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Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

## Crown Electrokinetics Corp. (NASDAQ: CRKN)

September 28, 2022

### Neutral: Office Space Pressures.

James McIlree, CFA

561-237-2709

jmcilree@dawsonjames.com

*We expect the Fed's rapid and significant tightening will create a headwind for the smart glass industry. Higher interest rates will have a negative impact on growth, employment, office occupancy rates, renovations, and new construction. For Crown, with enterprise value close to zero, this could offer some support for the shares.*

There are multiple factors we expect will result in significant headwinds for the smart glass industry over the coming quarters. The Fed's rapid and significant tightening has resulted in the Fed Funds rate increasing 300 basis points, from almost zero, since the beginning of the year. The [current projection](#) is for additional increases to 4.4% by year-end rising further into 2023 before falling to 4.6% by year-end 2023.

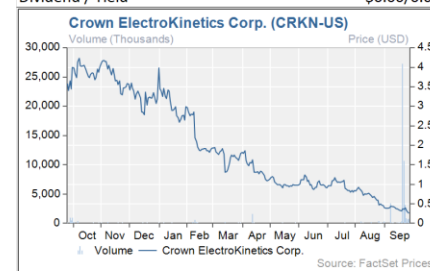
Higher interest rates will result in increased unemployment, reduced demand for office space, pressuring cash flows of owners of office space and negatively impacting the ability to fund renovations, such as smart glass. This is coming at a time when demand for office space was already weak. For instance, [Kastle Systems estimates](#) average occupancy of 10 of the largest cities in America at still less than 50%.

Costs for new construction remains very high. The [PPI \(Producer Price Index\) for new office building construction](#) is up over 23% in August versus a year ago. This, in addition to rising rates, will make renovations and new construction expensive and we expect these headwinds will have deleterious impacts on the smart glass market.

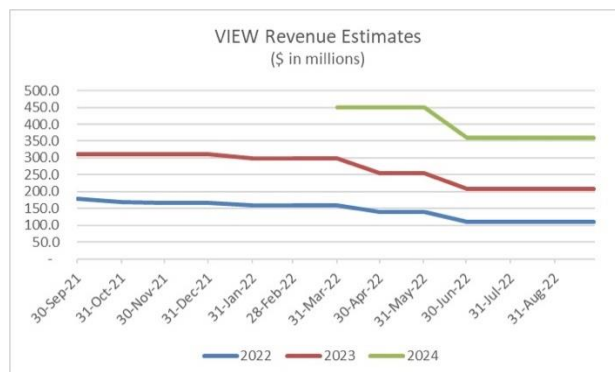
The downturn in the markets adds to the woes for the industry. View Inc. at the end of June had \$111 million but operating cash flow burn averaged \$72 million per quarter over the prior four quarters. For Crown, cash at the end of Q2 was less than \$1 million and post the end of the quarter the company 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. We expect both View and Crown will likely face onerous terms for any capital raise and continued pressure on the shares.

We recently 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	\$0.27		
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	9.1 x	9.1 x
EV/EBITDA	NM	(0.4) x	(0.4) x
Stock Data			
52-Week Range	\$0.21	-	\$4.48
Shares Outstanding (mil.)	15.9		
Market Capitalization (mil.)	\$4		
Enterprise Value (mil.)	\$5		
Debt to Capital	22%		
Cash (mil.)	\$1.9		
Cash/Sh.	\$0.12		
Average Three Months Trading Volume (K)	24		
Insider Ownership	33.3%		
Institutional Ownership	14.7%		
Short interest (mil.)	0.2%		
Dividend / Yield	\$0.00/0.0%		



For 2022, our revenue estimate for Crown is \$500 thousand, and a similar amount in 2023. Consensus revenue estimates for View has steadily declined over the past twelve months. Consensus revenue estimate for 2022 was \$178 million twelve months ago and is currently \$109 million, which assumes a doubling of revenues in the second half compared to the first. Revenue estimates for 2023 was \$310 million twelve months ago but is now \$209 million and we think subject to further reductions given the Fed actions of the past few months.



