Initiation of Coverage

PodcastOne (PODC: $2.35)

Buy

Tuesday, September 19, 2023

Price Target: $6.00

Wherever, Whenever. Creating Opportunities for Podcasters While Following the Listener. We Initiate coverage with a BUY, $6 PT, and High-Risk Rating.

Date	**September 19, 2023**		
Price (Sept 19, 2023)	**2.35 (US$)**		
Target Price (12 mo.)	**6.00 (US$)**		
52 week low-high	**$2.27-$5.80**		
Market cap.(US$)	**56.47 MM**		
Region / Country	**Americas / United States**		
Sector	**Communication Services**		
Coverage Universe	**Internet Content & Info.**		
Risk Profile:	**High**		
Year (FYE 3/31)	FY23	FY24	FY25
New EPS (US$)	**(0.06)A**	**(0.05)E**	**0.11E**
Prev. EPS (US$)			
Consensus EPS (US$)	**(0.06)A**	**(0.05)E**	**0.11E**
P/E (x)	**(39.2)x**	**(47.0)x**	**21.4x**
Q1 EPS (Jun Q)	**0.00A**	**(0.01)A**	**0.03E**
Q2 EPS (Sep Q)	**0.01A**	**(0.07)E**	**0.01E**
Q3 EPS (Dec Q)	**(0.03)A**	**0.02E**	**0.04E**
Q4 EPS (Mar Q)	**(0.18)A**	**0.01E**	**0.02E**
No. of Shares (M): 22.86	Dividend (US $M): NA		
BV/Share (US$): 0.31	Dividend yield: NA		
Year (FYE 3/31) $MM	FY22	FY23	FY24
FQ1 Revenues (Jun Q)	**8.72A**	**10.64A**	**11.61E**
FQ2 Revenues (Sep Q)	**8.49A**	**10.05E**	**11.26E**
FQ3 Revenues (Dec Q)	**8.59A**	**10.96E**	**12.95E**
FQ4 Revenues (Mar Q)	**8.84A**	**10.41E**	**12.56E**
Fiscal Year Revenues	**34.65A**	**42.05E**	**48.37E**

Source: Company data, Joseph Gunnar Estimates

Summary and Recommendation.

We are initiating coverage with a BUY rating and a $6 price target on PodcastOne, Inc. (PODC). We believe PODC is an undervalued player in the podcasting market due to investor unfamiliarity with the platform, M&A execution and talent acquisition risk, and its relatively small size. Through M&A activity and internal R&D efforts, PODC has forged a formidable podcasting network whose capabilities, reach, and scalability provide unique advantages to the company and multiple monetization opportunities for podcasting talent. PODC's comprehensive distribution channels ensure podcast content is available whenever and wherever a podcast listener wants to access it. Nevertheless, PODC faces intense competition for talent and ad revenues. With mainstream advertisers entering the space, PODC should generate solid sales growth, yielding good earnings traction and capturing a small share of the $2B+ U.S. podcasting ad market opportunity. At current valuations, PODC shares reflect investors' skepticism over competitive viability, not the potential market share capture opportunity.

Key Points

- **Unique Podcasting Platform.** Through a series of acquisitions and partnership agreements, PODC forged an integrated podcasting platform with robust capabilities to support in-house and independent podcasters. By possessing in-house capabilities, PODC can operate with a soup-to-nuts approach, offering white-glove services to talent and advertising clients— a key differentiator in a highly competitive industry. Currently, PODC's network hosts 300+ podcast shows and produces 350+ hours of content weekly, with advertising from 2,000+ corporate clients distributed across all the major podcast listening platforms.
- **Data-Driven "Moneyball" Inspired Strategy for Vetting Talent.** PODC shrewdly uses a proprietary Content Management System (CMS) to vet new podcasting talent, cultivate in-house podcasting talent, and develop hyper-targeted advertising campaigns for brands and corporate clients. With CMS, PODC has developed good financial models to ascertain and evaluate the critical numbers to determine a show's potential success on its advertising platform. Owing to its data-driven strategy, PODC has assembled a show roster comprising an even split of organic and acquired shows designed to maximize audience reach, leading to high revenue generation potential.
- **Competitive Edge in a Tough Industry Environment**. The podcasting industry is undergoing a consolidation wave as smaller podcast networks fold and podcast talent migrates to seek contracts. PODC's CMS will allow it to sort through the newly available podcast talent and networks to identify genuine opportunities, to expand beyond its core "mom" demographic.
- **Sizable Market Opportunity.** PDOC's unique, integrated podcasting network will enable it to capture a disproportionate share of the $2B+ U.S. market opportunity related to podcasting digital advertising. In the near term, PODC's platform provides advertisers with sophisticated targeting, ad campaign management, and podcast tracking, ensuring highly effective ad spending. In the long run, PODC's platform may be able to add new product and technology capabilities via acquisitions to meet its advertisers' and podcasters' evolving needs.
- **Favorable Organically Driven Earnings Growth with Upside from M&A/Talent Acquisition.** We believe that in FY2024, PODC can deliver $42.0MM in revenue and a GAAP EPS loss of $0.08. Looking to FY2025, we expect PODC to produce revenue of $48.4MM and EPS gain of $0.11. More importantly, we expect PODC to organically achieve FY24 and FY25 earnings growth, with M&A activity and talent acquisition as an upside to our estimates.
- **Attractive Valuation**. We believe PODC should command a better valuation, reflecting the company's future growth expectations. Currently, PODC trades a forward EV/Sales multiple of 1.4x based on our CY24 Estimated Sales of $46.0MM. Given the platform's tactical advantages, growth drivers, and earnings leverage potential, PODC should command a higher EV/Sales multiple, translating into a $6 price target.

Important Disclosures and Analyst Certification are provided at the end of the report.
Investors should consider this report as only a single factor in making their investment decision.

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Investment Thesis

We are initiating coverage with a BUY rating and a $6 price target on PodcastOne, Inc. (PODC).

We believe PODC is an undervalued player in the podcasting market due to investor unfamiliarity with the platform, M&A execution and talent acquisition risk, and its relatively small size. Contrary to this misperception, PDOC's advertiser-supported podcasting network, one of the largest in the U.S., allows advertisers to reach desired target audiences via multi-platform integration opportunities, coupled with hyper-targeting capabilities, empowering podcasters with analytical insights and cross-media opportunities to maximize their monetization potential. Currently, PODC's network, with advertising from 2,000+ corporate clients, hosts 300+ podcast shows and produces 350+ hours of weekly content distributed across all the major podcasting listening platforms. PODC platform covers major interest verticals, including entertainment, sports, and true crime, with shows such as "The Adam Carolla Show," "LadyGang," and "Gals on the Go," which cumulatively garner around 5.4MM+ monthly listeners in the U.S. and 48MM+ monthly downloads. PODC shrewdly uses a proprietary Content Management System (CMS) to vet potential talent and network acquisitions, identifying the truly impactful while avoiding overpaying for mediocre talent and lackluster networks. PODC, in July 2023, was ranked #10 on the list of Top Podcast Publishers by the podcast metric company Podtrac, right behind Barstool Sports, the 9th largest podcast network.

Through M&A activity and internal R&D efforts, PODC has forged a formidable podcasting network whose capabilities, reach, and scalability provide unique advantages to the company and multiple monetization opportunities for podcasting talent. PODC's comprehensive distribution channels ensure podcast content is available whenever and wherever a podcast listener wants to access it. PODC's in-house capabilities enable it to operate with a soup-to-nuts approach and offer white-glove services to talent and advertising clients alike — a key differentiator in a highly competitive industry. Leveraging its parent company LiveOne's capabilities, PODC can offer podcast/vodcast-based IP, produce advertiser-sponsored live streaming and touring opportunities for host/talent, and create exclusive licensing for podcast-specific branded merchandise. While many podcast advertisers rely on promo codes and/or vanity URLs to measure performance, PODC employs CMS's data analytics capabilities to validate impression delivery and justify a higher advertising rate. Although much of PODC's content is centered on women aged 25-44, a key demographic highly sought by advertising agencies, we expect PODC to engage in M&A to bolster the product platform's capabilities and diversify its audience base.

Nevertheless, PODC faces intense competition for talent and ad revenues, exacerbated by YouTube's emergence as a competitor. Apple and Spotify, who command massive listener bases, are shedding overpriced podcasting talent, while smaller podcast networks are financially struggling. In turn, YouTube has quietly become the most feared podcasting threat, owing to its appeal to Gen Z and the easier path it creates for podcasters to generate ad revenue. Under CEO Kit Gray's leadership, we believe PODC, leveraging its CMS technology and platform capabilities, can emerge as a consolidator in the space and garner a disproportionate share of the $2B+ U.S. podcasting ad market opportunity. PODC can readily add capabilities to sustain the platform's competitive edge while retaining control over ad revenue generation. For instance, PODC added Adori, which allows podcast hosts to upload content to YouTube, while it had retained control over the YouTube ad inserts at the source. With mainstream advertisers entering the space, PODC should generate solid sales growth, yielding good earnings traction and capturing a share of the $2B+ U.S. podcasting ad market opportunity. At current valuations, PODC shares reflect investors' skepticism over competitive viability, not the potential market share capture opportunity.

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Risks

PODC faces several company and industry risks, which could adversely affect its earnings growth prospects. While we feel these risks are mitigated, we note them as follows:

Slowdown in Digital Advertising Spending.

- Should a deep global recession manifest in 2023, companies may cut back on digital marketing spending, impacting PODC's business activity. In this environment, advertisers are likely to become more conservative in spending going forward, likely to spend with media partners that allow for greater flexibility, as well as shifting dollars away from media with complicated cancellation options or uncertain economic impact. Even though podcasting is one of the fastest-growing digital channels compared to other media, according to the IAB, advertising spending on podcasting is vulnerable to significant cuts by brands and companies.

Loss of Major Podcasting Talent

- Even though PODC has broadened and deepened its talent in the past two years, the company may experience adverse financial impact from losing top talent. Reflecting the PODC platform's growth, the company has deepened its talent pool from one major podcaster two years ago to 5-9 major podcasters today. While PODC has entered into long-term agreements with some of its key podcast hosts, the company has no assurance that all or any of these persons will remain with them, will be able to continue to provide podcasting services, will retain their audiences, or will continue to be profitable.

Challenge Posed by Content Moderation

- Content moderation could become a major challenge for PODC with significant financial impact as the company expands its talent pool into politics and sports, where controversy may follow. While social media companies have faced pressure to be more transparent over moderation and ramp up investment in human and artificial intelligence review systems, podcasting networks have largely escaped this scrutiny so far. As PODC expands its talent pool, PODC may need to invest in human and technological capabilities to moderate content.

Merger & Acquisition Related Headline Noise

- Due to its M&A strategy, PODC may likely be exposed to bad press and negative social media traffic arising from future acquisitions. For instance, PODC has been the target of negative comments from podcasters on Kast Media, upset over the acquisition underway. Though the negative social media chatter has garnered headlines, the merger continues progressing, and PODC is negotiating new contracts with each Kast Media podcaster. Nevertheless, the impact on PODC's future M&A activity would be minimal, in our view.

Financial Overview

PODC, in our opinion, should benefit from the industry environment, providing continued growth in the number of advertisers buying ad time on its podcast shows and attracting new talent interested in hosting shows on the platform, supplemented by tactical acquisitions of smaller podcast networks with established talent, yielding good earnings growth and cash flow into 2024. We project that PODC will post very good earnings growth and margin expansion in FY24 and FY25 as an increasingly diverse podcast content slate drives higher ad revenues to its scalable platform and satisfied advertisers increase their spending to encompass multiple shows across the platform. Nonetheless, we expect PODC will continue to acquire select podcast networks and/or talent to drive revenue growth, which may require new capital to finance.

Our Estimates

We believe that in FY2024, PODC can deliver $42.0MM in revenue and a GAAP EPS loss of $0.08. Management's FY2024 revenue guidance as a comparison, ranges from $42MM to $47MM. Looking to FY2025, we expect PODC to produce revenue of $48.4MM and EPS gain of $0.11. Anchoring our FY2024 and FY2025 estimates, we expect PODC's gross margins to trend

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in the low 20% range, with operating margins steadily rising into positive single digits aided by economies of scale, acquisition-related synergies, and higher advertising rates.

Our conservative financial forecast assumes moderate sales traction for PODC's platform, a combination of good new advertiser sales activity, increasing cross-selling activity to existing advertisers, and a modest uptick from new podcasters ramping on the platform. Thus, we project sales to grow 21% YoY. Correspondingly, the favorable mix shift from cross-selling activity and new podcast content should raise margins heading into FY2025.

