



LiveOne, Inc.

LVO - Buy \$4 Price Target

F2Q Results Preview – November 5, 2024

Risk and Opportunity as LiveOne Reports September Quarter Results – Reiterate Buy

Analyst: Barry M. Sine, CFA, CMT

- LiveOne and 73% owned subsidiary PodcastOne (PODC – Buy) are scheduled to announce results on Thursday, November 7th.
- LiveOne recently announced a major change to its Tesla contract effective at the beginning of October, so the September quarter results should not be impacted. Tesla was a 51% customer in F24.
- The new Tesla arrangement could be positive or negative. LiveOne is losing Tesla as a wholesale customer for all but cars sold before 2019, when there were around 450k subscribers, versus 1.9 million today.
- It gains a prominent space for its LiveOne app on the Tesla screen in perpetuity and Tesla will assist LiveOne in marketing to Tesla subscribers.
- By our math, it will retain about 400k wholesale subscribers, at around \$2.70 per month and have the opportunity to upgrade 1.5mm customers to direct at around \$10 per month. If it can retain 350K of these, it will break even, but these customers will now be direct with the opportunity for cross-selling. How long this takes, is a key question.
- Hopefully, management will provide info on how the conversion is going on the call.
- LiveOne had already embarked on a diversification campaign, with 60 prospects in the pipeline and one large customer landed, but no details have yet been announced. We expect these prospects to include major corporations such as Costco or Walmart.
- Due to the uncertainty, management cut guidance with this announcement and we follow suit with our estimates in this report.

Rating	Buy					
Target Price	\$4.00					
Ticker Symbol	LVO					
Market	NASDAQ					
Stock Price	\$0.73					
52 wk High	\$2.15					
52 wk Low	\$0.56					
Shares Outstanding:	98.6 M					
Public Market Float:	95.3 M					
Avg. Daily Volume	562,462					
Market Capitalization:	\$72 M					
Institutional Holdings:	40.8%					
Dividend Yield:	0.0%					
		Earnings Per Share	Normalized to exclude unusual items			
		FYE - March	FY2023	FY2024	FY2025E	FY2026E
		1Q - June	\$0.02	(\$0.01)	(\$0.02) A	(\$0.04)
		2Q - September	(\$0.04)	(\$0.09)	(\$0.03)	(\$0.03)
		3Q - December	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.02)
		4Q - March	(\$0.06)	(\$0.03)	(\$0.03)	(\$0.01)
		Year	(\$0.12)	(\$0.15)	(\$0.11)	(\$0.10)
		Revenue (\$mm)	\$99.6	\$118.4	\$126.7	\$143.3
		EV/Rev	0.8X	0.6X	0.6X	0.5X
		EBITDA (\$mm)	\$10.9	\$11.0	\$10.1	\$13.7
		EV/EBITDA	6.8X	6.8X	7.4X	5.4X

Risks/Valuation

- The dominant risk is that 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, Inc. – Income Forecast

