



PodcastOne, Inc.

PODC (NASDAQ) - Buy \$5 Price Target

F1Q Results – August 13, 2024

PodcastOne Posts Better-Than-Expected 24% Revenue Growth – Buy \$5 Target

Analyst: Barry M. Sine, CFA, CMT

- PodcastOne reported better than expected revenue, up 24%.
- It is growing its base of podcast title, now up to 187, and new monetization strategies such as licensing podcasts for TV shows and movies and live events, are starting to kick in.
- EBITDA ticked down to a modest loss of \$316k, but we see this rebounding and expected strong EBITDA generation to start next year, growing for at least several years as the company achieves economies of scale.
- Podcasting continues to be in the advertiser sweet spot because of its loyal base of young and female listeners (who are hard to reach with traditional media. Because podcasts require active listening, versus radio for example which can be background music, listeners tend to focus on the ads more too.
- The company has started on a major licensing contract with a Fortune 250 company that should be worth \$24 million annually once fully ramped up. PodcastOne cannot disclose the identity of its customer, but its podcasts are now publicly streaming on this customer's platform.
- We reiterate our Buy rating on PODC shares which trade at just 0.6x our F26 revenue estimate. Old-fashioned radio company stocks trade at an average of 2.3x revenue despite the decline in radio advertising. So we view PODC shares as a true value play, that should one day be discovered.

Rating	Buy	Earnings Per Share	Normalized to exclude unusual items			
Target Price	\$5.00	FYE - March	FY2023	FY2024	FY2025E	FY2026E
Ticker Symbol	PODC	1Q - June	(\$0.00)	(\$0.01)	(\$0.06)	(\$0.08)
Market	NASDAQ	2Q - September	(\$0.00)	(\$0.52)	(\$0.09)	(\$0.08)
Stock Price	\$1.55	3Q - December	(\$0.01)	(\$0.11)	(\$0.10)	(\$0.07)
52 wk High	\$5.80	4Q - March	(\$0.03)	(\$0.05)	(\$0.10)	(\$0.07)
52 wk Low	\$1.20	Year	(\$0.06)	(\$0.68)	(\$0.34)	(\$0.30)
Shares Outstanding:	98.6 M	Revenue (\$mm)	\$34.6	\$43.3	\$54.2	\$59.0
Public Market Float:	5.7 M	EV/Rev	1.0X	0.8X	0.7X	0.6X
Avg. Daily Volume	28,345	EBITDA (\$mm)	(\$0.5)	\$0.7	(\$0.3)	\$3.2
Market Capitalization:	\$37 M	EV/EBITDA	-69.9X	53.9X	-112.1X	11.3X
Institutional Holdings:	1.8%					
Dividend Yield:	0.0%					

Risks/Valuation

- The dominant risk is that the company's competitors are mainly much larger, diversified media companies.
- We value PODC shares at 1.8x our FY26 revenue estimate, reflecting a 10% premium versus radio comps.

Company description: PodcastOne is the only publicly-traded podcasting pure play company in the U.S. It has 185 programs over a range of popular genres. Unique for an American media company, its offers content targeted at the entire market – both ends of the political spectrum.



PodcastOne, Inc.

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PodcastOne Posts Better-Than-Expected 24% Revenue Growth

PodcastOne reported revenue of \$13.2 million, up 24% but EBITDA dipped slightly negative due to higher content acquisition costs. Management expects EBITDA to return to positive next quarter, and with a strong top line trajectory, we forecast positive and growing EBITDA. We see PodcastOne results improving as it has now sold TV/movie rights to two podcasts and its marquee contract is ramping up to its \$2 million per month run rate.

The key to the company's business is to build up its content base of attractive podcast titles and then monetize them via advertising sales, live events and TV/movie licensing. The content base grew by nine titles, to 187 during the quarter. Given its size, PodcastOne cannot compete for high-dollar podcast licensing deals such as the \$20 million deal that Meghan and Harry signed with Spotify last year. Instead, it looks for attractive up and coming talent and uses its distribution prowess to help them grow their brands. Podcast talent is given more information, and treated more as a business partner at PodcastOne than at peer podcast publishers. PodcastOne signs direct advertising deals with sponsor and ad agencies and use programmatic technology. Programmatic revenue was up 18% in the quarter.