M&A Activity/Talent Acquisition Could Provide Upside

PODC could see significant revenue upside in FY24 and FY25 from its M&A strategy and talent acquisition efforts. PODC has two significant acquisitions in progress — KAST Media and Fantasy Gurus — which would be earnings accretive to FY2024. Additionally, PODC is conversing with over one hundred podcasters interested in joining the platform and has a pipeline of ten additional acquisitions currently being vetted. Depending on the timing and audience size, the podcast talent hiring and platform acquisitions would likely be earnings accretive (to varying degrees) in FY24 and FY25.

Valuation

We believe PODC trades at a discount to peers for three reasons: (1) investor unfamiliarity with the PODC platform technology's disruptive potential, (2) execution risk for planned acquisitions and talent onboarding, and (3) the platform's relatively small size compared to industry peers. Currently, podcasting media companies and radio/tv broadcasting companies trade at a forward EV/Sales multiple (on average) of 2.0x and 1.5x, respectively. In contrast, PODC trades a forward EV/Sales multiple of 1.4x based on our CY2024 Estimated Sales of $46.0MM.

PODC, in our view, should be compared against podcasting media platform companies, not radio/tv broadcasting companies, for valuation assessment. Radio/TV broadcasting companies trade at low multiples, owing to their limited growth potential as advertisers and audiences transition to digital channels for their media needs. At the same time, the market assigns relatively higher multiples to podcasting media platforms due to their multiple digital channels and cross-vertical revenue generation potential.

We believe PODC should command a better valuation, reflecting our expectations for the company's future growth. Thus, we derive a final multiple of 3.0 times enterprise value to sales for PODC. Adjusting for debt and cash balance, we derive a price target of $6, using the fully diluted share count of 22.9MM.

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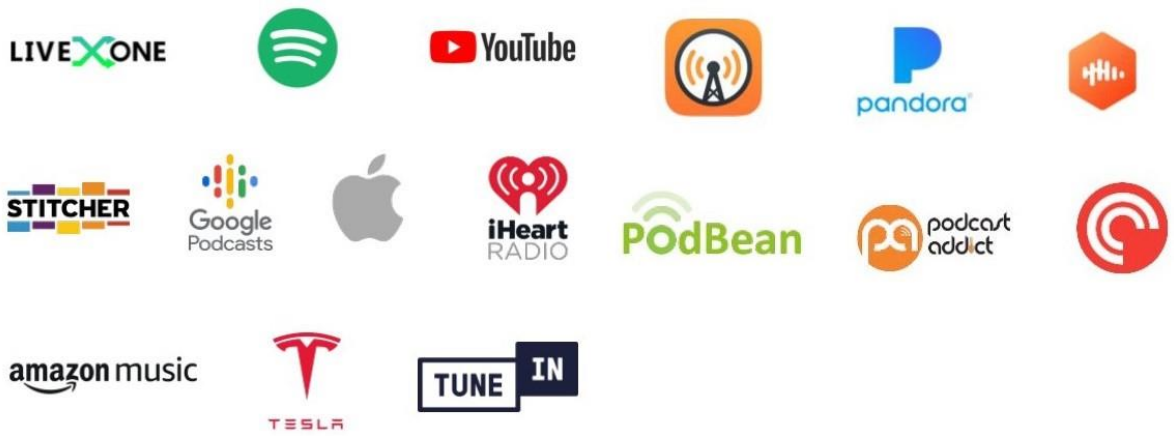
I. Company Background

Courtside Group, Inc., dba PodcastOne, Inc. (NASDAQ: PODC), is a podcast platform and publisher. The company is a majority-owned subsidiary of LiveOne, Inc., a Delaware corporation and a Nasdaq-listed company (LVO). PODC offers its content to audiences through podcasting distribution platforms, including its website, Apple Podcasts, Spotify, Amazon Music, and others. It also produces vodcasts, branded podcasts, merchandise, and live events. In addition, the company builds, owns, and operates LaunchPadOne, a self-publishing podcast platform. Courtside Group, Inc. was founded in 2013 and is based in Beverly Hills, California.

II. The Network

PDOC's advertiser-supported podcasting network, one of the largest in the U.S., allows advertisers to reach desired target audiences via multi-platform integration opportunities, coupled with hyper-targeting capabilities, empowering podcasters with analytical insights and cross-media opportunities to maximize their monetization potential. Taking advantage of the post-pandemic podcasting industry shakeout, PDOC will seek to acquire rival podcasting networks and sign podcasting talent to bolster the platform's capabilities and expand its audience reach. Currently, PODC's network, with advertising from 2,000+ corporate clients (including many Fortune 1000 companies), hosts 300+ podcast shows and produces 350+ hours of weekly content distributed across all the major podcasting listening platforms – See Figures 1, 2, and 3. Through a series of acquisitions and partnership agreements, PODC forged an integrated podcasting platform with robust capabilities to support in-house and independent podcasters and vodcasters. PODC's in-house capabilities enable it to operate with a soup-to-nuts approach and offer white-glove services to talent and advertising clients alike — a key differentiator in a highly competitive industry. More notably, PODC shrewdly uses a proprietary Content Management System (CMS) to vet new podcasting talent, cultivate in-house podcasting talent, and develop hyper-targeted advertising campaigns for brands and corporate clients. The company's platform covers major interest verticals, including entertainment, sports, and true crime. It produces more than 300+ shows, including "The Adam Carolla Show," "LadyGang," and "Gals on the Go," which cumulatively garner around 5.4MM+ monthly listeners in the U.S. and 48MM+ monthly downloads. Much of PODC's content is centered on women aged 25-44, a key demographic highly sought by advertising agencies. In the future, we expect PODC to engage in M&A to bolster the product platform's capabilities and diversify its audience base. The direct listing should provide the company with stock currency to support M&A activity. Nevertheless, PODC faces a challenging competitive environment as major players (Apple, Spotify, et al.) fight for talent to garner a greater share of the digital ad spending dollar. Ultimately, PODC's success in helping clients maximize their podcast ad impact will drive advertising dollar growth, attract new podcasting talent, and provide robust cross-selling activity, in our opinion.

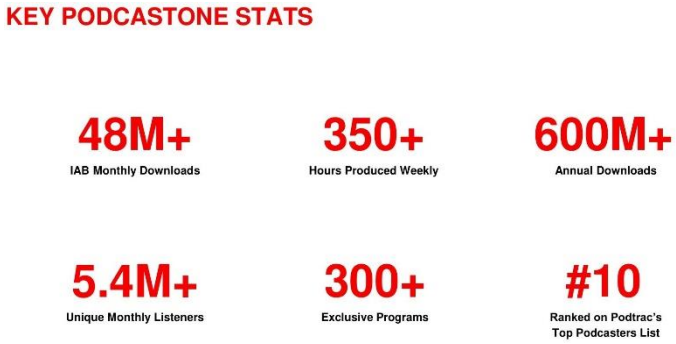
Figure 1. PODC Distribution Network Goes Beyond Podcasting Apps to Include Tesla and YouTube.



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Source: PodcastOne Investor Presentation – August 2023

Figure 2. PODC's Platform Has Amassed a Huge Audience



Source: PodcastOne Investor Presentation – August 2023

PODC is one of the largest and most diverse independent podcast publishers, offering content across a wide breadth of verticals. PodcastOne sees 2.1B downloads annually, with 5.2MM+ unique downloads a month in the U.S. and 32.7MM global streams and downloads. In July 2023, PODC was ranked #10 on the list of Top Podcast Publishers by the podcast metric company Podtrac – See Figure 4. Currently, PODC produces over 350 hours of shows across verticals, including reality TV, sports, true crime, self-help, and business, consistently ranking in the top 100 on the Apple Charts. PodcastOne publishes many prominent podcasts, including "The Adam Carolla Show," "Off the Vine with Kaitlyn Bristowe," "Coffee Convos," "The LadyGang," "Nappy Boy Radio with T-Pain," and "The Jordan Harbinger Show," spanning all major genres – See Figure 5.

Figure 3. PODC's Advertiser Network Includes Fortune 1000 Clients



Source: PodcastOne Investor Presentation – August 2023

Figure 4. PODC Ranked #10 in Top Podcast Publishers

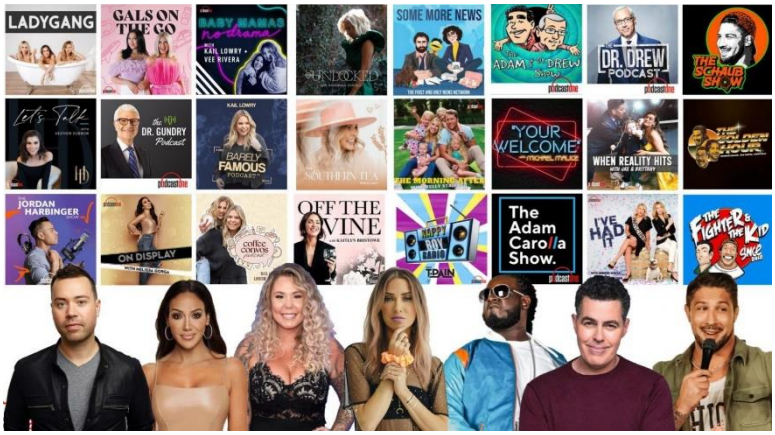
PODCAST INDUSTRY RANKING HIGHLIGHTS
TOP PODCAST PUBLISHERS
US AUDIENCE: **JULY 2023**

RANK	PODCAST PUBLISHER	US UNIQUE MONTHLY AUDIENCE	GLOBAL DOWNLOADS & STREAMS	ACTIVE SHOWS	SALES CONTACT
1	iHeartPodcasts	30,313,000	377,139,000	853	iHeartRadio
2	Wondery	23,276,000	179,762,000	216	Wondery Brand Partnerships
3	NPR	17,072,000	157,914,000	49	National Public Media
4	New York Times	9,759,000	107,204,000	12	
5	NBC News	9,713,000	61,711,000	71	
6	DailyWire+	8,935,000	75,945,000	14	
7	The Walt Disney Company	6,899,000	36,551,000	135	Disney Ad Sales
8	Vox Media	5,981,000	38,916,000	61	Vox Media
9	Barstool Sports	5,824,000	30,606,000	97	Barstool Sports Sales
10	PodcastOne	5,464,000	48,420,000	177	PodcastOne Sales
11	PRX	5,455,000	50,350,000	135	Soundrise
12	Paramount	4,444,000	36,846,000	85	
13	Fox Audio Network	4,063,000	35,536,000	107	Fox Ad Solutions
14	CNN	3,701,000	34,421,000	57	WarnerMedia Ad Sales
15	WNYC Studios	3,407,000	19,396,000	34	
16	Blaze Media	3,192,000	30,157,000	18	Blaze Media
17	This American Life	3,009,000	10,059,000	1	
18	BBC	2,551,000	#	851	Acast
19	TED	2,481,000	35,689,000	20	
20	American Public Media	2,456,000	13,614,000	60	

Source: PodcastOne Investor Presentation – August 2023

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Figure 5. Top Shows on the PODC Network



Source: PodcastOne Investor Presentation – August 2023

PODC leverages its podcasting network's reach to grow its audience. PODC uses current successful podcasts to launch and grow new shows in audio and video spaces. For example, if one listens to a PODC true crime show, one will likely hear a promo about another true crime show on a PODC network or affiliate such as PlutoTV. PODC's strategy of cross-promoting a current show with other related performances has been a critical audience growth driver. Consequently, PODC shows in key categories such as true crime, history, TV & film, self-improvement, and society & culture have posted double- and triple-digit growth in audience downloads.

PODC platform success stories include:

- "Trust Me" grew a remarkable 85% in audience from January-October 2022.
- "Cold Case Files," which expanded to two weekly episodes due to the overwhelming demand for content. Each week, fans are now treated to an original episode and a classic episode replay.
- "The Dr. Gundry Podcast" saw a 30% uptick in listeners from January-October 2022.
- "American Nightmare Season 2" was relaunched as part of the strategy to launch Season 3 with double-digit downloads.
- "The Prosecutors," which, in summer 2022, debuted a spin-off, "The Prosecutors: Legal Brief," in the wake of the success of its 14% episodic audience growth since onboarding with PodcastOne in January 2022.

We believe PODC's content portfolio will likely continue to grow as more talent is signed or developed on the platform.

PODC claims its deep talent relationships facilitate significant monetization opportunities and impactful value-add advertising. PODC prioritizes establishing and maintaining an in-depth relationship with its content creators, enabling it to be viewed as a trusted and valued partner. PODC management has personal relationships with every major talent on the network, which allows them to sign comprehensive multi-year agreements that provide exclusive rights to their podcasting content and derivative rights to new shows. PODC then leverages these relationships to create value-added opportunities with brands through talent socials, YouTube, and other influencer marketing tools. As a result, PODC can negotiate favorable revenue splits better than the industry standard. Our intel indicates revenue splits between talent and PODC can range from 70% (talent)/30% (PODC) to 60%/40%, far better than industry historic splits of 80%/20% with traditional networks.

