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Crown Electrokinetics Corp. (NASDAQ: CRKN)

November 21, 2022

Neutral: Significant Dilution Ahead.

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Crown filed an S-3 that highlights the significant dilution ahead. Cash needs are exigent with current cash balances providing a limited runway and financing to purchase capital equipment not in place. We expect additional capital raises with onerous terms and additional cost-cutting measures to conserve cash.

Crown filed an S-3 to register 53 million shares consisting of potential conversion of Series D preferred, conversion of senior secured notes, additional shares associated with the senior secured notes, potential shares issued upon exercise of warrants and shares issued pursuant to restricted stock grants and shares issued to consultants. Currently, the company has 20 million shares outstanding.

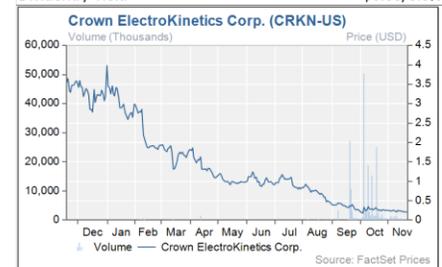
In October, Crown issued a \$5.4M senior convertible note at a 35% original issue discount. The note is convertible at \$0.49 per share and matures in 12 months. 21.7 million 5-year warrants with an exercise price of \$0.32 were issued as part of the transaction. The registration statement covers, among other offerings, this potential issuance of shares. The registration statement also includes registration of 16.3 million shares Crown is obligated to register totaling 200% of the maximum number of shares of common stock issuable upon conversion of the senior secured convertible notes. We believe this is to protect investors since the conversion price of the notes is adjusted if the company enters into additional financings that include a variable price.

We expect more equity and convertible offerings coming to finance capital equipment and operations. The company announced it is pursuing a \$30 million debt financing for capital equipment to build its second-gen product. This financing, if successful, could include cash to fund continued expected operating losses. We expect terms for debt and equity financing will be onerous given the small cash balance, depressed valuation and lack of near-term revenue and cash flow generation.

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.

Risks to our recommendation include changes in Federal Reserve policy, changes in economic growth and its impact on employment and office usage, market conditions impacting the ability to raise capital, competition from other smart glass providers and traditional glass suppliers and alternatives to smart glass solutions.

Current Price				\$0.21
Price Target				NA
Estimates	F2021A	F2022E	F2023E	
Revenues (\$000s)	\$ -	\$ -	E \$ 500	
1Q March	\$ -	\$ -	A \$ -	
2Q June	\$ -	\$ -	A \$ -	
3Q September	\$ -	\$ -	A \$ -	
4Q December	\$ -	\$ -	E \$ 500	
	F2021A	F2022E	F2023E	
EBITDA (\$000s)	\$ (9,933)	\$(11,295)E	\$ (9,786)	
1Q March	\$ (1,753)	\$(3,377)A	\$(2,509)	
2Q June	\$ (2,991)	\$(2,900)A	\$(2,509)	
3Q September	\$ (2,479)	\$(2,509)A	\$(2,509)	
4Q December	\$ (2,710)	\$(2,509)E	\$(2,259)	
EV/Sales	NM	#DIV/0!	15.3 x	
EV/EBITDA	NM	(0.7) x	(0.8) x	
Stock Data				
52-Week Range	\$0.18	-	\$3.99	
Shares Outstanding (mil.)				20.2
Market Capitalization (mil.)				\$4
Enterprise Value (mil.)				\$8
Debt to Capital				39%
Cash (mil.)				\$4.0
Cash/Sh.				\$0.20
Average Three Months Trading Volume (K)				51
Insider Ownership				33.3%
Institutional Ownership				17.2%
Short interest (mil.)				4.7%
Dividend / Yield				\$0.00/0.0%



		Price	EPS	P/E	TEV	Sales	EV/ Sales	EBITDA	EV/ EBITDA
APOG-US	Apogee Enterprises, Inc.	\$ 47.44	\$ 3.90	12.2	\$ 1,318.3	\$ 1,453.5	0.91	\$ 166.1	7.9
PGTI-US	PGT Innovations, Inc.	19.75	1.88	10.5	1,732.5	1,505.6	1.15	251.7	6.9
PPG-US	PPG Industries, Inc.	128.47	6.96	18.4	36,815.9	17,716.3	2.08	2,683.9	13.7
REFR-US	Research Frontiers Incorporated	2.38			74.6				
SGO-FR	Compagnie de Saint-Gobain SA	€ 45.70	€ 5.61	8.1	€ 32,350.0	€ 50,169.2	0.64	€ 6,530.0	5.0
WNDW-US	SolarWindow Technologies, Inc.	1.98			96.7				
VIEW-US	View Inc. Class A	1.26	(0.79)		261.1	190.3	1.37		
	Median			11.3			1.15		7.4
CRKN-US	Crown ElectroKinetics Corp.	\$ 0.21	\$ 0.15	1.4	\$ 7.6	\$ -		\$ (12.2)	(0.6)

