



## PodcastOne, Inc.

### PODC (NASDAQ) - Buy \$5 Price Target

**December 20, 2024**

**Reiterate Buy on PodcastOne as the Podcasting World is Exploding – Buy \$5 Target**

Analyst: Barry M. Sine, CFA, CMT

- On its recent earnings call, PodcastOne CEO opined that “the podcast world is exploding”. Podcasting played a major part in the recent presidential election and an independent study showed that it delivers 5x the ROI of traditional media.
- PodcastOne is growing rapidly with a target of doubling revenue over the next four years. It is regularly adding new podcasts from competitors, has just hired a new head of M&A to acquire small podcast companies, and is diversifying its revenue base. Its new PodcastOne Pro service has added major customers such as Motor Trend and Microsoft. The company has also sold rights to two podcasts for TV series and it is adding other events.
- The company is performing well financially with guidance of at least 17% revenue growth this fiscal year (ended March 31), and positive EBITDA. With the abovementioned catalysts, revenue should increase to roughly \$60 million next fiscal year. In recent extensions with major talent such as Adam Corolla, it has substituted stock comp for some of the cash compensation, benefiting EBITDA.
- We reiterate our Buy rating on PODC shares which trade at just 1.0x our F25 revenue estimate. Old-fashioned radio company stocks trade at an average of 1.6x revenue despite the decline in radio advertising and the only other publicly traded podcast pure play trades at 1.3x, even though it is further away from EBITDA breakeven. So, we view PODC shares as a true value play that are starting to be discovered, just as its medium is starting to get the attention it deserves.

Rating	Buy	<b>Earnings Per Share</b>	<b>Normalized to exclude unusual items</b>			
Target Price	\$5.00	<b>FYE - March</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025E</b>	<b>FY2026E</b>
Ticker Symbol	PODC	1Q - June	(\$0.00)	(\$0.01)	(\$0.06) A	(\$0.04)
Market	NASDAQ	2Q - September	(\$0.00)	(\$0.52)	(\$0.07) A	(\$0.04)
Stock Price	\$2.15	3Q - December	(\$0.01)	(\$0.11)	(\$0.05)	(\$0.04)
52 wk High	\$2.70	4Q - March	(\$0.03)	(\$0.05)	(\$0.05)	(\$0.04)
52 wk Low	\$1.10	<b>Year</b>	<b>(\$0.06)</b>	<b>(\$0.68)</b>	<b>(\$0.22)</b>	<b>(\$0.16)</b>
Shares Outstanding:	24.4 M	<b>Revenue (\$mm)</b>	<b>\$34.6</b>	<b>\$43.3</b>	<b>\$50.9</b>	<b>\$60.6</b>
Public Market Float:	5.7 M	EV/Rev	1.5X	1.2X	1.0X	0.8X
Avg. Daily Volume	45,208	<b>EBITDA (\$mm)</b>	<b>(\$0.5)</b>	<b>\$0.7</b>	<b>\$0.1</b>	<b>\$2.1</b>
Market Capitalization:	\$53 M	EV/EBITDA	-100.3X	77.3X	646.5X	24.2X
Institutional Holdings:	6.0%					
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 2.0x our FY26 revenue estimate, reflecting a 25% premium versus radio comps.

**Company description:** PodcastOne is the only publicly traded podcasting pure-play company in the U.S. It has 194 programs over a range of popular genres. Unique for an American media company, it offers content targeted at the entire market – both ends of the political spectrum. Podcasting is the fastest-growing advertising medium because it is effective for advertisers with about a 5x ROI versus traditional advertising media.



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### **The Podcasting World is Exploding, and PodcastOne is the Only US Pure Play**

As demonstrated in the recent election, “the podcasting world is exploding”, to quote PodcastOne President Kit Gray. PodcastOne is the only publicly traded pure play in the U.S. Podcasting is taking share from traditional media such as radio but PodcastOne trades at roughly half the value of traditional radio stocks. Advertisers are flocking to podcasting because it works, with Podnews estimating an ROI 5x that of traditional media. The only other global comparable we know of, Swedish-based Acast AB (ACAST on Nasdaq Stockholm) trades at a 30% premium (EV/revenue) has slower growth, and is further away from EBITDA breakeven and positive EBITDA. PodcastOne is in a booming industry, it is outperforming and its stock is undervalued versus comps. We reiterate our Buy rating and \$5 price target.

### **FY2026 Stage Set for Strong Growth and EBITDA Profitability**

The company has revealed numerous nuggets of positive news that, taken together, suggest strong growth into FY2026 and significant positive EBITDA.