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In our opinion, PODC's success arises from four critical factors:

1. **In-House Production Capabilities/White Glove Service: Attracts Talent/Clients and Provides Scale.** Unlike larger competitors, who view podcasting as a piece of their overall business, PODC is a medium-sized production and distribution house focused solely on podcasting. PODC stands apart by being a one-stop shop (integrated sales, marketing, production, and distribution services) for everything creators need to succeed in their podcasts. For instance, PODC owns recording facilities in Beverly Hills and Miami — two key markets for celebrity talent. Consequently, PODC can readily scale operations while attracting new talent, which will bring in brand advertisers and new revenues. For advertisers, PODC's singular focus assures their ad campaigns will receive full attention for maximum effectiveness.

2. **LaunchPadOne: Farm League to Prospect New Talent.** LaunchPadOne, a free self-publishing podcast platform for independent podcasters, serves as a "talent pool" for the firm's funnel of new podcasters to grow and feature. Currently, LaunchPadOne has over 1,000 shows hosted on its platform for free. LaunchPadOne offers creators a 360-degree podcasting ecosystem — a technology hosting platform, customizable design elements, a podcast player, and distribution tools to publish on all major listening apps, including Apple Podcasts and Spotify. In exchange, PODC receives 100% of the revenue from programmatic ads and direct ad sales on the podcasts. PODC carefully evaluates LaunchPadOne creators to identify promising talent for further development. If a show posts 10K to 15K downloads, or the podcast creator successfully sells ads on their own and/or garners significant PODC ad inserts for their show, PODC will flag them for initial consideration.

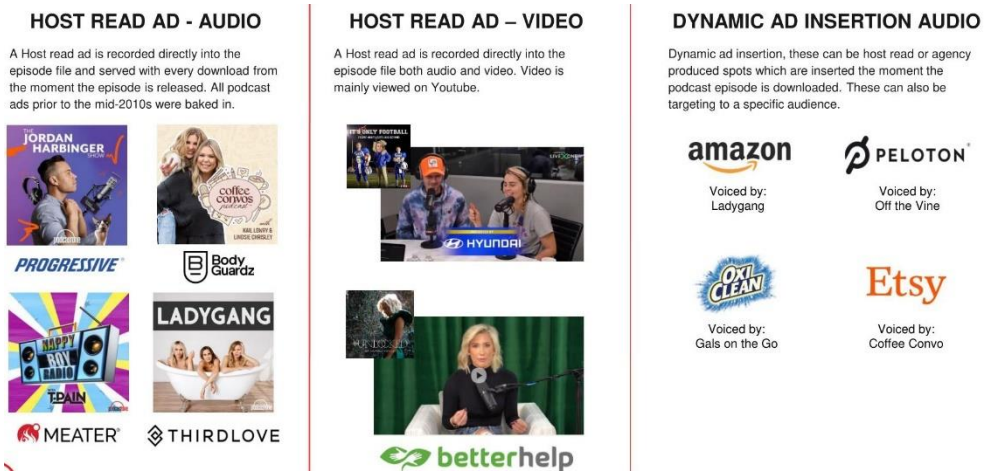
3. **Proprietary CMS: Analytical Insights to Drive Revenue.** CMS allows content creators and producers to track metrics on their shows on an episode-by-episode basis, enabling them to fine-tune content to grow their audience and drive maximum advertiser dollars. On CMS, podcast episodes are uploaded, RSS feeds are created and distributed to listening platforms, and the listening data is analyzed and displayed in a dashboard for the hosts/producers to see. PODC's competitors operate their own CMS equivalents: Megaphone (Spotify), Art19 (Amazon), and SimpleCast (SiriusXM/Pandora).

4. **Strong Ties with LiveOne: Monetization Opportunity Beyond Podcasting.** Due to its association with LiveOne, PODC's platform can offer unique branding and marketing opportunities to podcasting talent, such as pay-per-view shows, IRL (in real life) experiences, and other unique revenue-generating events. For instance, PODC, which retains live tour sponsorship and licensing rights, can produce live tours with leading podcast talent and provide merchandise tie-ins for talent and podcasts. In our opinion, PODC effectively leverages this monetization edge as a negotiation tool when acquiring podcasting talent for the platform.

PODC's platform's competitive edge supports targeted measurable ad campaigns, providing diverse ad-driven revenue streams – See Figures 6 and 7. PODC can offer blue-chip clients targeted measurable campaigns, including direct ad sales, programmatic ads, vodcast ads, and custom executions. Employing its CMS data analytics capability, PODC can design ad campaigns with specific target performance metrics and evaluate progress toward the metrics in real-time. Furthermore, PODC can engage podcast talent in host-read embedded spots and coach them through voice-over delivery to increase direct response sales and advertiser satisfaction. PODC's strong talent relationships allow it to create value-added opportunities with brands through talent socials, YouTube, and other influencer marketing tools. Lastly, advertisers also have the opportunity to brand entire podcast series, as Microsoft did with MotorTrend, holding a 100% share of its voice ads in Summer 2023. This strategy helps launch a new product, service, or offering.

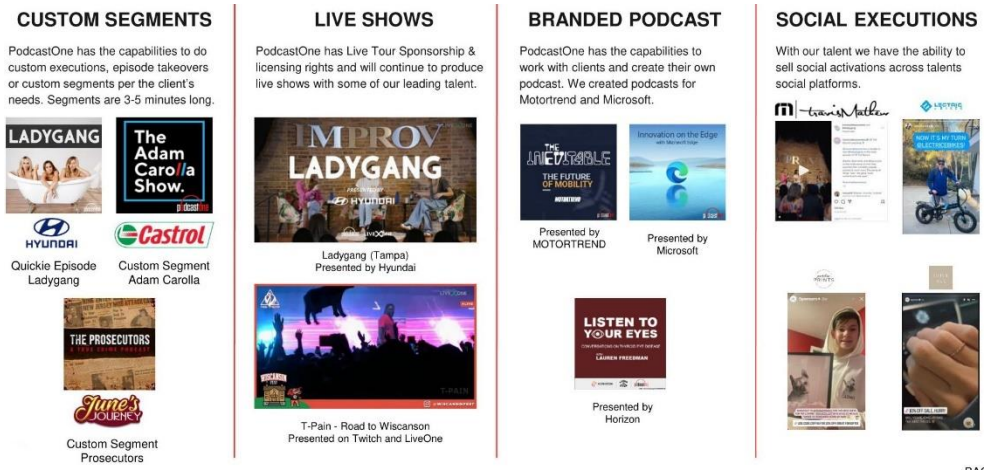
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Figure 6. PDOC Platform's Multiple Revenue Generation Opportunities



Source: PodcastOne Investor Presentation – August 2023

Figure 7. PDOC Platform's Multiple Revenue Generation Opportunities (Continued)



Source: PodcastOne Investor Presentation – August 2023

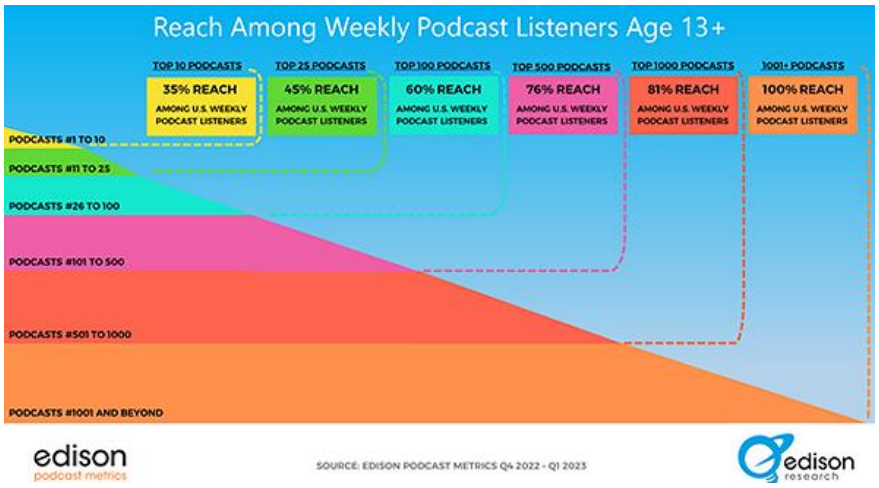
PODC shrewdly uses data analytics to drive higher CPM, generating more ad revenues. Since 44% of podcast ad revenues go to the top 500 podcasters, PODC is strongly motivated to ensure that its podcasting talent is counted among the top 500 to command the best advertising rate (Cost Per Mille). [*Cost Per Mille ("CPM") is a standard pricing model podcast advertising, and refers to the cost an advertiser pays for every thousand impressions or downloads of an ad.*] CPM rates vary depending on factors such as the size and engagement level of a podcast audience, where the ad appears in the podcast (pre-roll, mid-roll, post-roll, or sponsored segment), the length of the ad, and the podcast's overall popularity. Typically, a PODC podcast show can command a $20 to $35 CPM rate (average). But if the show can demonstrate a fanatical listener base (for example, 70K listeners), PODC can secure ads for the show at a higher CPM rate, e.g., $40 to $75.

In contrast, a programmatic (generic) ad inserted into shows commands $8 to $12 CPM rates. While many podcast advertisers rely on promo codes and/or vanity URLs to measure performance, PODC employs CMS's data analytics capabilities to validate impression delivery and justify a higher CPM. (PODC's CMS uses Interactive Advertising Bureau (IAB) criteria for ad-impression measurement to provide clarity and authentication). Without CMS, PODC, in our opinion, would be hard-pressed to demonstrate advertising effectiveness on its platform.

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PODC's platform supports its data-driven talent strategy to piece together a profitable podcast roster — critical to its long-term survival. Like Oakland A's General Manager Billy Beane of "Moneyball" fame, PODC utilizes data analytics to craft podcasting metrics, which enables it to identify underappreciated and often underpaid impactful podcast talent for recruitment. Thus, PODC can compete against large, well-funded platforms like Apple, Spotify and iHeartMedia. Recognizing that the top 500 podcasts reach the majority (76%) of the weekly podcast audience (according to Edison Research), PODC carefully assembles its roster of podcasters talent — a mix of organic and acquired talent — from the tens of thousands of podcasts available, capturing share amongst the Top 500 – See Figure 8.

Figure 8. PODC Carefully Scours Through Top Podcasts to Fill Its Talent Roster



Source: Edison Research

PODC employs CMS to assess an individual's potential for success as a podcaster. For what seems like a Herculean task — evaluating the millions of podcast shows to assess monetization potential — PODC employs CMS to focus on the 20K dedicated podcasters to determine who can be monetized on the platform – See Figure 9. With CMS, PODC has developed good financial models to ascertain and evaluate the critical numbers to determine a show's potential success on its advertising platform. For instance, PODC can estimate a podcast's audience type, performance in direct response fees, number of ad renewals, whether they see ad rate increases or sign new advertisers, and whether they are brand-friendly. Based on this data-driven analysis, PODC can estimate an existing show's incremental revenue potential (higher ad rates, cross-selling potential, and other synergies) on the PODC advertising platform. Owing to its data-driven strategy, PODC has assembled a show roster comprising an even split of organic and acquired shows, designed to maximize audience reach, leading to high revenue generation potential.

Figure 9. Sorting Through the Chaff to Find the Kernel

- 90% of podcasts do not get past episode 3. That is 1.8MM podcasters who quit.
- Of the 200,000 left, 90% will cease after 20 episodes. That's another 180,000 gone.
- To be in the top 1% of podcasts worldwide, a creator needs to release 21 podcast episodes.
- The actual competition is NOT the 2MM podcasts, but the 20K podcasters that don't quit.

