



LiveOne, Inc.

LVO - Buy \$4 Price Target

January 31, 2025

LiveOne off to a Great Start in 2025 – Reiterate Buy

Analyst: Barry M. Sine, CFA, CMT

- LiveOne will be presenting to high-net-worth investors at the Mar-a-Lago Club in Florida today.
- Ahead of that, it issued a press release with key updates this morning, and we followed up with CEO Rob Ellin.
- As we discuss in this note, it appears that the company is doing much better than expected on its two key initiatives of adjusting to its new Tesla relationship and signing major new B2B customers.
- On the Tesla relationship, with over 700k subscribers signed using new AI-driven marketing tools, we estimate that they have replaced 41% of the estimated \$72 million in annual revenue in less than 60 days. At this rate, we don't expect revenue comps to be negative for long.
- On the B2B front, it has already signed two partners, one being Amazon, for a total of \$40 million in annual revenue and is now in discussions with 70 potential customers.
- With Amazon alone, given its array of assets such as e-commerce and cloud, LiveOne has multiple ways to grow the partnership, including potentially a sale to Amazon. Even at a stretch valuation of \$20 per share, LiveOne would cost Amazon less than 2% of cash on hand.
- With so many simultaneous initiatives, with at least some likely to pan out, we think LiveOne is off to a great start. In our nearly decade of following the company, we have never seen so much activity, yet the stock still languishes near its ten-year low. As such, we view this as an ideal buying opportunity.

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	\$0.02	(\$0.01)	(\$0.02) A	(\$0.05)
Market	NASDAQ	2Q - September	(\$0.04)	(\$0.09)	(\$0.02) A	(\$0.05)
Stock Price	\$1.56	3Q - December	(\$0.03)	(\$0.03)	(\$0.04)	(\$0.04)
52 wk High	\$2.15	4Q - March	(\$0.06)	(\$0.03)	(\$0.05)	(\$0.04)
52 wk Low	\$0.56	Year	(\$0.12)	(\$0.15)	(\$0.13)	(\$0.17)
Shares Outstanding:	95.7 M	Revenue (\$mm)	\$99.6	\$118.4	\$122.6	\$120.4
Public Market Float:	91.9 M	EV/Rev	1.5X	1.3X	1.2X	1.3X
Avg. Daily Volume	523,590	EBITDA (\$mm)	\$10.9	\$11.0	\$7.9	\$7.4
Market Capitalization:	\$149 M	EV/EBITDA	13.9X	13.8X	19.3X	20.5X
Institutional Holdings:	42.3%					
Dividend Yield:	0.0%					

Risks/Valuation

- The dominant risk, and opportunity, is how well the transition of Tesla subscribers from an indirect wholesale model to a direct retail model will occur.
- We value LVO shares at 2.6x our F26 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 off to a Great Start in 2025

This afternoon, management plans to present to an invitation-only group of high-net-worth investors at the Mar-a-Lago Club (owned by President Trump) sponsored by one of its members. The company issued a press release this morning with key updates, providing new talking points. LiveOne is currently undertaking two key initiatives:

