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Crown Electrokinetics Corp. (NASDAQ: CRKN)

September 20, 2022

Neutral: Exigent Cash Needs in a Tough Market.

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We have lowered our recommendation of Crown to Neutral as the company's cash needs are exigent and market conditions are challenging. We expect this combination will likely result in onerous terms and continued pressure on the shares. However, since enterprise value is close to zero, this could offer some support for the shares.

Cash at the end of Q2 was less than \$1 million and post the end of the quarter the company raised an additional \$855 thousand. The company has a \$10 million standby letter of credit and is exploring other debt options to finance equipment purchases. We estimate equipment purchases will require up to \$10 million in cash. We also estimate the company requires over \$10 million annually to fund operations. With the depressed share price, limited liquidity and difficult market conditions, we expect the company will have to accept onerous terms in any upcoming financings.

In the coming months, the company expects to manufacture and deliver its first smart window inserts and we forecast this will generate about \$500 thousand in revenue. Post a six-to-nine-month testing and evaluation process, the company will integrate feedback for the second-generation window insert to be manufactured on a purpose-built line. We believe this will cause a pause in revenue while the second-gen product is designed and the manufacturing equipment is built, installed and tested. This pushes the company's revenue and cash generation to the right.

A 13G filing form last week, states ZI Ventures received 500,000 shares of Crown as consideration for extension of the maturity date of a promissory note and is entitled to acquire 1.2 million shares after the note went into default. ZI has the right to acquire an additional 157,450 shares of common. We expect this will complicate the company's capital raising needs.

We have lowered our recommendation of Crown to Neutral as the company's cash needs are exigent and market conditions are challenging. We expect this combination will likely result in onerous terms and continued pressure on the shares. However, since enterprise value is close to zero, this could offer some support for the shares.

Current Price	\$0.33		
Price Target	NA		
Estimates	F2021A	F2022E	F2023E
Revenues (\$000s)	\$ -	\$ 500 E	\$ 500
1Q March	\$ -	\$ - A	\$ -
2Q June	\$ -	\$ - A	\$ -
3Q September	\$ -	\$ 500 E	\$ -
4Q December	\$ -	\$ - E	\$ 500
	F2021A	F2022E	F2023E
EBITDA (\$000s)	\$ (9,933)	\$ (11,852)E	\$ (11,350)
1Q March	\$ (1,753)	\$ (3,377)A	\$ (2,900)
2Q June	\$ (2,991)	\$ (2,900)A	\$ (2,900)
3Q September	\$ (2,479)	\$ (2,675)E	\$ (2,900)
4Q December	\$ (2,710)	\$ (2,900)E	\$ (2,650)
EV/Sales	NM	10.9 x	10.9 x
EV/EBITDA	NM	(0.5) x	(0.5) x
Stock Data			
52-Week Range	\$0.31	-	\$4.48
Shares Outstanding (mil.)			15.9
Market Capitalization (mil.)			\$5
Enterprise Value (mil.)			\$5
Debt to Capital			22%
Cash (mil.)			\$1.9
Cash/Sh.			\$0.12
Average Three Months Trading Volume (K)			51
Insider Ownership			23.0%
Institutional Ownership			14.7%
Short interest (mil.)			0.1%
Dividend / Yield			\$0.00/0.0%



		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
APOG-US	Apogee Enterprises, Inc.	\$ 39.35	\$ 3.73	10.5	\$ 1,159.4	\$ 1,400.5	0.83	\$ 164.5	7.0
PGTI-US	PGT Innovations, Inc.	20.76	1.99	10.4	1,818.7	1,514.3	1.20	258.7	7.0
PPG-US	PPG Industries, Inc.	119.23	7.80	15.3	34,639.4	18,632.0	1.86	2,912.5	11.9
REFR-US	Research Frontiers Incorporated	2.81			76.2				
SGO-FR	Compagnie de Saint-Gobain SA	€ 38.76	€ 5.78	6.7	€ 29,745.9	€ 49,500.3	0.60	€ 6,592.6	4.5
WNDW-US	SolarWindow Technologies, Inc.	2.36			119.0				
VIEW-US	View Inc. Class A	1.99	(1.03)	(1.9)	328.5	180.8	1.82	(175.6)	(1.9)
	Median			10.4			1.20		7.0
CRKN-US	Crown ElectroKinetics Corp.	\$ 0.33	\$ (0.38)	(0.9)	\$ 5.5	\$ 0.7	7.42	\$ (12.8)	(0.4)

