PodcastOne, Inc.

PODC (NASDAQ) - Buy $5 Price Target

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Amazon Deal Accelerates Revenue and Talent Acquisition – Reiterate Buy and $5 Target

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- We reiterate our Buy rating and $5 price target on PodcastOne shares after yesterday's investor call and announcement of a new vendor relationship with Amazon's ART19 podcast hosting and dynamic ad insertion service.
- The deal is expected to modestly improve the company's profitability in the short run.
- However, we see the major impact being on revenue as Amazon's advanced ad targeting tools should increase ad revenue to PodcastOne.
- We also see a longer-term positive impact on talent acquisition as the company will have greatly improved data to share with talent on how it is monetizing their content. The pitch is simple "Move your podcast to PodcastOne, and make more money".
- We are making no changes to our forecast at this time, but major, positive new announcements could drop at any time.
- We note that the company has added highly experienced media executive Steve Lehman to manage its M&A process. As noted, we think ART19 will make his job easier.
- Parent company LiveOne (LVO – BUY) is also hard at work on its own B2B strategy with Telsa as its anchor customer. On January 10th it filed an 8-K announcing a deal worth $25 million annually with a Fortune 500 media conglomerate, which will benefit both LiveOne and PodcastOne. With over 60 deals in its pipeline, we think many will include revenue for PodcastOne. However, there is little visibility on when and whether these deals will come to fruition. So in addition to being a good value stock, we think there is significant optionality in the shares.

Rating	Buy	
Target Price	$5.00	
Ticker Symbol	PODC	
Market	NASDAQ	
Stock Price	$2.41	
52 wk High	$2.85	
52 wk Low	$1.10	
Shares Outstanding:	24.4	M
Public Market Float:	5.8	M
Avg. Daily Volume	53,004	
Market Capitalization:	$60	M
Institutional Holdings:	6.1%	
Dividend Yield:	0.0%	

Earnings Per Share	**Normalized to exclude unusual items**			
FYE - March	**FY2023**	**FY2024**	**FY2025E**	**FY2026E**
1Q - June	($0.00)	($0.01)	($0.06) A	($0.04)
2Q - September	($0.00)	($0.52)	($0.07) A	($0.04)
3Q - December	($0.01)	($0.11)	($0.05)	($0.04)
4Q - March	($0.03)	($0.05)	($0.05)	($0.04)
Year	**($0.06)**	**($0.68)**	**($0.22)**	**($0.16)**
Revenue ($mm)	**$34.6**	**$43.3**	**$50.9**	**$60.6**
EV/Rev	1.7X	1.3X	1.1X	1.0X
EBITDA ($mm)	**($0.5)**	**$0.7**	**$0.1**	**$2.1**
EV/EBITDA	-114.4X	88.1X	737.3X	27.6X

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.

Amazon Deal Accelerates Revenue and Talent Acquisition

Yesterday, PodcastOne management held a conference call to go through its new and improved investor deck, mainly for new shareholders, and to discuss its newly announced partnership with Amazon's ART19 podcast hosting service. We view the ART19 deal as a strong strategic positive and expect it to accelerate the company's growth. We reiterate our Buy rating and $5 target price.

There seems to be some confusion around the relationship, however. Amazon is already an advertising customer of PodcastOne, for example for Amazon Groceries, but this is not a new advertising contract. Rather, we view it as a vendor relationship with a vendor that will increase PodcastOne's revenue. On day one, there should be little change in the company's revenue profile. The deal will allow PodcastOne to reduce its internal support costs for its own CMS system but will shift these resources to other projects. Nonetheless, management did seem to indicate that the deal would boost margins as apparently, Amazon's commissions are less than PodcastOne's internal CMS support costs.

We think the major driver is on the revenue side but that this will take time. Amazon is essentially a clearing house for advertisers with a massive inventory of podcasts to insert ads into, now including the eighth largest podcast publisher in the U.S., PodcastOne. Using its vast technological resources, it can match ads with precise demographic profiles of listeners, only having its ad customers buy ads on podcasts whose customers will likely buy the product. So, for example, no ads for ballerina slippers on podcasts for construction workers, and more ads for diapers to mothers with young children. This should increase advertisers' willingness to spend and increase PodcastOne's revenue.

