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RESEARCH

LiveOne, Inc.

LVO - Buy $4 Price Target

Initiation Report – April 12, 2024

LiveOne – the Coolest Company in Music and Podcasting

Analyst: Barry M. Sine, CFA, CMT

We initiate coverage of LiveOne, Inc. with a Buy Rating and a $4 Price Target

- The company's two main businesses are its Slacker streaming music service at 55% of our F25 forecast revenue and PodcastOne (PODC – NASD) at 40%. LiveOne owns 73% of PODC shares and consolidates its results.
- Both businesses have the same creator-first strategy, with management focusing on personal relationships with talent and breaking new talent in both music and podcasting.
- Streaming music is a $20 billion industry, growing 10% in 2023 and Slacker is top ranked for its music curation and is known for breaking new, hot, young music talent.
- Slacker pursues a profitable B2B strategy selling streaming music services to companies such as its largest customer Tesla on a white label basis. It has announced several smaller deals, but has over 60 in the pipeline, including, presumably, some large well-known companies.
- Podcasting is a $2 billion industry, growing at 25% in 2023 and PodcastOne is ranked as one of the ten most popular, with a niche for finding and developing new talent.
- LiveOne is currently EBITDA positive, with $11.5 million in cash (7% of market cap) and is aggressively buying back stock.
- Presently, Slacker is strongly EBITDA positive while PodcastOne is on the cusp of an EBITDA breakout, per our model, so we forecast $21.4 million EBITDA in F25 (ends March 31).

Rating	Buy	
Target Price	$4.00	
Ticker Symbol	LVO	
Market	NASDAQ	
Stock Price	$1.84	
52 wk High	$2.19	
52 wk Low	$0.84	
Shares Outstanding:	91.7	M
Public Market Float:	88.4	M
Avg. Daily Volume	296,133	
Market Capitalization:	$169	M
Institutional Holdings:	40.8%	
Dividend Yield:	0.0%	

Earnings Per Share	**Normalized to exclude unusual items**			
FYE - March	**FY2023**	**FY2024E**	**FY2025E**	**FY2026E**
1Q - June	$0.02	($0.01) A	($0.01)	($0.01)
2Q - Se9tember	($0.04)	($0.09) A	$0.00	$0.01
3Q - December	($0.03)	($0.03) A	$0.00	$0.01
4Q - March	($0.04)	$0.01	$0.00	$0.01
Year	**($0.12)**	**($0.10)**	**($0.02)**	**$0.02**
Revenue ($mm)	**$99.6**	**$118.3**	**$151.6**	**$179.5**
EV/Rev	1.7X	1.4X	1.1X	0.9X
EBITDA ($mm)	**$10.9**	**$13.7**	**$21.4**	**$24.0**
EV/EBITDA	15.2X	12.1X	7.7X	6.9X

Risks/Valuation

- The dominant risk is that revenue from Tesla, for whom Slacker provides the in-car streaming music app included in the connectivity package on a white label basis, comprises 40% to 50% of revenue. Mitigating this risk are the facts that Tesla just renewed for an 11th straight 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.

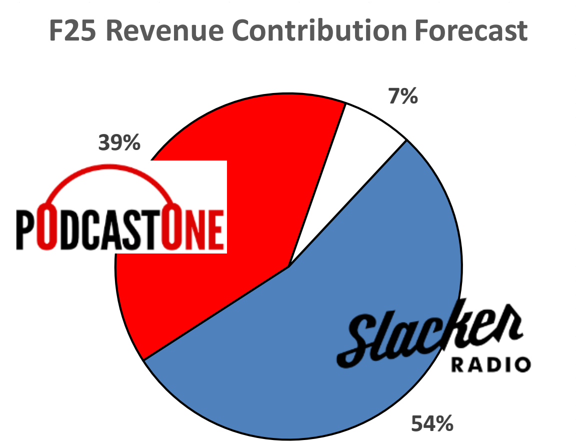
LVO - Buy $4 Price Target

The Coolest Company in Media – LiveOne Puts Creators First in Music and Podcasting

We initiate coverage of LiveOne with a Buy rating and a $4.00 twelve-month price target. The company is a cutting-edge music and podcasting provider with three key businesses. Comps trade at around 3.0x trailing revenue, and if LVO shares hit this level, and our estimates, they would be at around $4.65 per share.

LiveOne operates under three business lines, Slacker, run by Brad Konkol, PodcastOne (publicly traded under the symbol PODC and 73% owned by LiveOne) run by Kit Gray and DayOne Music Publishing, run by Josh Hallbauer. Our F25 estimate is for revenue of $151.6 million (in line with guidance of $147 to $155 million). Of that, we have Slacker doing $81.8 (guidance is $80 million), PodcastOne doing $59.9 million (F24 guidance is $47 to $51 million, pro forma for two acquisitions in the LOI stage), and another $10 million for everything else. Slacker is generating nearly all of the EBITDA with guidance of $20 million for F25. Our consolidated EBITDA forecast is for $20.6 million (guidance is $16 to $20 million) with PodcastOne doing $1.9 million, essentially offset by other losses. We note that LiveOne has a consistent track record of raising guidance most quarters, so we intentionally model the numbers at the high end of guidance. We also note that the company has been focusing on profitability for several years now under the leadership of CEO Rob Ellin, who has a keen understanding of the markets and has correctly identified that unprofitable growth companies (as LiveOne was for several years after its 2017 IPO) are now out of favor, and profitable companies are in. We heard the same message from PodcastOne President Kit Gray, and we expect his operation to turn EBITDA in F25 positive as it cleans up its revenue base and adds some new high-profile podcasts.

LiveOne is Essentially Two Cool, and Fast-Growing Businesses, with Several Small Call-Option-Type Business Units



Source: Litchfield Hills Research and Company reports

So, what does LiveOne do? The overarching theme is that they are focused on creators, either in music or podcasting. Slacker's main business is its streaming music service – a smaller but higher quality version of Spotify but it focuses on selling on a B2B basis, with Tesla as its anchor customer for the last decade (and just renewed). Slacker also has an individual subscription business but does not expend resources to target individuals, as this has proven unprofitable by others in the space. In addition to roughly 250 Slacker music channels, LiveOne has a linear channel, some live events, and multiple other offerings but the focus is on B2B streaming music. PodcastOne is a top ten podcasting company, but it focuses on finding and developing new talent, rather than the megastars of its peers (although it does have its own stable of megastars such as Adam Carolla). With a shakeout in podcasting, for example, Spotify downsizing and Warner Bros. Discovery exiting, PodcastOne is picking up new talent with its creator-first mentality. There are some other small gems, such as Drumify and CelebrityOne, that could prove to be breakouts, but none are key value drivers today, in our opinion.

Tesla Revenue Concentration is the Key Risk Factor

In terms of risks, the big one is the fact that Tesla is a 40% to 50% customer in any given quarter and their loss would likely drive EBITDA negative. But they just renewed for a tenth time, and Tesla owners, including Elon Musk, prefer its more sophisticated, curated music offerings, so we don't see them pulling it. Tesla is a significant customer for LiveOne, but LiveOne is an insignificant expense item for Tesla at 0.0007% of its total expenses for 2023. Apart from Tesla, the business is fairly well diversified. It is also possible that trends toward music streaming and podcasting demand by customers reverse, but currently, LiveOne is positioned in front of strong demand trends. And lastly, there is always execution. On that point, we later discuss each of the key individuals we consider most responsible for execution. We have met each and have known most for several years and have seen them perform. CEO Rob Ellin has a track record of creating value for investors with other companies before LiveOne.

Three Near-Term Catalysts

Three key potential catalysts are:

- The company disclosed in December 2020 that it has retained JP Morgan to pursue strategic alternatives and this process seems to have become more active in the last quarter. LiveOne had announced that it would merge its Slacker business with a SPAC, but this has been canceled. Any number of major media companies could benefit strategically from having a strong music and podcast business added to their portfolio (e.g., Amazon, Paramount, Warner, Disney) and the portfolio could also be of value to others. It was our impression when the JP Morgan retainer was first announced in 2020 that a prospective buyer had approached the company, but that they ultimately did not offer acceptable terms. CEO Rob Ellin is a major shareholder (24%) and has sold his prior businesses, but we expect that the board would look for something along the lines of a $10 per share purchase price. This would be a major windfall for investors, but still relatively minor for a large acquirer.
- The second recent disclosure is that the company will qualify, as of May 2024, for inclusion into the Russell 2000 index. Inclusion often means buying by index funds, pushing up the share prices of included companies. It also tends to provide support for the share price since index investors need to retain their holdings as long as the company is still in the index.
- The third is the disclosure of a mysterious new streaming B2B customer that is a Fortune 250 company and will generate $2 million per month in recurring revenue in the PodcastOne/advertising revenue line. The company has taken great pains not to disclose who the company is, but we note the four companies in the Fortune 250 meet their target B2B customer criteria (detailed later in this report) Paramount Global #134, Lumen #237, LiveNation #248 and Dish Network #249. Given the size of this relationship, about half the size of 50% customer Tesla, management has tiptoed around discussing it but has said that until they see how it ramps up, they are not amending guidance. As investors figure out who it is, and as it impacts revenue, we expect it to affect the stock price.

Strong Senior Management Team

This analyst has covered LiveOne since 2018 and has seen multiple iterations in the senior management team. After the 2017 IPO, founder Rob Ellin surrounded himself with industry veterans from legacy music companies such as Warner Music, Universal Music, and AOL. Today's team is a younger blend of mainly homegrown talent.

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Rob Ellin – founder, Chairman and CEO. Ellin is a serial entrepreneur having founded, run, and sold several successful startups since starting LiveOne in 2009 taking it public in December 2017 at $4 per share. Mr. Ellin is the face of the company and strategic mastermind, but he surrounds himself with lower-key, competent senior managers. He has a large, personal financial interest in the company, owning 24%, and takes no salary, aligning himself with investors.

Aaron Sullivan – CFO. Mr. Sullivan has been with the company since becoming controller in 2019 and became interim CFO of LiveOne in 2021 with the departure of its more seasoned (e.g. expensive) CFO. He was only recently named CFO in February. It has been our experience that the controller does the heavy lifting in terms of financial filings and in fact we have seen no interruption in the informative, timely financial filings the company has long produced. We met with Mr. Sullivan on our recent visit to the company's headquarters in Beverly Hills and found him to be a competent, mild-mannered counterpart to the CEO's more exuberant personality. Sullivan has a good ability to communicate complex financial issues and educate the financial community, staying within the bounds of reg FD, but pointing investors to public but perhaps obscure disclosures.

Brad Konkol – President of Slacker Radio. Mr. Konkol has been with Slacker since 2015, prior to its acquisition by LiveOne in 2018. Given Slacker's strong performance, and contribution of over 100% of LiveOne's EBITDA, we view Mr. Konkol as critically important. He is a level-headed engineer by trade and in fact, still lists his Slacker role as engineer on his LinkedIn profile. Mr. Konkol is based out of Slacker's San Diego headquarters with a 35-person tech team. After the acquisition by LiveOne, the team was largely tasked with supporting the company's live-streaming business, which has now been scaled back. Slacker was selected by Tesla personally by Elon Musk for its technology and has been continually ranked the best streaming music company by PC Magazine. Now this team is tasked with doing for potentially 60 other white label partners what it has done successfully for Tesla for over a decade. Coincidentally, Mr. Konkol was in Los Angeles when we visited LiveOne headquarters, so we were able to have a long sit-down meeting with him. Like Mr. Sullivan, and unlike Mr. Ellin, Konkol is a mild-mannered, quiet individual quietly running Slacker with little investor recognition. But we stress that his team's technology that won over Tesla and continues their decade-long relationship, generating the cash flow that has allowed LiveOne to thrive.