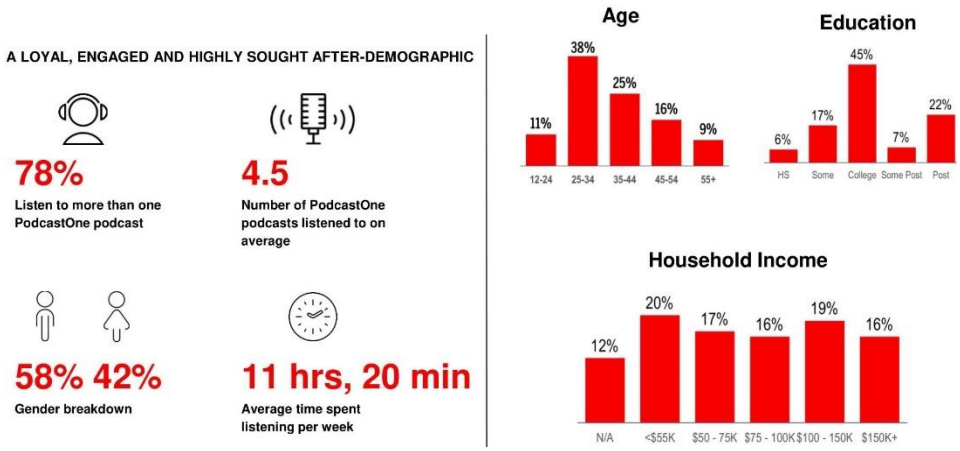
Source: Reddit

Even though PODC appeals to a large, broad audience, the platform's shows are weighed toward a key demographic: moms. On the surface, the PODC platform would seem to appeal to a highly specific audience: male-focused, young, highly educated, and affluent – See Figure 10. However, ad agencies are very keen on capturing moms' purchasing power in households. Recognizing the potential opportunity, PODC saw reality TV and true crime as the best verticals to target the desired demographic: females aged 21-54. For instance, PODC developed podcasting shows featuring talent from the Bravo channel

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reality TV franchises Real Housewives and Vanderpump Rules. Utilizing CMS, PODC identified the cast members with the best potential as podcasters, coached them to craft content resonating with the audiences, and engaged with advertisers to develop cross-selling opportunities.

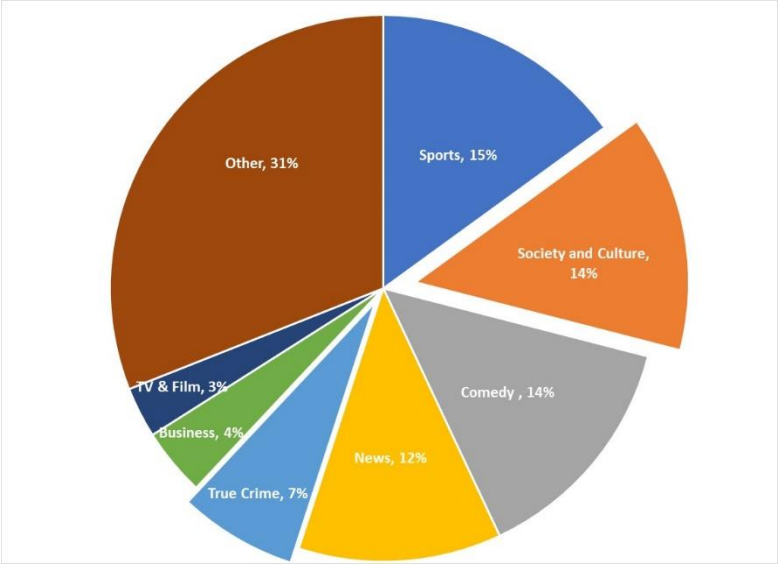
Figure 10. PODC Listeners: Diverse, Valuable, Highly Engaged Base



Source: PodcastOne Investor Presentation – August 2023

PODC's platform must expand beyond mom-targeted podcasts to achieve mainstream financial success. Despite the success of the Adam Corolla Show and other mainstream shows, PODC is capturing a fraction of the available advertising revenue due to its mom-centric podcasting show roster. Nevertheless, ad agencies are willing to pay premium ad rates to capture the mom audience's purchasing power in households. According to the Interactive Advertising Bureau, of the eight content genres measured, the top five constituted more than 60% of advertising revenue captured in 2022 – See Figure 11. Because of its true crime and reality TV focus (society and culture genre), PODC can only capture 21% or one-third of the top five genre ad dollars.

Figure 11. Podcast Ad Revenue Percentage Share by Content Genre (2022)



Source: IAB - U.S. Podcast Advertising Revenue Report

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PODC continually improves the platform's technology, yielding operations efficiencies and new monetization opportunities. PODC seeks new ways to enhance the platform's performance, including incremental upgrades like faster uploads to the CMS. Some enhancements lead to new monetization opportunities. For instance, working with Knoxx Solutions, PODC built a proprietary software that facilitates the insertion of ad breaks into archived shows (i.e., more than 30 days old). This once manual process allows PODC to remonetize the audience in a cost-efficient manner. Now, PODC can automatically remove existing embedded ads in an archived show and replace them with new advertisements that can be set to a listener's geographic location. Dunkin ads, for example, can be set for regional locations — listeners in warm climates will hear ads for iced coffee. In contrast, listeners in colder locations will hear ads for hot coffee.

PODC continues to add features and new content to the platform to stay relevant and competitive. In the past year, PODC has added AI-powered brand suitability tools (Seekr), YouTube interface (Adori), and expanded podcast distribution on the podcast listening app Vodacast (Auddia). By signing new partnerships, PODC stays relevant and avoids costly alternatives. For instance, in March 2022, PODC began to use Adori, allowing podcast hosts and networks to seamlessly import episodes from RSS feeds, enhance them with visual elements, and upload enriched assets directly to YouTube. Adori's YouTube product provides additional monetization avenues for PODC's slate of original programming, increased discoverability, and SEO presence. The alternative would have been to pay higher fees to content creators to keep them off YouTube (See Competition Section and Joe Rogan podcast discussion).

PODC's platform is in an excellent position to become a consolidator, acquiring talent and technology as competitors are in pullback mode. During the big podcasting boom era, the large podcast networks spent considerable sums to sign talent to multimillion-dollar deals and acquire podcast tech to build out their platforms' capabilities. Now, large podcast networks are compelling the same talent to accept lower-figure deals or walking away from the deals entirely. PODC, employing CMS-based audience analytics, can assess the newly available talent's true economic worth and sign deals reflecting their flywheel potential on PDOC's ad platform. Additionally, smaller podcast networks struggling to keep up in the tight advertising environment may become available as acquisition targets. PODC can extract new value from the smaller podcast networks by upgrading their platforms' capabilities, providing access to its deep ad inventory for better revenue generation, cross-selling to other shows, and, most importantly, investing in the network's talent. PODC having learned from the big players' mistakes, can craft economically sensible deals for long-term profitability.

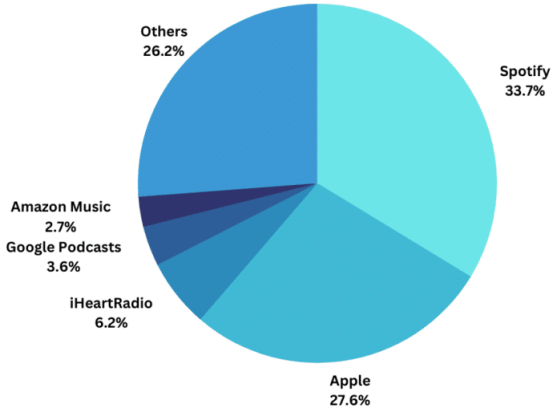
M&A will become an essential part of the company's strategy as it acquires podcast networks that can provide added value to its growing customer base and drive cross-selling opportunities. Through acquisitions, PODC can build out a full-breadth network that would appeal to mainstream brands and seasoned advertisers interested in the podcast medium. For instance, PODC can add political and sports-related podcasting content, providing an incremental 27% of the podcast advertising revenue opportunity – See Figure 11. If PODC added this content, the company could capture nearly half (48%) of the available podcasting advertising dollars significantly enhancing the network's competitive position. Post-deal, PODC could employ CMS to fully capture the cross-selling opportunities from a diverse podcasting platform that can reach a broad spectrum of advertiser-desired audiences. Nevertheless, PODC would face considerable integration risk from such a scale-expanding set of acquisitions. PODC can use its stock/equity as currency for future acquisitions following its direct listing.

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III. Competitive Environment

Owing to low barriers to entry and rapid technological advancements, the podcasting industry is highly competitive, with several major players that command significant market share alongside numerous small and niche players. However, the industry is witnessing a consolidation wave precipitated by a tough advertising market and the emergence of YouTube as a competitive force that will financially pressure smaller networks and drive a talent movement. Apple and Spotify dominate the podcasting market, along with major podcast networks SiriusXM and iHeartRadio, followed by a mix of niche platforms such as NPR and the New York Times, and smaller players including Disney, WarnerMedia, and PodcastOne – See Figures 12 and 13. On the high end, Apple and Spotify, who command massive listener bases (in the tens of millions), are must-go destinations for podcasting content and deploy their significant financial resources to fund innovation and new product introductions. In contrast, on the other end, niche players and smaller networks compete based on content access to listeners and service offerings to content creators. The principal competitive factors are brand recognition, ease of platform use, volume of available content, integration with other podcasting platforms, and technological innovation. As a result, the podcasting industry is a market dominated by a handful of prominent players, whose podcasting content encompasses multiple sub-markets and niches such as news, entertainment, and sports. Corporate clients who seek to maximize their advertising spending impact tend to prefer the more extensive networks because their diverse podcast content ensures a high likelihood of reaching their target audience. Due to the low barriers to entry, small niche players enter the market to offer access to specific demographics but lack the financial resources to fund product development or expand beyond their narrow segment. Given the tough advertising market lately, many smaller niche players and platforms have become available for acquisition, setting the stage for consolidation. Lastly, YouTube's emergence in the podcasting sector as a must-go platform may further drive the consolidation wave.

Figure 12 – Most Popular Podcasting Platforms, July 2023



Source: Demandsage

Figure 13. Podcasting Market's Major Competitors

Company	Details
Spotify	• Spotify is one of the largest podcasting networks. In the last few years, Spotify has spent more than $1B acquiring podcast networks, individual shows, and tech to support podcast production. • Spotify made the show's platform-exclusive in a bid to change podcast listening habits and become the de facto audio platform. But over time, it turned out that exclusivity was poisonous for growth. • Spotify is beginning to loosen its hold on podcast exclusivity. With slower podcast listener growth in critical markets, reduced spending on podcast production, and a saturated market that makes it hard for a new show to find an audience, it no longer makes sense for Spotify to lock shows behind its platform. By letting users across services have a taste, Spotify could end up with more adopters down the line.

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	• Meanwhile, Spotify is embracing AI in content creation and moderation efforts to retain a competitive advantage.
Apple Podcasts	• Though Apple Podcast is the second most popular podcast platform (28% market share), it is one of the most used and downloaded podcasting apps. Over 70% of all podcast episode download requests come from Apple Podcasts, while Spotify only amounted to 8.9%, according to Podtrac data. • Apple Podcasts' automatic download feature may partly influence this disparity, which immediately saves new episodes for subscribed users. Even so, Apple Podcasts retained a commanding lead regarding the quantity of podcasts consumed on its platform, with the average podcast listener requesting 28 episodes on Apple, compared to just three for Spotify. • Apple is leveraging every part of its multimedia ecosystem to expand its podcast experience. While most podcasts are free, consolidating paying listeners in one place can help Apple better cater to this audience. • Apple Podcasts is appealing to a crucial segment of the podcast market — the paying subscribers — by becoming a one-stop shop for both third-party and Apple's audio subscriptions. Listeners who purchased their subscription from another platform's website can log in with their existing credentials. Now, subscribers to partnering publishers, such as The Economist and Bloomberg, can access everything they want to listen to in the Apple Podcasts app, consolidating their listening experience. • By consolidating content (Apple Music, Apple One, and Apple News+) into one service, Apple is essentially minimizing its consumer fragmentation to maximize the user experience. Amid the sea of platforms, Apple Podcasts is becoming a central focal point for audio content.
iHeart MEDIA	• iHeartPodcasts, the podcast division of radio powerhouse iHeartMedia, operates an expansive network of hundreds of shows, with many centered on influencers and celebrities. • The company supports tasks like production, monetization, and distribution for the shows in its network, which include podcasts with influencer talent like Paris Hilton and Jessica Moore, aka "Jess Hilarious," as well as the father-son drink-mixing show "The Johnny Drinks Podcast," which has around 1.14MM subscribers on its YouTube channel. • In May 2023, iHeartMedia launched Ruby, a branded podcast studio, to focus on the production, sales, and marketing of custom podcasts created for brands. iHeartMedia has produced 30 branded podcast shows (20 in the past year) for brands like T-Mobile, IBM, Intuit QuickBooks, and Mattress Firm.
SiriusXM	• Besides the flagship subscription entertainment service SiriusXM, the company owns the ad-supported Pandora streaming platform and is looking to lead the ad-driven podcast business by bringing top marketing brands to that growing audio content market. • To make podcasts more appealing to brand marketers, SiriusXM enables digital advertisers to reach specific shows or an entire audience demographic within its podcast network. • Audio advertising driven by new digital formats has also become a growing focus at SiriusXM as it shifts to a streaming model on top of its satellite radio broadcasts. It is also rolling out its exclusive 360L technology to combine satellite and streaming features.