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 A	31-Dec-22 Q4 22 E	31-Dec-22 2022 E	31-Dec-23 2023 E
Revenue	0	0	0	0	0	0	0	500
COGS	160	0	0	0	0	0	0	250
Gross Profit	(160)	0	0	0	0	0	0	250
R&D	2,906	3,401	1,096	1,473	955	955	4,479	3,820
SG&A	12,650	18,724	3,471	3,002	2,160	2,160	10,793	8,640
Opex	15,556	22,126	4,567	4,475	3,115	3,115	15,272	12,460
Operating Income	(15,716)	(22,126)	(4,567)	(4,475)	(3,115)	(3,115)	(15,272)	(12,210)
Interest expense and other	(6,668)	(15,035)	(3)	(2)	(1)	(474)	(480)	(1,894)
Pretax Income	(22,384)	(37,160)	(4,570)	(4,477)	(3,116)	(3,589)	(15,752)	(14,104)
Taxes	0	0	0	0	0	0	0	0
Net Income	(22,384)	(37,160)	(4,570)	(4,477)	(3,116)	(3,589)	(15,752)	(14,104)
Basic Shares	6,893	14,056	15,856	16,420	17,644	19,383	17,326	46,354
Basic EPS	\$ (3.25)	\$ (2.64)	\$ (0.29)	\$ (0.27)	\$ (0.18)	\$ (0.19)	\$ (0.91)	\$ (0.30)
Depreciation & Amortization	76	271	107	127	126	126	486	504
Stock Compensation	11,445	11,921	1,083	1,448	480	480	3,491	1,920
EBITDA	(4,195)	(9,933)	(3,377)	(2,900)	(2,509)	(2,509)	(11,295)	(9,786)

Source: Crown Electrokinetics Corp. and Dawson James Securities estimates

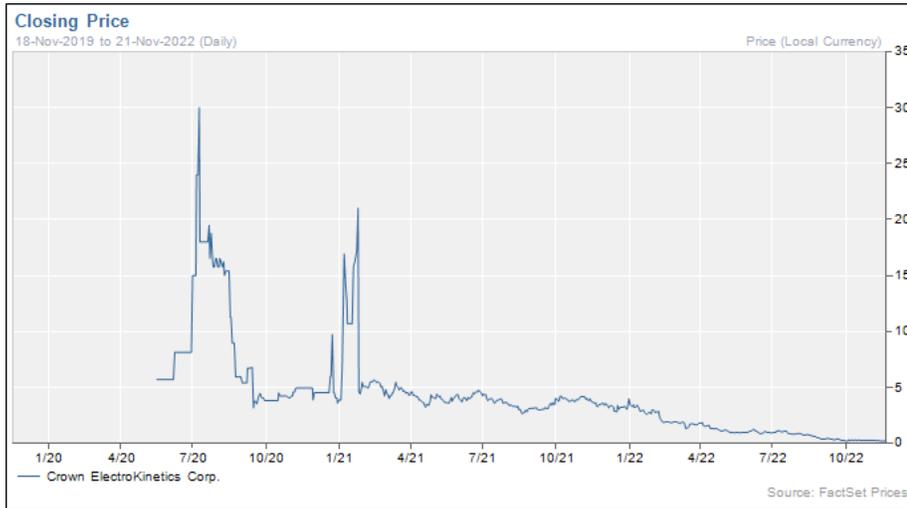
Exhibit 2. Balance Sheet and Cash Flow Statement

	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	3,393	6,047
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	\$ 4,693	\$ 7,501
PP&E	148	895	1,347	8,784
Intangible assets	205	1,761	1,597	1,369
Right of use asset	0	0	1,971	1,971
Other assets	0	179	403	403
Total Assets	\$ 642	\$ 9,652	\$ 10,011	\$ 20,027
A/P	1,183	358	4,143	4,143
Accrued expenses	356	298	455	455
Lease liability	0	0	253	253
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
Current Liabilities	\$ 7,414	\$ 664	\$ 10,259	\$ 4,859
Lease Liability	\$ -	\$ -	\$ 1,815	\$ 9,315
Equity	(6,771)	8,988	(1,753)	6,164
Total Liabilities & Equity	\$ 642	\$ 9,652	\$ 10,321	\$ 20,337
	31-Dec-20 FY2020	31-Dec-21 FY2021	31-Dec-22 2022 E	31-Dec-23 2023 E
Net Income	(22,384)	(37,160)	(15,752)	(14,104)
D&A	76	271	486	504
Stock Comp.	11,445	11,921	3,491	1,920
Other	6,786	15,152	417	0
Working Capital	190	(1,700)	2,660	(154)
Operating CF	\$ (3,888)	\$ (11,516)	\$ (8,698)	\$ (11,834)
CapEx	(82)	(629)	(278)	(7,713)
Other	(25)	(1,714)	(61)	0
Investing Activities	\$ (107)	\$ (2,343)	\$ (339)	\$ (7,713)
Equity	1,149	19,692	3,100	20,100
Debt	2,882	261	3,200	2,100
Financing	\$ 4,030	\$ 19,953	\$ 6,300	\$ 22,200
Change in Cash	\$ 36	\$ 6,094	\$ (2,737)	\$ 2,653

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
 Update – Neutral – November 14, 2022 – Price Target NA
 Update – Neutral – November 21, 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.

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 18-Nov-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	77%	2	9%
Market Perform (Neutral)	6	20%	1	17%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	3	10%

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