



## LiveOne, Inc.

### LVO - Buy \$4 Price Target

#### Results Report – April 23, 2024

#### LiveOne – the Coolest Company in Music and Podcasting

Analyst: Barry M. Sine, CFA, CMT

LiveOne Pre-Announces with Q4 F24 EBITDA Nearly Doubling

- LiveOne pre-announced stronger than expected F24 4Q and full-year results for the period ended March 31, 2024, and reiterated very strong guidance for F25.
- The key trends are continuing double-digit top-line growth, with faster EBITDA growth due to expanding margins as the focus on profitability continues.
- 4Q revenue came in at \$30.3 million, up 17% while EBITDA came in at \$4.3 million (ex CPS unit losses), up 96%.
- F25 guidance was reiterated with a revenue midpoint of \$147.5 million, implying 25% growth, and EBITDA midpoint guidance of \$18 million, also implying 25% growth. Our estimates are at the high end of guidance and consensus as LiveOne has a track record of raising guidance as the year goes on.
- Cash was \$10.6 million at fiscal year-end, up from \$6.4 million at the end of December, and management reiterated that its priority is share buybacks to drive shareholder value. With the EBITDA we are forecasting for the next two fiscal years, we estimate that they can buy back around 25% of shares outstanding, significantly enhancing shareholder value.
- We reiterate our Buy rating and \$4 price target.

Rating	Buy	<b>Earnings Per Share</b>		<b>Normalized to exclude unusual items</b>			
Target Price	\$4.00	<b>FYE - March</b>		<b>FY2023</b>	<b>FY2024E</b>	<b>FY2025E</b>	<b>FY2026E</b>
Ticker Symbol	LVO	1Q - June		\$0.02	(\$0.01) A	(\$0.01)	(\$0.01)
Market	NASDAQ	2Q - September		(\$0.04)	(\$0.09) A	\$0.00	\$0.01
Stock Price	\$1.72	3Q - December		(\$0.03)	(\$0.03) A	\$0.00	\$0.01
52 wk High	\$2.19	4Q - March		(\$0.04)	\$0.01	\$0.00	\$0.01
52 wk Low	\$0.84	<b>Year</b>		<b>(\$0.12)</b>	<b>(\$0.09)</b>	<b>(\$0.02)</b>	<b>\$0.02</b>
Shares Outstanding:	98.6 M	<b>Revenue (\$mm)</b>		<b>\$99.6</b>	<b>\$118.5</b>	<b>\$151.6</b>	<b>\$179.5</b>
Public Market Float:	88.4 M	EV/Rev		1.6X	1.3X	1.0X	0.9X
Avg. Daily Volume	322,707	<b>EBITDA (\$mm)</b>		<b>\$10.9</b>	<b>\$14.4</b>	<b>\$21.4</b>	<b>\$24.0</b>
Market Capitalization:	\$158 M	EV/EBITDA		14.2X	10.7X	7.2X	6.4X
Institutional Holdings:	37.9%						
Dividend Yield:	0.0%						

#### 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 11<sup>th</sup> 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 Pre-Announces F24 EBITDA Growth of Nearly 100%**

Yesterday, LiveOne pre-announced F24 and 4Q F24 results with revenue of \$30.3 million and EBITDA of \$4.3 million for 4Q. Both results were in line with our bullish estimates and consensus. The revenue number represented 17% growth while EBITDA was up 96%. The \$4.3 million in EBITDA represents a 14.3% EBITDA margin, up from 8.5% a year ago and a 580-basis point improvement in the EBITDA margin. This significant improvement in the margin is the result of a concerted, ongoing strategy to drive cash flow and profitability. While full results have not yet been reported, we suspect that the following were drivers:

1. Improving profitability at the core Slacker streaming music business. The key driver continues to be more Teslas on the road as LiveOne receives a monthly membership fee for its music app for each new Tesla delivered in North America. We look for new partners to be announced as the company has said it has 60 new prospects in the pipeline. Unlike direct-to-consumer streaming music providers such as Spotify, the B2B model has proven to be profitable for LiveOne.
2. Cuts in overhead and costs for non-core operations
3. Improving profitability at PodcastOne (PODC – NASDAQ) which is 73% owned and consolidated.

