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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Creative Realities, Inc.

Rating: Speculative Buy

Howard Halpern

CREX $2.05 — (NASDAQ)

March 25, 2025

	2023 A	2024 A	*2025 E*	*2026 E*
Total Revenues (in millions)	$46.7	$50.9	***$56.0***	***$63.3***
Earnings (loss) per share	($0.35)*	($0.33)**	***($0.07)***	***$0.20***

52-Week range	$5.20 – $1.67	Fiscal year ends:	December
Shares outstanding a/o 3/14/25	10.4 million	Revenue/shares (ttm)	$4.85
Approximate float	7.4 million	Price/Sales (ttm)	0.4X
Market Capitalization	$21.3 million	Price/Sales (2026) E	0.3X
Tangible Book value/shr	($2.27)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2026) E	10.3X

*All per share figures reflect a 1 for 3 reverse stock split effective March 27, 2023 *Includes an estimated negative ($0.17) per share related to the change in fair value of contingent consideration **Includes ($0.10) loss on extinguishment of debt*

Creative Realities, Inc., headquartered in Louisville, KY, provides a complete suite of digital solutions that enhance communications within the digital signage market. The company deploys the hardware, designs and manages the content on its digital signage platforms, as well as providing media advertising services in the following markets: automotive, advertising networks, apparel & accessories, convenience stores, food and quick service restaurants, gaming, theater, and stadium venues. Recurring revenue is derived from subscription licensing of its content management software offerings.

Key Investment Considerations:

Maintaining Speculative Buy rating and reducing our twelve-month price target to $4.50 per share from $7.00 per share due to a reduction in sector valuation and our initial 2026 sales per share forecast.

Creative Realities has substantial long-term growth potential for its end-to-end digital signage technology offerings in the US and international markets. Analysts project the US digital signage market growing 7.9% annually to $11.5 billion in 2028, up from an estimated $7.8 billion in 2023.

In March 2025, the company announced it is experiencing delays in the cadence of customer deployments, therefore, we reset our 2025 revenue growth forecast to 10%. CREX fundamentals are strong as it continues to maintain a solid backlog of funded projects and entered 2025 with an annual recurring revenue run rate of $16.8 million, up from $16.3 million entering 2024.

In 2024, CREX reported (on 3-14-25) a loss per share of ($0.33) on revenue growth of 12.6% to $50.9 million compared to a loss per share of ($0.35) on revenue of $46.7 million. We projected a ($0.17) loss per share on revenue of $50.2 million.

For 2025, we project a loss per share of ($0.07) on 10% revenue growth to $56 million. We previously forecast EPS of $0.15 on revenue of $60.3 million. Our reduced forecasts anticipates continued delays in customer deployments in 1H25, annual recurring revenue reaching $18 million, and operating expense margin increasing to 43.2% from our prior forecast of 39.4%. Our forecast also reflects total gross margin 44.5% compared to our prior forecast of 44.9%.

For 2026, we project EPS of $0.20 on 13.1% revenue growth to $63.3 million. Our forecast reflects a normal cadence of customer deployments, annual recurring revenue exceeding $19 million, operating expense margin improving to 40.3% from an estimated 43.2% in 2025, and gross margin improving to 45.8%.

Please view our Disclosures on pages 15 - 17

Appreciation Potential

Maintaining Speculative Buy rating and reducing our twelve-month price target to $4.50 per share from $7.00 per share due to a reduction in sector valuation and our initial 2026 sales per share forecast. Our rating and price target reflects the company's ability to leverage the more than 400,000 combined devices it manages within its network of digital signage customers. Also, supporting CREX's efforts to leverage its customer base was early 2025 official launch of the Adlogic CPM+ platform that provides a completely integrated digital advertising solutions for existing and prospective customers seeking to monetize their in-store retail media networks. This offering should enable CREX to tap into a new high margin source of advertising revenue.

In March 2025, the company announced it is experiencing delays in the cadence of customer deployments, therefore, we reset our 2025 revenue growth forecast to 10%. CREX fundamentals are strong as it continues to maintain a solid backlog of funded projects and entered 2025 with an annual recurring revenue run rate of $16.8 million, up from $16.3 million entering 2024. We project annual recurring revenue should approximate $19 million at the end of 2026.

Our 12-month price target of $4.50 per share implies shares could more than double over the next twelve months. According to finviz.com, the average price-to-sales multiple for companies with similar to larger market capitalizations in the software application and infrastructure sectors is 2.2X (prior was 2.6X), compared to Creative Realities trailing price-to-sales multiple of 0.4X (prior was 0.7X). We anticipate investors are likely to accord CREX a multiple between the sectors multiple and its current trailing multiple as the company's growth stabilizes in 2H25. We applied a price-to-sales multiple of 1.1X (prior was 1.5X) to our initial 2026 sales per share forecast of $5.95, discounted for execution risks, to obtain a year-ahead price target of approximately $4.50 per share.

Creative Realities' valuation should improve as it reports revenue growth, generates sustained operating profits, and cash earnings growth. We anticipate the company generating an operating profit of $3.5 million in 2026, up from an estimated $750,000 in 2025. In 2024, operating income was $938,000. In 2026, CREX should generate cash earnings of $6.9 million, up from estimated cash earnings of $3.6 million in 2024.

Overview

Creative Realities, Inc., headquartered in Louisville, KY, provides a complete suite of digital solutions that enhances communications with in the digital signage market. Digital signage utilize systems that deliver and display visual content such as digital images, video, streaming media, and marketing information that are managed by a content management system. The company deploys the hardware, designs and manages the content on its digital signage platforms, as well as provides media advertising services through the 1Q22 acquisition of Reflect Systems. CREX offerings are deployed to customers in the following markets, automotive, advertising networks, apparel & accessories, convenience stores, food service and quick service restaurants, gaming, theater, and stadium venues. CREX's recurring SaaS revenue is generated from subscription licensing of its content management software offerings that include its Reflect Systems media technology platform.