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

	FY2025E					FY2026E					FY2027E				
	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	33,078	33,050	31,475	29,060	126,663	30,545	33,318	37,240	42,238	143,340	41,795	45,168	49,690	55,288	191,940
YoY growth	19.1%	15.9%	0.7%	-6.0%	6.9%	-7.7%	0.8%	18.3%	45.3%	13.2%	36.8%	35.6%	33.4%	30.9%	33.9%
Seq growth	7.0%	-0.1%	-4.8%	-7.7%		5.1%	9.1%	11.8%	13.4%		-1.0%	8.1%	10.0%	11.3%	
Total Cost of Sales	25,087	24,788	23,606	21,795	95,276	22,909	24,988	27,930	31,678	107,505	31,346	33,876	37,268	41,466	143,955
	75.8%	75.0%	75.0%	75.0%	75.2%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Gross Margin	7,991	8,263	7,869	7,265	31,387	7,636	8,329	9,310	10,559	35,835	10,449	11,292	12,423	13,822	47,985
As a percent of revenue	24.2%	25.0%	25.0%	25.0%	24.8%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Sales and Marketing	1,431	1,653	1,574	1,453	6,110	1,833	1,999	2,048	2,112	7,992	2,090	2,258	2,485	2,764	9,597
As a percent of revenue	4.3%	5.0%	5.0%	5.0%	4.8%	6.0%	6.0%	5.5%	5.0%	5.6%	5.0%	5.0%	5.0%	5.0%	5.0%
Product Development	1,071	1,322	1,259	1,308	4,960	1,375	1,499	1,676	1,901	6,450	1,881	2,033	2,236	2,488	8,637
As a percent of revenue	3.2%	4.0%	4.0%	4.5%	3.9%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
General and Administrative	5,505	6,000	6,000	6,000	23,505	6,000	6,000	6,000	6,000	24,000	6,000	6,000	6,000	6,000	24,000
As a percent of revenue	16.6%	18.2%	19.1%	20.6%	24.7%	19.6%	18.0%	16.1%	14.2%	22.3%	14.4%	13.3%	12.1%	10.9%	16.7%
Amortization	592	1,000	1,000	1,000	3,592	1,000	1,000	1,000	1,000	4,000	1,000	1,000	1,000	1,000	4,000
Operating income	(608)	(1,712)	(1,964)	(2,496)	(6,780)	(2,571)	(2,169)	(1,414)	(453)	(6,607)	(522)	1	702	1,570	1,751
Operating margin	-1.8%	-5.2%	-6.2%	-8.6%	-5.4%	-8.4%	-6.5%	-3.8%	-1.1%	-4.6%	-1.2%	0.0%	1.4%	2.8%	0.9%
Interest expense	(859)	(900)	(900)	(900)	(3,559)	(900)	(900)	(900)	(900)	(3,600)	(900)	(900)	(900)	(900)	(3,600)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt extinguishment	135	-	-	-	135	-	-	-	-	-	-	-	-	-	-
Impairment loss	(176)	-	-	-	(176)	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	(900)	(900)	(900)	(900)	(3,600)	(900)	(900)	(900)	(900)	(3,600)	(900)	(900)	(900)	(900)	(3,600)
Pretax Income	(1,508)	(2,612)	(2,864)	(3,396)	(10,380)	(3,471)	(3,069)	(2,314)	(1,353)	(10,207)	(1,422)	(899)	(198)	670	(1,849)
Taxes	49	-	-	-	49	-	-	-	-	-	-	-	-	-	-
Minority interest	388	650	650	650	1,950	650	650	650	650	1,950	650	650	650	650	1,950
Net income - continuing ops	(1,169)	(1,962)	(2,214)	(2,746)	(8,479)	(2,821)	(2,419)	(1,664)	(703)	(8,257)	(772)	(249)	452	1,320	101
Net income margin	-3.5%	-5.9%	-7.0%	-9.4%	-6.7%	-9.2%	-7.3%	-4.5%	-1.7%	-5.8%	-1.8%	-0.6%	0.9%	2.4%	0.1%
Diluted shares outstanding	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420	98,420
Seq change	10,028.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EPS diluted	(\$0.02)	(\$0.03)	(\$0.03)	(\$0.03)	(\$0.11)	(\$0.04)	(\$0.03)	(\$0.02)	(\$0.01)	(\$0.10)	(\$0.01)	(\$0.01)	(\$0.00)	\$0.01	(\$0.02)
Adjusted EBITDA															
GAAP Net Income	(1,557)	(1,962)	(2,214)	(2,746)	(8,479)	(2,821)	(2,419)	(1,664)	(703)	(8,257)	(772)	(249)	452	1,320	101
Addback:															
Depreciation and amortization	1,588	2,000	2,000	2,000	7,588	2,500	2,500	2,500	2,500	10,000	2,500	2,500	2,500	2,500	10,000
Stock-based comp	1,700	1,700	1,700	1,700	6,800	2,500	2,500	2,500	2,500	10,000	2,500	2,500	2,500	2,500	10,000
Other non-recurring	1,172	1,000	1,000	1,000	4,172	500	500	500	500	2,000	500	500	500	500	2,000
Adjusted EBITDA	2,903	2,738	2,486	1,954	10,081	2,679	3,081	3,836	4,797	13,743	4,728	5,251	5,952	6,820	22,101
Growth	31.4%	-12.6%	-37.3%	-29.8%	-8.2%	-7.7%	12.5%	54.3%	145.4%	36.3%	76.5%	70.4%	55.2%	42.2%	60.8%
Margin	8.8%	8.3%	7.9%	6.7%	8.0%	8.8%	9.2%	10.3%	11.4%	9.6%	11.3%	11.6%	12.0%	12.3%	11.5%

Source: Company reports and Litchfield Hills Research LLC



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