Source: Multiple websites

Low Barriers to Entry Led to Content Explosion

The podcast industry is saturated with content due to low barriers to entry. Podcasting has significantly lower barriers to entry compared to traditional forms of media like broadcasting networks, owing to lower capital costs for recording equipment, streaming devices, and website hosting, according to Berkeley Economic Review. For example, the podcasting industry started with podcasters uploading audio files to various existing platforms. Still, as the consumer base grew, an increasing number of podcasters began producing more content to attract listeners at lower marginal costs. The rising demand for podcasts led to more firms entering the podcast industry due to the low startup costs and the gradual professionalization of podcasting. According to

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Spotify podcast data, there are more podcasts than ever, and the number keeps growing extremely quickly — over 5MM podcasts with over 70MM episodes between them as of June 2023.

Market Share Concentration Driven by Higher Operating Costs

Nevertheless, higher capital costs for platform operations and analytical technology to support monetization drove market concentration. Originally, podcasts were relatively niche or a way for radio producers (such as NPR) to distribute content through a different medium. In the early days of the podcast industry, content creators typically controlled their podcasts. But in 2018, NPR introduced Remote Audio Data (RAD), a software enabling podcast creators to analyze the preferences and behavior of their consumers to tailor the content of the podcasts better. With the trend of tracking and analyzing user behavior and consumer preference for single-source content platforms, podcasting industry market share quickly concentrated among a few major players, who had the financial resources to support the new requisite infrastructure. Today, podcasts are becoming so prominent that they receive attention from major media companies, changing the industry's landscape, pushing it into the mainstream, and increasing celebrity and film and television producer involvement in the medium.

Consumer Preferences Reinforce Market Concentration

Often, podcasts are streamed on multiple platforms, but consumers prefer to listen from a single source. For example, the same podcast episode might appear on both Spotify and Apple Podcasts. The purpose of this is to ensure that a wide array of consumers can listen to the broadcast. However, it has been noted that individuals typically subscribe to more than one podcast. Furthermore, they prefer to use a single source that carries each podcast of interest. Instead of creating two separate accounts, buyers will tend to choose the platform that holds the greatest amount of content. As a result, consumers tend to gravitate to large podcast networks, such as Apple and Spotify, which host a large inventory of shows that can satisfy most consumers' podcast-listening interests. In contrast, smaller niche platforms and networks tend to stand out with a single marquee/niche segment, garnering a limited audience.

Consolidation at Hand

Podcast operators are consolidating the market for two reasons: to make their platform the primary podcast destination and to build a "must-buy ad on their network" effect. Starting in 2019, Spotify acquired podcast networks Gimlet Media, Parcast, and The Ringer, as well as securing exclusive rights to host "The Joe Rogan Experience" on its platform in a $200MM deal. More recently, Amazon bought Wondery in 2022, and even The New York Times has jumped in on the podcast buyout trend, acquiring Serial Productions as part of its expansion into audio journalism. In addition to the networks themselves, large operators have also begun investing in back-end tools and hosting providers in the audio market to beef up their technology stacks. This includes Spotify's acquisition of podcast platform Megaphone in 2020 as well as podcast analytics firms Chartable and Podsights in 2022, iHeartMedia's acquisition of podcast hosting company Voxnest in 2020, and Amazon Music's acquisition of podcast hosting and monetization platform Art19 in 2021.

Brand podcasting demand is further fueling podcasting networks' interest in backward integration. In May 2023, iHeartMedia formed Ruby, a dedicated brand podcast studio, to focus on the production, sales, and marketing of custom podcasts created for brands. iHeartMedia's launch of a branded podcast studio matches the entry of Apple, Spotify, and others into the branded podcast segment. Ruby's pitch to marketers is its ability to connect brands to iHeartMedia's talent network, production, sales, marketing, and distribution resources. Because custom podcasts require a hefty media budget, working with a podcast organization with a large network, scale, and distribution is imperative, according to experts cited by Digiday.

Independent podcast platforms are struggling, and may be vulnerable to sale. Independents face the difficult challenges of finding ways to fund new shows and keep building their audience when costs are increasing. Spotify's high-profile exclusive deals with prominent personalities, such as Meghan Markle's "Archetypes" and Kim Kardashian's "The System," vastly inflated content creator acquisition costs, in effect pricing out independents from the high-profile celebrity content creator market. Even though acquisition is touted as an option, independents doubt whether acquirers are willing to nurture them post-deal. Significant layoffs at (Spotify-acquired) Gimlet and Parcast because of "underperformance" resulted in many staffers complaining about a lack of marketing investment and painted the pressure on shows to go Spotify-exclusive as the problem, resulting in a steep drop

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in listeners — as high as three-quarters of the audience for some shows. For independents who lack a niche segment focus or a track record of finding new talent, sale to a larger platform may become the only option.

YouTube: The Great Disrupter

YouTube has quietly become the most feared podcasting threat, thanks to its appeal to Gen Z and the easier path it creates for podcasters to generate ad revenue – Figure 14. YouTube has become a juggernaut in the podcasting space. Two recent surveys, Cumulus Media and Voices, showed that YouTube was the most frequently used podcasting platform, edging out Spotify and Apple's podcasting apps. YouTube's appeal to Gen Z and its features to help creators reach broad audiences and generate ad revenue — along with the added tailwind of the pandemic — helped YouTube accelerate its growth in podcasting. Even more surprising, the video service has done little to make it happen.

Figure 14. Why YouTube May Become a Powerful Podcasting Disruptor

Factor	Details
YouTube podcasts attract Gen Z	• Gen Z listeners see listening to podcast episodes through Apple or Spotify as a thing "old people" do. • Owing to the popularity of TikTok, Gen Z comes to podcasting as a video-first medium. Gen Z stars like David Dobrik and Logan Paul launched highly popular podcasts in the past few years.
YouTube ad and algorithm features appeal to content creators.	• Creators say YouTube can reach a broad audience and generate revenue. • A video podcast is an appealing format for creators, given its low bar for production values. A podcaster must only turn on a camera as the hosts and guests speak into a mic. • YouTube has a recommendation algorithm that can direct new listeners to shows, solving a problem for podcasters who struggle with discoverability from new audiences. • Typically, podcasters can receive up to 55% share of revenue from automatically inserted YouTube ads, something the mainstream podcast networks reserve only for top talent.

Source: Business Insider

Spotify's deal negotiation with Joe Rogan in 2020 indicates YouTube's potential disruptive power in the podcasting market. At the time, Rogan had been posting full episodes of his show to his YouTube channel and making big money on the platform from his share of the ad revenue. Spotify agreed to the $200MM three-year exclusive partly to compensate the podcaster for the YouTube money and audience he'd be losing, reported the New York Times. According to Business Insider, the Rogan deal also led Spotify to create a video player on the app, so Rogan had a place to post videos of his show and keep his former YouTube audience happy.

Now the podcasting world is wondering how hands-on YouTube will be with its growing status as a platform, how it will impact competitors, and whether it views the podcasting business as meaningful enough to make substantial investments. In August 2022, YouTube launched a podcasting homepage on its website and announced a deal with NPR to post shows like "Fresh Air" and "Up First" on the platform. According to Podnews, YouTube's podcasting platform plans to give users enhanced metrics, a path to uploading content through an RSS feed, and more audio-only ads. While these features are basics, podcast creators starting to find their audiences on YouTube find they are meaningful steps.

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PODC's platform has several distinct competitive advantages that will allow it to thrive amid the industry turmoil:

- First, through partnerships and acquisitions, PODC can readily add new capabilities to sustain the platform's competitive edge while retaining control over ad revenue generation. For instance, PODC added Adori, which allows podcast hosts to upload content to YouTube, increasing their podcast discoverability and providing them with a new revenue source. More notably, PODC retains control over the YouTube ad inserts at the source, enhancing the cross-selling of PODC ad inventory.
- Second, PODC's CMS will allow it to sort through the newly available podcast talent to identify and sign up the truly impactful players, avoiding overpaying for mediocre talent. PODC's CMS can estimate an existing podcast show's actual economic value (higher ad rates, cross-selling potential, and other synergies) on its advertising platform.
- Third, PODC employs CMS to vet small and niche podcast networks to identify tactical acquisitions, expanding its vertical coverage beyond the core "mom" demographic.
- Fourth, PODC comprehensive distribution channels ensure podcast content is available whenever and wherever a podcast listener wants to access it. For instance, PODC is available via Slacker Radio, pre-installed as the default radio in every Tesla sold in North America, under a nine-year deal with the automaker. Plus, the LiveXLive streaming platform/Slacker Radio App is also an option on Google's Android Automotive App.
- Lastly, CEO Kit Gray has extensive experience building through acquisitions, helping to ensure future acquisitions will be earnings accretive, providing distinct technologies and, most importantly, cross-selling opportunities, and expanding the customer base.

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IV. Industry Environment

A Brief History of Podcasting

Even though podcasting's roots date back to the 1980s, podcasting in its current form came into being circa 2004. Despite the MP3 audio standard being created in the 1980s, podcasting only began to catch on in late 2004, with the advent of broadband internet access and portable digital audio playback devices such as Apple's iPod. The word "podcast" was invented by British journalist Ben Hammersley from the combination of "iPod" and "broadcast." Podcasts usually take the form of audio on streaming platforms, where consumers can subscribe to different podcast channels and select episodes from pre-recorded audio files. Starting in 2005, podcasts began gaining popularity when Apple added podcasts to its iTunes platform, as public radio networks such as the BBC and NPR added their radio shows on the iTunes platforms. Subsequently, podcasting started to be used in conjunction with traditional media to communicate with the public.

Podcast Directories and Networks Emerge

Podcasting directories emerged in 2005, to aid in the discovery of podcasts, key to accelerating podcasting adoption. A podcast directory is a podcast listening app (e.g., Apple Podcasts, Spotify, Google Podcasts, Stitcher) where a person can find a podcast, download, listen, subscribe, rate, and review. In June 2005, Apple added podcasting into iTunes 4.9 and built a directory of podcasts on the iTunes Music Store. The new iTunes could subscribe to, download, and organize podcasts, which made a separate app unnecessary for many users. Prior to iTunes' seamless integration, acquiring and managing podcasts required dedicated "podcatching" software that was often clunky and intimidating for the average user. Soon after, Yahoo search engine unveiled podcast search features, and a multitude of podcast directory apps were launched.

Podcast networks were launched in 2005 to aid in creating and monetizing podcast content. A podcast network is a collection of podcasts that are produced, distributed or made available to advertisers through a single company or network. Podcast networks help previously unfindable podcasts market their shows to raise their visibility, increase listenership, and create a big pool for advertisers to buy ads. In January of 2005, the first podcast network appeared at techpodcasts.com. Some of the first networks were topic-focused, and others carried a wide variety of content. In May 2005, Todd Cochrane, CEO of RawVoice, brought the first major advertiser into the podcasting space. His advertising deal with GoDaddy.com proved to be a turning point when people realized they could make a full-time living creating new media and distributing it as a podcast.

Podcasting Industry Overview

Podcasting Has Become a Popular Audio Medium

Podcasts have grown in popularity globally as a form of audio entertainment – See Figure 15. Millions of people tune in daily to listen to different shows, and podcasts are more accessible now than ever, thanks to smartphones and other mobile devices. People listen to podcasts while they commute, work out, or do other daily activities. Listeners can find podcasts in almost any genre or topic they're interested in, from news and politics to sports, music, and science. The Top Ten Podcasts stats show the audiences' diverse interest in podcasts – See Figure 16.

Figure 15. Notable Podcasting Statistics

- In 2023, there are 464.7MM podcast listeners worldwide. This figure is expected to reach 504.9MM by the end of 2024. This is a significant increase from 2019, when there were 274.8MM podcast listeners worldwide.
- As of April 2023, there are over 5MM podcasts with more than 70MM episodes worldwide.
- Spotify has approximately 5MM podcast episodes on its website.
- 73% of podcast listeners listen to podcasts on their smartphones.
- The USA has the highest number of people who listen to podcasts worldwide. Over 100MM podcast listeners are expected in the United States by the end of 2023.
- Almost 25% of Americans obtain news through podcasts.