Source: Factset

		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
APOG-US	Apogee Enterprises, Inc.	\$ 37.98	\$ 3.88	9.8	\$ 1,035.2	\$ 1,444.7	0.72	\$ 165.2	6.3
PGTI-US	PGT Innovations, Inc.	19.33	1.99	9.7	1,747.4	1,514.7	1.15	258.7	6.8
PPG-US	PPG Industries, Inc.	111.06	7.72	14.4	33,156.6	18,456.9	1.80	2,882.8	11.5
REFR-US	Research Frontiers Incorporated	2.20			68.0				
SGO-FR	Compagnie de Saint-Gobain SA	€ 35.10	€ 5.78	6.1	€ 27,553.0	€ 49,501.2	0.56	€ 6,585.5	4.2
WNDW-US	SolarWindow Technologies, Inc.	2.37			101.5				
VIEW-US	View Inc. Class A	1.33	(1.02)	(1.3)	218.9	183.0	1.20	(174.2)	(1.3)
	Median			9.7			1.15		6.3
CRKN-US	Crown ElectroKinetics Corp.	\$ 0.27	\$ (0.35)	(0.8)	\$ 4.6	\$ 0.7	6.12	\$ (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

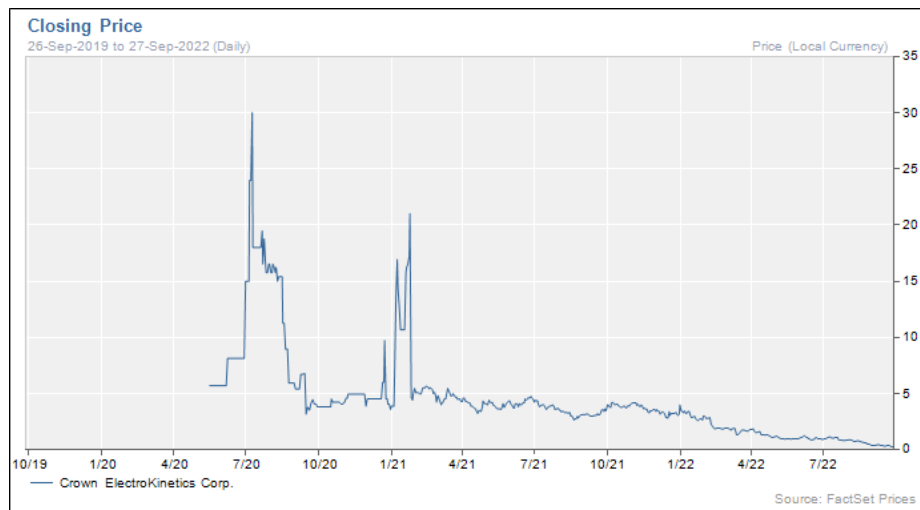
**Exhibit 2. Balance Sheet and Cash Flow Statement**

(\$ in 000's)	31-Dec-20 FY2020	31-Dec-21 FY2021	31-Dec-22 2022 E	31-Dec-23 2023 E
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
<b>Current Assets</b>	<b>\$ 290</b>	<b>\$ 6,817</b>	<b>\$ 6,754</b>	<b>\$ 5,334</b>
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
<b>Total Assets</b>	<b>\$ 642</b>	<b>\$ 9,652</b>	<b>\$ 12,049</b>	<b>\$ 17,833</b>
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
<b>Current Liabilities</b>	<b>\$ 7,414</b>	<b>\$ 664</b>	<b>\$ 2,206</b>	<b>\$ 2,206</b>
Lease Liability	\$ -	\$ -	\$ 1,815	\$ 9,315
Equity	(6,771)	8,988	8,028	6,312
<b>Total Liabilities &amp; Equity</b>	<b>\$ 642</b>	<b>\$ 9,652</b>	<b>\$ 12,049</b>	<b>\$ 17,833</b>
	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)
<b>Operating CF</b>	<b>\$ (3,888)</b>	<b>\$ (11,516)</b>	<b>\$ (11,275)</b>	<b>\$ (11,512)</b>
CapEx	(82)	(629)	(506)	(7,713)
Other	(25)	(1,714)	(61)	0
<b>Investing Activities</b>	<b>\$ (107)</b>	<b>\$ (2,343)</b>	<b>\$ (567)</b>	<b>\$ (7,713)</b>
Equity	1,149	19,692	11,166	10,150
Debt	2,882	261	0	7,500
<b>Financing</b>	<b>\$ 4,030</b>	<b>\$ 19,953</b>	<b>\$ 11,166</b>	<b>\$ 17,650</b>
<b>Change in Cash</b>	<b>\$ 36</b>	<b>\$ 6,094</b>	<b>\$ (676)</b>	<b>\$ (1,575)</b>

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

Update – Neutral – September 28, 2022 – Price Target NA

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- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 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.

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Current as of 20-Sep-22

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# 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%
<b>Total</b>	<b>30</b>	<b>100%</b>	<b>4</b>	<b>13%</b>

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