- Addition of a major consumer brand customer bringing in \$24 million in annual revenue as parent LiveOne (LVO-Buy) has a pipeline of over sixty major new deals for both its streaming music service and podcasts. Likely customers for both LiveOne and PodcastOne content are major players such as Facebook, Walmart, and Costco. LiveOne’s recent deal with Tesla makes auto deals more likely, in our opinion, for both music and podcasts.
- Hire of Steve Lehman for M&A. Lehman founded Premiere Networks, which was at one time the largest U.S. radio broadcaster and is now part of iHeart (IHRT-NASDAQ).
- Hire of James Lally for organic growth. Lally came over from the third-ranked podcast publisher Libsyn (per Podtrac rankings). His hire was announced on October 7 and he is already generating revenue with additions of new podcasts and major advertisers.
- One dozen podcast acquisitions are in the pipeline as of November with six now signed. PodcastOne now has 194 podcasts, up by 48 in the last year, with many more to come.
- TV deals for two podcast properties – Vigilante and Varnamtown – and a third in the works. These could prove to be significant revenue generators with the potential for millions in revenue each.
- Launch of PodcastOne Pro to produce high-quality podcasts for major brands such as Motor Trend and Microsoft. Five deals have already been inked, representing over half a million in revenue.
- Extensions of major podcasts including Lady Gang and Adam Corolla with some now taking stock comp instead of cash, benefitting EBITDA.
- We see all of the above driving \$2 million in EBITDA in FY2026. In a call with president Kit Gray, he noted a goal to keep operating expenses flat so EBITDA growth should outpace revenue growth. We note that the market is showing a strong preference for EBITDA-positive companies and expect that just quant trading alone should boost PODC shares once it starts reporting EBITDA without parenthesis.

In the long term, the company targets \$100 million in revenue, which should yield \$20 million in EBITDA and a \$20 stock price, in our view. As noted, the podcast market is booming with President Trump’s three-hour appearance on the Joe Rogan podcast a turning point in the election, especially as his opponent spurned Rogan’s offer to appear. Podcast viewership and advertising revenue are surging, mainly hurting radio, as advertisers are seeing the financial benefits with an ROI 5x that of traditional media, per Podnews. PODC shares have more than doubled since October, and we see another doubling to catch up to fundamentals and comp valuations. In the long term, with a target of \$100 million in revenue, we think the shares can get to \$20.



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## PodcastOne Shares are Reacting to Strong Company Fundamentals and Industry Environment



