



LiveOne, Inc.

LVO - Buy \$4 Price Target

Results Report – May 30, 2024

LiveOne – the Coolest Company in Music and Podcasting

Analyst: Barry M. Sine, CFA, CMT

Strong F4Q24 – We Now Expect \$152 MM Rev and \$21 MM EBITDA for FY25

- LiveOne reported strong fiscal 2024 and fourth quarter results with revenue up 19% for the year and 21% for the quarter.
- EBITDA grew even faster on a continued, focused approach to expense control, with EBITDA up 86% for the quarter, and 32% for the year, excluding CPS division losses. With the recent restructuring of its CPS merchandise business, all of its business units are now EBITDA and cash flow positive.
- 4Q revenue came in at \$30.9 million, up 19% while EBITDA came in at \$4.3 million (ex CPS unit losses) up 96%.
- F25 guidance was reiterated with a revenue midpoint of \$147.5 million, implying 25% growth, and EBITDA midpoint guidance of \$18 million, also implying 25% growth. Our estimates are at the high end of guidance and consensus as LiveOne has a track record of raising guidance as the year goes on.
- Cash was \$7.0 million as of March 31, but was reported as \$10.6 million in the April 22 pre-announcement. LiveOne's priority continues to be share buybacks and it still has \$4.75 million remaining in its authorization, as of May 10th, enough to take out 3% of the shares outstanding.
- The conference call is scheduled for 10 AM on Tuesday, June 5th, and the company looks set to enter the Russell 2000 at the close on June 28th which we expect will have a major, positive impact on the share price.
- We reiterate our Buy rating and \$4 price target.

Rating	Buy	Earnings Per Share				Normalized to exclude unusual items			
Target Price	\$4.00	FYE - March				FY2023	FY2024	FY2025E	FY2026E
Ticker Symbol	LVO	1Q - June	2Q - September	3Q - December	4Q - March				
Market	NASDAQ	\$0.02	(\$0.04)	(\$0.03)	(\$0.06)	(\$0.01)	(\$0.09)	\$0.00	(\$0.01)
Stock Price	\$1.71	Year				(\$0.12)	(\$0.15)	(\$0.02)	\$0.02
52 wk High	\$2.19	Revenue (\$mm)				\$99.6	\$118.4	\$151.6	\$179.5
52 wk Low	\$0.84	EV/Rev				1.7X	1.4X	1.1X	0.9X
Shares Outstanding:	98.6 M	EBITDA (\$mm)				\$10.9	\$11.0	\$21.4	\$24.0
Public Market Float:	96.3 M	EV/EBITDA				15.2X	15.1X	7.7X	6.9X
Avg. Daily Volume	314,257								
Market Capitalization:	\$169 M								
Institutional Holdings:	38.3%								
Dividend Yield:	0.0%								

Risks/Valuation

- The dominant risk is that revenue from Tesla, for whom Slacker provides the in-car streaming music app included in the connectivity package on a white label basis, comprises 40% to 50% of revenue. Mitigating this risk are the facts that Tesla just renewed for an 11th straight year, Slacker is an important and highly utilized part of the driver/passenger experience (personally selected by Elon Musk) and represents a negligible portion of Tesla's cost base.
- We value LVO shares at 2.6x our F25 revenue estimate. Comps trade at 3.0x implying a \$4.65 per share valuation, but we round this down out of conservatism to get to our \$4.00 12-month price target.

Company description: LiveOne is a dynamic media company headquartered in Beverly Hills, California with differentiated businesses in streaming music and podcasting. Music goes under the Slacker brand but is mainly sold on a white-label basis to customers such as Tesla. Podcasting is done via 73%-owned publicly traded PodcastOne (PODC - NASD).



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LiveOne Reports Strong '24 and Reiterates 25% Growth Guidance

As noted, both LiveOne and 73%-owned subsidiary PodcastOne plan to hold an investor call on June 5th, at 10 AM. We expect management to highlight positive developments at both companies.

