation

We account for stock-based compensation expense in accordance with Accounting Standards Codification ("ASC") 718, *Compensation—Stock Compensation*, which requires the measurement and recognition of compensation expense for share-based awards based on the estimated fair value on the date of grant.

The fair value of each stock option granted to employees is estimated on the date of the grant using the Black-Scholes option-pricing model and the related stock-based compensation expense is recognized over the vesting period during which an employee is required to provide service in exchange for the award. The fair value of the options granted to non-employees is measured and expensed as the options vest.

Restricted stock grants are stock awards that entitle the holder to receive shares of our common stock as the award vests over time. The fair value of each restricted stock grant is based on the fair market value price of common stock on the date of grant, and it is measured and expensed as it vests.

We estimate the fair value of stock-based and cash unit awards containing a market condition using a Monte Carlo simulation model. Key inputs and assumptions used in the Monte Carlo simulation model include the stock price of the award on the grant date, the expected term, the risk-free interest rate over the expected term, the expected annual dividend yield and the expected stock price volatility. The expected volatility is based on a combination of the historical and implied volatility of our publicly traded, near-the-money stock options, and the valuation period is based on the vesting period of the awards. The risk-free interest rate is derived from the U.S. Treasury yield curve in effect at the time of grant and, since we do not currently pay or plan to pay a dividend on its common stock, the expected dividend yield was zero.

Our operating expenses consist of general and administrative, sales and marketing and research and development expenses. Salaries and personnel-related costs, benefits, and stock-based compensation expense are the most significant components of each category of operating expenses. Operating expenses also include allocated overhead costs for

facilities and utility costs.

Research and Development Expense

Research and development expense consists primarily of employee compensation and related expenses, prototype expenses, depreciation associated with assets acquired for research and development, amortization of product development costs, product strategic advisory fees, third-party engineering and contractor support costs and allocated overhead. We expect our research and development expenses to increase in absolute dollars as we continue to invest in new and existing products.

Sales and Marketing Expense

Sales and marketing expense consists primarily of employee compensation and related expenses, sales commissions, marketing programs, travel and entertainment expenses and allocated overhead. Marketing programs consist of advertising, tradeshows, events, corporate communications and brand-building activities. We expect sales and marketing expenses to increase in absolute dollars as we expand our sales force, expand our product lines, increase marketing resources and further develop sales channels.

General and Administrative Expense

General and administrative expense consists primarily of employee compensation and related expenses for administrative functions including finance, legal, human resources and fees for third-party professional services, and allocated overhead. We expect our general and administrative expense to increase in absolute dollars as we continue to invest in growing our business.

Other (Expense) Income

Other (expense) income consists of income received or expenses incurred for activities outside of our core business. Other expense consists primarily of interest expense and unrealized gain/loss on marketable securities.

Provision for Income Taxes

Provision for income taxes consists of estimated income taxes due to the United States government and to the state tax authorities in jurisdictions in which we conduct business. In the case of a tax deferred asset, we reserve the entire value for future periods.

Results of Operations

Three months ended September 30, 2022 compared to three months ended September 30, 2021

The following table sets forth our results of operations for each of the periods set forth below:

	For the Three Months Ended September 30,		
	2022	2021	Change
Revenue	$ 373,186	$ 559,370	$ (186,184)
Cost of goods sold	955,003	955,466	(463)
Gross loss	(581,817)	(396,096)	(185,721)
Operating expenses:			
Research and development	1,837,510	4,165,732	(2,328,222)
Sales and marketing	384,748	646,713	(261,965)
General and administrative	3,000,156	6,805,788	(3,805,632)
Total operating expenses	5,222,414	11,618,233	(6,395,819)
Loss from operations	(5,804,231)	(12,014,329)	6,210,098
Other income and (expense):			
Other income, net	51,792	12,254	39,538
Realized gain on marketable securities	103,000	-	103,000
Unrealized loss on marketable securities	(32,135)	-	(32,135)
Net loss	$ (5,681,574)	$ (12,002,075)	$ 6,470,501

Revenue

Revenue was $0.37 million for the three months ended September 30, 2022 as compared to $0.56 million for the same period in 2021, a decrease of 33%, or $0.19 million. The decrease in revenue was primarily due to the Club Car Discount, of a $2,000 discount per vehicle sold on all 2022 sales, which reduced revenue by $0.13 million.

Cost of goods sold and gross loss

Cost of goods sold remained unchanged for the three months ended September 30, 2022, as compared to the same period in 2021. A $0.41 million net realizable value adjustment was recorded in September 2022 due to the Club Car Discount.