The company also repeated F25 guidance with a revenue midpoint of \$147.5 million and an EBITDA midpoint of \$18 million. These represents 25% growth in both revenue and EBITDA. We view them as achievable, and our estimates are slightly higher. Not in the numbers is a new contract which has already begun and is expected to generate \$2 million per month in incremental recurring revenue. Management has said it wants more experience with this major new (undisclosed) customer before adjusting guidance.

Finally, management reported that it ended the fiscal year (March 31) with \$10.6 million in cash, up from \$6.4 million at the end of December. Also, as a result of previously announced transactions in early April, the company now has no debt. The company's cash priority continues to be share buybacks with \$5 million in unused authorizations still left. At the current \$1.72 share price, that would buy back 2.9 million shares or about 3% of shares outstanding. Longer term, we expect management to devote most of the \$21 million in EBITDA we forecast for F25 and \$24 million for F26 to buybacks. That would represent a buyback of a significant 25% of the current shares outstanding and, we believe, be enough to move the needle on the stock price.



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**LVO Shares Have Fallen Back After Hitting \$2 Resistance Again, But Are Attractively Valued for Investors, and the Company's Buyback Program**



Source: FactSet Data Systems



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## LiveOne, Inc. – Income Forecast

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

	FY2024E					FY2025E					FY2026E					
	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		
<b>Revenue</b>	<b>27,767</b>	<b>28,528</b>	<b>31,245</b>	<b>30,300</b>	<b>118,500</b>	<b>35,599</b>	<b>37,874</b>	<b>38,914</b>	<b>39,259</b>	<b>151,646</b>	<b>42,935</b>	<b>44,612</b>	<b>45,813</b>	<b>46,171</b>	<b>179,531</b>	
Yo'Y growth	19.6%	21.2%	14.4%	16.6%	19.0%	28.2%	32.8%	24.5%	29.6%	28.0%	20.6%	17.8%	17.7%	17.6%	18.4%	
Seq growth	6.9%	2.7%	9.5%	-3.0%		17.5%	6.4%	2.7%	0.9%		9.4%	3.9%	2.7%	0.8%		
<b>Total Cost of Sales</b>	<b>19,563</b>	<b>20,547</b>	<b>23,267</b>	<b>19,695</b>	<b>83,072</b>	<b>24,208</b>	<b>24,618</b>	<b>25,294</b>	<b>25,518</b>	<b>99,638</b>	<b>29,196</b>	<b>28,998</b>	<b>29,778</b>	<b>30,011</b>	<b>117,983</b>	
	70.5%	72.0%	74.5%	65.0%	70.1%	68.0%	65.0%	65.0%	65.0%	65.7%	68.0%	65.0%	65.0%	65.0%	65.7%	
<b>Gross Margin</b>	<b>8,204</b>	<b>7,981</b>	<b>7,978</b>	<b>10,605</b>	<b>35,428</b>	<b>11,392</b>	<b>13,256</b>	<b>13,620</b>	<b>13,740</b>	<b>52,008</b>	<b>13,739</b>	<b>15,614</b>	<b>16,034</b>	<b>16,160</b>	<b>61,548</b>	
As a percent of revenue	29.5%	28.0%	25.5%	35.0%	29.9%	32.0%	35.0%	35.0%	35.0%	34.3%	32.0%	35.0%	35.0%	35.0%	34.3%	
<b>Sales and Marketing</b>	<b>1,904</b>	<b>2,253</b>	<b>1,514</b>	<b>1,468</b>	<b>7,139</b>	<b>5,340</b>	<b>5,681</b>	<b>5,837</b>	<b>5,889</b>	<b>22,747</b>	<b>6,440</b>	<b>6,692</b>	<b>6,872</b>	<b>6,926</b>	<b>26,930</b>	
As a percent of revenue	6.9%	7.9%	4.8%	4.8%	6.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	
<b>Product Development</b>	<b>1,246</b>	<b>1,439</b>	<b>694</b>	<b>673</b>	<b>4,052</b>	<b>2,492</b>	<b>2,651</b>	<b>2,724</b>	<b>2,748</b>	<b>10,615</b>	<b>3,005</b>	<b>3,123</b>	<b>3,207</b>	<b>3,232</b>	<b>12,567</b>	