With the restructuring of CPS, every business unit of LiveOne is now EBITDA and cash flow positive, and the main priority for cash is share buybacks. At LiveOne, the focus of its streaming music business is wholesale, white-label relationships with customers such as Tesla, that want to include music in their products. The last time we spoke to management, it had roughly 60 prospects in its pipeline. The range of prospective industries is enormous, including cars, such as Tesla, airlines wanting an inflight music offering, consumer products companies, and media companies. For example, Amazon has a basic streaming music offering, but competitors such as Walmart, Comcast, Warner, Paramount, and others do not. Music is different from video in that all streamers have essentially the same licensed content, making white labeling easy, whereas in video, movies and TV shows are generally specific to each streamer. We look for more visibility on this initiative on the call.

PodcastOne just reported 32% revenue growth, even though its monthly downloads, tracked and reported by Podtrac, have been stable in the 19.1 million range. More importantly, EBITDA is now positive, and guidance suggests that this change is permanent. This dramatic improvement in the quality of results is the result of a long, hard-fought process by PodcastOne President Kit Gray to improve profitability. Meanwhile, its slate of shows has increased to 185, and it continues to announce that it has added new podcasters, both from large podcasting companies that are now focusing solely on their top talent, and small publishing companies that cannot offer the same white-glove business support that PODC does. For serious podcasters, their podcasts are a full-time business, and PODC gives them the tools to track profitability and interactions with the PODC sales team and advertisers, to manage their growth. PodcastOne is also seeking new ways to monetize its content, aside from its mainstay of selling advertising on podcasts. Last quarter, management talked about licensing podcasts to be turned into TV shows. This quarter, it has announced a live tour for the hosts of LadyGang, one of its top podcasts. So again, there is a lot to talk about on the June 5th call.



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LVO Shares are Still Treading Water, But Russell 2000 Should Push Stock Above \$2



Source: Factset Research Systems Inc.



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LiveOne, Inc. – Income Forecast