Kit Gray – Mr. Gray is the President of PodcastOne and is fortunate enough to have co-founded PodcastOne in 2012 and be mentored by National Radio Hall of Fame member and Westwood One founder Norm Pattiz. At a 2020 investor conference, Mr. Pattiz explained how a young Kit Gray taught him about the podcast industry. PodcastOne explains that it is in the relationship business, with two key constituencies – podcast talent and advertisers. Mr. Gray's forte is on the talent side, and he has a personal friendship with key talent such as Adam Carolla, the most downloaded podcast host ever, according to the Guinness Book of World Records. Mr. Gray works out of his home in the rural Florida panhandle, which makes sense for the head of a company that operates virtually. We discuss our conversation with Mr. Gray in more detail later in this report.

Sue McNamara – Chief Revenue Officer at PodcastOne. While Slacker is a B2B business, dealing with a small number of white-label customers, PodcastOne is in the advertising sales business and fortunately, it has one of the best in the industry in Ms. McNamara. She spent over 20 years in radio sales for CBS and successfully translated her experience to podcasting and PodcastOne. We are not just impressed by the amount of revenue her 12-person team brings in, but the diversity and match with the audience for each podcast. Such a strong CRO frees up Mr. Gray for his talent management role, allowing him to successfully land a number of well-known new properties as the industry goes through a maturation shakeup.

Josh Hallbauer – His title is Head of Music Publishing, but he seems to be the musical soul of the company. We have often met him at Mr. Ellin's side at investor conferences in recent years, but with Mr. Ellin out of town during our recent visit, we had more time to tap his vast knowledge of the modern music industry. Mr. Hallbauer gave us a great education about the radically changed state of the modern music industry and how LiveOne is thriving. He has never mentioned it to this analyst, but according to Wikipedia, he is an accomplished musician himself, as the lead vocalist for the band Radical Something under the name Josh Cocktail. His LiveOne bio mentions his relationships with musicians Justin Bieber, Selena Gomez, John Legend, and DJ Snake. In our meeting, he rattled off names like 21 Savage and Kid LAROI. He also told the story of discovering 13-year-old Billie Eilish nine years ago.

The Coolest Kids in Music

LiveOne prides itself on being at the forefront of breaking young new talent in the music industry and being talent centric. While established labels like Warner and Universal attempt to remain relevant with young new talent, for LiveOne, it's their core business is not secondary to serving more established musicians.

A key part of the company's coolness is its new headquarters in a renovated house in Beverly Hills. Previously, it was headquartered in an expensive high rise, with lots of extra space it didn't need. In keeping with the company's frugality, it funded needed repairs to the house in exchange for attractive rent terms and has an option to buy it. The house includes some office space but is mainly studio space for both musicians and podcasters with a PodcastOne broadcast booth. One of the studios has a full collection of Gibson guitars contributed by Gibson, presumably in recognition of the importance of LiveOne to young talent, who will be buying guitars for decades if their careers take off. The house has lots of public space – we had our meeting with the team in an alcove off the living room. We visited in the morning into early afternoon, and it was pretty empty but at night the studios are full, and the place is active. Out back is a pool and fire pit where musicians can unwind between recording sessions. The company also leases the adjoining house and furnished it with bunkbeds for visiting musicians. For the Grammy Awards, which the company streamed, they had over 800 guests at their party.

Mr. Hallbauer gave us some great quotes explaining how the music industry of today works and LiveOne's unique place in it. While it is much smaller than the major record labels, it has an outsized influence. Among his quotes were "LiveOne are culture curators" and "focused on breaking talent". Even if most media investors don't know who LiveOne is, young musicians trying to break into the industry know. We have been to several small L.A. events where LiveOne showcased new talent, one at Mr. Ellin's house (before they had the new headquarters) and another at the Peppermint Lounge in Los Angeles. The talent we spoke to were young, eager, and putting in the hard work they knew it takes to make it and understood LiveOne's role. At these events, the audience members we spoke to were an amazing mix of Hollywood executives, not just from record labels but from all genres, and were all personal friends of Mr. Ellin. Our attendance at these events over the years underscored just how influential LiveOne is, and its creator-first culture. PodcastOne and its president Kit Gray have exactly the same focus with Mr. Gray personally befriending talent such as Adam Carolla and newly signed Jackie Schimmel.

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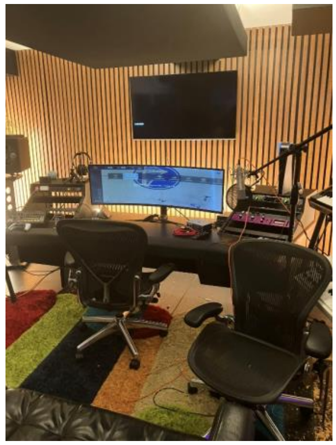
Where the Cool Kids Work

Josh "Cocktail" Halbauer

Music Mixing Room

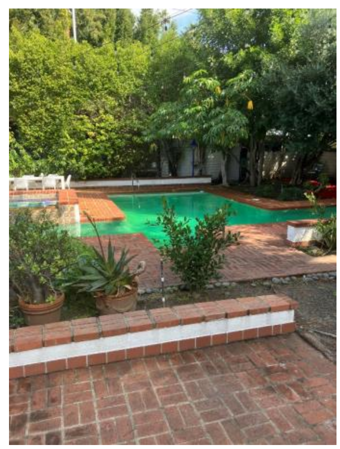


Gibson Guitar Room

Slacker Radio Recording Booth

PodcastOne Recording Booth

Main Pool



Pool and Guest House

Firepit

Source: Litchfield Hills Research

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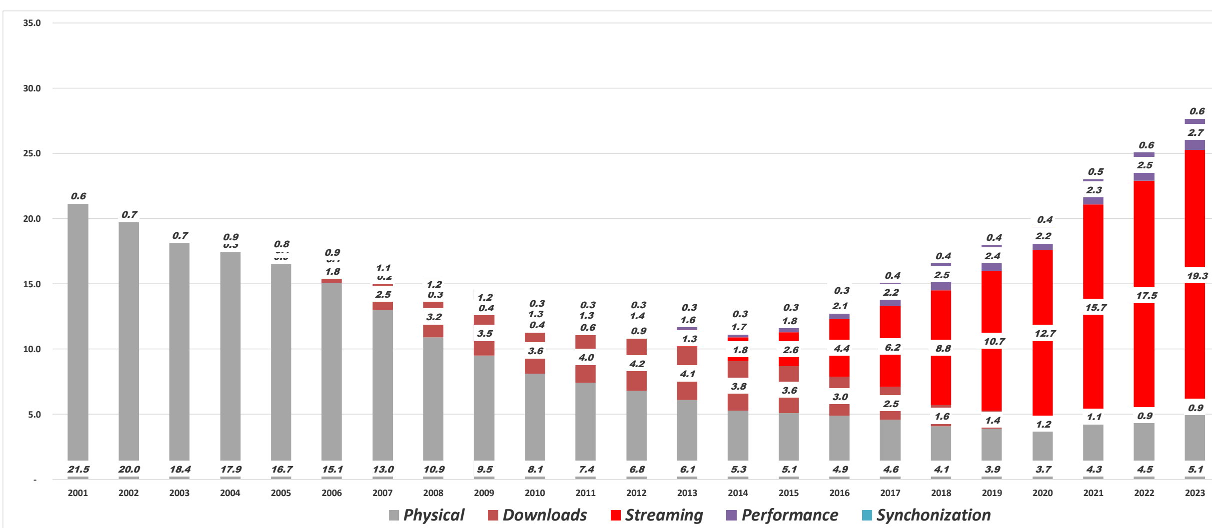
Slacker is Recognized as the Best Quality Music Streaming Service

The Slacker business is essentially a white-label streaming music platform with anchor customer Tesla. LiveOne is branded as Tesla Radio in this application and the two companies have a strong ten-year relationship which was just renewed for an eleventh year. Instead of playing the losing game of competing for individual subscribers, it targets wholesale customers with 60 prospects in its pipeline. Slacker generates nearly all of the company's EBITDA with it likely to generate $20 million of our $21.6 million F25 EBITDA estimate.

Our key takeaway on the music industry, using data from the International Federation of the Phonographic Industry (IFPI) is that streaming music is booming and saved the music industry. As the chart in the table shows, industry revenue bottomed out in 2013 as sales of physical media such as LPs and CDs crashed, with the industry failing to find a way to replace this revenue. The answer was streaming which is almost as large today as physical media was at the turn of the century. This has driven industry revenue higher, growing every year since 2013, with 2021 revenue exceeding 2001 revenue. It has also been boosted by a slight resurgence in sales of physical media with LP records making a comeback. For 2023, revenue hit $28.6 billion globally, up 10.2% representing the ninth consecutive year of growth. Steaming was almost half of this, at 49%, and grew 11.2%. So streaming is hot, and Slacker is a key player. It's not the largest player in the sector but is widely recognized as the quality leader, with a focus on new, hot, young emerging talent.

Streaming Saved the Music Industry



Revenue $	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Physical	21.5	20.0	18.4	17.9	16.7	15.1	13.0	10.9	9.5	8.1	7.4	6.8	6.1	5.3	5.1	4.9	4.6	4.1	3.9	3.7	4.3	4.5	5.1
Downloads				0.3	0.9	1.8	2.5	3.2	3.5	3.6	4.0	4.2	4.1	3.8	3.6	3.0	2.5	1.6	1.4	1.2	1.1	0.9	0.9
Streaming					**0.1**	**0.1**	**0.2**	**0.3**	**0.4**	**0.4**	**0.6**	**0.9**	**1.3**	**1.8**	**2.6**	**4.4**	**6.2**	**8.8**	**10.7**	**12.7**	**15.7**	**17.5**	**19.3**
Performance	0.6	0.7	0.7	0.9	0.8	0.9	1.1	1.2	1.2	1.3	1.3	1.4	1.6	1.7	1.8	2.1	2.2	2.5	2.4	2.2	2.3	2.5	2.7
Synchonization										0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.6	0.6
Total	**22.1**	**20.7**	**19.1**	**19.1**	**18.5**	**17.9**	**16.8**	**15.6**	**14.6**	**13.7**	**13.6**	**13.6**	**13.4**	**12.9**	**13.4**	**14.7**	**15.9**	**17.4**	**18.8**	**20.2**	**23.9**	**26.0**	**28.6**

