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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)

*October 31, 2022*

### Neutral: Capital Raises by Crown and View.

**James McIlree, CFA**
**561-237-2709**
**jmcilree@dawsonjames.com**

*Both Crown, and its direct competitor View, Inc. have recently raised capital but for both the runway is short. For Crown we expect additional capital raises with onerous terms and additional cost-cutting measures to conserve cash. With enterprise value close to zero, this could offer some support for the shares.*

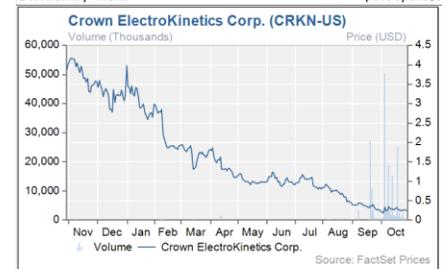
Crown issued a \$5.4M senior convertible note at a 35% original issue discount. The note is convertible at \$0.49 per share and matures in 12 months. 21.7 million 5-year warrants with an exercise price of \$0.32 were issued as part of the transaction. This is significant potential dilution for the company as the current share count is 17.1 million. It is also not adequate to fund the ongoing annual burn of about \$12 million as well as the need for equipment purchases of \$5 to \$10 million. We expect additional raises on unfavorable terms and costs cutting to preserve cash.

Crown's direct competitor, View, Inc. raised \$200 million with a convertible note which extends its runway, at recent burn rates, through the end of 2023. This is negative for Crown as View sells smart glass below cost (the trailing 12-month gross profit loss was over \$100 million).

We expect the Fed's rapid and significant tightening will create a headwind for Crown and the smart glass industry. Higher interest rates will have a negative impact on growth, employment, office occupancy rates, renovations, and new construction. 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.

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	\$0.26		
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	12.1 x	12.1 x
EV/EBITDA	NM	(0.5) x	(0.5) x
Stock Data			
52-Week Range	\$0.19	-	\$4.48
Shares Outstanding (mil.)	17.1		
Market Capitalization (mil.)	\$4		
Enterprise Value (mil.)	\$6		
Debt to Capital	22%		
Cash (mil.)	\$6.0		
Cash/Sh.	\$0.35		
Average Three Months Trading Volume (K)	5		
Insider Ownership	33.3%		
Institutional Ownership	14.6%		
Short interest (mil.)	6.9%		
Dividend / Yield	\$0.00/0.0%		



		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
APOG-US	Apogee Enterprises, Inc.	\$ 46.06	\$ 3.90	11.8	\$ 1,287.7	\$ 1,451.8	0.89	\$ 165.9	7.8
PGTI-US	PGT Innovations, Inc.	21.72	1.92	11.3	1,911.1	1,492.7	1.28	254.4	7.5
PPG-US	PPG Industries, Inc.	114.16	6.91	16.5	33,452.7	17,706.9	1.89	2,671.0	12.5
REFR-US	Research Frontiers Incorporated	2.39			74.3				
SGO-FR	Compagnie de Saint-Gobain SA	€ 41.94	€ 5.69	7.4	€ 29,845.6	€ 50,117.6	0.60	€ 6,577.1	4.5
WNDW-US	SolarWindow Technologies, Inc.	2.02			98.8				
VIEW-US	View Inc. Class A	1.17			179.4				
	Median			11.6			1.08		7.6
CRKN-US	Crown ElectroKinetics Corp.	\$ 0.26	\$ (0.25)	(1.0)	\$ 6.0	\$ 0.8	7.63	\$ (13.0)	(0.5)

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)	(475)	(482)	(1,898)
Pretax Income	(22,384)	(37,160)	(4,570)	(4,477)	(4,252)	(4,950)	(18,249)	(19,548)
Taxes	0	0	0	0	0	0	0	0
Net Income	(22,384)	(37,160)	(4,570)	(4,477)	(4,252)	(4,950)	(18,249)	(19,548)
Basic Shares	6,893	14,056	15,856	16,420	15,245	16,730	16,063	41,945
Basic EPS	\$ (3.25)	\$ (2.64)	\$ (0.29)	\$ (0.27)	\$ (0.28)	\$ (0.30)	\$ (1.14)	\$ (0.47)
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

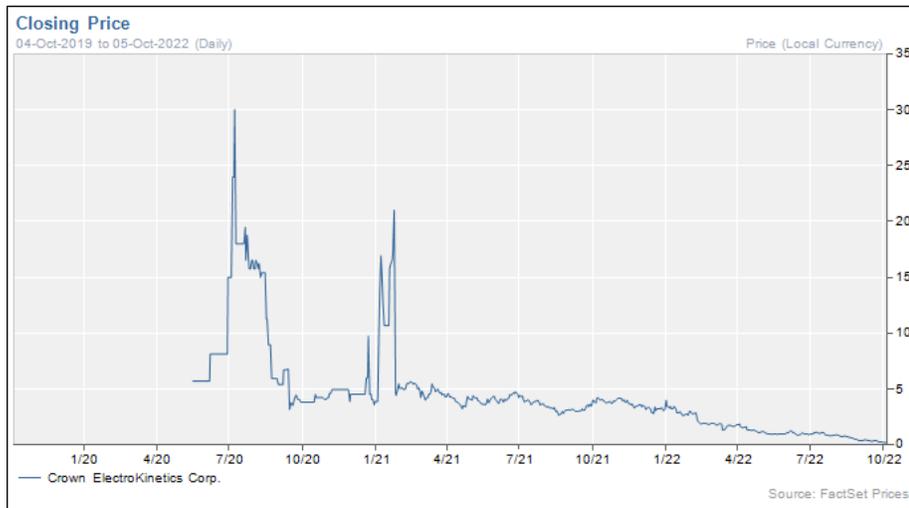
**Exhibit 2. Balance Sheet and Cash Flow Statement**

(\$ 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	8	1,093
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>\$ 1,308</b>	<b>\$ 2,547</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>\$ 6,602</b>	<b>\$ 15,046</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
Senior Cv. Notes	0	0	5,400	0
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>\$ 7,606</b>	<b>\$ 2,206</b>
Lease Liability	\$ -	\$ -	\$ 1,815	\$ 9,315
Equity	(6,771)	8,988	(2,819)	3,526
<b>Total Liabilities &amp; Equity</b>	<b>\$ 642</b>	<b>\$ 9,652</b>	<b>\$ 6,602</b>	<b>\$ 15,046</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)	(18,249)	(19,548)
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>\$ (11,748)</b>	<b>\$ (13,402)</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	2,682	20,100
Debt	2,882	261	3,510	2,100
Financing	\$ 4,030	\$ 19,953	\$ 6,192	\$ 22,200
<b>Change in Cash</b>	<b>\$ 36</b>	<b>\$ 6,094</b>	<b>\$ (6,122)</b>	<b>\$ 1,085</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
- Update – Neutral – October 5, 2022 – Price Target NA
- Update – Neutral – October 31, 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.

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Current as of 28-Oct-22

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	80%	3	13%
Market Perform (Neutral)	5	17%	1	20%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	4	13%

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