Gross margin percentage was (155.9%) for the three months ended September 30, 2022, as compared to (70.8%) for the three months ended September 30, 2021. The decrease in gross margin percentage was due to credit memos issued in connection with the Club Car Discount, and the corresponding net realizable value adjustment.

Research and development expense

Research and development ("R&D") expense was $1.69 million for the three months ended September 30, 2022, as compared to $4.17 million for the same period in 2021, a decrease of $2.48 million, or 59.5%. The decrease was primarily due to a repositioning of expenses related to personnel costs for our engineering, design, and research teams from the initiated development of our planned next-generation three-wheeled vehicle to the Vanish. We had a decrease in R&D contracting for professional service and design costs of $2.21 million, and a decrease in salaries and related expenses of $0.24 million.

Sales and marketing expense

Sales and marketing expense was $0.38 million for the three months ended September 30, 2022, as compared to $0.65 million for the same period in 2021, a decrease of $0.26

million, or 40.5%, as we reduced the cost of marketing-related initiatives surrounding the Vanish. Salaries and related expenses decreased by $0.14 million due to the restructuring of our sales and marketing resources. Expenses related to consultants for professional marketing services remained unchanged.

General and administrative expenses

The majority of our operating losses from continuing operations resulted from general and administrative expenses. General and administrative expenses consist primarily of costs associated with our overall operations and with being a public company. These costs include personnel, legal and financial professional services, insurance, investor relations, and compliance related fees. General and administrative expense was $3 million for the three months ended September 30, 2022, compared to $6.81 million for the same period in 2021, a decrease of $3.81 million, or 55.9%, primarily due to a $3.26 million decrease in stock based compensation expense. Salaries and related expenses excluding stock based compensation increased by $0.12 million, primarily due to expanding headcount. Fulfillment expense increased by $0.05 million. Depreciation increased by $0.08 million.

Other income and expenses

The Company recorded a realized gain of $0.1 million and $0.03 million of unrealized loss.

Nine months ended September 30, 2022 compared to nine months ended September 30, 2021

The following table sets forth our results of operations for each of the periods set forth below:

	For the Nine Months Ended September 30,		
	2022	**2021**	**Change**
Revenue	$ 2,381,592	$ 1,870,306	$ 511,286
Cost of goods sold	4,959,660	2,030,447	2,929,213
Gross loss	(2,578,068)	(160,141)	(2,417,927)
Operating expenses:			
Research and development	3,749,714	9,135,410	(5,385,696)
Sales and marketing	1,566,790	1,873,955	(307,165)
General and administrative	8,446,785	14,168,782	(5,721,997)
Total operating expenses	13,763,289	25,178,147	(11,414,858)
Loss from operations	(16,341,357)	(25,338,288)	8,996,931
Other income and (expense):			
Other income, net	71,389	40,943	30,446
Interest expense	-	(2,312)	2,312
Realized gain on marketable securities	110,490	-	110,490
Unrealized loss on marketable securities	(75,204)	-	(75,204)
Net loss	$ (16,234,682)	$ (25,299,657)	$ 9,064,975

Revenue

Revenue was $2.38 million for the nine months ended September 30, 2022 as compared to $1.87 million for the same period in 2021, an increase of 27.3%, or $0.51 million. The increase in revenue was the result of an increase in the volume of sales of our vehicles and related powered-food box sales and other vehicle options, partially offset by the Club Car Discount of a $2,000 discount per vehicle sold to all 2022 sales, which reduced revenue by $0.13 million.

Cost of goods sold and gross profit

Cost of goods sold increased by $2.93 million, or 144.3% for the nine months ended September 30, 2022, as compared to the same period in 2021, corresponding with the $1.32 million write-off of NCM inventory, due to a 100% failure rate, and a $0.62 million write down of Cenntro prepaid and accrued balances, as well as an increase in vehicle sales and an increase in time-of-order options for our vehicles and specialty products. The Company recorded a $0.41 million net realizable value adjustment due to the Club Car Discount.

Gross margin percentage was (108.3%) for the nine months ended September 30, 2022, as compared to (8.6%) for the nine months ended September 30, 2021. The decrease in gross margin percentage was primarily due to the write-off of NCM inventory, the write down of Cenntro balances, and the issuance of credit memos in connection with the Club Car Discount, and the corresponding net realizable value adjustment.