YoY Growth	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Physical		-7.0%	-8.0%	-2.7%	-6.7%	-9.6%	-13.9%	-16.2%	-12.8%	-14.7%	-8.6%	-8.1%	-10.3%	-13.1%	-3.8%	-3.9%	-6.1%	-10.9%	-4.9%	-5.1%	16.2%	4.7%	13.3%
Digital					200.0%	100.0%	38.9%	28.0%	9.4%	2.9%	11.1%	5.0%	-2.4%	-7.3%	-5.3%	-16.7%	-16.7%	-36.0%	-12.5%	-14.3%	-8.3%	-18.2%	0.0%
Streaming						***0.0%***	***100.0%***	***50.0%***	***33.3%***	***0.0%***	***50.0%***	***50.0%***	***44.4%***	***38.5%***	***44.4%***	***69.2%***	***40.9%***	***41.9%***	***21.6%***	***18.7%***	***23.6%***	***11.5%***	***10.3%***
Performance		16.7%	0.0%	28.6%	-11.1%	12.5%	22.2%	9.1%	0.0%	8.3%	0.0%	7.7%	14.3%	6.3%	5.9%	16.7%	4.8%	13.6%	-4.0%	-8.3%	4.5%	8.7%	8.0%
Synchonization											0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	0.0%	0.0%	0.0%	25.0%	20.0%	0.0%
Total		**-6.3%**	**-7.7%**	**0.0%**	**-3.1%**	**-3.2%**	**-6.1%**	**-7.1%**	**-6.4%**	**-6.2%**	**-0.7%**	**0.0%**	**-1.5%**	**-3.7%**	**3.9%**	**9.7%**	**8.2%**	**9.4%**	**8.0%**	**7.4%**	**18.3%**	**8.8%**	**10.0%**

YoY Growth	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Physical	97.3%	96.6%	96.3%	93.7%	90.3%	84.4%	77.4%	69.9%	65.1%	59.1%	54.4%	50.0%	45.5%	41.1%	38.1%	33.3%	28.9%	23.6%	20.7%	18.3%	18.0%	17.3%	17.8%
Digital	0.0%	0.0%	0.0%	1.6%	4.9%	10.1%	14.9%	20.5%	24.0%	26.3%	29.4%	30.9%	30.6%	29.5%	26.9%	20.4%	15.7%	9.2%	7.4%	5.9%	4.6%	3.5%	3.1%
Streaming	***0.0%***	***0.0%***	***0.0%***	***0.0%***	***0.5%***	***0.6%***	***1.2%***	***1.9%***	***2.7%***	***2.9%***	***4.4%***	***6.6%***	***9.7%***	***14.0%***	***19.4%***	***29.9%***	***39.0%***	***50.6%***	***56.9%***	***62.9%***	***65.7%***	***67.3%***	***67.5%***
Performance	2.7%	3.4%	3.7%	4.7%	4.3%	5.0%	6.5%	7.7%	8.2%	9.5%	9.6%	10.3%	11.9%	13.2%	13.4%	14.3%	13.8%	14.4%	12.8%	10.9%	9.6%	9.6%	9.4%
Synchonization	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.2%	2.2%	2.2%	2.2%	2.3%	2.2%	2.0%	2.5%	2.3%	2.1%	2.0%	2.1%	2.3%	2.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: International Federation of the Phonographic Industry 2023 Annual Report

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For those older than Gen Z, the table below shows who the hot talent is in music, using IFPI album sales data from 2023. Most people know Taylor Swift, especially since she started dating Superbowl-winning NFL tight-end Travis Kelce. This analyst was in Singapore recently when Swiftees bought up most of the hotel rooms after the government reportedly paid her millions to make the country her only stop on her current Eras tour. As popular as Ms. Swift is, her Midnights album was eclipsed by the album *FML* from a band called Seventeen in 2023.

Who's Who in Music – Taylor Swift Sold the Most Albums, but Seventeen Had the Best-Selling Album

2023 Top Artists

	Artist	***2023 Album***	***Album rank***
1	Taylor Swift	Midnights	4
2	Seventeen	FML	1
3	Stray Kids	5-Star	2
4	Drake		
5	The Weekend		
6	Morgan Wallen	One Thing at a Time	3
7	Tomorrow X Forever		
8	Newjeans		
9	Bad Bunny		
10	Lana Del Rey		

Source: IFPI 2023 Global Album Chart

Nearly Four Million Members Drive Slacker Revenue

To analyze and forecast Slacker results we start with membership data. The company's reporting methodology has varied over the years but essentially, it reports paid members and total members. The paid number includes some Tesla members where no revenue is being received and it uses the term disputed. We believe the dispute is more of an accounting definition than an actual, significant dispute with Tesla as Tesla just renewed its contract for the 10th time. In addition to Tesla, and a growing number of other B2B membership plans, the company offers individuals three membership options: Premium at $9.99 per month, Plus at $3.99 per month, and Basic which is free but comes with ads. Plus increases the audio quality to 320 kbps versus 128 kbps for basic and includes unlimited skip capability. Moving up to Premium allows users to play songs or albums on demand and to download playlists or albums to listen to offline.

Per its most recent numbers, LiveOne had 3.7 million total members and 2.8 million paid members. As noted, it does not recognize revenue for all of its paid members. It recently revealed, we believe for the first time, that it has 1.7 million Tesla members or 61% of its paid base while Tesla is generally around 80% of Slacker revenue, although this varies.

LiveOne has ranked number one for years in PC Magazine's rankings of streaming music apps with the magazine noting its superior music curation. This analyst is a subscriber and listened to LiveOne streaming music over Sonus while working on this report. This competitive advantage comes from LiveOne's overall creator-centric corporate culture. For example, while Amazon Music just streams basic playlists without much variety, LiveOne channels are more carefully curated with a greater variety of songs and commentary by both current and older artists, bridging generations.

When Tesla Ships a Car (or CyberTruck) Slacker Gains a New Member

Tesla Shipments vx. LiveOne Subscriber Additions

in thousands

		Tesla Deliveries	LiveOne Paid Adds	Ratio LVO/TSLA	Paid LVO Members	Total LVO Members
FY22						
June	1Q	201	89	0.4	1,162	
Sept.	2Q	241	94	0.4	1,256	
Dec.	3Q	309	113	0.4	1,369	
March	4Q	310	211	0.7	1,580	2,350
		1,061	**507**	**0.5**		
FY23						
June	1Q	255	120	0.5	1,700	2,350
Sept.	2Q	344	100	0.3	1,800	2,600
Dec.	3Q	405	160	0.4	1,960	2,800
March	4Q	423	232	0.5	2,192	3,100
Total		**1,427**	**612**	**0.4**		
FY24						
June	1Q	466	108	0.2	2,300	3,200
Sept.	2Q	435	100	0.2	2,400	3,300
Dec	3Q	485	247	0.5	2,647	3,500
March	4QE	387	155	0.4	2,802	3,700
Total		**1,772**	**610**	**0.3**		

Tesla members = 1.7 million as of March 2023

Source: Litchfield Hills Research and Company reports

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646-234-3333 * Important disclosures are located at the back of this report

This differentiation was, and presumably still is, important to Elon Musk, Tesla's CEO. He personally conducted the research a decade ago which led to choosing Slacker as the default provider for the Tesla Music app included with the connectivity package on all Tesla cars sold in North America. Based on various internet sources, it appears that the vast majority of Tesla owners purchase the connectivity package (because, in addition to music, it unlocks many other important features). We also believe that most of them actually listen to Slacker/LiveOne. Tesla also includes Spotify, Apple Music, TuneIn, and Tidal. Using Spotify requires a separate subscription.

A longtime thesis of shorts on LVO shares is the potential to lose the Tesla relationship. This thesis has been out there since the company went public in 2017, and it hasn't proven true yet, with Tesla just re-upping for the tenth time. While losing Tesla is the most significant risk factor, we don't see it as likely for several reasons. First, LiveOne has kept its competitive advantage offering a superior curated music experience, as confirmed annually by PC Magazine. Second, there is now the inertia of millions of Tesla owners, including Elon Musk, who are now comfortable with the LiveOne music offering, so pulling it back would probably upset many customers. And for the roughly $3 per user per month that Tesla pays LiveOne, amounting to $44 million for LiveOne's F23, it's not that big of an expenditure for Tesla.

Per its most recent numbers, LiveOne had 3.7 million total members and 2.8 million paid members. As noted, it does not recognize revenue for all of its paid subscribers. It recently revealed, we believe for the first time, that it has 1.7 million Tesla subscribers or 61% of its paid base while Tesla is generally around 80% of Slacker revenue, although this varies. Tesla also varies between 40% and 50% of LiveOne's total revenue in recent quarters, although with other streaming BRB partnerships and growing PodcastOne ad revenue, this should decline over the next few years.

It has been widely reported that Tesla shipped 387,000 cars in the March quarter, missing consensus and coming in at the lowest level in six quarters. Tesla cited a number of factors suggesting that the slowdown was temporary, and we do not view it as materially changing LiveOne's outlook. In the figure on page 9, we track Tesla shipments and LiveOne paid member additions over the last three LiveOne fiscal years. While both Tesla shipments and LiveOne member additions are increasing rapidly, we note a slow decoupling, presumably for several reasons. First, LiveOne is only included in Tesla North American cars, while a growing proportion of Tesla shipments are international with factories now in Berlin and Shanghai. We note that the reasons Tesla gave for the March quarter slowdown (Houthi attacks on shipping slowing exports from China and a German eco-terrorist attack halting European production for a time) do not affect North America, except for cars imported from foreign factories. Second, there is a growing trend of non-Tesla customer wins at Slacker, with a 900k gap between paid and total members, presumably representing the popularity of the basic, ad-supported membership option and other, smaller B2B customers.

A major new talking point in LiveOne's investor communications is the growing number of B2B prospects, some of which are likely already onboard as the company reports 1.1 million more paid members than Tesla members. The company did not focus on the B2B market sooner as the development team was focusing on the company's original, pre-Covid market – live events. Management discusses several key verticals they are targeting in B2B.

Retail – think merchants like Walmart or Costco trying to match Amazon Prime's inclusion of music.

Transport – for example, American Airlines includes Apple Music on its inflight entertainment systems.

Automotive – Slacker already has the Tesla relationship and has disclosed other automakers over the years. It has a longtime, multi-faceted relationship with Hyundai in a number of areas.

Carriers – cell phone companies have in the past and will likely also in the future, included the Slacker app pre-installed on their Android devices (pre-installing third-party apps on Apple devices is not permitted currently, although this may change with anti-trust enforcement looking at Apple). The company has in the past disclosed Verizon as a customer.

Telco – other telecom carriers may wish to include streaming packages with their broadband service. We expect Amazon to bundle Prime, including music and video, when it launches its own

Kuiper internet service next year, so cable and telco internet providers may need to match this bundling.

LiveOne has recently already issued a press release for a contract with OTT Studio, a free, ad-supported streaming television (FAST) provider with over 250-plus offerings. They include Cartoons Plus, Movies Plus, and recently, Music Plus. The Music Plus content and back-end technology is provided by LiveOne. We view this as an ideal partner. None of the other major streaming music competitors is focusing on white labeling their product, but for LiveOne, it is their focus. Slacker President Brad Konkol has a 35-person tech team in San Diego, and they are now focused on customizing offerings for B2B customers.

Another new customer is an innovative company called Telly. They are giving new customers free 55" 4k TVs with their own proprietary soundbar/secondary screen that plays ads the customer cannot escape from. Telly is taking ad-supported television to the extreme, giving away advanced hardware in exchange for strict terms to ensure the monetization of its ads. Users must give detailed demographic information, not modify the TV or use ad-blocking technology and use the TV as their primary TV or they will be charged $1,000 to their credit card for the TV. Telly is an innovative new concept founded by the founder of Pluto TV. They needed to assemble an array of content and LiveOne made the music part easy as they have the necessary licenses and technology team to customize music for Telly.