Source: FactSet Research Systems



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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	1QA	2QA	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	69,429	70,000	72,000	277,054	72,000	75,000	76,000	80,000	303,000
Revenue per impression	\$0.14	\$0.12	\$0.15	\$0.16	\$0.14	\$0.20	\$0.18	\$0.18	\$0.18	\$0.18	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
<b>Revenue</b>	<b>10,637</b>	<b>10,516</b>	<b>10,442</b>	<b>11,707</b>	<b>43,302</b>	<b>13,159</b>	<b>12,154</b>	<b>12,600</b>	<b>12,960</b>	<b>50,873</b>	<b>14,400</b>	<b>15,000</b>	<b>15,200</b>	<b>16,000</b>	<b>60,600</b>
YoY growth	22.0%	23.8%	21.6%	32.4%	25.0%	23.7%	15.6%	20.7%	10.7%	17.5%	9.4%	23.4%	20.6%	23.5%	19.1%
Seq growth	20.3%	-1.1%	-0.7%	12.1%		12.4%	-7.6%	3.7%	2.9%		11.1%	4.2%	1.3%	5.3%	
Cost of Sales	8,222	9,057	9,387	10,660	37,326	11,709	11,142	11,088	11,405	45,344	12,384	12,900	13,072	13,760	52,116
	77.3%	86.1%	89.9%	68.0%	86.2%	89.0%	91.7%	88.0%	88.0%	89.1%	86.0%	86.0%	86.0%	86.0%	86.0%
Gross Margin	2,415	1,459	1,055	1,047	5,976	1,450	1,012	1,512	1,555	5,529	2,016	2,100	2,128	2,240	8,484
As a percent of revenue	22.7%	13.9%	10.1%	8.9%	13.8%	11.0%	8.3%	12.0%	12.0%	10.9%	14.0%	14.0%	14.0%	14.0%	14.0%
Sales and Marketing	1,250	1,451	732	1,125	4,558	847	877	882	907	3,513	1,008	1,050	1,064	1,120	4,242
As a percent of revenue	11.8%	13.8%	7.0%	9.6%	10.5%	6.4%	7.2%	7.0%	7.0%	6.9%	7.0%	7.0%	7.0%	7.0%	7.0%
Product Development	27	28	15	15	85	18	13	13	14	58	14	15	15	16	61
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%	0.1%	0.1%	0.1%	0.1%	0.1%
General and Administrative	920	1,215	2,601	712	5,448	1,398	1,452	1,449	1,490	5,789	1,584	1,650	1,672	1,760	6,666
As a percent of revenue	8.6%	11.6%	24.9%	6.1%	12.6%	10.6%	11.9%	11.5%	11.5%	12.8%	11.0%	11.0%	11.0%	11.0%	12.8%
Amortization	25	191	307	373	896	377	328	350	350	1,405	350	350	350	350	1,400
<b>Operating income</b>	<b>193</b>	<b>(1,426)</b>	<b>(2,600)</b>	<b>(1,178)</b>	<b>(5,011)</b>	<b>(1,190)</b>	<b>(1,658)</b>	<b>(1,182)</b>	<b>(1,206)</b>	<b>(5,237)</b>	<b>(940)</b>	<b>(965)</b>	<b>(973)</b>	<b>(1,006)</b>	<b>(3,885)</b>
Operating margin	1.8%	-13.6%	-24.9%	-10.1%	-11.6%	-9.0%	-13.6%	-9.4%	-9.3%	-10.3%	-6.5%	-6.4%	-6.4%	-6.3%	-6.4%
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)	(1,658)	(1,182)	(1,206)	(5,413)	(940)	(965)	(973)	(1,006)	(3,885)
	-	-	-	55	55	-	11	-	-	11	-	-	-	-	-
<b>Net income - continuing ops</b>	<b>(210)</b>	<b>(10,873)</b>	<b>(2,600)</b>	<b>(1,049)</b>	<b>(14,732)</b>	<b>(1,366)</b>	<b>(1,669)</b>	<b>(1,182)</b>	<b>(1,206)</b>	<b>(5,424)</b>	<b>(940)</b>	<b>(965)</b>	<b>(973)</b>	<b>(1,006)</b>	<b>(3,885)</b>
Net income margin	-2.0%	-103.4%	-24.9%	-9.0%	-34.0%	-10.4%	-13.7%	-9.4%	-9.3%	-10.7%	-6.5%	-6.4%	-6.4%	-6.3%	-6.4%
Diluted shares outstanding	20,000	20,714	23,072	23,125	21,768	23,713	24,163	24,263	24,363	24,125	24,463	24,563	24,663	24,763	24,613
Seq change	(106,653.5)	714.2	2,358.0			587.2	450.1	100.0	100.0		100.0	100.0	100.0	100.0	
<b>EPS diluted</b>	<b>(\$0.01)</b>	<b>(\$0.52)</b>	<b>(\$0.11)</b>	<b>(\$0.05)</b>	<b>(\$0.68)</b>	<b>(\$0.06)</b>	<b>(\$0.07)</b>	<b>(\$0.05)</b>	<b>(\$0.05)</b>	<b>(\$0.22)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.04)</b>	<b>(\$0.16)</b>
<b>Adjusted EBITDA</b>															
GAAP Net Income	(210)	(10,873)	(2,600)	(1,049)	(14,732)	(1,366)	(1,669)	(1,182)	(1,206)	(5,237)	(940)	(965)	(973)	(1,006)	(3,885)
Addback:															
Depreciation and amortization	86	253	372	438	1,148	619	394	500	500	2,013	500	500	500	500	2,000
Stock-based comp	84	854	1,786	921	3,645	394	861	1,000	1,000	3,255	1,000	1,000	1,000	1,000	4,000
Non-recurring	-	413	86	77	881	-	-	-	-	-	-	-	-	-	-
Taxes	403	9,447	-	(129)	9,721	37	11	-	-	48	-	-	-	-	-
<b>Adjusted EBITDA</b>	<b>363</b>	<b>94</b>	<b>(356)</b>	<b>258</b>	<b>663</b>	<b>(316)</b>	<b>(403)</b>	<b>318</b>	<b>294</b>	<b>79</b>	<b>560</b>	<b>535</b>	<b>527</b>	<b>494</b>	<b>2,115</b>
Margin	3.4%	0.9%	-3.4%	2.2%	1.5%	-2.4%	-3.3%	2.5%	2.3%	0.2%	3.9%	3.6%	3.5%	3.1%	3.5%

Source: Company reports and Litchfield Hills Research LLC



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