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%	
<b>General and Administrative</b>	<b>5,063</b>	<b>6,352</b>	<b>5,880</b>	<b>5,880</b>	<b>23,175</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>12,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>12,000</b>	
As a percent of revenue	18.2%	22.3%	18.8%	19.4%	27.9%	8.4%	7.9%	7.7%	7.6%	12.0%	7.0%	6.7%	6.5%	6.5%	10.2%	
<b>Amortization</b>	<b>246</b>	<b>452</b>	<b>528</b>	<b>1,500</b>	<b>2,726</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>6,000</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>1,500</b>	<b>6,000</b>	
<b>Operating income</b>	<b>(255)</b>	<b>(2,515)</b>	<b>(638)</b>	<b>1,084</b>	<b>(1,664)</b>	<b>(940)</b>	<b>424</b>	<b>559</b>	<b>604</b>	<b>646</b>	<b>(207)</b>	<b>1,300</b>	<b>1,456</b>	<b>1,502</b>	<b>4,051</b>	
Operating margin	-0.9%	-8.8%	-2.0%	3.6%	-1.4%	-2.6%	1.1%	1.4%	1.5%	0.4%	-0.5%	2.9%	3.2%	3.3%	2.3%	
<b>Interest expense</b>	<b>(1,418)</b>	<b>(780)</b>	<b>(1,279)</b>	<b>(1,000)</b>	<b>(4,477)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(4,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(1,000)</b>	<b>(4,000)</b>	
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)	
<b>Pretax Income</b>	<b>(436)</b>	<b>(7,948)</b>	<b>(2,239)</b>	<b>84</b>	<b>(9,879)</b>	<b>(1,940)</b>	<b>(576)</b>	<b>(441)</b>	<b>(396)</b>	<b>(3,354)</b>	<b>(1,207)</b>	<b>300</b>	<b>456</b>	<b>502</b>	<b>51</b>	
<b>Taxes</b>	<b>79</b>	<b>(21)</b>	<b>(15)</b>	<b>-</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
Minority interest	-	347	650	650	1,647	650	650	650	650	1,950	650	650	650	650	1,950	
<b>Net income - continuing ops</b>	<b>(515)</b>	<b>(7,580)</b>	<b>(1,574)</b>	<b>734</b>	<b>(8,275)</b>	<b>(1,290)</b>	<b>74</b>	<b>209</b>	<b>254</b>	<b>(1,404)</b>	<b>(557)</b>	<b>950</b>	<b>1,106</b>	<b>1,152</b>	<b>2,001</b>	
Net income margin	-1.9%	-26.6%	-5.0%	2.4%	-7.0%	-3.6%	0.2%	0.5%	0.6%	-0.9%	-1.3%	2.1%	2.4%	2.5%	1.1%	
<b>Diluted shares outstanding</b>	<b>86,895</b>	<b>87,222</b>	<b>87,882</b>	<b>87,882</b>	<b>87,471</b>	<b>87,882</b>	<b>87,882</b>	<b>87,882</b>	<b>87,882</b>	<b>87,882</b>	<b>87,882</b>	<b>87,882</b>	<b>87,882</b>	<b>87,882</b>	<b>87,882</b>	
Seq change	1,310.1	327.0	660.2	-	-	-	-	-	-	-	-	-	-	-	-	
<b>EPS diluted</b>	<b>(\$0.01)</b>	<b>(\$0.09)</b>	<b>(\$0.03)</b>	<b>\$0.01</b>	<b>(\$0.09)</b>	<b>(\$0.01)</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>(\$0.02)</b>	<b>(\$0.01)</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.01</b>	<b>\$0.02</b>	
<b>Adjusted EBITDA</b>	<b>GAAP Net Income</b>	(515)	(7,580)	(1,574)	734	(8,275)	(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	1,200	10,542	1,000	1,000	1,000	1,000	4,000	500	500	500	500	2,000	
<b>Adjusted EBITDA</b>	<b>2,210</b>	<b>3,132</b>	<b>3,963</b>	<b>4,434</b>	<b>14,399</b>	<b>4,410</b>	<b>5,774</b>	<b>5,909</b>	<b>5,954</b>	<b>21,396</b>	<b>4,944</b>	<b>6,450</b>	<b>6,606</b>	<b>6,652</b>	<b>24,001</b>	
Growth	12.2%	-28.7%	29.2%	101.6%	31.7%	99.5%	84.3%	49.1%	34.3%	48.6%	12.1%	11.7%	11.8%	11.7%	12.2%	
Margin	8.0%	11.0%	12.7%	14.6%	12.2%	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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