In February 2022, CREX acquired Reflect Systems, Inc., a Texas based provider of digital signage solutions, including software, and strategic and media services to a wide range of companies. Reflect's digital signage technology offerings power hundreds of thousands of active digital displays in the US, as well as assisting those customers with monetizing their digital media advertising networks.

Recent Developments

On March 19, 2025, the company announced it helped transform Rogers Arena into a state-of-the-art venue, enhancing fan engagement, food and beverage operations, and advertising opportunities. The deployment included over 900 digital displays powered by Uniguest's Tripleplay IPTV and Digital Signage solution and LG Electronics Canada's high-definition screens strategically placed across concourses, suites, food counters, retail spaces, clubs, and restrooms.

On March 17, 2025, Creative Realites announced it resolved a dispute with former stockholders of Reflect Systems, Inc. related to contingent consideration payments. The settlement terminates and releases CREX's obligation to pay the guaranteed consideration in exchange for a $3 million cash payment, issuance of an unsecured 14%, $4 million 30-month promissory note that and requires a balloon payment of $2.3 million on September 14, 2027, as well as the issuance of nearly 800,000 warrants to purchase common stock of CREX.

Operations

Creative Realities reports its revenue generating operations within two segments, hardware from the reselling of digital signage hardware from original equipment manufacturers such as Samsung and BrightSign, and services and other. Other revenue includes recurring subscription content management licensing and support revenue from its digital signage software technology platforms.

CREX's technology suite of digital signage solutions has the ability to deliver an integrated, omni-channel digital ecosystem that leverages data and analytics to drive consumer behavior. The data analytics technology offered to customers is designed to be adaptive, meaning the technology learns, responds, and changes the digital content displayed in real time through CREX's content management system.

Creatives Realities technology platforms are built in the cloud and manage more than 300,000 combined devices within its cloud-based digital signage network. The company can deploy hardware through a nationwide network of field technicians and then have its technology platforms reside at its network operations center located in Louisville, KY, that operates 24 hours a day, 7 days a week. The company's team provides creative design and content management capabilities that enable the installed digital signage to effectively connect a customer's brand and products to consumers. CREX also provides its customers with technologies in the areas of data analytics and content optimization, and data integration and development. Creative Realities believes it has a unique approach to data-driven design and measurement that enables it to ensure its customers have a positive and expanding return on investment by leveraging neuromarketing (refers to the measurement of physiological and neural signals to gain insight into customers' motivations, preferences, etc.) principals for future content optimization.

The company's newest offerings should enable it to rapidly expand and provide its existing customers with a network monetization strategy. CREX acquired its AdTech technology platform through the February 2022 acquisition of Reflect Systems. This new recurring revenue technology is the platform by which digital media advertising on existing digital signage can be delivered, scheduled, and developed from a centralized location.

Growth Strategy

Creative Realities aims to leverage its end-to-end technology platform within the intersection of event, retail, and out of home digital advertising technology markets, which could approximate over $38 billion globally by 2028. CREX's new digital advertising offering should allow for leveraging of its existing customer base as it has already begun marketing to their existing customers the Reflect AdLogic recurring revenue advertising management offering. As customers adopt this offering they should be able to monetize their already established digital signage screens with targeted advertising consumers. This growth should occur organically by cross selling its newly acquired technology platform and media advertising offerings to its existing customer base, as well as obtaining new customers by positioning itself as a provider of end-to-end digital signage technology solutions. Creative Realities intends to market its content management technology platforms to Reflect Systems' customer base, but more importantly work toward becoming a single integrated unit to gain new customers.

On February 1, 2024, the company launched a channel partner program targeting small-to-medium sized business customers working with smaller integrators. During the first month and a half 100 licenses were signed. The opportunity to roll out a channel partner program should enable CREX to leverage its digital signage solutions to integrators under a recurring revenue subscription license. The initial goal is to ramp up to 1,000 licenses that would generate additional higher margin recurring subscription revenue.

In August 2024, the company will be Panera Bread's digital signage solution for both indoor and digital drive-thru beginning with new construction and remodel sites. It is anticipated the first deployments could occur as early as September 2023. Panera has over 2,000 locations and 1,000 drive-thru. This engagement should build overtime as Panera's franchises seek to modernize their stores and enhance revenue opportunities which CREX's solution provide.

In September 2024, CREX announced it was selected by three NFL venues, four NHL venues, and three NBA venues, with the potential for more venues secured as the season progresses. In this segment, the company also has a role in supporting the infrastructure and operational systems (such as ensuring network readiness and handling fiber conversions to enhancing streaming capabilities) that drive venue performance. In term of food and beverage operations in those venues, Creative Realities collaborates with major service providers, including Levy Restaurants, Legends Hospitality, Aramark, and ASM Global to deliver strategic content and dynamic menu pricing across counters and venues.

In 1Q25, Creative Realties announced it recently launched its AdLogic CPM+ platform, which offers customers an integrated solution that provides users the tools to deliver targeted, high-performing campaigns at significantly reduced costs, while also allowing CREX to benefit from advertising and additional SaaS revenue. This is a new high margin revenue stream that should enhance the in-store media experience for its customer and their consumers.

Projections

<u>*Basis of Forecast*</u>

Our forecast reflects the continued cross-selling opportunities created by the acquisition of Reflect Systems and their digital signage platforms and media technology offerings to existing CREX customers, and selling and deploying hardware to Reflects' customers. In March 2025, the company announced it is experiencing delays in the cadence of customer deployments, therefore, we reset our 2025 revenue growth forecast to 10%. CREX fundamentals are strong as it continues to maintain a solid backlog of funded projects and entered 2025 with an annual recurring revenue run rate of $16.8 million, up from $16.3 million entering 2024. We anticipate CREX should achieve an annual recurring revenue run rate of approximately $19 million by the end of 2026. The company's strong backlog includes the marketing partnership with the Bowling Proprietors Association of America and Strike Ten Entertainment to become their official digital signage and digital menu board provider. However, deployments from this partnership will slow significantly in 1H25 but is expected to resume in 2H25.