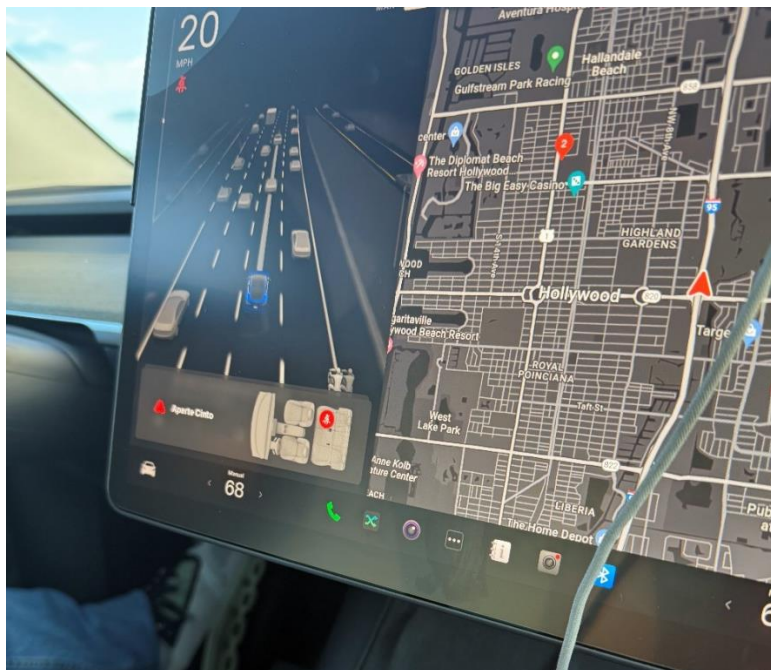
1. Converting the roughly two million indirect Tesla customers to direct LiveOne customers.
2. Signing B2B deals for podcast, music, TV, and movie content with partners.

Management provided updates on both. The progress on the Tesla front is amazing and is well ahead of what we expected. We had originally thought that was that it would take LiveOne years to replace the roughly \$72 annually that it earned from Tesla. Based on our assumptions (detailed below) it has now replaced 41% of this revenue in less than 60 days. We spoke with CEO Rob Ellin this morning and he attributed this to the success of the company's AI-based marketing technology.

Before the change in the Tesla relationship, LiveOne had about two million indirect Tesla customers on which we estimate that it earned about \$3 per month or \$72 million per year. For FY2024 (ended March 31) LiveOne reported that 51% of its revenue for that year, or \$62 million came from Tesla. It just reported 700k Tesla subscribers, 350k direct, and 350k free, ad-supported. The company decided to accelerate its ad-supported marketing push to be able to add these customers to its database. So it now knows the identity and contact information for these customers, to use in future marketing efforts. Previously, with wholesale customers, LiveOne did not know their identity or have any way to contact them. As part of its restructured deal with Tesla, LiveOne's icon has prime placement on the home screen of all Tesla cars for perpetuity. By offering an initial free option, we think LiveOne will capture more and more customers. Once it does, it will have the data to upsell them to paid customers.

As shown in the photo below, LiveOne's green X logo has replaced the generic Tesla music app and has prime placement to the right of the phone icon. Back when Sirius and XM were separate companies and starting out, they fought aggressively for prominence for their services with the major car companies (in the days before in-car screens and apps). When they announced a new partnership, their shares reacted positively. So, this "beachfront" real estate is highly valuable, in our opinion.

Familiar Green X LiveOne App Has a Prominent "Beachfront" Location on the Tesla Home Screen



Source: Company reports and Litchfield Hills Research LLC

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We estimate that the LiveOne has now replaced \$29.4 million in annual revenue or 41% in less than 60 days. The math behind this is 350k direct customers at \$6 per month, or \$25.2 million, and 350k ad-supported with about \$1 per sub per month in advertising revenue, or \$4.2 million in annual revenue. LiveOne's data shows that Tesla customers are using the LiveOne app 36 minutes per day about 2-3x per day. And it knows their identities along with their demographics. Tesla customers tend to be wealthier, and more attractive to advertisers. So, LiveOne has the data advertisers are looking for before making spending commitments.

Its other key initiative is to sign B2B deals for its music, podcasting, and other content with large corporate partners in sectors such as media, retail, travel, hospitality, and automotive. It has already struck two such deals representing \$40 million in annual revenue including one for \$25 million with a Fortune 500 media conglomerate.

By our count, there are seven media conglomerates in the Fortune 500, which we list in the table below. One is already a LiveOne partner, representing \$25 million in annual revenue.