LiveOne has provided guidance for F25 revenue of $80 million and EBITDA of $20 million for Slacker. Our model is largely consistent with guidance. To model Slacker revenue, we forecast paid members and ARPU and multiply the two to arrive at revenue. Historically ARPU was $2.31 per month last year and around $2.25 for the first three quarters of F24. The decline is likely due to a greater proportion of ad-supported, basic subscribers. We model it at $2.30 in F25 and $2.50 in F26, assuming that new B2B relationships will drive subscription revenue for LiveOne from the partner, as is the case with Tesla.

We model paid members at 3.3 million for F25 and 3.8 million for F26 and multiply our member estimate times our ARPU estimate to forecast revenue. There is a minor issue with this approach as the company has disclosed that some of its reported paid members are in dispute with Tesla, so while subscribers are reported with the disputed members included, revenue excludes revenue from disputed members. Our methodology yields revenue estimates for Slacker of $82 million for F25 and $105 million for F26. Our F25 number is slightly ahead of guidance, but the company has a track record of regularly raising guidance.

PodcastOne – Theater of the Mind

PodcastOne is both a podcast platform and publisher of its own podcast content. It was founded in 2012 by co-founders Norm Pattiz and current President Kit Gray. Pattiz was an industry legend, previously founding Westwood One Radio in 2006, now part of Cumulus Media. Shortly before Cumulus acquired Westwood One, he left to found a new radio company, Courtside Group, in 2010 and PodcastOne was founded as part of Courtside in 2012. Pattiz was named to the named to the National Radio Hall of Fame in 2009. He mentored Mr. Gray who was 35 when PodcastOne was founded. As an experienced radio executive, he was one of the first to recognize the industry shift from radio, where advertising revenue is in decline, to podcasting, where it is growing. Mr. Pattiz sold his company to LiveOne in 2020 for $18 million, staying on with LiveOne and becoming an important confidant and mentor to CEO Rob Ellin. It is due to Mr. Pattiz's influence that the company was renamed from LiveXLive to LiveOne in 2021, and its brand names end in the word one. Sadly, Mr. Pattiz passed in 2022, but his legacy lives on with the insight he shared with Messrs. Ellin and Gray, the podcasting strategy, and the brand names.

PodcastOne has been publicly traded since August 2023 with LiveOne consolidating its results and owning 73% of shares. It has 178 podcast shows, having added 30 to date in F24, and 100 in its pipeline. While it is still mainly an audio-only podcasting company, it is increasingly expanding its content into vodcasts, simply turning the cameras on its existing podcast productions. In its SEC filings, PodcastOne describes itself as being in the relationship industry, with two types of relationships: the talent and the advertisers who are attracted by the audience the talent's podcasts attract. Below we describe the talent relationship process and our take on a curated list of six representative podcasts.

PodcastOne also has strong and unique relationships with publishers. Mr. Gray also articulated that while listeners are growing, there is a shakeout among podcast publishers and distributors. Major platforms such as Spotify are culling their number of programs while some platforms such as Rooster have ceased entirely. Warner Bros. Discovery announced on March 6th that it was shutting down its Rooster Teeth media business and attempting to sell off the Rooster podcast business. As we discuss below, PodcastOne is also attracting podcasts from other platforms such as Dear Media, which recently lost Jackie Schimmel and her popular Bitch Bible podcast to PodcastOne.

The company describes its talent management process as a White Glove service with its own unique CMS (content management system). Most companies describe their products and services as unique and/or superior in their SEC filings, but PodcastOne appears to truly have a competitive advantage and the talent wins to back up their claims. Podcasting is a large and lucrative business for talent such as Jackie Schimmel and Adam Carolla. Mr. Gray attributes the successful recruitment of Ms. Schimmel and the 13-year (and counting) longevity of the Carolla relationship to their CMS. PodcastOne is unique in that it engages with publishers to collaborate on strategy and includes them on sales calls to prospective advertisers. Using its CMS, its publishers have real-time access to data on impressions and revenue, whereas some platforms do not provide this critical information. The company hires a third party to manage its CMS and the data is aggregated from the many sources that track podcast data. They also use Verizon's content delivery network (CDN) with servers around the world, to speed the delivery of podcasts.

Consistent with LiveOne's articulated strategy of being creator-focused on identifying and introducing new talent, PodcastOne has its own LaunchpadOne simple platform where people with new ideas for podcasts can produce and distribute their own podcasts. This platform has over 1,000 shows, but most generate only a few hundred impressions. It likely generates minimal revenue, but it costs very little to create and operate. The company does insert its own ads, with no revenue split to talent, and in return gives them free use of the platform to store and distribute their content to all major podcast listening platforms. Talent can source and insert their own ads, pocketing the revenue. It gives the company a first look at breaking talent as it sees who has large numbers of impressions.

Featured podcasts on LaunchpadOne include:

- Your Favorite Blockhead
- Elevation Lifestyle
- The Dance Room
- Prickly and Blooming
- Ghost Freak'n Talk'n
- The Real Housewives of Reality

Sampling the Content – Liberal Ladies and Conservative Men

During our call with PodcastOne President Kit Gray, he curated a list of six representative podcasts, which we listened to and comment on below. The company's audience is 58% female. While management does not say that the audience is skewed towards housewives, logically they have more time and are likely over-represented in the audience. Even supposedly non-gendered content, like crime podcasts, skew more towards women. The good news is that women are loved by advertisers because many love to shop and with the changes in the media landscape, they are more elusive to reach. Podcasts are ideal, since not only can they reach women audiences, but they can also track them since most ads on the podcasts we listened to included some kind of discount if listeners entered the podcast code. So, advertisers can directly track the spending. In the summaries below, we list the advertisers on each.

LadyGang – The Hollywood Girl Posse

Source: Company reports

"Are you afraid to be alone with your own thoughts? Would you rather hear stories and conversations from three idiots stumbling through womanhood? Well, you're in the right place! From the minds and mouths of Keltie Knight, Jac Vanek, and Becca Tobin, the LADYGANG podcast intends to make women feel less alone. Each week the ladies welcome celebrity guests, experts, or chat amongst themselves about all things lady."

Given the lady focus of PodcastOne, we decided to dive into decidedly female content with LadyGang. The podcast logo shows the three hosts, supposedly naked in a bathtub. The three hosts are very likely similar to the audience demographics:

> **Keltie Colleen Knight** - 42 years old - Ms. Knight is a three-time Emmy Award-winning Canadian television personality, a New York Times best-selling author, and a former professional dancer.
>
> **Rebecca Grace Tobin** (Becca) – 38 years old - Ms. Tobin is an American actress, singer, and dancer. She played the character Kitty Wilde on the Fox musical comedy-drama series Glee.
>
> **Jac Vanek** - 37 years old - Ms. Vanek has her own fashion line, with products on sites such as Zumiez and Shopify. She has long been a fashion and music influencer. Per her bio: "Her unconventional Jac Vanek brand continues to defy boundaries of the fashion industry, and her sassy graphics and slogans are widely worn by celebrities."

The podcast has been around since 2015 and has boasted nearly 200 million downloads. It has won or been nominated for awards such as People's Choice, Webby, and Entertainment Weekly where it won Podcast of the Year in 2015. They have also published a book – "Act Like a Lady" – which was a New York Times bestseller.

We began by sampling their 26-minute episode of March 14th and found it focused on often taboo female topics such as menopause, periods, dildos, and uterine cancer – topics that pretty much appeal to the exact opposite of the Duck Dynasty audience. Given the fashion expertise of the gang, they also opined on the topic of counterfeit fashion shoes. About halfway through the podcast, three ads were inserted.

- **Jenni Kayne** – a high-end women's fashion brand with a website and 26 retail stores in upper-income locales such as West Hollywood, Greenwich, and Naples.
- **Great Jones** – a high-end cookware website.
- **Huggies** – the Kimberly Clark diaper brand.

The ads took about three minutes with each voiced by the LadyGang talent, although not live. The sponsors all appeal to women, with no overlaps and two feature more expensive products. We could definitely picture a LadyGang listener wearing a Jenni Kayne outfit, cooking on Great Jones cookware while their child wears Huggies. So, this first listen was a good representation of both LadyGang and PodCastOne.

However, given the strong female-focused topics of our first exposure to the gang, we then sampled the 23-minute March 28th podcast whose topics were less gender-centric. They had a light-hearted discussion of what is called the "jump scare" in horror movies (sound effects leading up to a big scare) and how jump scares are used in other genres with an example from Instagram. Again, the ads were a mix of one large company and two more female-focused ads, with the first two voiced by LadyGang talent.

- **ExpressVPN** is perhaps the largest and most popular VPN. The ad focused on using it to get around Netflix geo-blocking, where Netflix checks your location and only shows ads where it has a license. By spoofing the location with ExpressVPN, the ad says viewers can avoid this restriction, despite Netflix's claims on its website to the contrary.
- **Just Thrive Health** – this company sells probiotics, antioxidants, memory stimulus, and other health supplements online and in retail stores. Its products are not gender-specific, but its marketing focuses on women.
- **Hazel the Beauty RN** – this was apparently a locally inserted ad in New York City (where we streamed from) as it is a beauty consultation service run by a New York area registered nurse.

We note the diversity of these ads and the creativity of the PodcastOne ad sales team in assembling such a diverse group of advertisers, and we only listened to two of their podcasts.

Jennifer and Pumps are the Ladies of I've Had It

Source: Company reports

The I've Had it podcast features two women from Oklahoma who notably go against the conservative, religious, bible-belt image of the state. Their bios are:

> "**Angie "Pumps" Sullivan** was born in Tulsa, Oklahoma, and was raised in Oklahoma City. An attorney by trade, she managed to find another eccentric in the profession, having worked for Josh Welch early in her career. She and Josh remain as close as ever – and she and Jennifer, while polar opposites, are also best friends." She is apparently still practicing law because she mentioned a situation with a soda vending machine at a courthouse. She also appears on the Bravo show "Sweet Home Oklahoma".
>
> "**Jennifer Welch** was born in Dallas, Texas, and moved to Oklahoma City when she was seven. She is "happily divorced" from Josh Welch, with whom she lives and raises their two sons, Dylan (15) and Roman (13). Having built up her own firm for the last twenty years, Jennifer is a highly accomplished interior designer and equally adept at residential and commercial projects. In addition to her work in Oklahoma City, Jennifer has completed projects in Nashville, Dallas, Palm Springs, Denver, and Hawaii, among others. She is a perfectionist with an "eagle eye" for every detail."

We listened to the 48-minute March 27th podcast. Again, the podcast is a somewhat cynical, light-hearted look at topics of particular interest to women, with the hosts, and presumably the audience, skewing a bit older (vs. LadyGang's audience demographics) as both hosts are in their 50s. We were not sure what to make of the criticisms of conservatives, MAGA, and the religious for they say "oppose other people being happy" because the hosts spend their podcast doing the same thing. At one point they mocked lesbians for their supposed superiority in sports and called out a group of "lesbian mee-maws" for trying to enter an empty pickleball court before their allotted time. However, at the end of the podcast, they mention pride themed I've Had It merchandise on their site. Our take is that their podcast is all in good fun, and it should be taken in the light-hearted vein it is intended.