We are not forecasting (only recording what CREX reports) income tax expense as the company had approximately $37.5 million in federal and state net operating loss carryforwards at December 31, 2024.

<u>*Operations – 2025*</u>

We project 10% total revenue growth to nearly $56 million (prior was $60.3 million) reflecting hardware sales increasing 30.3% to $23.8 million from $18.3 million in 2024 due to an expanding customer base and a more consistent deployment schedule starting in 2H25. However, we anticipated service and other sales are likely to decrease by $445,000 to $32.2 million from $32.6 million in 2024 due to two customers reducing there recurring revenue managed services requirements starting in 4Q24, partly offset by an increasing recurring revenue stream stemming from new customer deployments that should occur in 2H25.

We forecast gross profit increasing 3.7% to $24.9 million from $24 million in 2024 due primarily to revenue growth, partly offset by total gross margin compression to 44.5% from 47.2% in 2024. We anticipate service and other gross margin of 58%, down from 59.1% in 2024. We estimate hardware gross margin of 26.3% from 25.9% in 2024. The overall sales mix should see higher margin service and other account for 57.5% of total sales down from 64.1% in 2024.

We expect operating expenses increasing 4.7% to $24.2 million from $23.1 million in 2024. We project G&A expense increasing 5.5% to $18 million from $17.1 million in 2024 to support revenue growth. We anticipate sales and marketing expense increasing 2.2% to $6.2 million from $6 million in 2024 to support expansion of its customer backlog.

We project operating income decreasing to $750,000 from $938,000 in 2024. The decrease reflects gross margin compression and operating expense margin increasing to 43.2% from 45.4% in 2024. We anticipate non-operating interest expense decreasing to $1.5 million from $1.8 million due to lower average interest rates.

We project a net loss of $790,000 or ($0.07) per share on average shares of 10.6 million. We previously projected net income of $1.4 million or $0.13 per share on average shares of 10.6 million.

Finances

We forecast 2025 cash earnings of $3.6 million and an increase in working capital of $863,000 resulting in cash from operations of nearly $2.8 million. Cash from operations and borrowing is likely to cover capital expenditures, capitalized software, and repayment of revolving credit facility, increasing cash by $302,000 to $1.3 million at December 31, 2025.

Operations – 2026

We project 13.1% total revenue growth to $63.3 million from an estimated $56 million in 2025. The revenue increase should reflect service and other sales growth of 21.9% to $39.2 million from an estimated $32.2 million in 2025 due to increases in recurring revenue stemming from deployments made 2H25 and during 2026. We anticipate hardware sales increasing 1.3% to $24.1 million from an estimated $23.8 million in 2025 due to an expanding customer base and a more consistent deployment schedule.

We forecast gross profit increasing 16.4% to $29 million from an estimated $24.9 million in 2025 due to revenue growth and total gross margin expansion to 45.8% from an estimated 44.5% in 2025. We anticipate service and other gross margin of 58.5%, up from an estimated 58% in 2025. We estimate hardware gross margin of 25.1% compared to an estimated 26.3% in 2025.

We expect operating expenses increasing 5.5% to $25.5 million from an estimated $24.2 million in 2025. We project G&A expense increasing $690,000 to nearly $18.7 million to support revenue growth. We anticipate sales and marketing expense increasing $650,000 to $6.8 million.

We project operating income increasing to nearly $3.5 million from an estimated $750,000 in 2025. The improvement reflects revenue growth, gross margin expansion, and operating expense margin improving to 40.3% from an estimated 43.2% in 2025. We anticipate non-operating interest expense decreasing to $1.4 million from $1.5 million due to lower average interest rates and outstanding balances.

We project net income of $2.1 million or $0.20 per share on average shares of 10.6 million.

Finances

We forecast 2026 cash earnings of $6.9 million and an increase in working capital of $432,000 resulting in cash from operations of $6.5 million. Cash from operations should cover capital expenditures, capitalized software, and paying down the revolving credit facility. We anticipate cash increasing by $621,000 to nearly $2 million at December 31, 2026.

2024 Results

2024

CREX reported total revenue increased 12.6% to nearly $50.9 million from nearly $45.2 million in 2023. The increase reflects a 31.1% increase in services and other revenues to $32.6 million from $24.9 million last year, driven by higher installations and managed services revenue. The latter included software subscriptions that ended the year with an annual recurring run rate of $16.8 million from $16.3 million at the end of 4Q23. Installation services revenue reached nearly $3.2 million compared to approximately $1 million last year reflecting significant installation deployment activity in prior periods.

Hardware revenues decreased 10.1% to $18.3 million from $20.3 million last year due primarily to a reduced number of customer deployments.

Gross profit increased 8.2% to $24 million from $22.2 million in 2023 due primarily to revenue growth, partly offset by gross margin decreasing to 47.2% from 49.1% last year. Gross margin reflects a reduction in services and other to 59.1% from 69% in 2023 due primarily to a shift in the revenue mix for this segment. The reduction in services and other was partly offset by an increase in hardware segment gross margin to 25.9% compared to 24.7% last year. Other all, services and other revenue accounted for 64.1% of total sales compared to 55% in 2023.

Operating expenses increased 10.7% to $23.1 million from $20.8 million in the year-ago period. G&A expense increased 9.4% to $17.1 million from $15.6 million last year stemming from increased headcount to support active and anticipated deployments for a growing number of customers and deployment and launch of a new enterprise resource planning technology system. Sales and marketing expense increased 14.6% to $6 million from $5.2 million in the year-ago period due primarily to investments into sales and marketing activities for new business development and higher third party media-related commissions.

The company's operating income decreased to $938,000 from operating income of $1.3 million last year. The decrease in operating income reflects gross margin compression, partly offset by revenue growth and operating expense margin improving to 45.4% from 46.1% in 2023.

Non-operating expense was $4.3 million compared to an expense of $4.2 million in the year-ago period. The current period includes interest expense of $1.8 million, a $1.6 million negative change in the fair value of contingent consideration, and a $1.1 million expense related to extinguishment of debt. The year-ago period reflects interest expense of $3 million and negative change of $1.4 million in the fair value of contingent consideration.