Dollars in thousands, except per share data
Fiscal years ended March 31

	FY2024					FY2025E					FY2026E				
	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	June	Sept	Dec	March		June	Sept	Dec	March		June	Sept	Dec	March	
Revenue	27,767	28,528	31,245	30,900	118,440	35,599	37,874	38,914	39,259	151,646	42,935	44,612	45,813	46,171	179,531
Yo'y growth	19.6%	21.2%	14.4%	20.9%	18.9%	28.2%	32.8%	24.5%	27.1%	28.0%	20.6%	17.8%	17.7%	17.6%	18.4%
Seq growth	8.7%	2.7%	9.5%	-1.1%		15.2%	6.4%	2.7%	0.9%		9.4%	3.9%	2.7%	0.8%	
Total Cost of Sales	19,563	20,547	23,267	23,014	86,391	24,208	24,618	25,294	25,518	99,638	29,196	28,998	29,778	30,011	117,983
	70.5%	72.0%	74.5%	74.5%	72.9%	68.0%	65.0%	65.0%	65.0%	65.7%	68.0%	65.0%	65.0%	65.0%	65.7%
Gross Margin	8,204	7,981	7,978	7,886	32,049	11,392	13,256	13,620	13,740	52,008	13,739	15,614	16,034	16,160	61,548
As a percent of revenue	29.5%	28.0%	25.5%	25.5%	27.1%	32.0%	35.0%	35.0%	35.0%	34.3%	32.0%	35.0%	35.0%	35.0%	34.3%
Sales and Marketing	1,904	2,253	1,514	2,167	7,838	5,340	5,681	5,837	5,889	22,747	6,440	6,692	6,872	6,926	26,930
As a percent of revenue	6.9%	7.9%	4.8%	7.0%	6.6%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Product Development	1,246	1,439	694	1,302	4,681	2,492	2,651	2,724	2,748	10,615	3,005	3,123	3,207	3,232	12,567
As a percent of revenue	4.5%	5.0%	2.2%	4.2%	4.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
General and Administrative	5,063	6,352	5,880	4,973	22,268	3,000	3,000	3,000	3,000	12,000	3,000	3,000	3,000	3,000	12,000
As a percent of revenue	18.2%	22.3%	18.8%	16.1%	25.8%	8.4%	7.9%	7.7%	7.6%	12.0%	7.0%	6.7%	6.5%	6.5%	10.2%
Amortization	246	452	528	589	1,815	1,500	1,500	1,500	1,500	6,000	1,500	1,500	1,500	1,500	6,000
Operating income	(255)	(2,515)	(638)	(1,145)	(4,553)	(940)	424	559	604	646	(207)	1,300	1,456	1,502	4,051
Operating margin	-0.9%	-8.8%	-2.0%	-3.7%	-3.8%	-2.6%	1.1%	1.4%	1.5%	0.4%	-0.5%	2.9%	3.2%	3.3%	2.3%
Interest expense	(1,418)	(780)	(1,279)	(889)	(4,366)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)
Fair value of warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt extinguishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	(115)	-	(115)	-	-	-	-	-	-	-	-	-	-
Other	1,237	(4,653)	(207)	(536)	(4,159)	-	-	-	-	-	-	-	-	-	-
	(181)	(5,433)	(1,601)	(1,425)	(8,640)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)
Pretax Income	(436)	(7,948)	(2,239)	(2,570)	(13,193)	(1,940)	(576)	(441)	(396)	(3,354)	(1,207)	300	456	502	51
Taxes	79	(21)	(15)	75	118	-	-	-	-	-	-	-	-	-	-
Minority interest	-	347	650	348	1,345	650	650	650	650	1,950	650	650	650	650	1,950
Net income - continuing ops	(515)	(7,580)	(1,574)	(2,297)	(11,966)	(1,290)	74	209	254	(1,404)	(557)	950	1,106	1,152	2,001
Net income margin	-1.9%	-26.6%	-5.0%	-7.4%	-10.1%	-3.6%	0.2%	0.5%	0.6%	-0.9%	-1.3%	2.1%	2.4%	2.5%	1.1%
Diluted shares outstanding	86,895	87,222	87,882	88,391	87,658	88,391	88,391	88,391	88,391	88,391	88,391	88,391	88,391	88,391	88,391
Seq change	46.7	327.0	660.2	-	-	-	-	-	-	-	-	-	-	-	-
EPS diluted	(\$0.01)	(\$0.09)	(\$0.03)	(\$0.03)	(\$0.15)	(\$0.01)	\$0.00	\$0.00	\$0.00	(\$0.02)	(\$0.01)	\$0.01	\$0.01	\$0.01	\$0.02
Adjusted EBITDA	(515)	(7,580)	(1,574)	(2,645)	(13,311)	(1,290)	74	209	254	(1,404)	(557)	950	1,106	1,152	2,001
GAAP Net Income															
Addback:															
Depreciation and amortization	1,055	1,244	1,485	1,554	5,222	2,500	2,500	2,500	2,500	10,000	2,500	2,500	2,500	2,500	10,000
Stock-based comp	877	2,716	2,255	2,117	7,965	2,200	2,200	2,200	2,200	8,800	2,500	2,500	2,500	2,500	10,000
Other non-recurring	793	6,752	1,797	1,759	11,101	1,000	1,000	1,000	1,000	4,000	500	500	500	500	2,000
Adjusted EBITDA	2,210	3,132	3,963	2,785	10,977	4,410	5,774	5,909	5,954	21,396	4,944	6,450	6,606	6,652	24,001
Growth	12.2%	-28.7%	29.2%	86.3%	0.4%	99.5%	84.3%	49.1%	113.8%	94.9%	12.1%	11.7%	11.8%	11.7%	12.2%
Margin	8.0%	11.0%	12.7%	9.0%	9.3%	12.4%	15.2%	15.2%	15.2%	14.1%	11.5%	14.5%	14.4%	14.4%	13.4%

Source: Company reports and Litchfield Hills Research LLC



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