Source: Dawson James Securities estimates and Factset

Exhibit 1. Income Statement

(\$ in 000's) (except per share data)	31-Dec-20 2020A	31-Dec-21 2021A	31-Mar-22 Q1 22 A	30-Jun-22 Q2 22 A	30-Sep-22 Q3 22 E	31-Dec-22 Q4 22 E	31-Dec-22 2022 E	31-Dec-23 2023 E
Revenue	0	0	0	0	500	0	500	500
COGS	160	0	0	0	275	0	275	250
Gross Profit	(160)	0	0	0	225	0	225	250
R&D	2,906	3,401	1,096	1,473	1,473	1,473	5,515	5,892
SG&A	12,650	18,724	3,471	3,002	3,002	3,002	12,477	12,008
Opex	15,556	22,126	4,567	4,475	4,475	4,475	17,992	17,900
Operating Income	(15,716)	(22,126)	(4,567)	(4,475)	(4,250)	(4,475)	(17,767)	(17,650)
Interest expense and other	(6,668)	(15,035)	(3)	(2)	(2)	(2)	(9)	(8)
Pretax Income	(22,384)	(37,160)	(4,570)	(4,477)	(4,252)	(4,477)	(17,776)	(17,658)
Taxes	0	0	0	0	0	0	0	0
Net Income	(22,384)	(37,160)	(4,570)	(4,477)	(4,252)	(4,477)	(17,776)	(17,658)
Basic Shares	6,893	14,056	15,856	16,420	15,245	15,900	15,855	20,132
Basic EPS	\$ (3.25)	\$ (2.64)	\$ (0.29)	\$ (0.27)	\$ (0.28)	\$ (0.28)	\$ (1.12)	\$ (0.88)
Depreciation & Amortization	76	271	107	127	127	127	488	508
Stock Compensation	11,445	11,921	1,083	1,448	1,448	1,448	5,427	5,792
EBITDA	(4,195)	(9,933)	(3,377)	(2,900)	(2,675)	(2,900)	(11,852)	(11,350)

Source: Crown Electrokinetics Corp. and Dawson James Securities estimates

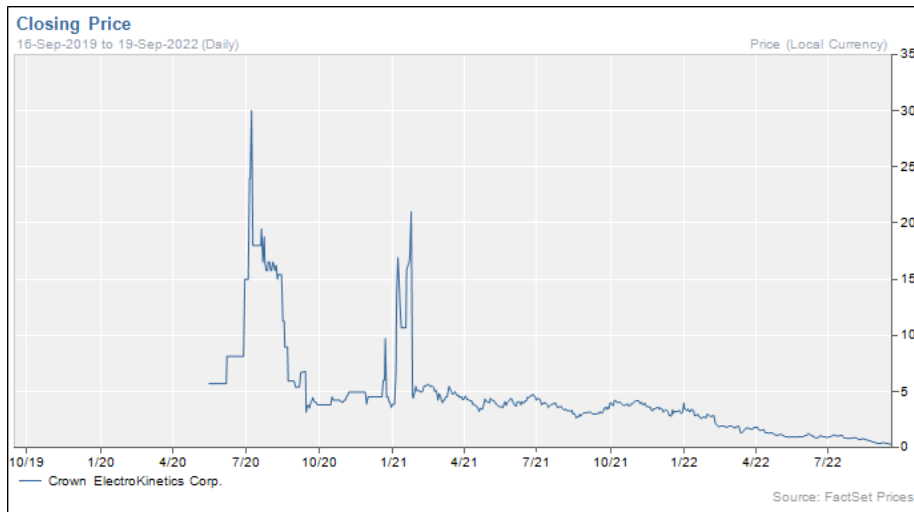
Exhibit 2. Balance Sheet and Cash Flow Statement