Net loss was $3.5 million or ($0.33) per share on 10.5 million average shares compared to a net loss of $2.9 million or ($0.35) per share on 8.5 million average shares in 2023. The current period included a $1.6 million negative change in the fair value of contingent consideration, and a $1.1 million expense related to extinguishment of debt. The year-ago period included a negative change of $1.4 million in the fair value of contingent consideration. In 2024, excluding the negative change in fair value of contingent consideration and extinguishment of debt the loss was approximately $841,000 or ($0.08) per share. In 2023, excluding contingent consideration the loss was approximately $1.4 million or ($0.07) per share.

We projected a loss (excluding items) of $1.2 million or ($0.11) per share on revenue of $50.2 million.

4Q24

CREX reported total revenue decreased 23.8% to $11 million from $14.5 million in 4Q23. The decrease reflects a 50% reduction in hardware revenues to nearly $3.9 million from approximately $7.7 million in the year-ago period reflecting delays in customer deployments. Services and other revenues increased 5.9% to $7.2 million from $6.8 million in 4Q23 due primarily to growth in managed services revenue.

Gross profit decreased to $4.9 million from $7.5 million in the year-ago period due primarily to a decrease in revenue and gross margin compression to 44.2% from 51.8% last year reflecting a revenue mix shift.

Total operating expenses increased $67,000 to $5.5 million. G&A expense increased $288,000 to $4.2 million, which was nearly offset by a $221,000 decrease in sales and marketing expense to $1.4 million.

The company's operating loss was $714,000 compared to operating income of nearly $2 million in the year-ago period. The swing to an operating loss reflects reduced revenue, gross margin compression, and operating expense margin increasing to 50.7% from 38.2% in 4Q23.

Non-operating expense was $2.2 million compared to an expense of $547,000 last year. The current period includes interest expense of $296,000 and a negative change of $2 million in the fair value of contingent consideration. The year-ago period reflected interest expense of $668,000 and a positive change of $42,000 in the fair value of contingent consideration.

Net loss was $2.8 million or ($0.27) per share on 10.4 million average shares compared net income of $1.4 million or $0.14 per share on 10.4 million average shares in the year-ago period.

Finances
In 2024, cash earnings of $3.9 million and an increase in working capital of $532,000 resulted in cash from operations of $3.4 million. Cash from operations and the refinancing of the company's debt obligations did not cover capital expenditures, repayment of short-term debt obligations, and sweeping cash to reduce its revolving credit balance. Cash decreased by $1.9 million to $1 million at December 31, 2024.

Capital Structure
At December 31, 2024, CREX had total debt (all long-term from a new revolving credit facility) on its balance sheet of $13 million.

At December 31, 2024, CREX's trailing twelve-month gross and net leverage ratios utilizing adjusted EBITDA was 2.6X and 2.4X, respectively, compared to 3X and 2.4X entering 2024.

On May 23, 2024, the Creative Realities entered into a credit agreement with First Merchants Bank for a $22.1 million revolving credit facility, with an uncommitted accordion feature for additional borrowing capacity of up to $5,000, subject to the Bank's approval. This revolving credit facility matures on May 23, 2027 and accrues interest at a floating rate equal to the 1-month SOFR, plus 0.11%, plus a floating margin ranging from 2% to 3.5% that adjusts quarterly, depending upon CREX's senior funded debt to EBITDA ratio. At December 31, 2024, the interest rate was approximately 7.2% down from the initial rate of 8.93% in 2Q24. The company was in compliance with all applicable debt covenants.

At December 31, 2024, total availability under the revolving credit facility was nearly $5.1 million, after accounting for $4 million reserved under the agreement until resolution of the contingent consideration obligations to be paid in 2025.

This revolving credit facility was used to repay all obligations owing to its prior lender, Slipstream Communications, LLC, including the outstanding principal balance of $10 million on an acquisition term loan, the outstanding principal balance of nearly $3.6 million on a consolidation term loan, and accrued interest expense incurred through the payoff date.

On March 17, 2025, the company announced an agreement to resolve the outstanding contingent consideration recorded at $12.8 million on the balance sheet at December 31, 2024. The terms of the resolution includes a cash payment of $3 million that will be drawn from the company revolving credit facility, issuance of a $4 million 30-month unsecured promissory note that accrues 14% annual interest and will require a balloon payment of $2.3 million at maturity on September 14, 2027. Lastly, the shareholders of Reflect received nearly 800,000 warrants to purchase common stock of the company at an exercise price of $3.25 per share that expire in 6-years.

Market Briefs

US Digital Signage
Mordor Intelligence published a report indicating that the US digital signage market is anticipated to reach $11.5 billion by 2028, up from nearly $7.9 billion estimated for 2023 for annualized growth of nearly 7.9%. A primary growth drive for the US digital signage market is the increasing need to enhance a customers' experience therefore within the industry turnkey solutions are seeing huge demand in order to cater to this demand.

Nearly every industry is using or find a place for digital outdoor signage. The most prominent usage is within restaurants (especially within quick serve and drive thru sectors), hotels, retail places, transit facilities, and entertainment events. In 2021, Screen Fluency statistics indicated that as a result of digital signage 76% of American consumers enter stores they had never visited before and 68% of Americans have paid for a product or service because its signage drew their attention.

Global Digital Signage

Expert Market Research published a report indicating that the global digital signage market is expected to grow 8% annually to $38.5 billion in 2028 from $24.5 billion in 2022. The growth drivers supporting their forecast include an increasing demand for the digitized promotion of products and services and rapid innovation that should produce a higher quality viewing experience.

Advertising Technology (AdTech)

According to Fortune Business Insights, the global AdTech market is expected to grow 14.5% annually reaching over $1.5 trillion by 2032, up from an estimated $987 billion in 2025. The advertising technology market is comprised of software and tools that advertisers use to reach target audiences and the ability to deliver, and measure digital advertising campaigns. AdTech software platforms help publishers with the pricing and sale of their ad inventory and also assist brands and agencies in acquiring advertising space. CREX's recent launch of its new AdLogic programmatic platform that positions it as a complete advertising server technology offering for retail advertising customers.