The topics discussed criticized people who are nostalgic with the hosts' theory that back then people could act like "dicks" whereas they are called out for such behavior now. In another segment, attorney Angie

Sullivan tells a story about how the vending machine in the local courthouse dropped her Diet Dr. Pepper from a height, causing it to splash all over her when she opened it. In another, she recalled spilling wine onto the crotch of a date at a Flip's Wine Bar in Oklahoma City, so apparently spilled beverages are a theme for them. It's not clear if Flip's or Dr. Pepper paid for their promos but presumably, they picked up business from the podcast.

Since we listened to a 48-minute podcast, we were treated to two, three-advertiser, three-minute ad blocks.

- **Arizona State University** – this was an inserted, stock, generic ad for the well-known online university.
- **McDonald's** – this was another ad for a well-known, national brand and this was voiced by the podcast talent.
- **Peloton** – this was also an ad for a well-known national company.

Since the podcast is presumably targeted towards a female audience, we can see listeners studying for degrees online at ASU, eating McDonald's food, and then working it off on a rented Peloton featured in the ad.

The second ad block also featured three companies popular with women.

- **Etsy** – this is a publicly traded online company featuring crafts and other products.
- **Quince** – this is a women's fashion brand, and the ad was voiced by the talent discussing how they loved the company's V-neck Cami products, which retail for $40 on the site. So, this is a bit of a lower price point than the luxury goods sold by the LadyGang in places like Southampton, presumably more popular with their Oklahoma and other red state audiences.
- **Stitch Fix** – this company is also publicly traded and sells curated outfits for men and women with the I've Had It featuring their woman's offering. Presumably one can also wear a Quince camisole with a Stich Fix outfit. Again, this sponsor seems appropriate as we can't see the upscale L.A. LadyGang audience wearing pre-selected mail-order outfits, but the company likely appeals more to the I've Had It audience.

Again, like the other ads we can see Jennifer and Pumps, and their presumably similar audience buying using Etsy products and wearing Quince and Stitch Fix apparel.

After listening to the ladies kvetch, we shifted our focus.

Cold Case Files Brings the Stories from A&E to Podcasting

Source: Company reports

Cold Case Files is a very well-known brand of crime drama long popular on the A&E cable channel, then Netflix, and now also on PodcastOne. According to Mr. Gray, this genre is also very popular with its large female audience. The official description is: “Cold Case Files is a reality legal show/documentary on the cable channel A&E Network and the rebooted series on Netflix. It is hosted by Bill Kurtis and the original series was produced by Tom Golden. The show documents the investigation of many long-unsolved murders (referred to as "cold cases" in detectives' parlance) through the use of modern forensic science (especially recent advances in DNA techniques), and criminal psychology, in addition to recent breakthroughs in the case(s) involving previously silent witnesses. Some episodes of the series have now been adapted into a podcast of the same name, "Cold Case Files," hosted by Brooke Gittings and featuring the voice of the original Cold Case Files host, Bill Kurtis. The podcast is part of the PodcastOne podcast network in conjunction with A&E.”

We listened to the 41-minute March 30 podcast which included two stories. It began with an ad for Arizona State University, which does have a criminology major for cold case fans so they can turn their interest into a career. The first story involved serial killers David Gore and his cousin Fred Waterfield and their abduction of teens Regan Martin and Lynn Elliott in 1983. This was a grizzly story told in the voice of Ms. Martin including rape and the murder of Ms. Elliott. It was not actually a cold case as the perpetrators were arrested on the day of the event and Mr. Gore was executed in 2012, with Mr. Waterfield receiving two life sentences as the accomplice.

At the 15-minute mark, there was an ad for language software/app Rosetta Stone, with Cold Case Files listeners receiving a 50% discount on lifetime subscriptions.

After the break, the podcast went into the story of Alaskan hunters Gary and Scott and their ordeal after their plane caught fire and crash-landed near their hunting cabin in Talkeetna, Alaska. We found it to be a gripping tale of human survival with, happily, both men rescued after a day and recovering from severe burns. The story was interrupted in the middle with a one-minute commercial break for the company’s recently acquired, award-winning podcast “Was I in a Cult?” and then a spot for Hotels.com. At the end, there were three ads – one for Pluto TV, one for CloudStrike, and a Spanish-language ad for McDonald’s. The inclusion of a Spanish ad in an English-language podcast was perplexing.

Your Welcome with Michael Malice

Source: Company reports

We next shifted our listening focus to three male-hosted podcasts with the first being "Your Welcome" with Michael Malice. The host's real name is Michael Krechmer – age 43. He is a, is a Ukrainian-American anarchist, author, and podcaster.

Tagline: "Michael Malice brings his unique perspective - and plenty of sick burns - as he discusses everything from North Korea to American politics and culture with a bevy of guests."

We listened to the one-hour March 24th podcast with guest David Rubin. Your Welcome is an outspoken, conservative podcast with a conservative host and conservative guests. The sponsor was a company called Fast Growing Trees which bills itself as the largest online nursery. The topics started with the recent departure of Candace Owens from Daily Wire and reports of discord between her and Daily Wire owner Ben Shapiro. For the uninitiated, both are very well-known in the online world, and both are extremely controversial and popular. Most of the podcast revolved around Rubin's recent visit to Israel and a discussion of the Hamas-Israeli war. Both the host and guest were strongly on the side of Israel. The discussion morphed into a discussion of American politics and the Biden administration. Listening to the podcast, we couldn't help but think what PodcastOne liberal hosts Jennifer and Pumps from I've Had It would say about Malice and Rubin.

At the 24-minute mark, Michael Malice voiced an ad for the sponsor, Fast Growing Trees, and discussed how he purchased one of their trees with a gift certificate he was given. Apparently, conservative podcast listeners are a target audience for online nurseries. The second ad was an insert for PodcastOne's own Varnamtown podcast (which we discuss later) discussing how this real-life city has issues with crooked cops and brother against brother. There was no closing ad. So, either Fast Growing Trees paid a higher amount to be the sole third-party sponsor, or it is tougher to place ads for conservative podcasts than for the liberal female podcasts we listened to.

Jordan Harbinger - Former Wall Street Lawyer and Broker Turned Podcaster

Source: Company reports

Attempting to listen to Mr. Harbinger's podcast sends the new listener to sites across the World Wide Web. His podcast is prominently listed first among the podcasts shown on the company's home page. But clicking on the logo offers an option to subscribe or to listen on Apple, Spotify, or Outcast. Clicking on the most recent episode sends one to jordanharbinger.com. The one hour and 16-minute Friday, April 5th podcast covered four topics, per the website:

- Your alcoholic sister's in an abusive relationship, and you worry your nieces are in danger. What can you do?
- Taking over from a clueless old boss can be challenging. How can you forge ahead without tinging new business relationships with his old-boss smell?
- "Your dad gave me an STD! Wanna share a toilet?"
- Your immigrant parents seem to have your best interests in mind. It's a shame they're so racist.

It included an impressive array of diverse advertisers:

- **Nissan** – the world's 9th largest auto manufacturer
- **BetterHelp -** the Teladoc-owned mental health telemedicine company that advertises across many PodcastOne podcasts. Presumably, podcast listeners are more apt to get their medical services via telemedicine.
- **Quince** - a clothing website offering listeners a discount.
- **Conspirituality** - a podcast which "dismantles" cults.

As the topic list shows, Mr. Harbinger's webcast is largely apolitical, covering common, daily life topics. The April 5th first topic was about a passenger on a flight to Japan who took his shoes off and had an extreme foot odor problem. So, the audience is people fascinated by unusual topics. Presumably, this audience is a key target for low-end Japanese cars such as Nissan and the other sponsors.

At the 14-minute mark, Mr. Harbinger smoothly segued into a discussion of an international trip to a discussion of sponsor Flykitt.com which offers jet lag treatment kits for $99 per flight, although there is a Jordan Harbinger discount.

Adam Carolla Holds the Guinness World Record for the Most Downloaded Podcast

Source: Company reports

Adam Carolla – age 60, is an American radio personality, comedian, actor, and podcaster. According to the Guinness World Records in 2011, his is the "most downloaded podcast". He is probably the most famous of PodcastOne's talent and has a personal friendship with Kit Gray, so hopefully he will stay at the venue for a long time. The show's official tagline is "Adam shares his thoughts on current events, relationships, airport security, specialty pizzas, politics, and anything else he can complain about. Five days a week and completely uncensored, Adam welcomes a wide range of guests to join him in the studio for in-depth interviews and a front-row seat to his unparalleled ranting. Let's not forget Bryan Bishop (Bald Bryan) on sound effects. Check it out as Adam hangs out with some of his pals like Larry Miller, David Allen Grier, Dr. Drew Pinksy, Dana Gould, Doug Benson, and many, many more."

He started his current show as a radio show for Infinity Broadcasting in 2005 to replace Howard Stern, when he jumped to Sirius Satellite Radio. After his host radio station switched formats, and his show was cancelled, he moved to podcasting. Thus, he was one of the pioneers of the format, and his show is still going strong. His views, and those of his guests, are decidedly conservative. Doing the math, if he has done five two-hour podcasts every week since 2009 that's almost 8,000 hours of podcast and tens of millions of dollars in advertising revenue. Thus Mr. Carolla is a money machine for PodcastOne, and himself of course, and is probably the best example of the value of the company's portfolio.

Mr. Corolla's podcasts are each over two hours long, similar to a show on the radio, so we would imagine that most listeners tune in and out, rather than committing two hours a day, five days a week to listen to every episode. We listened to the first 30 minutes of the April 4th show, which featured guests Sage Steele and Jason "Mayhem" Miller. Ms. Steele is a 51-year-old outspoken former ESPN host. She is also a rare, conservative black female which, as Mr. Carolla points out, makes her anathema in liberal media, such as Disney-owned ESPN, and a darling on conservative platforms such as Mr. Carolla's podcast. Again, we note that, unlike major media outlets such as Fox and NBC, PodcastOne is serving both sides of the strongly divided ideological spectrum in the U.S., which we view as a very smart financial decision.

The advertising in the segment we listened to included a 30-second opening spot for Lasik.com and a 30-second spot for Amazon-owned Whole Foods. Lasik.com scrupulously hides its ownership, but obviously, Amazon is extremely well-capitalized and able to pay top dollar for spots on the most downloaded podcast ever.

Varnamtown – True Crime Podcast About Small North Carolina Town Has Become a Big Hit

Source: Company reports

The Varnamtown podcast is a true crime podcast hosted by Kyle MacLachlan and Joshua Davis. This podcast has proven to be enormously successful recently, ranking 5th in downloads for new podcasts on Apple. MacLachlan is a 65-year-old actor best known for his role on Twin Peaks. Varnamtown is referred to as a real-life Twin Peaks. When MacLachlan heard the story he contacted investigative reporter Joshua Davis, who researched it, and the two collaborate on the podcast. Varnamtown is a fishing community in the extreme southern tip of North Carolina near the Atlantic Ocean and South Carolina. It was founded by Roland Varnam and most of its population are either Varnams or people related to a Varnam through marriage. It has a population of just 63 and is less than one square mile. It was first settled in 1860 and incorporated as a town in 1988. Three of the six town council members have the same surname.

The amazing story of the podcast was that in the 1980s famed Colombian drug czar Pablo Escobar struck a deal with the Varnams to land his planes coming from Colombia with cocaine. Varnamtown is out of the way and the Drug Enforcement Administration was on to Escobar at his old landing site of Miami. Varnamtown was far enough away and rural enough to theoretically escape detection from the DEA, but close enough to South America so their drug flights could make it there without refueling. The podcast, which is only up to eight episodes so far, relates the story of how unlimited money and cocaine affect a tiny rural town.