	31-Dec-20 FY2020	31-Dec-21 FY2021	31-Dec-22 2022 E	31-Dec-23 2023 E
(\$ in 000's)				
Cash & Equivalents	36	6,130	5,454	3,880
A/R	0	0	0	103
Inventory	0	0	0	51
Prepaid & other assets	254	687	1,300	1,300
Current Assets	\$ 290	\$ 6,817	\$ 6,754	\$ 5,334
PP&E	148	895	1,204	8,644
Intangible assets	205	1,761	1,591	1,355
Right of use asset	0	0	2,097	2,097
Other assets	0	179	403	403
Total Assets	\$ 642	\$ 9,652	\$ 12,049	\$ 17,833
A/P	1,183	358	1,599	1,599
Accrued expenses	356	298	221	221
Lease liability	0	0	378	378
Accrued interest	465	0	0	0
Shares liability	0	0	0	0
Notes payable	2,843	8	8	8
Warrant liability	2,542	0	0	0
Related party payable	25	0	0	0
Current Liabilities	\$ 7,414	\$ 664	\$ 2,206	\$ 2,206
Lease Liability	\$ -	\$ -	\$ 1,815	\$ 9,315
Equity	(6,771)	8,988	8,028	6,312
Total Liabilities & Equity	\$ 642	\$ 9,652	\$ 12,049	\$ 17,833
	31-Dec-20 FY2020	31-Dec-21 FY2021	31-Dec-22 2022 E	31-Dec-23 2023 E
Net Income	(22,384)	(37,160)	(17,776)	(17,658)
D&A	76	271	488	508
Stock Comp.	11,445	11,921	5,427	5,792
Other	6,786	15,152	291	0
Working Capital	190	(1,700)	295	(154)
Operating CF	\$ (3,888)	\$ (11,516)	\$ (11,275)	\$ (11,512)
CapEx	(82)	(629)	(506)	(7,713)
Other	(25)	(1,714)	(61)	0
Investing Activities	\$ (107)	\$ (2,343)	\$ (567)	\$ (7,713)
Equity	1,149	19,692	11,166	10,150
Debt	2,882	261	0	7,500
Financing	\$ 4,030	\$ 19,953	\$ 11,166	\$ 17,650
Change in Cash	\$ 36	\$ 6,094	\$ (676)	\$ (1,575)

Source: Crown Electrokinetics Corp. and Dawson James Securities estimates

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Initiated – Buy – August 3, 2021 – Price Target \$8.50
- Update – Buy – September 28, 2021 – Price Target \$8.50
- Update – Buy – November 15, 2021 – Price Target \$8.50
- Update – Buy – December 27, 2021 – Price Target \$8.50
- Price Target Change – Buy – March 18, 2022 – Price Target Price Target changed from \$8.50 to \$4.25
- Update – Buy – March 31, 2022 – Price Target \$4.25
- Price Target Change – Buy – May 16, 2022 – Price Target Price Target changed from \$4.25 to \$1.50
- Update – Buy – July 21, 2022 – Price Target \$1.50
- Update – Buy – August 9, 2022 – Price Target \$1.50
- Update – Buy – August 16, 2022 – Price Target \$1.50
- Rating Change – Neutral – September 20, 2022 – Price Target NA

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- 2) **Neutral:** the analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** the analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of 20-Sep-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	83%	3	12%
Market Perform (Neutral)	4	13%	1	25%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	4	13%

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