Competitive Landscape

Creative Realities' digital marketing technology and solutions are an evolving business with a fragmented competitive environment. Since the company provides a comprehensive (end-to-end) package of technology and marketing end-solution, it believes there are no direct competitors, only a large number of individual competitors that offer parts of a digital signage solution. Digital signage software competitors include private companies such as Stratacache and Poppulo. Marketing services and systems integrator competitors include private companies such as Sapient Nitro and SageNet, respectively. Overall some of the individual competitors could have significantly greater financial, technical and marketing resources than CREX and may be able to respond more rapidly to the new or emerging technologies or changes in customer requirements.

Within the digital signage market, the competitive landscape is marked by companies needing to gain and maintain broad market acceptance of their technologies, solutions, services, and platforms, and converting that acceptance into direct and indirect sources of revenue.

Risks

In our view, these are the principal risks underlying the stock.

Operating Losses

At December 31, 2024, the company's accumulated deficit was $56.9 million, up from $50.4 million at December 31, 2022. In 2022 the operating loss was slightly less than $2.5 million compared to an operating loss of slightly more than $2.5 million in 2021. In 2023, CREX generated operating income of $1.3 million and in 2024 operating income $938,000. We anticipate the company generating operating income through our forecast period, if our expectations are not achieved, it could result in the company's inability to execute its growth strategy during our forecast period.

Recurring Revenue

From the end of 3Q24 to 4Q24, recurring annual revenue decreased to $16.8 million from approximately $18 million due to two customers reducing their own internal number of screens, which in turn reduced annual recurring revenue by approximately $1.2 million combined. While the company anticipates one of those companies may deploy new screens to manage which would expanse recurring revenue, there is no assurance that will occur. Also, loss of exiting recurring revenue customers could negatively impact operations especially if the pace of new recurring customer do not accelerate.

Financing operations – Going Concern

In 2Q24, the company put in place a refinancing agreement to repay all outstanding debt to its largest debt holder Slipstream. However, the company's credit facility limits to only $4 million to be used for contingent consideration, which was recorded on balance sheet at $12.8 million on December 31, 2025. In March 2025, CREX announced an agreement with Reflect shareholders to resolve contingent consideration issue, which terminates and releases the company's obligation to pay the guaranteed Consideration in exchange for a cash payment of $3 million, issuance of a $4 million, 30-month promissory note, and issuance of warrants to purchase common stock of the company. This agreement should satisfy its obligations to the shareholder of Reflect.

Credit Facility

The company put in place a new credit facility in May 2024. The new revolving credit facility has a variable interest rate. If interest rates were to increase it would likely have a negative impact on operations and bottom line results.

Dilution

In February 2022, Creative Realities completed financing in order to complete the acquisition of Reflect Systems. The equity financing part of the acquisition which includes common stock and the exercise of some common stock warrants increased total shares outstanding. There are approximately 6.2 million common stock options and warrants outstanding at the end of 2024. Holders must pay cash to exercise outstanding warrants. So while outstanding shares could increase the company's cash balances would also increase. Also, the March 2025 agreement included the issuance of nearly 800,000 common stock warrants to shareholder of Reflect.

Supply Chain

The company's operations include the sale of digital media players and digital displays supplied by third parties, each of which require semiconductors to complete the manufacturing process. Even when inventory is available, the company may experience delays in transportation of these goods from manufacturers.

Regulation

Creative Realties operations are subject to regulation by various federal and state governmental agencies due to its radio frequency emission activities that are regulated by the U.S. Federal Communications Commission, and consumer protection laws of the U.S. Federal Trade Commission, as well as product safety regulatory activities of the U.S. Consumer Product Safety Commission, and environmental regulations.

Acquisition Risks

The company may utilize acquisitions as part of its growth strategy. Acquisitions are likely to require management's time and effort in executing the acquisition and then consolidating it into existing operations. The diversion of management could diminish growth activities on existing operations.

Intellectual Property

Some of the company's operations involves ownership and licensing of software. The company is aware that this industry is characterized by frequent intellectual property claims and litigation. Any litigation to determine the validity claims, would likely be costly and time consuming and divert the efforts and attention of management and technical personnel, which would likely hamper current and future operations.

Cyber Security

The company could be adversely affected by malicious applications that make changes to its customers' computer systems and interfere with the operation of those systems. The ability to provide customers with a superior interactive marketing technology experience is critical to the company's success so if the efforts to combat these malicious applications fail, there may be claims based on such failure, as well of having CREX's reputation be harmed, which could potentially diminish its operations and financial condition.

Shareholder Control

Officers and directors collectively own or have a controlling interest in approximately 11.5% of the company's outstanding voting stock and additionally one shareholder owns approximately 26% of the company's outstanding voting stock as of the company's March 2025 SEC filing. Collectively this ownership could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

Miscellaneous Risk

The company's financial results and equity values are subject to other risks and uncertainties, including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

In 2024, average daily volume was 58,200, an increase from nearly 44,00 in 2023. Average daily volume decreased over the last three months (ending March 24, 2024) to 53,300. CREX has a float of approximately 7.4 million shares and outstanding shares of 10.4 million.