We sought to listen to the first episode, dated January 24, 2024, but only recent episodes are available for free on the PodcastOne website. So, we turned to YouTube, which is where about one-fifth of podcast listeners get their webcasts. This 31-minute episode set the stage for the story and told how family patriarch Dale Varnam struck the deal with Escobar, coming into enormous wealth. It told the story of how the plane formerly owned by rock band REO Speedwagon, still emblazoned with their logo, landed in Varnamtown for a drug delivery. Eventually, when the feds caught on to what was happening, Dale saved himself by turning state's witness (which is presumably how so much detailed information on the story has come out) eventually leading to the prosecution of about 300 people, which was about the population of the town then. So, he eventually turned in most of the population.

The 31-minute podcast was interrupted at the 8- and 16-minute mark for one-minute commercials. The commercial at 8 minutes was voiced by the hosts and was for Teladoc-owned BetterHelp, which offers mental health treatment using telemedicine technology. The second ad was 30 seconds long and was for HelloFresh, which is a publicly traded company out of Germany that sells meal kits in markets around the world. Varnamtown listeners can get a free added breakfast item with their purchase of a meal kit using the Varnamtown code. In our opinion, this podcast is fascinating and after we finish this report, we intend to listen to the other episodes.

Varnamtown is an example of PodcastOne content that can be further monetized. At a recent conference Kit Gray and Rob Ellin described how another podcast was just licensed to a television production company for an upfront payment of $70,000 and $50,000 for each of 26 episodes produced annually. That works out to almost $4 million in incremental revenue over three years, if all episodes are picked up, for no additional spending on the company's past, so pure cash flow. We think Varnamtown will follow, and now that the model is working, we expect many more episodes. Just the advertising on the podcasts generates positive EBITDA, while ancillary licensing is all potential added profit.

Advertisers are Flocking to PodcastOne Because It Works

Today, PodcastOne is on track to exceed $50 million in annual revenue, with 5.5 million unique monthly listeners listening to its 108+ podcasts and is ranked number ten in the podcast industry. About 95% of revenue comes from advertising and advertisers are clamoring for podcast advertising. The reasons why are apparent. Mr. Gray put it succinctly when we asked him why: "It works." Unlike music, listeners have to actively listen to spoken word content and process it to enjoy it. Mr. Gray calls it the "theater of the mind" since listeners have to supply the visuals in their minds. In this report, we reviewed six key podcasts and note that the advertising is well-synced to the podcasts. In some cases, the ad is segued from the discussion (e.g. a recent discussion on jet lag by Jordan Harbinger segued to an ad for jet lag treatment company flykit.com). In many cases, the ad is voiced by the podcast talent. In all of the podcasts we listened to, the advertisers' products are appropriate to the podcast's target audience (e.g. LadyGang ads for Huggies, fashion company Jenni Kayne and upscale cookware company Great Jones). We also noted that the ad breaks are relatively short and positioned throughout the podcasts. We noted that there was no advertiser overlap, with no two advertisers on a podcast competing in the same industry.

The U.S. podcast industry today is huge with estimated revenue of nearly $3 billion. The industry is dominated by major media companies with iHeart leading followed by the major media companies including Disney, Comcast, and Paramount. With listeners switching from radio to podcast, many of the major radio companies such as iHeart and NPR have followed Mr. Pattiz's lead and have moved into podcasting in a big way.

The company's head of sales is Sue McNamara, based in New York City. She has 30 years of radio sales experience and was previously a rising, and eventually senior, sales executive at CBS Radio. She made the switch to podcasting in 2019, joining PodcastOne. When asked about PodcastOne's advertising revenue success, Mr. Gray's answers turn to the strong 12-person sales team led by Ms. McNamara. After several days of listening to their podcasts, we were impressed with the fact that the company has signed so many corporations to advertise their brand such as Huggies for Kimberly-Clark and Whole Foods for Amazon. It also has added an array of small companies with strong representation from web retailers such as Quince and Fast Growing Trees. Presumably, if a listener turns to the internet for entertainment, they will also do so when shopping and other services.

About a third of the company's ads are programmatic and the rest are via traditional sales channels, either direct or through ad agencies. Programmatic advertising uses algorithm technology to identify appropriate outlets (both podcast and web) to automatically place ads. The algorithms look at traffic data and other metrics to determine the best venue for its customers' ads. While the process is technology driven, PodcastOne does have a human sales rep interfacing with the programmatic ad placement companies. The other two-thirds of advertising is direct with about 80% of that to agencies and 20% directly to advertisers such as Microsoft and Home Depot. The agencies have told PodcastOne and its peers "We want moms" and with a 58% female skew and significant mom-oriented programming, PodcastOne has their ears.

PodcastOne is Available on All Major Distribution Platforms and Supported by Major Advertisers

Source: Company reports

PodcastOne's audience demographics are what advertisers crave. They are 58% female, 38% are in the 25-34 age range and 35% have household incomes above $100k. Recent data shows that Gen Z now spends about as much time listening to podcasts as they do watching TV. Women predominantly drive purchasing decisions; young people are forming purchasing patterns that will last a lifetime and making household purchases that will last for many years. And obviously, the higher the household income, the more they have to spend. These demographics are also elusive for advertisers now almost universally eschewing traditional media such as print and linear TV and eagerly flocking to new media such as streaming and podcasts.

Podcast listening is dominated by Apple, with about a 40% share, and YouTube, at about 20% but nearly every major media company now includes podcasts. PodcastOne is agnostic as to the distribution channel and its podcasts are available on every platform where podcasts are available including Spotify, iHeart, and Amazon. Its customers' ads are included in the podcasts on these channels, so its revenue stream is preserved using a technology called RSS feeds that allow publishers to keep its content fresh on distributor platforms. After 45 days it removes embedded ads and replaces them with markers so it can constantly sell fresh ads. This is not a new development. Back in the '60s, The Flintstones included embedded ads with Fred and Wilma smoking its sponsor's Winston cigarettes, but these embedded ads have been removed in favor of current ads on reruns.

Analyzing the Numbers Downloads and Impressions are the Key Performance Indicators

PodcastOne provides investors with two KPIs in addition to reporting revenue. The KPIs are downloads included in the SEC filings, and downloads and streams (D&S) in the earnings releases. Both have to be looked at using numerous adjustments, but they are the only non-financial metrics reported for PodcastOne. Downloads and streams are the most useful data, reported in each of the company's last three earnings releases, most recently at 19.2 million, and are more succinctly referred to as impressions. This number comports with the number reported by widely respected industry watcher Podtrac but only represents the most recent month's data. Podtrac also does not include YouTube streams, which are about 20% of industry streams. As we discuss later, our model relies on impressions and is normalized for several factors such as the exclusion of YouTube data. By our math, the company generates about 15 cents in revenue every time someone listens to one of their podcasts and a little over two cents in gross profit.

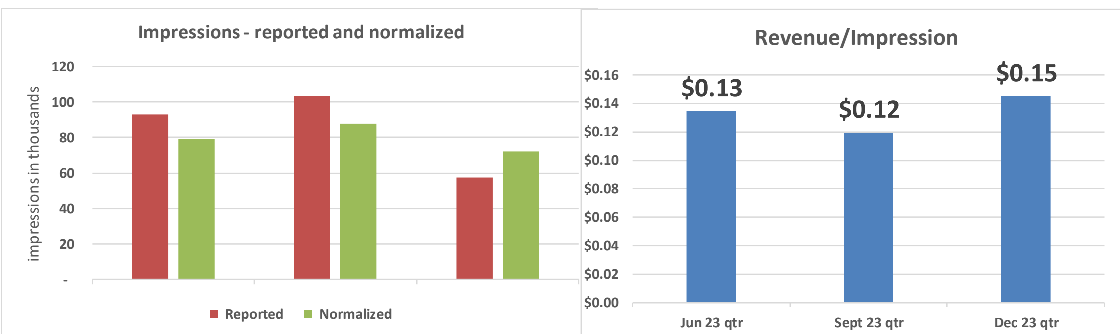
The download data is erratic and influenced by a number of major factors. First, the company lost two large podcast providers. Hubbard Broadcasting was an early investor and distributed their podcasts through PodcastOne but contributed zero revenue. They pulled their podcasts in the March 2023 quarter. Second, Action Park Media pulled their podcasts in the September 2023 quarter. Those are the two major ones, but Mr. Gray described to us a process this year to focus on more profitable podcasts so smaller less successful podcasts have presumably also gone away.

The other major change is that Apple significantly changed its download algorithm with the release of iOS 17 in September 2023. The actual explanation is much more detailed (and explained well in an April 2, 2024, article on Podnews) but it resulted in Apple devices actually downloading about two-thirds as many podcasts industry-wide after this operating system release, for devices with the updated operating system installed. Previously, if an iOS user watched one episode of a podcast, iOS would download all the episodes for that podcast and continue doing so until the user stopped listening for 15 days. That could mean hundreds of additional downloads beyond the one the user requested, stored on their device for future watching. After iOS 17, if a user listens to a podcast the device now only downloads new episodes, again until the user stops listening for 15 days. So, there are far fewer downloads, and while downloads still exceed the number of podcasts actually listened to, the disparity is not nearly as great. According to Podnews, after the update, major podcasting companies saw a 32% decline in downloads with Podtrac reporting a 15% decline for most large shows. While podcasting companies had long complained about this issue to Apple, it wasn't until Apple's battery and storage teams noticed the significant impact on battery life and storage capacity that it was addressed. When we adjust PodcastOne's reported numbers, downloads and streams are less erratic, although still down during the fiscal year ending March 2024.

Making matters more complicated is that podcast publishers have no way of knowing if a downloaded podcast was ever watched. This has always been known across the industry, and understood by both podcasters and advertisers, but it makes selling ads based on viewership imprecise.

For the nine months ending December 31, 2023, revenue was up 22% versus the prior year period, but the sequential comparisons for the last three quarters are flat to down at $10.6 million, $10.5, and $10.4 as the company focuses on more profitable podcasts with Mr. Gray discussing a shift in focus from revenue to EBITDA. This is consistent with the stock market's overall focus over the last few years and parent LiveOne's own focus. We see two indicators that this is working. First, if we adjust downloads and streams to include YouTube, it shows that revenue per D&S was 15 cents in the December quarter, versus 13 cents and 12 cents in the prior period. With the spate of new content and relatively new and successful strategies of going to video podcasts (vodcasts) and licensing the content to other media companies, we expect that both reported revenue and revenue per D&S will accelerate.

Move Toward Profitability is Evident in Revenue/Impression Increase



Source: Company reports

The company currently has 178 shows with over 300 episodes per week and has added 30 new shows in F24, culling some others. The top 60 shows generate about 90% of revenue.