Research and development expense

Research and development ("R&D") expense was $3.6 million for the nine months ended September 30, 2022, as compared to $9.14 million for the same period in 2021, a decrease of $5.54 million, or 60.6%. The decrease was primarily due to a repositioning of expenses related to personnel costs for our engineering, design, and research teams from the initiated development of our planned next-generation three-wheeled vehicle to the Vanish. We had a decrease in R&D contracting for professional service and design costs of $4.79 million, and a decrease in salaries and related expenses of $0.4 million.

Sales and marketing expense

Sales and marketing expense was $1.57 million for the nine months ended September 30, 2022, as compared to $1.87 million for the same period in 2021, a decrease of $0.31 million, or 16.4%, as we reduced the cost of marketing-related initiatives surrounding the Vanish. Salaries and related expenses increased by $0.04 million due to the restructuring of our sales and marketing resources. Stock based compensation decreased by $0.16 million. Expenses related to consultants for professional marketing services decreased by $0.10 million.

General and administrative expenses

The majority of our operating losses from continuing operations resulted from general and administrative expenses. General and administrative expenses consist primarily of costs associated with our overall operations and with being a public company. These costs include personnel, legal and financial professional services, insurance, investor relations, and compliance related fees. General and administrative expense was $8.45 million for the nine months ended September 30, 2022, compared to $14.17 million for the same period in 2021, a decrease of $5.72 million, or 40.4%, primarily due to a $5.9 million decrease in stock based compensation expense. Salaries and related expenses excluding stock based compensation increased by $0.6 million, primarily due to expanding headcount. Fulfillment expense and rent expense increased by $0.23 million and $0.08 million, respectively. Depreciation increased by $0.11 million.

Other income and expenses

The Company recorded a realized gain of $0.1 million and $0.08 of unrealized loss.

Liquidity and Capital Resources

As of September 30, 2022, we had $39.43 million in cash, $15.79 million in marketable securities and working capital of $56.74 million. As of December 31, 2021, we had $69.16 million in cash and working capital of $72.31 million. The decrease in cash and working capital were primarily a result of our inventory write down and our operating loss, respectively.

Our business is capital-intensive, and future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support development efforts, the results of our strategic review, the expansion of our sales and marketing teams, the timing of new product introductions and the continuing market acceptance of our products and services. We are working to control expenses and deploy our capital in the most efficient manner.

Following the hiring of our new Chief Executive Officer in the third quarter of 2021, we are evaluating other options for the strategic deployment of capital beyond our ongoing strategic initiatives, including potentially entering other segments of the electric vehicle market. We anticipate being opportunistic with our capital, and we intend to explore potential partnerships and acquisitions that could be synergistic with our competitive stance in the market.

We are subject to a number of risks similar to those of earlier stage commercial companies, including dependence on key individuals and products, the difficulties inherent in the development of a commercial market, the potential need to obtain additional capital, competition from larger companies, other technology companies and other technologies. Based on the foregoing, management believes that the existing cash at September 30, 2022 will be sufficient to fund operations for at least the next twelve months following the date of this report.

In connection with the strategic review, we canceled development of our planned next-generation three-wheeled vehicle. In December 2021, we began design and development on the new 411 fleet vehicle model year 2023 refresh, the Vanish.

Summary of Cash Flows

The following table summarizes our cash flows:

	For the Nine Months Ended September 30,			
	2022		2021	
Cash Flows:				
Net cash used in operating activities	$	(12,959,204)	$	(18,723,657)
Net cash used in investing activities	$	(16,772,412)	$	(569,527)
Net cash provided by financing activities	$	-	$	59,855,219

Operating Activities

During the nine months ended September 30, 2022, we used $12.96 million in cash in operating activities, a decrease of $5.76 million when compared to the cash used in operating activities of $18.72 million during the same period in 2021. The decrease in cash used in operating activities was primarily a result of reduced consultant spend, collections on accounts receivable, and reduced cash used for purchasing inventory.

Our ability to generate cash from operations in future periods will depend in large part on profitability, the rate and timing of collections of our accounts receivable, inventory turns and our ability to manage other areas of working capital.

Investing Activities

During the nine months ended September 30, 2022, we used cash of $16.77 million in investing activities as compared to $0.57 million of cash used in investing activities during 2021, an increase of $16.2 million. The net increase was primarily due to our net investment in marketable securities.

Financing Activities

During the nine months ended September 30, 2022, we had no financing activities of note. During the nine months ended September 30, 2021, we received net proceeds of an aggregate of $59.57 million from the issuance of common stock, net of fees and expenses, $0.10 million from the exercise of warrants for cash. In addition, during June 2021, we issued 555,004 shares of common stock from the exercise of stock options and received cash proceeds of $1.5 million.