Creative Realities, Inc.
Consolidated Balance Sheets
FY2023 – FY2026E
(in thousands)

	FY2023A	FY2024A	**FY2025E**	**FY2026E**
ASSETS				
Current assets:				
Cash and cash equivalents	$ 2,910	$ 1,037	**$ 1,338**	**$ 1,959**
Accounts receivable, net	12,468	10,605	**11,500**	**12,000**
Inventories, net	2,567	1,995	**3,105**	**2,016**
Prepaid expense and other current assets - includes contracts	665	859	**900**	**1,100**
Total current assets	18,610	14,496	**16,843**	**17,076**
Operating lease right-of-use	1,041	787	**787**	**787**
Property and equipment, net	499	321	**300**	**275**
Intangible, net	24,062	22,841	**18,385**	**16,522**
Goodwill	26,453	26,453	**26,453**	**26,453**
Other assets	112	312	**312**	**312**
Total assets	$ 70,777	$ 65,210	**$ 63,080**	**$ 61,425**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term related party convertible loans payable	3,690	-	-	-
Promissoy note	-	-	-	**2,805**
Contingent acquisition consideration, at fair value	-	12,815	-	-
Accounts payable	7,876	6,354	**6,500**	**5,545**
Accrued expenses	3,761	3,210	**3,416**	**3,025**
Deferred revenues	1,132	1,137	**1,150**	**1,175**
Customer deposits	3,233	2,181	**3,000**	**3,500**
Current maturities of operating leases	505	466	**219**	**150**
Total current liabilities	20,197	26,163	**14,284**	**16,200**
Revolving credit facility	-	13,044	**14,044**	**12,044**
Promissory note	-	-	**3,560**	-
Related party acquisition term loan, net	9,213	-	-	-
Related party loans payable, net	616	-	-	-
Contingent acquisition consideration, at fair value	11,208	-	-	-
Long-term obligations under operating leases	536	342	**150**	-
Other and deferred tax liabilities	176	201	**201**	**201**
Stockholders' equity:				
Common stock, $0.01 par value; authorized 200,000 shares;	104	104	**104**	**104**
Additional paid-in capital	82,073	82,210	**88,380**	**88,400**
Retained earnings (accumulated deficit)	(53,346)	(56,854)	**(57,644)**	**(55,524)**
Total stockholders' equity	28,831	25,460	**30,840**	**32,980**
Total liabilities and stockholders' equity	$ 70,777	$ 65,210	**$ 63,080**	**$ 61,425**
SHARES OUT	10,410	10,477	**10,480**	**10,490**

Source: Company reports and Taglich Brothers estimates

Creative Realities, Inc.
Annual Income Statement
FY2023 – FY2026E
(in thousands)

	FY23 A	FY24 A	**FY25 E**	**FY26 E**
Hardware	$ 20,303	$ 18,259	**$ 23,800**	**$ 24,100**
Services and other	24,863	32,595	**32,150**	**39,200**
Total Revenues	$ 45,166	$ 50,854	**$ 55,950**	**$ 63,300**
Cost of Sales per segement				
Hardware	15,280	13,521	**17,550**	**18,050**
Services and other	7,703	13,322	**13,500**	**16,275**
Total Cost of sales	22,983	26,843	**31,050**	**34,325**
Gross Profit	22,183	24,011	**24,900**	**28,975**
Operating Expenses:				
Sales and marketing	5,247	6,015	**6,150**	**6,800**
General and administrative	15,590	17,058	**18,000**	**18,690**
Total Operating Expenses	20,837	23,073	**24,150**	**25,490**
Operating Income (loss)	1,346	938	**750**	**3,485**
Other income (expense)				
Interest (expense) includes amortization of debt discount	(2,992)	(1,775)	**(1,540)**	**(1,365)**
Change in fair value of contingent consideration	(1,419)	(1,608)	-	-
Loss on fair value/extinguishment of debt and waiver	-	(1,059)	-	-
Other income (expense), net	211	102	-	-
Total Other Income (expense)	(4,200)	(4,340)	**(1,540)**	**(1,365)**
Pre-Tax Income (loss)	(2,854)	(3,402)	**(790)**	**2,120**
Income Tax Expense (Benefit)*	83	106	-	-
Net income (loss)	(2,937)	(3,508)	**(790)**	**2,120**
Earning (loss) per share	$ (0.35)	$ (0.33)	**$ (0.07)**	**$ 0.20**
Avg Shares Outstanding	8,470	10,487	**10,648**	**10,648**
Adjusted EBITDA	$ 5,100	$ 5,029	**$ 5,150**	**$ 8,285**
Margin Analysis				
Hardware	24.7%	25.9%	**26.3%**	**25.1%**
Services and other	69.0%	59.1%	**58.0%**	**58.5%**
Total gross margin	49.1%	47.2%	**44.5%**	**45.8%**
Sales and marketing	11.6%	11.8%	**11.0%**	**10.7%**
General and administrative	34.5%	33.5%	**32.2%**	**29.5%**
Operating margin	3.0%	1.8%	**1.3%**	**5.5%**
Pre-tax margin	(6.3%)	(6.7%)	**(1.4%)**	**3.3%**
Tax rate	(2.9%)	(3.1%)	**0.0%**	**0.0%**
YEAR / YEAR GROWTH				
Total Revenues	4.2%	12.6%	**10.0%**	**13.1%**

Source: Company reports and Taglich Brothers estimates

Creative Realities, Inc.
Income Statement Model
Quarters FY2024A – 2026E
(in thousands)