In forecasting PodcastOne revenue, in addition to trends in greater viewership, it is important to keep in mind a number of announcements:

- First, PodcastOne has provided F24 pro forma guidance for revenue of $47 million to $51 million. The pro forma refers to signed LOIs to acquire Fantasy Guru ($10 million in annual revenue) and assets of Kast Media ($2.5 million in annual revenue) but neither has yet closed. Backing these out implies revenue of $35 to $39 million for F24.
- It has 100 new shows in its pipeline and 10 M&A deals (two announced LOIs). The term pipeline implies not all will close. The company can now use its PODC shares for acquisitions and Mr. Gray has pledged that all will be accretive.
- It now makes available its 100 top podcasts on Tesla cars in the U.S. where Slacker provides the Tesla Radio service under a white label relationship. There are nearly 3 million electric vehicles registered in the United States and half are Teslas. We view in-car listening as an ideal market for podcasts since the driver can listen without taking their eyes off the road. As a paying subscriber, we have noticed that LiveOne has also made podcasts available on its other, less popular channels such as its website and Roku app.
- For F25, LiveOne has issued guidance for revenue of $140 to $155 million, and for Slacker to do $80 million. This leaves $60 to $75 million for PodcastOne and its other media properties. We

assume the other properties will do $10 million in revenue, leaving $50 to $65 million for PodcastOne.

- The company has announced that it has signed an "eight-figure" revenue deal with a Fortune 250 company. We assume that it will generate $24 million in annual revenue.
- Our estimates are for PodcastOne revenue of $43.4 million in F24, $59.9 million in F25, and $64.5 million in F26. Consensus is for revenue of $42.6, $52.5, and $65.6 million in each of these years.
- Reported gross margin for the first nine months of F24 was 16%. For ads sourced from agencies, the agency gets about 60% of revenue. The publisher then gets around 85% of the net with a gross margin of roughly 15% this year, rising slightly in F25 and F26, per our model.

LiveOne announced plans to publicly list PodcastOne in mid-2022, currently retaining a 73% stake with trading commencing at the end of August 2023. As part of this process, PodcastOne incurs incremental public company expenses, cutting into EBITDA. As noted, its focus is now on EBITDA, and with its growing top line and guidance for positive EBITDA going forward, our model suggests that the turn is imminent. As noted, with payments to talent and ad agencies consuming around 85% of revenue, the company only has around 15% of revenue for overhead (including new public company expenses) R&D, sales and marketing, and EBITDA. So, while it is unrealistic to see this as a 20% EBITDA margin business, we forecast it at 3% in F25 and 6% in F25 with the key being to ramp up revenue enough to cover the fixed components of operating expenses.

With F25 LiveOne EBITDA guidance of $16 to $20 million and Slacker guidance of $20 million, this assumes negative $4 million to break even for PodcastOne and other. We forecast $1.9 million for PodcastOne in F25 (consensus is $1.6 million), growing to $2.4 million in F26, but Kast and Fantasy Guru could prove to be more profitable than we expect.

Other Media Properties are Equally Cool, but Small and Unprofitable

LiveOne has an evolving portfolio of new emerging businesses highlighted by DayOne, run by Josh Hallbauer, and its CelebrityOne branded celebrity products division, run by Jackie Dabold, who brings extensive adult beverage industry marketing experience to LiveOne.

DayOne consists of two integrated, wholly owned businesses, music publisher Splitmind, which Mr. Hallbauer referred to as "the future of music publishing" and Drumify which is an online marketplace for sounds. Now this description is pretty vague, akin to buying a vowel from Pat Sajak, but Josh explained to us that the sounds may be a guitar riff, or a drum solo or a children's choir which can be purchased to insert into songs. He further explained that today music is not made by "four guys (or gals) in a studio, but by one person at a PC". Various elements of a song are recorded separately, with some potentially purchased. Highly successful comps in the space are companies such as Splice and Tracklib. Splice was just valued at $300 million in a recent capital raise, more than DayOne or even all of LiveOne, suggesting yet another value nugget hidden in the company. Drumify's content has actually won multiple Grammy awards. It recently introduced an AI-driven subscription offering to generate a recurring revenue stream. Attentive readers will note that in a table in this report sourced from IFPI Drake was listed as the fourth best-selling recording artist globally last year, and he is listed as a Drumify client in a recent press release. While DayOne is tiny, it is posting triple-digit growth.

CelebrityOne introduced its first product, a wine under the brand Birthday Sex, which was introduced in January 2024. It is a chardonnay with grapes from Washington state and is priced in the premium category at $35 a bottle. The name comes from the song by famous R&B artist Jeremih who is collaborating with LiveOne. The wine itself is produced by celebrity vintner Russell Bevan and, fittingly for the brand is a naked chardonnay which refers to a wine aged in stainless steel tanks, so it lacks the flavor induced by the traditional method of aging the wine in an oak barrel. Other celebrities such as George Clooney, The Rock, and Conor McGregor have collaborated on highly successful alcohol brands themselves, so it's a proven model. LiveOne brings to the table its impressive array of celebrity contacts, not just on the music side but also on the podcasting side. Birthday Sex chardonnay sold out its initial run and we can see a wine brand

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646-234-3333 * Important disclosures are located at the back of this report

by LadyGang or Jackie Schimmel having similar appeal, especially since they can market to their captive podcast audience.

Birthday Sex is Cool and Refreshing

Source: Company reports

Like most entrepreneurial companies, LiveOne has acquired other smaller businesses that have not worked out. Its prior focus on streaming live events is now effectively defunct, with the company still open to doing such events, but now only if they are profitable. Its CPS product business and pay-per-view sales business (PPVOne) also appear to be nearly defunct and Gramophone, acquired in 2021 has been dissolved while Palm Beach Records is still operating, but is tiny.

PodcastOne and Slacker combine to create LiveOne's Audio business, while the other businesses listed above are considered to be the Media business. Altogether, they did about $12 million in unprofitable revenue in F23, and we forecast just $10 million, with a slight EBITDA drag, in both F25 and F26. But who knows, there are clearly some potential home runs in the portfolio that we are missing, but today, they are not significant enough to expect them to be major valuation drivers.

We Forecast $151.6 Million in Revenue and $20.4 Million in EBITDA for F25

Our detailed revenue forecast broken out by business unit with KPIs is on page 29 of this report and our consolidated income forecast is on page 30. We have already discussed our forecasts for Slacker and PodcastOne in some detail and assume $10 million in revenue and a slight EBITDA drag for the smaller businesses.

We Value LVO Shares at $4

Our comps table is on page 31 of this report. We use a range of 12 comps from Beasley Broadcasting at a $23 million market cap up to Netflix with a $267 billion market cap. No company is directly comparable, so we think a blend of companies is the best comparison. Spotify is the closest comp in music, but it relies on an unprofitable direct-to-consumer marketing approach, versus the profitable B2B approach of LiveOne.

Our cap table and valuation breakout are shown in the table below, inclusive of a recent deal to retire the company's preferred stock in exchange for common shares and warrants. They retired $11.3 of preferred stock, in exchange for 5.4 million shares and 1.8 million warrants with a $2.10 exercise price. This frees up $2 million annually in preferred dividends.

Comps trade at an average of 3.0x trailing twelve months' revenue. Applying this to our F25 LiveOne revenue estimate yields a target of $4.65, which we round down to $4.00 to arrive at our price target.

Pro Forma for April Transactions – Our $4 Target Equates to 2.6x our F2025 Revenue Estimate

in millions except share prices			Current	Target
Shares outstanding (3/8/24)			88.3	
April 24 conversion			5.4	
Options	3/2024 Q		2.3	
Restricted			1.9	
Warrants	3/2024 Q	3.114		
	April conversion	1.835		
			4.9	
			102.9	102.9
Price (4/10/2024)			$1.84	$4.00
Capitalization			$189.27	$411.45
Less: Cash				
Cash	3/18/24 press release	$11.50		
Option and warrants proceeds		$20.26		
			-$31.76	-$31.76
Plus: Debt				
Debt				
	Line of credit	$7.00		
	Notes payable	$1.64		
			$8.64	$8.64
Enterprise Value			**$166.14**	**$388.32**
F2025 Revenue estimate			$151.65	$151.65
EV/Revenue			**1.1x**	**2.6x**

Source: Litchfield Hills Research and company reports

LVO Shares are Again Testing the $2.00 Resistance Level

Source: Factset Data Systems

The chart above shows the recent recovery in LVO shares, after bottoming in December 2022 at $0.46 during the microcap winter. The shares briefly rallied above $2.00 on January 9, 2023, but failed to hold that level by the close. More recently, they have closed above $2.00 three times during March 2024. From a technical analysis perspective, we look for a convincing breakout above $2.00, perhaps closing above $2.10 for five consecutive days, and would then look at this as a support level.

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LiveOne, Inc.

LVO - Buy $4 price target

LiveOne, Inc. – Revenue and Key Performance Indicators Forecast

Dollars in thousands, except per share data			2024E					2025E					2026E		
Fiscal years ended March 31	1QA	2QA	3QA	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
	June	Sept	Dec	March		June	Sept	Dec	March		June	Sept	Dec	March	
Slacker															
Slacker Paid Subscribers	2,300,000	2,400,000	2,647,000	2,747,000		2,847,000	2,947,000	3,047,000	3,272,000		3,372,000	3,472,000	3,597,000	3,847,000	
Additions	108,000	100,000	247,000	100,000	555,000	100,000	100,000	100,000	225,000	525,000	100,000	100,000	125,000	250,000	575,000
Membership Revenue - Slacker	15,212	16,428	16,858	17,034	65,532	19,299	20,334	21,024	21,111	81,768	24,915	26,040	26,978	27,071	105,004
YoY growth	25.9%	28.5%	26.2%	16.7%	25.1%	26.9%	23.8%	24.7%	23.9%	24.8%	29.1%	28.1%	28.3%	28.2%	28.4%
Seq. growth	4.2%	8.0%	2.6%	1.0%		113.3%	5.4%	3.4%	0.4%		118.0%	4.5%	3.6%	0.3%	
ARPU	$2.26	$2.33	$2.23	$2.25		$2.30	$2.30	$2.30	$2.30		$2.50	$2.50	$2.50	$2.50	
Percent of total	54.8%	57.6%	54.0%												
Percent of LVO - reported	48.0%	43.0%	50.0%												
Tesla	13,328	12,267	15,623												
non-Tesla	1,884	4,161	1,236												
Tesla as a percent of Slacker	87.6%	74.7%	92.7%												
			53,202												
PodcastOne															
Impressions - adjusted	79,050	87,975	72,000	75,000	314,025	92,000	94,000	95,000	96,000	377,000	97,000	98,000	99,000	100,000	394,000
Revenue per impression	$0.136	$0.122	$0.147	$0.150	$0.138	$0.150	$0.160	$0.162	$0.163	$0.159	$0.160	$0.164	$0.165	$0.166	$0.164
Advertising Revenue - PodcastOne	10,783	10,732	10,592	11,250	43,357	13,800	15,040	15,390	15,648	59,878	15,520	16,072	16,335	16,600	64,527
YoY growth	20.6%	23.4%	24.6%	24.9%	23.4%	28.0%	40.1%	45.3%	39.1%	38.1%	12.5%	6.9%	6.1%	6.1%	7.8%
Seq. growth	19.7%	-0.5%	-1.3%	6.2%		22.7%	9.0%	2.3%	1.7%		-0.8%	3.6%	1.6%	1.6%	
Percent of total	38.8%	37.6%	33.9%	36.5%	36.6%	38.8%	39.7%	39.5%	39.9%	39.5%	36.1%	36.0%	35.7%	36.0%	35.9%
Audio Division	25,995	27,160	27,450	28,284	108,889	33,099	35,374	36,414	36,759	141,646	40,435	42,112	43,313	43,671	169,531
YoY growth	23.6%	26.4%	25.6%	19.8%	24.4%	27.3%	30.2%	32.7%	30.0%	30.1%	22.2%	19.0%	18.9%	18.8%	19.7%
Seq. growth	10.1%	4.5%	1.1%	3.0%		17.0%	6.9%	2.9%	0.9%		10.0%	4.1%	2.9%	0.8%	
Percent of total	93.6%	95.2%	87.9%	91.9%	92.0%	93.0%	93.4%	93.6%	93.6%	93.4%	94.2%	94.4%	94.5%	94.6%	94.4%
Merchandising	1,740	1,259	3,795	2,500	9,294	2,500	2,500	2,500	2,500	10,000	2,500	2,500	2,500	2,500	10,000
YoY growth	-5.5%	-31.4%	-21.3%	7.3%	-14.2%	43.7%	98.6%	-34.1%	0.0%	7.6%	0.0%	0.0%	0.0%	0.0%	0.0%
Seq. growth	-25%	-28%	201%	-34%		0%	0%	0%	0%		0%	0%	0%	0%	
Percent of total	6.3%	4.4%	12.1%	8.1%	7.9%	7.0%	6.6%	6.4%	6.4%	6.6%	5.8%	5.6%	5.5%	5.4%	5.6%
Sponsorship and licensing	29	97	-	-	126	-	-	-	-	-	-	-	-	-	-
YoY growth	-74.6%	-51.3%	-100.0%	-100.0%	-70.7%										
Seq. growth	-29%	234%													
Percent of total	0.1%	0.3%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ticket/event	3	12	-	-	15	-	-	-	-	-	-	-	-	-	-
YoY growth	-98.7%	-7.7%	-100.0%	-100.0%	-98.2%										
Seq. growth	-81%	300%													
Percent of total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Revenue	**27,767**	**28,528**	**31,245**	**30,784**	**118,324**	**35,599**	**37,874**	**38,914**	**39,259**	**151,646**	**42,935**	**44,612**	**45,813**	**46,171**	**179,531**
YoY growth	19.6%	21.2%	14.4%	18.5%	18.8%	28.2%	32.8%	24.5%	27.5%	28.2%	20.6%	17.8%	17.7%	17.6%	18.4%
Seq. growth	6.9%	2.7%	9.5%	-1.5%		15.6%	6.4%	2.7%	0.9%		9.4%	3.9%	2.7%	0.8%	