Amazon then takes all of its data and sends it back to the publisher with precise data on who listened to each episode of each podcast, broken down by important categories such as demographics and geography. It can then show how it monetized this. PodcastOne was already a leader in sharing data with its talent, who, after all, are running their own small businesses. It has won talent from other publishers who hoarded this data like it was a state secret, even from their own talent. With ART19, PodcastOne will have better data and should have better monetization over time. This is music to the talent's ears and should over time, greatly enhance PodcastOne's ability to attract new talent with the pitch that if you come to PodcastOne, you will make more money.

The deal has a personal aspect to it too. PodcastOne President Kit Gray has known Andy Satre of ART19 for 25 years. Normally, a relationship with Amazon units such as Amazon web hosting is highly impersonal, with even large customers having to deal with Amazon through automated websites. In this case, PodcastOne has a throat to choke if things go wrong, and an internal advocate to make sure things go right.

As noted, ART19 is primarily a dynamic ad insertion tool. Amazon directs advertisers' ads to appropriate podcast content and shares the revenue with the podcast publisher, in this case, PodcastOne. It also provides advanced analytics to help the publisher maximize its revenue potential. The following information is selectively cut and pasted from the ART19 website to highlight the features it offers that we believe will most impact PodcastOne. "ART19 provides publishers with end-to-end podcast solutions so you can focus on your best work. Explore the ways we can support you with industry-leading technology and an expert team to help reach your goals:

- Provide a better listening experience with lightning-fast content and ad-serving response times.
- Target and refresh ads across your catalog of content thanks to WarpFeed dynamic ad insertion.
- Stream your content anywhere podcasts are heard.
- Customize RSS feeds so your episodes can differ by listening platform.
- Maximize potential revenue with intuitive self-service campaign management tools.
- Get specific with episode, geographic and positional targeting.
- Deliver on your customers' needs with competitive separation and frequency capping.
- Choose ad breaks, replace stale ads, and enable listener-specific ads with the flexibility of WarpFeed.

- Keep listeners engaged with ads that are relevant to them — whether a listener is downloading an episode from today or a year ago, with WarpFeed your advertisers' ads are current, relevant and generating incremental revenue.
- Customize RSS feeds to tailor what content is heard on different listening platforms.
- Strengthen subscriber relationships by serving unique content in tailored or ad free experiences.
- Forecast, manage and sell inventory by any combination of show, episode, time, or geography.
- Improve your ability to identify delivery issues, before they happen.
- Strengthen your podcast with in-depth content stats that reveal how listeners engage.
- Improve campaign performance with real-time stats to consistently inform campaign management.
- Measure your downloads and ad impressions to the most exacting industry standards. Our IAB Tech Lab 2.0 Certification means you have industry-leading accuracy."

PodcastOne Shares are Up 160% Since October Low, and We See Further Upside

Source: FactSet Research Systems

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PodcastOne, Inc. – Income Forecast

Dollars in thousands, except per share data			FY2024					FY2025E					FY2026E		
Fiscal years ended March 31	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
Revenue	**10,637**	**10,516**	**10,442**	**11,707**	**43,302**	**13,159**	**12,154**	**12,600**	**12,960**	**50,873**	**14,400**	**15,000**	**15,200**	**16,000**	**60,600**
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%
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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
Operating income	**193**	**(1,426)**	**(2,600)**	**(1,178)**	**(5,011)**	**(1,190)**	**(1,658)**	**(1,182)**	**(1,206)**	**(5,237)**	**(940)**	**(965)**	**(973)**	**(1,006)**	**(3,885)**
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)	-	-	-	-	-
	(403)	(9,447)	-	184	(9,666)	(176)	-	-	-	(176)	-	-	-	-	-
Pretax Income	(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)
Taxes	-	-	-	55	55	-	11	-	-	11	-	-	-	-	-
Net income - continuing ops	**(210)**	**(10,873)**	**(2,600)**	**(1,049)**	**(14,732)**	**(1,366)**	**(1,669)**	**(1,182)**	**(1,206)**	**(5,424)**	**(940)**	**(965)**	**(973)**	**(1,006)**	**(3,885)**
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	
EPS diluted	**($0.01)**	**($0.52)**	**($0.11)**	**($0.05)**	**($0.68)**	**($0.06)**	**($0.07)**	**($0.05)**	**($0.05)**	**($0.22)**	**($0.04)**	**($0.04)**	**($0.04)**	**($0.04)**	**($0.16)**
Adjusted EBITDA															
GAAP Net Inocme	(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	-	-	-	-	-
Adjusted EBITDA	**363**	**94**	**(356)**	**258**	**663**	**(316)**	**(403)**	**318**	**294**	**79**	**560**	**535**	**527**	**494**	**2,115**
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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