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of our consolidated financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses and related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that management believes to be relevant at the time our consolidated financial statements are prepared. Accordingly, we evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates under different assumptions and conditions.

Our critical accounting estimates have not changed materially from those previously reported in our Form 10-K.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of management, including our principal executive and principal financial officers, we evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2022. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on the evaluation of our disclosure controls and procedures as of September 30, 2022, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were ineffective due to the material weakness in internal control over financial reporting discussed below.

In its assessment of the effectiveness of internal control over financial reporting as of December 31, 2021, management identified a material weakness to segregation of duties. Specifically, due to limited resources and headcount, we did not have multiple people in the accounting function for a full segregation of duties.

Plan for Remediation of Material Weakness

We have engaged a third party to conduct a full assessment of our controls and procedures.

Changes in Internal Controls over Financial Reporting

Except as described above under "Plan for Remediation of Material Weakness," there has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There have been no changes to the legal proceedings disclosed in our Form 10-K.

ITEM 1A. RISK FACTORS

Except as set forth below, there have been no material changes to the risk factors as identified in our Form 10-K.

Our failure to meet the continued listing requirements of The Nasdaq Capital Market could result in a delisting of our common stock.

As previously reported, on October 3, 2022, we received a letter from Nasdaq indicating that, based upon the closing bid price of the Company's common stock for the 30 consecutive business day period between August 19, 2022 and September 30, 2022, we did not meet the minimum bid price of $1.00 per share required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2). In order to regain compliance with Nasdaq's minimum bid price requirement, our common stock must maintain a minimum closing bid price of $1.00 for at least ten consecutive business days during the Compliance Period. In the event that we do not regain compliance by the end of the Compliance Period, we may be eligible for additional time to regain compliance. To qualify, we will be required to meet the continued listing requirement for the market value of its publicly held shares and all other initial listing standards for The Nasdaq Capital Market, with the exception of the bid price requirement, and will need to provide written notice of its intention to cure the deficiency during the second compliance period, by effecting a reverse stock split, if necessary. If we meet these requirements, we may be granted an additional 180 calendar days to regain compliance. However, if it appears to Nasdaq that we will be unable to cure the deficiency, or if we are not otherwise eligible for the additional cure period, Nasdaq will provide notice that our common stock will be subject to delisting.

To resolve the noncompliance, we may consider available options including a reverse stock split, which may not result in a permanent increase in the market price of our common stock, which is dependent on many factors, including general economic, market and industry conditions and other factors detailed from time to time in the reports we file with the SEC. It is not uncommon for the market price of a company's shares to decline in the period following a reverse stock split.

If the MPA is terminated, we will need to identify new strategic channel partners to support the sales of our vehicles.

The majority of our sales are comprised of sales to Club Car pursuant to the MPA. We are currently evaluating our relationship with Club Car and may seek to replace them as a business partner. If the MPA is terminated, we will need to identify new strategic channel partners to support the sales of our vehicles. It may take time to identify and add these partners and to train new personnel to market and support our vehicles. We may be unable to identify suitable partners, or such partners may not successfully market and sell our vehicles and may not devote sufficient time and resources to enable our vehicles to develop, achieve or sustain market acceptance. Failure to enter into arrangements with and retain a sufficient number of high-quality strategic channel partners could increase our marketing costs, adversely impact buying and inventory patterns, payment terms or other contractual terms, sell-through or delivery of our vehicles or curtail our routes-to-market, and could have a material adverse effect on our prospects, business, financial condition or results of operations.

If we lose our exclusive license to manufacture the AYRO 411x model in North America, Cenntro could sell identical or similar products through other companies or directly to our customers.

Cenntro, which has historically been our largest supplier, owns the design of the AYRO 411x model and granted us an exclusive license to manufacture the AYRO 411 and 411x models for sale in North America, subject to certain minimum purchase requirements. On May 31, 2022, we received a letter from Cenntro purporting to terminate all agreements and contracts between the Company and Cenntro, which would result in the termination of our exclusive license. We are in discussions with Cenntro concerning the winding up of our relationship with Cenntro. We have canceled all purchase orders and future builds with Cenntro and currently intend to only order replacement parts for vehicles from Cenntro in the future. We expect to lose our exclusive license. If we lose our exclusive license, Cenntro could sell identical or similar products through other companies or directly to our customers, which could have a material adverse effect on our results of operations and financial condition.