Another monetization strategy bearing fruit is licensing the TV and movie rights to its podcasts. It has already signed deals for Varnamtown and Vigilante. Such deals can bring in up to \$1 million in immediate revenue and have long licensing revenue tails that can last many years. So as the licensing list is built up from today's modest base. It is also doing more live events. Ladygang is now on a national tour marketed by LiveNation. Its October 4th New York City event is already mostly sold out, with all the floor and table seats sold. These events create a virtuous cycle that way that Disney uses theatrical, theme parks and merchandising to keep its content popular. As more people attend live events or watch TV shows or movies, the more likely they will be to listen to podcasts (or watch vodcasts) and the more popular the content becomes for signing future deals, creating a virtuous cycle.

While revenue was better than expected, EBITDA slipped slightly into the red on content acquisition costs. EBITDA came in at negative \$316k. EBITDA generation and cost control is a major strategic initiative at parent LiveOne and PodcastOne president Kit Gray has discussed how this is also a focus at his unit. So we expect the dip back into the red to be short lived. On the call, Mr. Gray discussed how its larger library of titles does not increase fixed overhead, but should drive higher margins and positive EBITDA. We also note that the licensing and live events deals are highly profitable.

PodcastOne reiterated revenue guidance of \$51 to \$56 million for the year, and we believe it is firmly on track to achieve this. The midpoint would represent 24% top line growth. Management does not issue numeric EBITDA guidance, but has said they expect to return to the black next quarter and become a meaningful EBITDA generator. Our forecast calls for roughly breakeven EBITDA for the next two quarters before turning positive again in the fiscal fourth quarter. For F26, we look for more normal EBITDA generation of \$3.3 million, representing a 5.8% margin, on revenue of \$57.4 million. Longer-term, we see EBITDA margins of closer to 10%, so EBITDA should outpace revenue for several years to come.