Source: Market.us Scoop

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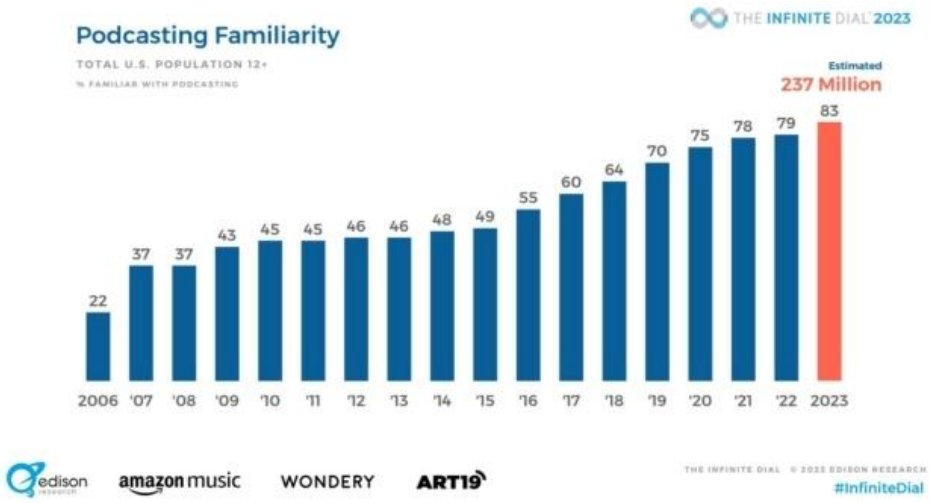
Figure 16. Top Ten Podcasts in the U.S.



Source: Market.us Scoop

The podcasting industry has seen tremendous growth in the U.S. over the past fifteen years. In 2006, only 22% of the adult population in the United States was aware of podcasting. By 2022, this figure had risen to 79% – See Figure 17. Podcasting is an increasingly popular pastime in the U.S., with 62% of the population having listened to a podcast in 2022, up from 11% in 2006. This number is estimated to rise even further, projected to reach 64% or 183MM listeners in 2023 – See Figure 18.

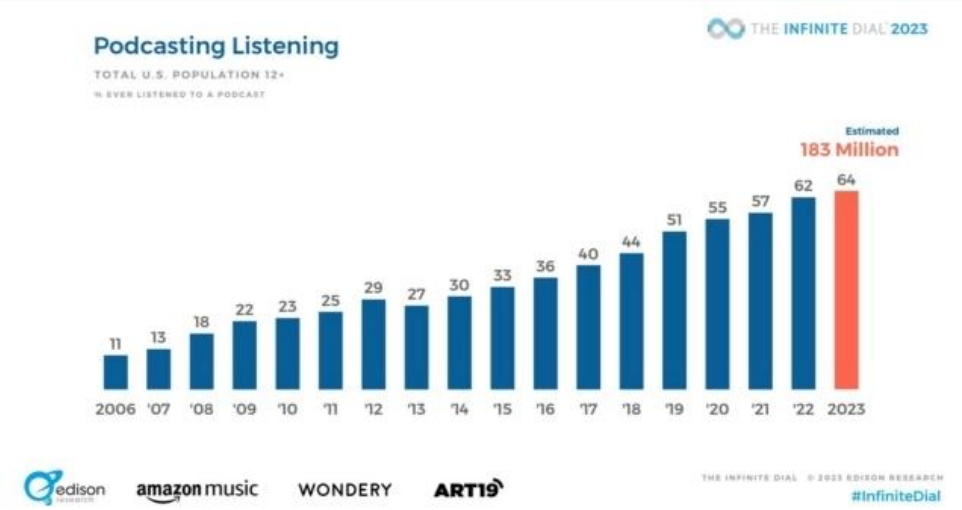
Figure 17. Podcasting Familiarity in the U.S. Is Rising.



Source: thepodcasthost.com

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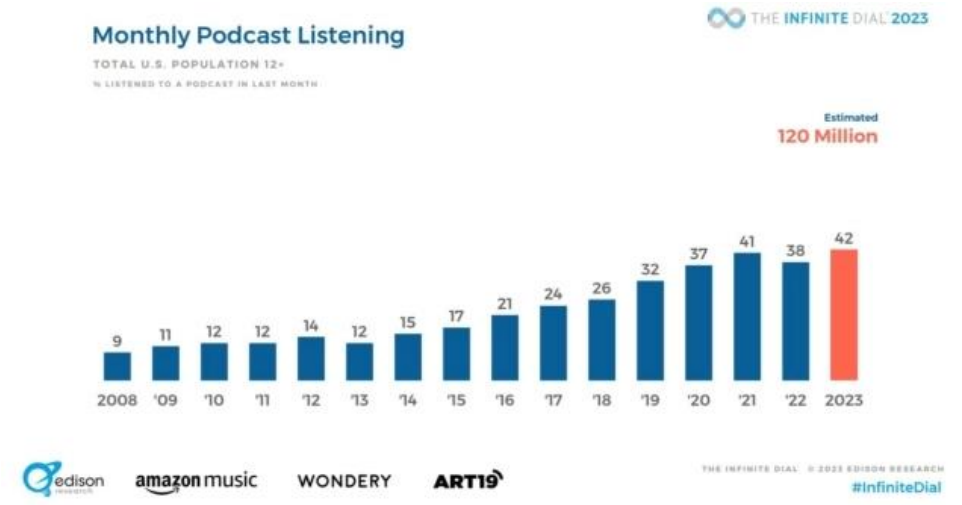
Figure 18. Podcasting Listener Base in the U.S. Is Expanding Rapidly



Source: thepodcasthost.com

As podcast awareness and usage has grown, so has consumption frequency and audience diversity. According to an early 2022 study, 38% of the U.S. population is reported to have listened to a podcast, more than three times the share recorded a decade earlier – See Figure 19. The audience of podcasts is also increasingly diverse. While both female and male consumers are consuming the format, male listeners slightly outweigh females, with a share of 53 percent. While older generations also tune in, the main groups consuming podcasts are Generation Z (ages 10 to 27) and Millennials (ages 28 to 42), with half listening to podcasts regularly – See Figure 20. Interestingly, according to Edison Research, 58% of the total time Gen Z spends with spoken-word audio is now spent with podcasts, more than double the 28% it was back in 2018.

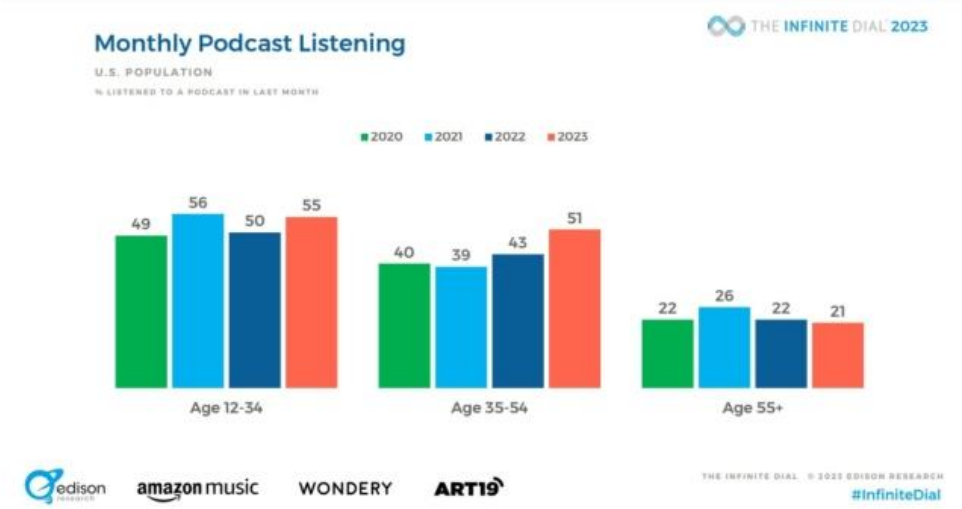
Figure 19. More Frequency in Listening to Podcasts



Source: thepodcasthost.com

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Figure 20. Podcasting Caters to a Younger Demographic

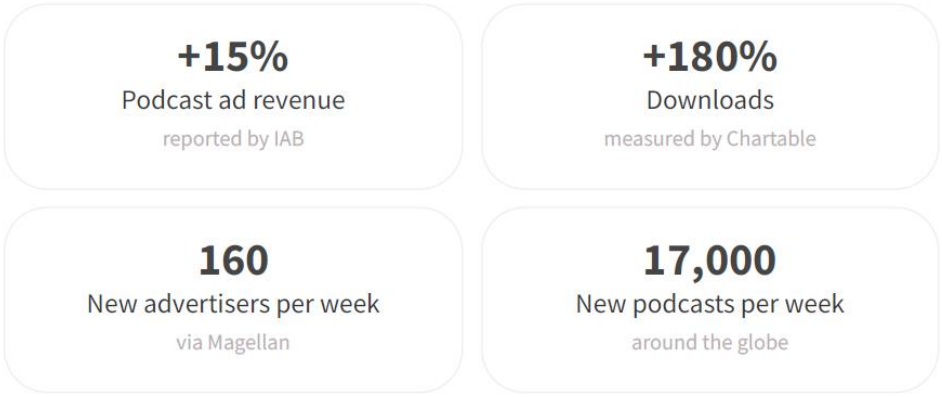


Source: thepodcasthost.com

Pandemic Fueled New Demand for Podcasts

The pandemic fueled a new wave of growth in the podcast industry – See Figure 21. The pandemic caused a surge in content creation, as many people sought creative outlets and escaped from isolation by starting a podcast. 2020 saw a 280% increase in the creation of new podcasts — from just over 300,000 new podcasts started in 2019 to almost 900,000 in 2020. A similar growth in audience met the global explosion in podcast creation: 1.2B downloads a month from over 13,000 podcasts, from the tiniest independents to the largest publishers in the world, according to Chartable, representing a 180% increase globally and a 190% increase in the U.S. According to a Nielsen survey, half (51%) of daily podcast listeners today began listening to podcasts during the pandemic years. Increasing audience uptake allowed brands and advertisers to try podcasting for the first time; according to data from Magellan, over 160 new brands entered the podcast market for the first time every week in 2020, with the numbers accelerating throughout the year. On average, the number of shows an advertiser appeared on increased from 3.6 in January 2020 to 6.2 in November 2020.

Figure 21. Key Podcast Numbers – 2020



Source: Chartable.com

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The Big Splurge: 2018-2020

Strong growth in podcast listening and aggressive maneuvering led by deep-pocketed Spotify fueled a gold rush in the podcasting industry. After becoming the reigning platform for music, Spotify started to make a number of strategic moves to solidify itself as the premier platform for podcasts as well. Spotify became a bellwether for all of podcasting as it signed deals to incorporate networks and quickly multiplied the number of shows on its platform. Starting in 2019, Spotify acquired major podcast studio Gimlet Media, which is responsible for popular shows like "StartUp," "Reply All," and "Crimetown." Spotify purchased podcast creation platform Anchor, pod production company Parcast, and digital sports and culture publication The Ringer to bolster back-end capabilities. Lastly, Spotify secured exclusive rights to host "The Joe Rogan Experience" on its platform in a record-breaking $200MM deal. By the end of 2020, Spotify announced it had 2.2MM podcasts on its platform, a threefold increase from 2019, with time spent listening nearly doubling.

Rivals followed suit, engaging in their blockbuster deals to build out capabilities and sign talent. Amazon acquired popular podcast studio Wondery for $300MM and stocked up on original and exclusive podcasts for its services Audible and Amazon Music. For instance, according to Bloomberg, Amazon paid $80MM for "Smartless," a podcast hosted by the actor's Will Arnett, Jason Bateman, and Sean Hayes. In turn, SiriusXM paid $325MM for the platform and publisher Stitcher and also bought Simplecast, a top podcast management platform that allows podcasters to publish, manage, and measure content.

The New Normal: More Listeners and Moderate Pace of Ad Revenue Growth

The number of podcast listeners has continued to grow, even as some of the more casual users of the medium, who came in during the pandemic lockdowns, drifted away, helping to drive solid revenue growth. Nielsen reported a shift in new listeners with a "tapering off" in the growth of more casual listeners. In 2020, 41% of the podcast audience aged 18 and older were light listeners. By 2022, the number slid five points to 36% as light podcast consumers returned to their pre-pandemic norms. Nevertheless, Nielsen saw growth in more active podcast listeners, as the share of heavy users of the medium — those who listen to ten or more podcasts each month — rose to 40.3% in 2022, up from 35.9% in the prior year. Lastly, medium users — those who listen to between four and ten podcasts each month — saw an increase from 22.7% in 2021 to 23.1% in 2022. Aided by the solid listener activity in 2021, U.S. podcast advertising revenues increased 72% YoY to $1.4B (the first time above the $1B mark), as it continues to be one of the fastest growing channels in digital media.

But Podcaster Networks Struggle to Monetize

Spotify and other podcaster networks hoped to recoup their investments through strategies like premium subscription offerings and intellectual property deals with Hollywood. But audiences have been slow to sign up for paid subscriptions to the content they're accustomed to getting for free, and film and television development hasn't proved to be a reliable moneymaker. In 2022, as macroeconomic concerns cooled ad spending, darkening forecasts at both new content businesses, like Facebook, and traditional ones, like Warner Bros. Discovery, formerly optimistic podcast executives began hitting the brakes. Despite Spotify's spending billions, spinning up new shows, and drawing in podcast listeners to its service, the company seems to have struggled with monetizing its investment, and the layoffs have been seen as a change of course for Spotify's podcasts. Nevertheless, the podcasting industry appears to be entering a new phase — maturing rather than phasing out.