	Q1 24 A	Q2 24 A	Q3 24 A	Q4 24 A	FY24 A	Q1 25 E	Q2 25 E	Q3 25 E	Q4 25 E	**FY25 E**	Q1 26 E	Q2 26 E	Q3 26 E	Q4 26 E	**FY26 E**
Hardware	$ 4,144	$ 5,024	$ 5,241	$ 3,850	$ 18,259	$ 3,700	$ 4,800	$ 8,500	$ 6,800	**$ 23,800**	$ 8,000	$ 7,000	$ 5,100	$ 4,000	**$ 24,100**
Services and other	8,141	8,091	9,201	7,162	32,595	7,200	7,900	8,650	8,400	**32,150**	9,000	9,700	10,500	10,000	**39,200**
Total Revenues	$ 12,285	$ 13,115	$ 14,442	$ 11,012	$ 50,854	$ 10,900	$ 12,700	$ 17,150	$ 15,200	**$ 55,950**	$ 17,000	$ 16,700	$ 15,600	$ 14,000	**$ 63,300**
Cost of Sales per segement															
Hardware	3,193	3,510	3,979	2,839	13,521	2,775	3,600	5,950	5,225	**17,550**	5,800	5,180	3,950	3,120	**18,050**
Services and other	3,328	2,817	3,874	3,303	13,322	3,150	3,325	3,525	3,500	**13,500**	3,750	4,000	4,375	4,150	**16,275**
Total Cost of sales	6,521	6,327	7,853	6,142	26,843	5,925	6,925	9,475	8,725	**31,050**	9,550	9,180	8,325	7,270	**34,325**
Gross Profit	5,764	6,788	6,589	4,870	24,011	4,975	5,775	7,675	6,475	**24,900**	7,450	7,520	7,275	6,730	**28,975**
Operating Expenses:															
Sales and marketing	1,465	1,665	1,525	1,360	6,015	1,550	1,650	1,550	1,400	**6,150**	1,500	1,650	1,850	1,800	**6,800**
General and administrative	4,375	4,531	3,928	4,224	17,058	4,400	4,500	4,575	4,525	**18,000**	4,700	4,715	4,675	4,600	**18,690**
Total Operating Expenses	5,840	6,196	5,453	5,584	23,073	5,950	6,150	6,125	5,925	**24,150**	6,200	6,365	6,525	6,400	**25,490**
Operating Income (loss)	(76)	592	1,136	(714)	938	(975)	(375)	1,550	550	**750**	1,250	1,155	750	330	**3,485**
Other income (expense)															
Interest (expense) includes amortization of debt discount	(663)	(513)	(303)	(296)	(1,775)	(325)	(375)	(425)	(415)	**(1,540)**	(380)	(350)	(335)	(300)	**(1,365)**
Change in fair value of contingent consideration	604	408	(598)	(2,022)	(1,608)	-	-	-	-	-	-	-	-	-	-
Loss on fair value/extinguishment of debt and waiver	-	(1,059)	-	-	(1,059)	-	-	-	-	-	-	-	-	-	-
Other income (expense), net	35	(18)	11	74	102	-	-	-	-	-	-	-	-	-	-
Total Other Income (expense)	(24)	(1,182)	(890)	(2,244)	(4,340)	(325)	(375)	(425)	(415)	**(1,540)**	(380)	(350)	(335)	(300)	**(1,365)**
Pre-Tax Income (loss)	(100)	(590)	246	(2,958)	(3,402)	(1,300)	(750)	1,125	135	**(790)**	870	805	415	30	**2,120**
Income Tax Expense (Benefit)*	9	25	192	(120)	106	-	-	-	-	-	-	-	-	-	-
Net income (loss)	(109)	(615)	54	(2,838)	(3,508)	(1,300)	(750)	1,125	135	**(790)**	870	805	415	30	**2,120**
Earning (loss) per share	$ (0.01)	$ (0.06)	$ 0.01	$ (0.27)	$ (0.33)	$ (0.12)	$ (0.07)	$ 0.11	$ 0.01	**$ (0.07)**	$ 0.08	$ 0.08	$ 0.04	$ 0.00	**$ 0.20**
Avg Shares Outstanding	10,421	10,447	10,634	10,447	10,487	10,640	10,645	10,650	10,655	**10,648**	10,640	10,645	10,650	10,655	**10,648**
Adjusted EBITDA	$ 766	$ 1,525	$ 2,271	$ 467	$ 5,029	$ 125	$ 725	$ 2,650	$ 1,650	**$ 5,150**	$ 2,450	$ 2,355	$ 1,950	$ 1,530	**$ 8,285**
Margin Analysis															
Hardware	22.9%	30.1%	24.1%	26.3%	25.9%	25.0%	25.0%	30.0%	23.2%	**26.3%**	27.5%	26.0%	22.5%	22.0%	**25.1%**
Services and other	59.1%	65.2%	57.9%	53.9%	59.1%	56.2%	57.9%	59.2%	58.3%	**58.0%**	58.3%	58.8%	58.3%	58.5%	**58.5%**
Total gross margin	46.9%	51.8%	45.6%	44.2%	47.2%	45.6%	45.5%	44.8%	42.6%	**44.5%**	43.8%	45.0%	46.6%	48.1%	**45.8%**
Sales and marketing	11.9%	12.7%	10.6%	12.4%	11.8%	14.2%	13.0%	9.0%	9.2%	**11.0%**	8.8%	9.9%	11.9%	12.9%	**10.7%**
General and administrative	35.6%	34.5%	27.2%	38.4%	33.5%	40.4%	35.4%	26.7%	29.8%	**32.2%**	27.6%	28.2%	30.0%	32.9%	**29.5%**
Operating margin	(0.6%)	4.5%	7.9%	(6.5%)	1.8%	(8.9%)	(3.0%)	9.0%	3.6%	**1.3%**	7.4%	6.9%	4.8%	2.4%	**5.5%**
Pre-tax margin	(0.8%)	(4.5%)	1.7%	(26.9%)	(6.7%)	(11.9%)	(5.9%)	6.6%	0.9%	**(1.4%)**	5.1%	4.8%	2.7%	0.2%	**3.3%**
Tax rate	(9.0%)	(4.2%)	78.0%	4.1%	(3.1%)	0.0%	0.0%	0.0%	0.0%	**0.0%**	0.0%	0.0%	0.0%	0.0%	**0.0%**
YEAR / YEAR GROWTH															
Total Revenues	23.5%	42.6%	24.8%	(23.8%)	12.6%	(11.3%)	(3.2%)	18.8%	38.0%	**10.0%**	56.0%	31.5%	(9.0%)	(7.9%)	**13.1%**