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PodcastOne, 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	
Impressions - normalized	79,050	87,975	72,000	73,946	312,971	65,625	70,000	75,000	76,000	286,625	77,000	78,000	79,000	85,000	319,000
Revenue per impression	\$0.14	\$0.12	\$0.15	\$0.16	\$0.14	\$0.20	\$0.19	\$0.19	\$0.19	\$0.19	\$0.19	\$0.19	\$0.19	\$0.19	\$0.19
Revenue	10,637	10,516	10,442	11,707	43,302	13,159	13,090	13,875	14,060	54,184	14,245	14,430	14,615	15,725	59,015
YoY growth	22.0%	23.8%	21.6%	32.4%	25.0%	23.7%	24.5%	32.9%	20.1%	25.1%	8.3%	10.2%	5.3%	11.8%	8.9%
Seq growth	20.3%	-1.1%	-0.7%	12.1%		12.4%	-0.5%	6.0%	1.3%		1.3%	1.3%	1.3%	7.6%	
Cost of Sales	8,222	9,057	9,387	10,660	37,326	11,709	11,519	12,210	12,373	47,811	12,108	12,266	12,277	13,052	49,702
	77.3%	86.1%	89.9%	68.0%	86.2%	89.0%	88.0%	88.0%	88.0%	88.2%	85.0%	85.0%	84.0%	83.0%	84.2%
Gross Margin	2,415	1,459	1,055	1,047	5,976	1,450	1,571	1,665	1,687	6,373	2,137	2,165	2,338	2,673	9,313
As a percent of revenue	22.7%	13.9%	10.1%	8.9%	13.8%	11.0%	12.0%	12.0%	12.0%	11.8%	15.0%	15.0%	16.0%	17.0%	15.8%
Sales and Marketing	1,250	1,451	732	1,125	4,558	847	843	893	905	3,488	926	938	950	1,022	3,836
As a percent of revenue	11.8%	13.8%	7.0%	9.6%	10.5%	6.4%	6.4%	6.4%	6.4%	6.4%	6.5%	6.5%	6.5%	6.5%	6.5%
Product Development	27	28	15	15	85	18	18	19	19	74	-	-	-	-	-
As a percent of revenue	0.3%	0.3%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
General and Administrative	920	1,215	2,601	712	5,448	1,398	2,618	2,775	2,812	9,603	2,849	2,886	2,923	3,145	11,803
As a percent of revenue	8.6%	11.6%	24.9%	6.1%	12.6%	10.6%	20.0%	20.0%	20.0%	20.1%	20.0%	20.0%	20.0%	20.0%	23.7%
Amortization	25	191	307	373	896	377	250	250	250	1,127	250	250	250	250	1,000
Operating income	193	(1,426)	(2,600)	(1,178)	(5,011)	(1,190)	(2,158)	(2,272)	(2,299)	(7,919)	(1,888)	(1,909)	(1,785)	(1,744)	(7,326)
Operating margin	1.8%	-13.6%	-24.9%	-10.1%	-11.6%	-9.0%	-16.5%	-16.4%	-16.4%	-14.6%	-13.3%	-13.2%	-12.2%	-11.1%	-12.4%
Interest expense	(1,593)	(654)	-	-	(2,247)	-	-	-	-	-	-	-	-	-	-
Change in fair value of derivatives	1,190	(8,793)	-	-	(7,603)	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	184	184	(176)	-	-	-	(176)	-	-	-	-	-
Pretax Income	(403)	(9,447)	-	184	(9,666)	(176)	-	-	-	(176)	-	-	-	-	-
Taxes	(210)	(10,873)	(2,600)	(994)	(14,677)	(1,366)	(2,158)	(2,272)	(2,299)	(8,095)	(1,888)	(1,909)	(1,785)	(1,744)	(7,326)
	-	-	-	55	55	-	-	-	-	-	-	-	-	-	-
Net income - continuing ops	(210)	(10,873)	(2,600)	(1,049)	(14,732)	(1,366)	(2,158)	(2,272)	(2,299)	(8,095)	(1,888)	(1,909)	(1,785)	(1,744)	(7,326)
Net income margin	-2.0%	-103.4%	-24.9%	-9.0%	-34.0%	-10.4%	-16.5%	-16.4%	-16.4%	-14.9%	-13.3%	-13.2%	-12.2%	-11.1%	-12.4%
Diluted shares outstanding	20,000	20,714	23,072	23,125	21,768	23,713	23,813	23,913	24,013	23,863	24,113	24,213	24,313	24,413	24,263
Seq change	(106,653.5)	714.2	2,358.0	-	-	587.2	100.0	100.0	100.0	-	100.0	100.0	100.0	100.0	-
EPS diluted	(\$0.01)	(\$0.52)	(\$0.11)	(\$0.05)	(\$0.68)	(\$0.06)	(\$0.09)	(\$0.10)	(\$0.10)	(\$0.34)	(\$0.08)	(\$0.08)	(\$0.07)	(\$0.07)	(\$0.30)
Adjusted EBITDA															
GAAP Net Income	(210)	(10,873)	(2,600)	(1,049)	(14,732)	(1,366)	(2,158)	(2,272)	(2,299)	(7,919)	(1,888)	(1,909)	(1,785)	(1,744)	(7,326)
Addback:															
Depreciation and amortization	86	253	372	438	1,148	619	350	350	350	1,669	350	350	350	350	1,400
Stock-based comp	84	854	1,786	921	3,645	394	1,700	1,800	2,000	5,894	2,000	2,200	2,400	2,500	9,100
Non-recurring	-	413	86	77	881	-	-	-	-	-	-	-	-	-	-
Other non-recurring	403	9,447	-	(129)	9,721	37	-	-	-	37	-	-	-	-	-
Adjusted EBITDA	363	94	(356)	258	663	(316)	(108)	(122)	51	(319)	462	641	965	1,106	3,174
Margin	3.4%	0.9%	-3.4%	2.2%	1.5%	-2.4%	-0.8%	-0.9%	0.4%	-0.6%	3.2%	4.4%	6.6%	7.0%	5.4%

Source: Company reports and Litchfield Hills Research LLC



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