Since the expiration of the Karma Agreement in September 2022, we have assembled all vehicles at our own facilities, and we intend to continue doing so in the future. We may be unable to replace this lost manufacturing capacity on a timely and cost-effective basis, which could adversely impact our operations and ability to meet delivery timelines.

Prior to the expiration of the Karma Agreement in September 2022, we depended on Karma for a significant portion of our vehicle assembly operations. Since the expiration of the Karma Agreement, we have assembled all vehicles at our own facilities, and intend to continue doing so in the future. We may be unable to replace this lost manufacturing capacity on a timely and cost-effective basis, which could adversely impact our operations and ability to meet delivery timelines.

We do not know whether we will be able to develop efficient, automated, low-cost manufacturing capabilities and processes that will enable us to meet the quality, price, engineering, design and manufacturing standards, as well as the manufacturing volumes, required to successfully mass market our vehicles. Even if we are successful in developing high-volume manufacturing capability and processes, we do not know whether we will be able to do so in a manner that avoids significant delays and cost overruns, including as a result of factors beyond our control such as problems with suppliers and vendors or force majeure events, meets our product commercialization and manufacturing schedules and satisfies the requirements of customers and potential customers.

If we are unable to develop such manufacturing capabilities and processes, we may need to find a third party manufacturer, which may not be cost-effective and could expose us to a number of additional risks that are outside our control, including:

- unexpected increases in manufacturing costs;
- interruptions in shipments if a third-party contract manufacturing partner is unable to complete production in a timely manner;
- reduced control over delivery schedules;
- reduced control over manufacturing levels and our ability to meet minimum volume commitments to our customers;
- reduced control over manufacturing yield; and
- reduced control over manufacturing capacity.

If we or a manufacturing partner were to experience delays, disruptions, capacity constraints or quality control problems in manufacturing operations, product shipments could be delayed or rejected and our customers could consequently elect to change product demand. These disruptions could have a material adverse effect on our revenues, competitive position and reputation.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description
3.1	Certificate of Amendment to the Certificate of Designations, Preferences and Rights of Series H-4 Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 29, 2020)
3.2	Amended and Restated Certificate of Incorporation, effective May 28, 2020 (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 29, 2020)
3.3	Certificate of Amendment to Amended and Restated Certificate of Incorporation, effective May 28, 2020 (incorporated by reference to Exhibit 3.3 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 29, 2020)
3.4	Amended and Restated Bylaws, effective May 28, 2020 (incorporated by reference to Exhibit 3.4 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on May 29, 2020)
3.5	First Amendment to the Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 8, 2020)
3.6	Second Amendment to the Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2021)
10.1†	Employment Agreement, by and between the Company and David E. Hollingsworth, effective as of August 23, 2022 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 26, 2022)

Exhibit No.	Description
31.1**	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2**	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1***	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101 INS**	Inline XBRL Instance Document
101 SCH**	Inline XBRL Taxonomy Extension Schema Document
101 CAL**	Inline XBRL Taxonomy Calculation Linkbase Document
101 DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document
101 LAB**	Inline XBRL Taxonomy Labels Linkbase Document
101 PRE**	Inline XBRL Taxonomy Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

** Filed herewith.

*** Furnished herewith

† Management or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AYRO, INC.

Dated: November 03, 2022

By: */s/ Thomas M. Wittenschlaeger*
Thomas M. Wittenschlaeger
President and Chief Executive Officer
(Principal Executive Officer)

Dated: November 03, 2022

By: */s/ David E. Hollingsworth*
David E. Hollingsworth
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS UNDER SECTION 302

I, Thomas M. Wittenschlaeger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AYRO, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 03, 2022

/s/ Thomas M. Wittenschlaeger

Thomas M. Wittenschlaeger
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS UNDER SECTION 302

I, David E Hollingsworth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AYRO, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: November 03, 2022

/s/ David E. Hollingsworth

David E. Hollingsworth
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATIONS UNDER SECTION 906

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), each of the undersigned officers of AYRO, Inc., a Delaware corporation (the “Company”), does hereby certify, to such officer’s knowledge and in the capacity of an officer, that:

The Quarterly Report for the quarter ended September 30, 2022 (the “Form 10-Q”) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of, and for, the periods presented in the Form 10-Q.

Dated: November 03, 2022	By: */s/ Thomas M. Wittenschlaeger* Thomas M. Wittenschlaeger President and Chief Executive Officer (Principal Executive Officer)
Dated: November 03, 2022	By: */s/ David E. Hollingsworth* David E. Hollingsworth Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)