Source: Company reports and Litchfield Hills Research LLC

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RESEARCH

LiveOne, Inc.

LVO - Buy $4 price target

LiveOne, Inc. – Income Forecast

Dollars in thousands, except per share data			FY2024E					FY2025E					FY2026E		
Fiscal years ended March 31	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	**27,767**	**28,528**	**31,245**	**30,784**	**118,324**	**35,599**	**37,874**	**38,914**	**39,259**	**151,646**	**42,935**	**44,612**	**45,813**	**46,171**	**179,531**
YoY growth	19.6%	21.2%	14.4%	18.5%	18.8%	28.2%	32.8%	24.5%	27.5%	28.2%	20.6%	17.8%	17.7%	17.6%	18.4%
Seq growth	6.9%	2.7%	9.5%	-1.5%		15.6%	6.4%	2.7%	0.9%		9.4%	3.9%	2.7%	0.8%	
Total Cost of Sales	19,563	20,547	23,267	20,009	83,386	24,208	24,618	25,294	25,518	99,638	29,196	28,998	29,778	30,011	117,983
	70.5%	72.0%	74.5%	65.0%	70.5%	68.0%	65.0%	65.0%	65.0%	65.7%	68.0%	65.0%	65.0%	65.0%	65.7%
Gross Margin	8,204	7,981	7,978	10,774	34,937	11,392	13,256	13,620	13,740	52,008	13,739	15,614	16,034	16,160	61,548
As a percent of revenue	29.5%	28.0%	25.5%	35.0%	29.5%	32.0%	35.0%	35.0%	35.0%	34.3%	32.0%	35.0%	35.0%	35.0%	34.3%
Sales and Marketing	1,904	2,253	1,514	1,492	7,163	5,340	5,681	5,837	5,889	22,747	6,440	6,692	6,872	6,926	26,930
As a percent of revenue	6.9%	7.9%	4.8%	4.8%	6.1%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Product Development	1,246	1,439	694	684	4,063	2,492	2,651	2,724	2,748	10,615	3,005	3,123	3,207	3,232	12,567
As a percent of revenue	4.5%	5.0%	2.2%	2.2%	3.4%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
General and Administrative	5,063	6,352	5,880	5,880	23,175	3,000	3,000	3,000	3,000	12,000	3,000	3,000	3,000	3,000	12,000
As a percent of revenue	18.2%	22.3%	18.8%	19.1%	27.8%	8.4%	7.9%	7.7%	7.6%	12.0%	7.0%	6.7%	6.5%	6.5%	10.2%
Amortization	246	452	528	1,500	2,726	1,500	1,500	1,500	1,500	6,000	1,500	1,500	1,500	1,500	6,000
Operating income	**(255)**	**(2,515)**	**(638)**	**1,219**	**(2,189)**	**(940)**	**424**	**559**	**604**	**646**	**(207)**	**1,300**	**1,456**	**1,502**	**4,051**
Operating margin	-0.9%	-8.8%	-2.0%	4.0%	-1.9%	-2.6%	1.1%	1.4%	1.5%	0.4%	-0.5%	2.9%	3.2%	3.3%	2.3%
Interest expense	(1,418)	(780)	(1,279)	(1,000)	(4,477)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)
Fair value of warrants	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt extinguishment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss	-	-	(115)	-	(115)	-	-	-	-	-	-	-	-	-	-
Other	1,237	(4,653)	(207)	-	(3,623)	-	-	-	-	-	-	-	-	-	-
	(181)	(5,433)	(1,601)	(1,000)	(8,215)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)
Pretax Income	(436)	(7,948)	(2,239)	219	(10,404)	(1,940)	(576)	(441)	(396)	(3,354)	(1,207)	300	456	502	51
Taxes	79	(21)	(15)	-	43	-	-	-	-	-	-	-	-	-	-
Minority interest		347	650	650	1,647	650	650	650	650	1,950	650	650	650	650	1,950
Net income - continuing ops	**(515)**	**(7,580)**	**(1,574)**	**869**	**(8,800)**	**(1,290)**	**74**	**209**	**254**	**(1,404)**	**(557)**	**950**	**1,106**	**1,152**	**2,001**
Net income margin	-1.9%	-26.6%	-5.0%	2.8%	-7.4%	-3.6%	0.2%	0.5%	0.6%	-0.9%	-1.3%	2.1%	2.4%	2.5%	1.1%
Diluted shares outstanding	86,895	87,222	87,882	87,882	87,471	87,882	87,882	87,882	87,882	87,882	87,882	87,882	87,882	87,882	87,882
Seq change	1,310.1	327.0	660.2	-		-	-	-	-		-	-	-	-	
EPS diluted	**($0.01)**	**($0.09)**	**($0.03)**	**$0.01**	**($0.10)**	**($0.01)**	**$0.00**	**$0.00**	**$0.00**	**($0.02)**	**($0.01)**	**$0.01**	**$0.01**	**$0.01**	**$0.02**
Adjusted EBITDA															
GAAP Net Inocme	(515)	(7,580)	(1,574)	869	(8,800)	(1,290)	74	209	254	(1,404)	(557)	950	1,106	1,152	2,001
Addback:															
Depreciation and amortization	1,055	1,244	1,485	1,500	5,284	2,500	2,500	2,500	2,500	10,000	2,500	2,500	2,500	2,500	10,000
Stock-based comp	877	2,716	2,255	1,000	6,848	2,200	2,200	2,200	2,200	8,800	2,500	2,500	2,500	2,500	10,000
Other non-recurring	793	6,752	1,797	1,000	10,342	1,000	1,000	1,000	1,000	4,000	500	500	500	500	2,000
Adjusted EBITDA	**2,210**	**3,132**	**3,963**	**4,369**	**13,674**	**4,410**	**5,774**	**5,909**	**5,954**	**21,396**	**4,944**	**6,450**	**6,606**	**6,652**	**24,001**
Growth	12.2%	-28.7%	29.2%	98.6%	25.1%	99.5%	84.3%	49.1%	36.3%	56.5%	12.1%	11.7%	11.8%	11.7%	12.2%
Margin	8.0%	11.0%	12.7%	14.2%	11.6%	12.4%	15.2%	15.2%	15.2%	14.1%	11.5%	14.5%	14.4%	14.4%	13.4%

Source: Company reports and Litchfield Hills Research LLC

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LiveOne, Inc.

LVO - Buy $4 price target

LiveOne, Inc. – Comparables

Company Name	Fiscal Period	Price	Shares Outstanding	Market Value	Outstanding Diluted	Enterprise Value	Sales	EBIT	EBITDA	Value/ Sales
LiveOne	12/31/2023	1.82	91.66	166.81	87.88	201.66	113.09	(4.27)	0.50	1.8x
LIVO @ FY2025E	03/31/2025	1.82	91.66	166.81	87.88	201.66	151.65	0.65	21.40	1.3x
LIVO @ FY2025E on $4 target	03/31/2025	4.00	91.66	366.62	87.88	401.47	151.65	0.65	21.40	2.6x
Beasley Broadcast Group, Inc. C	12/31/2023	0.73	13.67	22.14	30.03	301.13	247.11	11.81	20.62	1.2x
iHeartMedia, Inc. Class A	12/31/2023	2.18	123.31	304.25	144.66	6,019.07	3,751.03	232.49	660.97	1.6x
Live Nation Entertainment, Inc.	12/31/2023	101.42	230.80	23,407.50	233.30	27,104.48	22,749.07	1,052.28	1,652.77	1.2x
Mediaco Holding, Inc. Class A	12/31/2023	4.17	20.95	109.92	26.16	155.75	32.39	(6.26)	(4.41)	4.8x
Netflix, Inc.	12/31/2023	618.58	432.76	267,696.44	444.29	277,530.47	33,723.30	6,954.00	21,508.39	8.2x
Saga Communications, Inc. Class	12/31/2023	22.24	6.12	136.19	6.03	103.36	112.77	11.49	-	0.9x
Sirius XM Holdings, Inc.	12/31/2023	3.34	3,842.46	12,833.82	3,860.00	22,150.82	8,953.00	2,028.00	2,627.00	2.5x
Spotify Technology SA	12/31/2023	299.99	198.33	59,496.16	197.14	56,714.66	14,321.28	(348.61)	(177.78)	4.0x
Tencent Music Entertainment Gro	09/30/2023	11.85	858.51	21,112.66	1,586.69	19,078.86	4,011.39	636.45	-	4.8x
Townsquare Media, Inc. Class A	12/31/2023	12.58	13.68	207.03	16.36	701.49	454.23	72.78	91.98	1.5x
Urban One Inc Class A	09/30/2023	2.42	9.85	100.20	47.72	672.26	489.39	108.66	180.43	1.4x
Warner Music Group Corp. Class	12/31/2023	34.96	140.78	18,105.12	516.46	21,800.12	6,297.00	964.00	1,293.00	3.5x
Average										**3.0x**

Source: FactSet Research Systems, Company reports, and Litchfield Hills Research LLC

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