Name	Ticker	F500 Rank	CAP \$mm	TTM Rev. \$mm	Comment
1 Comcast Corporation	CMCSA	31	126,918	123,731	Already has MusicChoice partner, but otherwise good fit
2 Charter Communications, Inc.	CCHTR	44	47,782	54,607	Likely to do what Comcast does
3 Walt Disney Company	DIS	47	205,134	90,895	Music and podcast would be a good fit, streaming now profitable
4 Sony Group Corporation	SONY	85	137,731	90,045	No direct-to-consumer offering
5 Warner Bros. Discovery, Inc.	WBD	113	26,053	41,331	Could use music to add to streaming product
6 Paramount Global	PARA	140	7,800	29,652	Could use music to add to streaming product
7 Netflix, Inc.	NFLX	143	416,310	38,877	Doing well on its own, but music would require a partner

Source: ChatGPT and FactSet

In addition to the above, we also think that companies such as Meta, Microsoft, Costco, Walmart, American Express, Hilton, and American Airlines are also good prospects for partnerships. We see a fit for music and podcasts for each.

The one named customer to date is Amazon. Now that Tesla has a revenue relationship, we see this partnership expanding in six potential ways, all of which would be lucrative for LiveOne shareholders.

1. Increase distribution of LiveOne/PodcastOne-owned podcast content. PodcastOne has already announced an initial deal, but we see significant room for growth.
2. Cloud – with Amazon's powerful AWS cloud network, LiveOne can more effectively stream its content on a global basis, giving it much greater reach.
3. Sell television and movie rights to content. Certain PodcastOne podcasts lend themselves to being turned into TV shows or movies. It has already signed two such deals. With its Prime business and the streaming industry's thirst for original content, it ought to be an attractive customer for LiveOne.
4. Sell LiveOne products. LiveOne has begun offering its own products, tied in with celebrity partners as part of its CelebrityOne business including coffee and wine, and it is just getting started. It should retail these products via Amazon's retail e-commerce platform, with plugs for products on its distribution platform.
5. Further partnering opportunities.
6. Ultimately, sell to Amazon. As listed above, LiveOne provides a good fit with Amazon in many ways, so we don't think it's a stretch for Amazon to consider acquiring them. And Amazon has a track record of such acquisitions. Even at a stretch sale price of \$20 per share, LiveOne would cost Amazon less than 2% of its cash on hand.



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LiveOne, Inc. – Income Forecast