Podcasting Enters Mature Phase

After years of steady, double-digit percentage growth for podcasting, listenership is starting to slow — a sign that the podcasting industry is entering a mature phase. According to Insider Intelligence, the number of listeners in key markets like the U.S. and U.K. increased by 5% and 4.7% in 2022, respectively. However, that doesn't mean audio companies or advertisers are willing to give up on podcasts just yet. Podcast advertising is still growing at double-digit rates, and companies like Spotify have called podcasting a $20B opportunity.

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The podcasting industry has become mainstream due to the relatively high U.S. penetration rates, which should drive new interest from advertisers but also forces podcasters to look at international markets for growth. This shapes the industry's outlook:

- **Slower U.S. Growth.** Penetration is highest in North America, reaching 40.8% this year and rising to 46.3% by 2026. There's still a hefty chunk of the population left to adopt podcasts, but slow growth shows that the core user base has been established.
- **But Greater Advertiser Interest.** U.S. podcast advertising spending will jump from $1.3B in 2021 to $1.7B in 2022 and yet again to $2.2B in 2023, according to Statista.
- **Go International – China!** The greatest opportunities for podcast listener growth lie in foreign markets, specifically in China. According to PwC, China, not the U.S., is where the largest population of podcast listeners resides. PwC says that due to the sheer size of its population, China has the most extensive monthly listener base globally. Ximalaya is the largest audio platform in China, boasting an average daily usage time of 144 minutes. PwC forecasts that during the next five years, the global listener base will grow at a 7.4% annual rate to 1.4B in 2027. Yet, just two markets, the U.S. and China, will account for around three-quarters of sector revenue in 2027, says PwC.

Industry Challenges

Measuring Advertising Impact

Despite the podcasting industry's rapid growth, podcast ad revenue makes up a tiny percentage of the total digital ad spend in the United States, partly due to difficulty in crafting impactful ads. Podcast ad revenue in the U.S. reached $1.8B for the first-time last year, but that figure is tiny compared to the $209.7B total digital ad spend, according to Statista. Unlike other media, brands are finding that audio invokes an emotional and instant reaction from the consumer. Audio advertisers are using creative testing to determine what's right and what's wrong with their ads, leading to improved content that resonates better with the target audience, and allowing them to attract loyal customers more efficiently at a far lower cost. As the market becomes more competitive, testing will be one of the key differentiators for brands looking for a competitive edge.

However, the podcasting industry struggles to accurately measure advertising's effectiveness, requiring the development of better ad impact metrics. Although strides are being made, measurement must be continually improved until a process exists to identify the confirmed delivery of the impression. Advertisers continue to search for that true metric of digital delivery. IAB standards for podcast measurements are helpful, filtering out downloads from bots or other automated sources. However, IAB counts one person's multiple listening sessions of one episode within 24 hours as one "listen," impacting ad revenues. The lack of unified measurement across the marketplace makes it challenging to analyze and evaluate the ecosystem on a level playing field.

Content Moderation

Content moderation has been a thorny challenge for podcasting platforms. While social media companies like Meta's Facebook have faced pressure to be more transparent over moderation and ramp up investment in human and artificial intelligence review systems, podcasting has often flown under the radar. Historically, the podcast industry has taken a hands-off approach to moderation, partly due to its open and fragmented nature. Additionally, the sheer volume of material — millions of podcasts and hours-long episodes — and the technical challenges of transcribing and analyzing audio make moderating even tougher. Moderating audio generally involves converting it to text and using automated tools to filter content or identify moments for human review. Still, it is time-intensive and inexact, according to experts. The nuances of speakers' tones, evolving terms and slang across languages, and the need to contextualize within more extended discussions all contribute to the complexity of moderation.

The upcoming 2024 election could spur podcast networks to strengthen their content moderation efforts. In October 2022, Spotify acquired Dublin, Ireland-based content moderation company Kinzen to bolster its content moderation capabilities. The two companies first began working together during the 2020 Presidential election season. Kinzen's suite of tools includes those that help platforms plan ahead by getting early warnings about evolving narratives and trends that could later become

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misinformation risks. The Kinzen acquisition was critical, given Spotify's expansion into video podcasts and its desire to cater to advertisers who don't want their brand positioned next to toxic content. With the 2024 Presidential Election cycle underway, we believe the major players — Apple Podcasts, iHeartMedia, et al. — will follow Spotify's lead to bolster their content moderation capabilities or risk losing valuable advertising dollars.

Unleashing Artificial Intelligence

Artificial Intelligence (AI) has the potential to revolutionize the podcasting landscape, transforming the way content is created, distributed, and consumed – See Figure 22. AI can speed up production and make podcasts sound better and set the stage for the audio experiences of tomorrow. AI helps take care of repetitive tasks to speed up the workflow of the podcaster and do so in scale, such as removing background noise or enhancing dialogue. While this technology offers several advantages, such as increased accessibility and efficiency, it poses some dangers.

The introduction of ChatGPT and similar AI tools in podcasting content creation opens new advertising possibilities but raises new concerns for the industry. AI voice synthesis can be used to create audio content quickly and efficiently. For instance, AI can be used to personalize advertising for a ticketing company, which could geo-target listeners for events in specific cities. With ChatGPT tech, a person's voice could be used to create AI-generated content, including a full-length podcast. In Fall 2022, Spotify was reportedly developing AI tools trained on its hosts' voices to create targeted ads. The technology has become so advanced that it can create an audio file that sounds just like a human. This raises the risk of using AI-generated content to spread false information or propaganda or to create content without a podcaster's consent or compensating them. The music industry is already contending with AI-generated music amid its growing popularity. The FT reported that some major record labels and streaming platforms were planning to stamp out AI-generated content to protect artists from unwanted imitation. Podcasting companies may confront a similar situation in the near-future.

Figure 22. Ways AI Can Improve Podcasters' Workflow

Item	Details
Personalized Recommendations	• One of the biggest challenges for podcasters is getting their content in front of the right audience. AI-powered recommendation engines can help solve this problem by suggesting podcasts to listeners based on their interests and listening history. This can help a podcaster reach new listeners who are more likely to enjoy their content and become loyal fans.
Automated Transcription	• Transcribing podcast episodes can be time-consuming and expensive. However, AI-powered transcription tools can automatically transcribe episodes, making it easier to repurpose content for other platforms and improve search engine optimization.
Ad Targeting	• Podcast advertising is a lucrative revenue stream for many podcasters. However, it can be challenging to target ads to the right audience. AI-powered ad targeting can help a podcaster deliver ads to listeners who are more likely to be interested in the products or services. This can help a podcaster increase its ad revenue and improve the listener experience by delivering relevant ads.
Content Optimization	• AI-powered content optimization tools can help podcasters improve their podcast episode quality. These tools can analyze content and provide feedback on pacing, tone, and engagement. This can help a podcaster create more engaging content that keeps listeners coming back for more.
Voice Cloning	• Voice cloning technology allows a podcaster to create a synthetic voice that sounds like them. This can be useful for creating promotional materials, ads, and even entire episodes if one is unable to record. Voice cloning can also help podcasters create a consistent brand voice across all their content.
Audience Insights	• AI-powered analytics tools can give a podcaster valuable insights into their audience's behavior and preferences. This can help podcasters create content that resonates with their

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	listeners and improve marketing efforts. A podcaster can use these insights to create more targeted ads, improve social media strategy, and develop new products or services.
Automated Editing	• Editing podcast episodes can be a time-consuming process. However, AI-powered editing tools can help a podcaster automate this process, saving time and improving the quality of episodes. These tools can help a podcaster remove background noise, adjust levels, and add music and sound effects.

Source: Various Websites

PODC's platform is constantly evolving to capitalize on the ever-changing industry environment. While the major, broad-based platforms grapple with slower U.S. user growth rates (mature industry), PODC can generate robust user growth by expanding from its core female demographic into high podcast-consuming groups (Generation Z and Millennials) and male-oriented verticals (news and sports). For example, Gen Z's preferred podcasting genres are comedy (48%), followed by entertainment/celebrity/gossip (40%), true crime (38%), music (36%), and games/hobbies (35%), according to Edison Research, which coincidentally aligns with PODC's current entertainment and true crime vertical focus. PODC can achieve its audience expansion goal via in-house talent development and acquisition of newly available talent and peer niche networks. PODC's CMS technology allows it to show advertisers and brands the impact of ads placed on its podcasting shows, using IAB-recognized standards, to garner higher ad rates. More importantly, CMS will aid PODC in vetting potential talent and network acquisitions to determine their actual economic value (See Platform Section for more Details). In March 2023, PODC signed a partnership with Seekr, an AI-driven content moderation platform, to assure nervous advertisers and brands, that podcasting content aligns with their values and intended audiences. PODC's prudent use of AI tech should extract new operating efficiencies while providing unique ad-related revenue generation opportunities (See Platform Section for more Details).

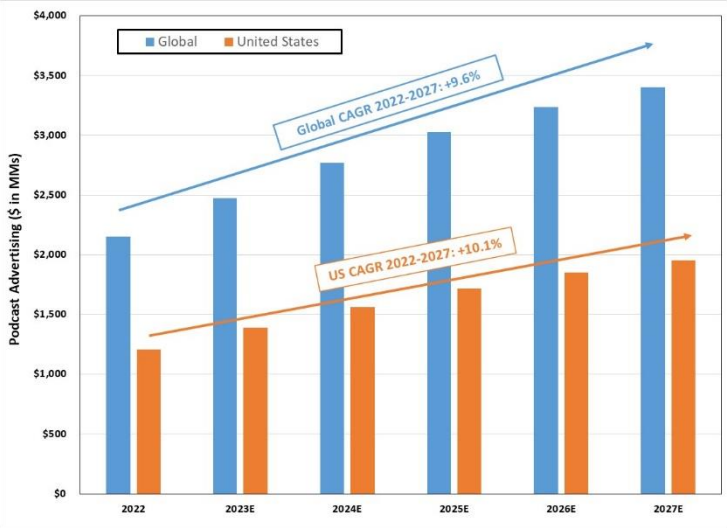
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V. Market Opportunity

PDOC's unique, integrated podcasting network will enable it to capture a disproportionate share of the $2B+ U.S. market opportunity related to podcasting digital advertising and potentially open the door to the global podcasting advertising market opportunity – See Figure 23. Podcasting was trending upward even before the pandemic hit. Not surprisingly, the pandemic massively boosted the number of podcasts and listeners as people spent more time online. Businesses, which were forced to rethink how to communicate and interact with consumers, increased advertising spending on the medium in 2020 and 2021. In the post-pandemic world, podcasting is now actively competing for the media dollars of both big and small advertisers amid a highly competitive environment. PwC says it is not only revenue that will continue to increase, but also listeners. It projects that during the next five years, the number of U.S. monthly podcast listeners will grow at an annual rate of 3.3%.

In the near term, PODC's platform provides advertisers with sophisticated targeting, ad campaign management, and tracking on both downloaded and streamed podcasts, ensuring highly effective ad spending. Leveraging its parent company LiveOne's capabilities, PODC can offer podcast/vodcast-based IP, produce advertiser-sponsored live streaming and touring opportunities for host/talent, and create exclusive licensing for podcast-specific branded merchandise. In the long run, PODC's platform may be able to add new product and technology capabilities via acquisitions to meet its advertisers' and podcasters' evolving needs. As a result, PODC's platform reach will likely expand beyond the podcasting digital ad market into other related media segments. Therefore, we envision PODC expanding beyond the initial $2B+ U.S. podcasting ad market opportunity to capture a share of the global podcasting ad opportunity and even the global digital ad market.

Figure 23. U.S. and Global Podcast Advertising Spending Forecast to Grow At a Good Rate



Source: PWC Annual Global Entertainment and Media Outlook Forecasts

In the near term, PDOC will focus on helping businesses execute their audio advertising strategies, providing a way to capture the $2B+ U.S. market opportunity. In the post-pandemic world, advertisers are seeking marketing options that will still target the right demographics more intimately, while giving them the best return on their investment, for many brands that equals podcasts. Nevertheless, podcast advertising has struggled to keep up with the format's mainstream success. While the wide variety of topics in podcasting makes delivering relevant ads easier, uneven ad frequencies and fraud issues leave question marks, as do issues with young listeners. PODC's podcasting network is well suited to this task. PDOC's AdsWizz's advertising solution provides businesses with sophisticated targeting, ad insertion, campaign management, and tracking on downloaded and streamed podcasts, delivering tangible metrics of an ad campaign's impact.