Source: Company reports and Taglich Brothers estimates

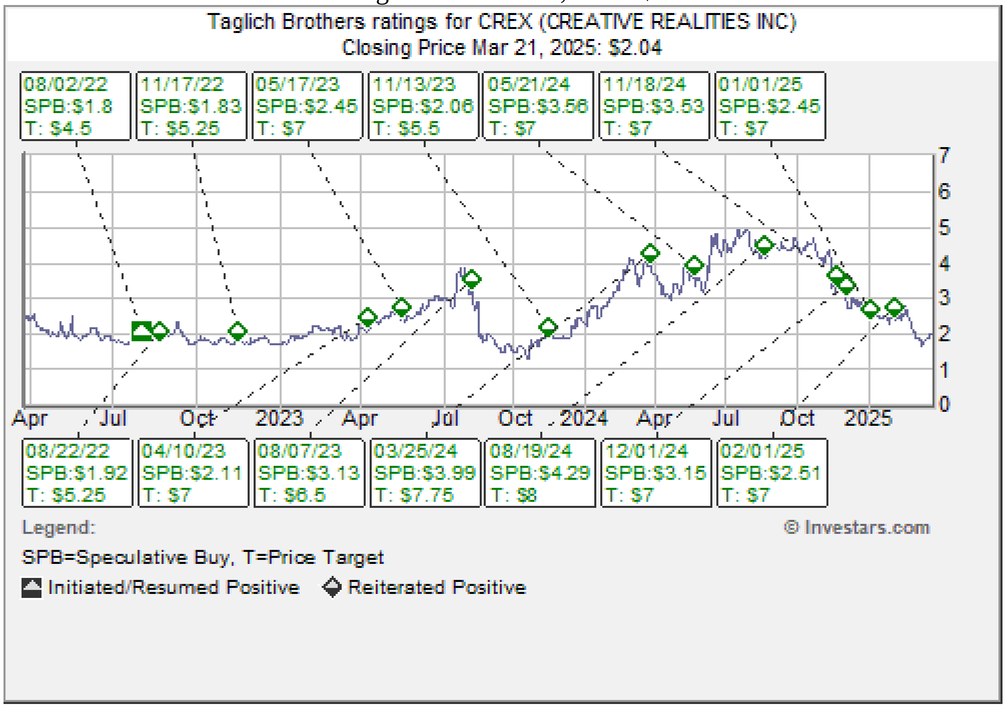
Creative Realities, Inc.
Cash Flow Statement
FY2024 – FY2026E
(in thousands)

	FY2023A	FY2024A	**FY2025E**	**FY2026E**
Cash Flows from Operating Activities				
Net Income (loss)	$ (2,937)	$ (3,508)	**$ (790)**	**$ 2,120**
Depreciation and amortization	3,221	4,078	**4,400**	**4,800**
Amortizaton of debt discount and deferred financing costs	1,443	632	-	-
Stock-based compensation	563	13	**20**	**20**
Allowance for doubful accounts	153	13	-	-
Loss on extinguishment of debt	-	1,059	-	-
Deferred tax (benefit)/expense	44	61	-	-
Provision for inventory reserve	-	(43)	-	-
Loss (gain) on change in earnout liability and contingent consideration	1,419	1,608	-	-
Cash earnings (burn)	3,906	3,913	**3,630**	**6,940**
Changes In:				
Accounts receivable and unbilled receivables	(4,358)	1,850	**(895)**	**(500)**
Inventories - work-in-progress	(300)	615	**(1,110)**	**1,089**
Prepaid expenses and other current assets	952	(194)	**(41)**	**(200)**
Accounts payable and other current payables	4,486	(1,388)	**146**	**(955)**
Deferred revenue	(91)	5	**13**	**25**
Accrued expenses, net	(47)	(395)	**206**	**(391)**
Customer deposits	755	(1,052)	**819**	**500**
Other, net	(136)	27	-	-
(Increase)/decrease in Working Capital	1,261	(532)	**(863)**	**(432)**
Net cash provided (used in) Operations	5,167	3,381	**2,768**	**6,508**
Cash Flows from Investing Activities				
Purchase of property and equipment	(306)	(11)	**(75)**	**(75)**
Capitalization of internal and external labor for software development	(3,721)	(2,790)	**(2,800)**	**(3,000)**
Cash flow provided (used in) Investing Activities	(4,027)	(2,801)	**(2,875)**	**(3,075)**
Cash Flows from Financing Activities				
Proceeds from common stock issuance, net of issuance costs	5,454	-	-	-
Term loan proceeds (repayment)	(4,040)	(15,147)	-	-
Proceeds from revolving credit facility	-	31,459	**3,000**	-
Revolving credit facility (repayment)	-	(18,415)	**(2,000)**	**(2,000)**
Principal payments on finance leases	(23)	(44)	**(51)**	**(57)**
Deferred financing costs (payment)	-	(306)	**(100)**	-
Promissory Note (repayment)	-	-	**(440)**	**(755)**
Repayment of seller note	(1,254)	-	-	-
Net cash provided (used) by Financing	137	(2,453)	**409**	**(2,812)**
Net change in Cash	1,277	(1,873)	**302**	**621**
Cash Beginning of Period	1,633	2,910	**1,037**	**1,338**
Cash End of Period	$ 2,910	$ 1,037	**$ 1,338**	**$ 1,959**

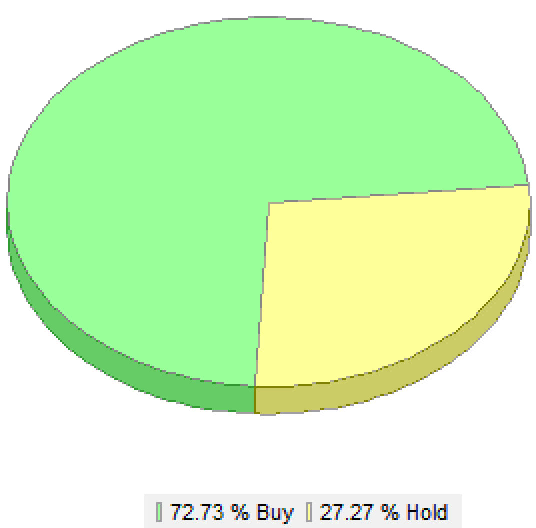
Source: Company reports and Taglich Brothers estimates

Price Chart

Closing Price March 24, 2025: $2.05



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	2	17
Hold		
Sell		
Not Rated		

Important Disclosures

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Analyst Certification

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Public Companies mentioned in this report:

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long-term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.