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

	FY2025E					FY2026E					FY2027E				
	1QA	2QA	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	32,594	31,475	27,860	125,007	27,545	28,330	30,115	32,825	118,815	29,945	30,730	32,515	35,225	128,415
YoY growth	19.1%	14.3%	0.7%	-9.8%	5.5%	-16.7%	-13.1%	-4.3%	17.8%	-5.0%	8.7%	8.5%	8.0%	7.3%	8.1%
Seq growth	7.0%	-1.5%	-3.4%	-11.5%		-1.1%	2.8%	6.3%	9.0%		-8.8%	2.6%	5.8%	8.3%	
Total Cost of Sales	25,087	24,518	23,606	20,895	94,106	20,659	21,248	22,586	24,619	89,111	22,459	23,048	24,386	26,419	96,311
	75.8%	75.2%	75.0%	75.0%	75.3%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Gross Margin	7,991	8,076	7,869	6,965	30,901	6,886	7,083	7,529	8,206	29,704	7,486	7,683	8,129	8,806	32,104
As a percent of revenue	24.2%	24.8%	25.0%	25.0%	24.7%	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	1,491	2,518	2,229	7,669	2,204	2,266	2,409	2,626	9,505	2,396	2,458	2,601	2,818	10,273
As a percent of revenue	4.3%	4.6%	8.0%	8.0%	6.1%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Product Development	1,071	1,160	1,120	1,254	4,605	1,240	1,275	1,355	1,477	5,347	1,348	1,383	1,463	1,585	5,779
As a percent of revenue	3.2%	3.6%	3.6%	4.5%	3.7%	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	6,283	6,283	6,283	24,354	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%	19.3%	20.0%	22.6%	25.9%	21.8%	21.2%	19.9%	18.3%	26.9%	20.0%	19.5%	18.5%	17.0%	24.9%
Amortization	592	542	1,000	1,000	3,134	1,000	1,000	1,000	1,000	4,000	1,000	1,000	1,000	1,000	4,000
Operating income	(608)	(1,400)	(3,052)	(3,801)	(8,861)	(3,557)	(3,459)	(3,236)	(2,897)	(13,148)	(3,257)	(3,159)	(2,936)	(2,597)	(11,948)
Operating margin	-1.8%	-4.3%	-9.7%	-13.6%	-7.1%	-12.9%	-12.2%	-10.7%	-8.8%	-11.1%	-10.9%	-10.3%	-9.0%	-7.4%	-9.3%
Interest expense	(859)	(808)	(900)	(900)	(3,467)	(900)	(900)	(900)	(900)	(3,600)	(900)	(900)	(900)	(900)	(3,600)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt extinguishment	135	-	-	-	135	-	-	-	-	-	-	-	-	-	-
Impairment loss	(176)	-	-	-	(176)	-	-	-	-	-	-	-	-	-	-
Other	-	(118)	-	-	(118)	-	-	-	-	-	-	-	-	-	-
	(900)	(926)	(900)	(900)	(3,626)	(900)	(900)	(900)	(900)	(3,600)	(900)	(900)	(900)	(900)	(3,600)
Pretax Income	(1,508)	(2,326)	(3,952)	(4,701)	(12,487)	(4,457)	(4,359)	(4,136)	(3,797)	(16,748)	(4,157)	(4,059)	(3,836)	(3,497)	(15,548)
Taxes	49	(9)	-	-	40	-	-	-	-	-	-	-	-	-	-
Minority interest	388	458	650	650	1,758	650	650	650	650	1,950	650	650	650	650	1,950
Net income - continuing ops	(1,169)	(1,859)	(3,302)	(4,051)	(10,769)	(3,807)	(3,709)	(3,486)	(3,147)	(14,798)	(3,507)	(3,409)	(3,186)	(2,847)	(13,598)
Net income margin	-3.5%	-5.7%	-10.5%	-14.5%	-8.6%	-13.8%	-13.1%	-11.6%	-9.6%	-12.5%	-11.7%	-11.1%	-9.8%	-8.1%	-10.6%
Diluted shares outstanding	98,420	94,658	94,658	94,658	95,599	94,658	94,658	94,658	94,658	94,658	94,658	94,658	94,658	94,658	94,658
Seq change	10,028.8	7,000.4	-	-	-	-	-	-	-	-	-	-	-	-	-
EPS diluted	(\$0.02)	(\$0.02)	(\$0.04)	(\$0.05)	(\$0.13)	(\$0.05)	(\$0.05)	(\$0.04)	(\$0.04)	(\$0.18)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.16)
Adjusted EBITDA															
GAAP Net Income	(1,557)	(2,317)	(3,302)	(4,051)	(10,769)	(3,807)	(3,709)	(3,486)	(3,147)	(14,798)	(3,507)	(3,409)	(3,186)	(2,847)	(13,598)
Addback:															
Depreciation and amortization	1,588	1,353	1,353	1,353	5,647	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	2,291	2,291	2,291	8,573	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	1,558	1,000	1,000	4,730	500	500	500	500	2,000	500	500	500	500	2,000
Adjusted EBITDA	2,903	2,885	1,342	594	8,181	1,693	1,791	2,014	2,353	7,202	1,993	2,091	2,314	2,653	8,402
Growth	31.4%	-7.9%	-66.1%	-78.7%	-25.5%	-41.7%	-37.9%	50.2%	296.5%	-12.0%	17.7%	16.7%	14.9%	12.7%	16.7%
Margin	8.8%	8.9%	4.3%	2.1%	6.5%	6.1%	6.3%	6.7%	7.2%	6.1%	6.7%	6.8%	7.1%	7.5%	6.5%

Source: Company reports and Litchfield Hills Research LLC



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