Furthermore, PDOC's Adori visual interface offers a unique way for podcast hosts/content creators to engage their audience with in-podcast interactive elements like action buttons, polls, AR, etc. As a result, PDOC can ensure podcasters have a consistently

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high level of listener engagement, which is critical to effective advertising impact. Consequently, PODC has the potential to stand apart from the crowded field to garner advertising dollars from small, mid-size, and enterprise-size businesses.

In the long run, PODC will look to develop new capabilities to support clients' evolving needs and provide new monetization channels for podcasters/content creators, opening the larger global podcast advertising market. Though the audio market is poised to benefit from the end of third-party cookie tracking, podcasting platforms will need to evolve analytical capabilities to capture this incremental spending. In a recent Comscore survey, three in four ad buyers indicated plans to shift advertising dollars away from cookie-based media this year, with podcasting being a beneficiary. To make podcasts appealing to brand marketers, PDOC's platform may obtain new analytical capabilities via acquisitions and partnerships that bolster podcast ads' effectiveness. Additionally, leveraging its analytical and content creation expertise, PODC could vet financially troubled podcasting platforms and acquire, at a discount, earnings accretive platforms and franchise impactful content creators. Taking advantage of its LiveOne connection, we expect PODC to move beyond the podcasting digital advertising market into adjacent media verticals, providing a gateway to the more considerable global market opportunity.

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VI. Risks

PODC faces several company and industry risks, which could adversely affect its earnings growth prospects. While we feel these risks are mitigated, we note them as follows:

Slowdown in Digital Advertising Spending.

- Should a deep global recession manifest in 2023, companies may cut back on digital marketing spending, impacting PODC's business activity. The continued uncertainty of the economic landscape has made marketers a bit anxious over advertising spending in 2023 but, more importantly, a bit more pragmatic on how advertising dollars are spent. A global recession would likely affect brands and consumers alike, with a tighter grasp on the purse strings for both discretionary spending and company budgets. When there's an economic downturn, marketing budgets are often cut, and spending is often paused. In this environment, advertisers are likely to become more conservative in spending going forward, likely to spend with media partners that allow for greater flexibility, as well as shifting dollars away from media with complicated cancellation options or uncertain economic impact. Even though podcasting is one of the fastest-growing digital channels compared to other media (total internet ad revenue grew 11% over the same period), according to the IAB, advertising spending on podcasting is vulnerable to significant cuts by brands and companies.

Loss of Major Podcasting Talent

- Even though PODC has broadened and deepened its talent in the past two years, the company may experience adverse financial impact from losing top talent. PODC independently contracts with podcasters and talent with significant loyal audiences in their respective markets. Reflecting the PODC platform's growth, the company has deepened its talent pool from one major podcaster two years ago to 5-9 major podcasters today. Even though PODC has entered into long-term agreements with some of its key podcast hosts, the company has no assurance that all or any of these persons will remain with them, will be able to continue to provide podcasting services, will retain their audiences or will continue to be profitable.

Challenge Posed by Content Moderation

- Content moderation could become a major challenge for PODC with significant financial impact as the company expands its talent pool into fields such as politics and sports, where controversy may follow. While social media companies like Meta's Facebook and Twitter have faced pressure to be more transparent over moderation and ramp up investment in human and artificial intelligence review systems, podcasting networks have largely escaped this scrutiny so far. Nevertheless, the backlash Spotify saw over "The Joe Rogan Experience" drew attention to the podcast industry's historically hands-off approach to moderation. The sheer volume of material and technical challenges of transcribing and analyzing audio make moderating even tougher. As PODC expands its talent pool, the company may need to invest in human and technological capabilities to moderate content. However, it would still face financial impact arising from a "controversial" host or podcast episode on the platform.

Merger & Acquisition Related Headline Noise

- Due to its M&A strategy, PODC may likely be exposed to bad press and negative social media traffic arising from future acquisitions. For instance, PODC has been the target of negative comments from podcasters on Kast Media, upset over the acquisition underway. Kast Media founder and CEO Colin Thomson allegedly failed to pay advertising fees owed to its podcasters and claimed PODC would partially pay the owed money (in cash and stock combo). Though the negative social media chatter has garnered headlines, the merger continues progressing, and PODC is negotiating new contracts with each Kast Media podcaster. Nevertheless, the impact on PODC's future M&A activity would be minimal, in our view.

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VII. FINANCIALS

PODC, in our opinion, is strategically positioned to benefit from the industry environment, providing continued growth in the number of advertisers buying ad time on its podcast shows and attracting new talent interested in hosting shows on the platform, supplemented by tactical acquisitions of smaller podcast networks with established talent, yielding good earnings growth and cash flow into 2024. We project PODC will post very good earnings growth and margin expansion in FY24 and FY25 as an increasingly diverse podcast content slate drives higher ad revenues to its scalable platform and satisfied advertisers increase their spending to encompass multiple shows across the platform. PODC should also realize significant operating leverage as integrated acquisitions yield cost synergies and command better advertising rates on the platform. Nonetheless, we expect PODC will continue to acquire select podcast networks and/or talent to drive revenue growth, which may require new capital to finance. However, given that the company is operating at almost breakeven, it should not require additional capital to support organic revenue growth.

Business Model

PODC, unlike the mainstream podcasting platforms, is mainly an ad-supported service that provides free content to listeners via its mobile and desktop services. PODC generates revenue from the sale of audio, video, and display advertising space to third-party advertising exchanges. Generally, PODC contracts with advertising agencies that purchase advertising on behalf of the agencies' clients. Typically, the contracts specify the type of advertising product, pricing, insertion dates, and number of impressions in a stated period. Revenues are recognized based on the delivery of impressions over the contract period to the third-party exchanges, either when an ad is placed for listening or viewed by a visitor or when the visitor "clicks through" on the advertisement. The advertising exchange companies report the variable advertising revenue performed monthly, representing PODC's efforts to satisfy the performance obligation. Ultimately, revenue generation is driven primarily by the number of a show's listeners and PODC's ability to provide advertising products relevant to their ad-supported users and enhance returns for their advertising partners.

PODC engages from time to time in barter transactions to gain access to other platforms. For instance, PODC has a barter arrangement with Pluto TV, the Paramount-owned streaming service that features entertainment, lifestyle, and true crime shows in its program roster. Under the arrangement, PODC can place ads for its true crime podcasts on Pluto TV, and in turn, Pluto TV can place ads on PODC podcasts promoting its streaming content. Through barter transactions, PODC can get its ads placed on other platforms without spending cash upfront. Revenue from barter transactions is recognized based on the delivery of impressions and in the same manner as regular podcast ads. While barter transactions have a minimal impact on PODC's profitability, these transactions significantly expand PODC's reach to attract new listeners to the platform.

During the fiscal year, PODC's revenues experienced seasonality due to the ad spending calendar and consumer behavior. In a typical calendar year, the beginning of the year (*January to March*) is the weakest ad spending period, with advertisers holding and planning their budgets as consumers do not spend as much after the winter holidays. Since direct sales drop, more ad inventory gets sold through programmatic channels, causing a decline in CPM rates. In the following calendar quarter (*April to June*), advertisers start to spend their ad budgets more actively, which equals sequentially better revenue for PODC. Summer (July to September) is traditionally quiet, as people spend more time outdoors and less online. As a result, advertisers cut back on spending during this time and devise new strategies for calendar quarter, based on the first half of the year podcast listener activity. The fourth quarter (*October to December*) is the highest ad spending period. Brands want to be seen, and the competition for ad placement on popular podcasts is increased, resulting in robust CPM rates. Owing to the ad spending seasonality, PODC revenues fluctuate over a fiscal year, resulting in the fiscal first (April-June) and third quarters (October-December) being sequential revenue growth periods, while the fiscal second (July-September) and fourth quarters (January-March) post-sequential revenue declines.

Cost of sales consists mainly of revenue-sharing agreements with content creators and commissions paid, which the company proactively manages. PODC enters into revenue-sharing agreements with content creators, whereby advertising revenues (host-read embedded ads, DAI and programmatic) are split between the content creator and PODC. Although a revenue split of 50% (Talent)/50% (PODC) is ideal, PODC generally signs contracts for revenue splits of 60%/40% in favor of the talent, and for highly desired talent, the company may negotiate a 65%/35% revenue split, plus add LiveOne-related revenue streams

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such as IRL events, merchandise sales, and other activities. In stark contrast, Spotify signed generous revenue split deals (80%/20% to 90%/10%) to acquire marquee talents such as the Obamas, the Sussexes, and other high-profile celebrities.

Our Estimates

We believe that in FY2024, PODC can deliver $42.0MM in revenue and a GAAP EPS loss of $0.08. In comparison, management's FY2024 revenue guidance ranges from $42MM to $47MM. Looking to FY2025, we expect PODC to produce revenue of $48.4MM and EPS gain of $0.11. Anchoring our FY2024 and FY2025 estimates, we expect PODC's gross margins to trend in the low 20% range, with operating margins steadily rising into positive single digits aided by economies of scale, acquisition-related synergies, and higher advertising rates. As PODC continues to increase its revenues, we foresee adjusted EBITDA margin will increase over time and be firmly positive in FY2025.

Our conservative financial forecast assumes moderate sales traction for PODC's platform, a combination of good new advertiser sales activity, increasing cross-selling activity to existing advertisers, and a modest uptick from new podcasters ramping on the platform. Thus, we project sales to grow 21% YoY. Correspondingly, the favorable mix shift from cross-selling activity and new podcast content should raise margins heading into FY2025.

M&A Activity/Talent Acquisition Could Provide Upside

PODC could see significant revenue upside in FY24 and FY25 from its M&A strategy and talent acquisition efforts. Currently, PODC has two significant acquisitions in progress — KAST Media and Fantasy Gurus — which would be earnings accretive to FY2024. Additionally, PODC is conversing with over one hundred podcasters interested in joining the platform and has a pipeline of ten additional acquisitions currently being vetted. Depending on the timing and audience size, the podcast talent hiring and platform acquisitions would likely be earnings accretive (to varying degrees) in FY24 and FY25.

Our PODC revenue estimates do not incorporate the potential impact of PODC's M&A activity. For instance, the KAST Media acquisition may impact PODC's revenues, providing upside to our FY2024 revenue estimate. PODC FY2024 revenue guidance ($42MM to $47MM) approximates the KAST Media acquisition's potential revenue impact — low end (*no impact*) and high end (*major impact*). Per the merger deal terms, PODC has to sign contracts with all the KAST Media podcast talent to onboard them to the PODC platform. If PODC successfully signs up the majority of KAST Media's podcast talent, the company could achieve the high end of revenue guidance. We are assuming no material impact from the KAST Media acquisition in our FY2024 revenue estimate. Therefore, any significant KAST Media signup activity would be an upside to our FY2024 estimate.

Our PODC revenue estimates also do not incorporate the potential impact of PODC's talent recruitment activity. Currently, PODC is in conversations with one hundred podcasters interested in joining the platform. We estimate the one hundred podcasters represent an incremental $20MM-$35MM in annual revenues. Even if 10% of the interested podcasters join the PODC network, it would be a significant revenue impact that would be upside to our FY2024 estimate.

Balance Sheet and Cash Flow

PODC ended June 2023 with $468K in cash and $8.58MM in debt. Before its spinout from LiveOne, PODC financed operations with capital infusion from the parent company and a small debt offering, which has been largely paid off. Barring a sizable acquisition in the near future, the company should generate sufficient cash to support organic revenue growth.

We project a free cash flow of $0.6MM in FY2024 and a free cash flow of $1.0MM in FY2025. Should the company decide to accelerate the content rollout and/or accelerate the acquisition of new platforms/content creators, we believe the company may need to raise additional capital in 2023.

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VIII. VALUATION

We believe PODC trades at a discount to peers for three reasons: (1) investor unfamiliarity with the PODC platform technology's disruptive potential, (2) execution risk for planned acquisitions and talent onboarding, and (3) the platform's relatively small size compared to industry peers. Currently, podcasting media companies and radio/tv broadcasting companies trade at a forward EV/Sales multiple (on average) of 2.0x and 1.5x, respectively. In contrast, PODC trades a forward EV/Sales multiple of 1.4x based on our 2024 Estimated Sales of $46.0MM – See Figure 24.

We believe Enterprise Value to Sales is the appropriate valuation metric for PODC. EV/Sales can be used to value companies with negative free cash flows or unprofitable companies. This multiple is commonly used for early-stage or high-growth businesses that do not yet have positive earnings, such as Amazon (AMZN) in its early days. Lastly, enterprise value to sales is often used in valuing a company for merger and acquisition purposes.

PODC, in our view, should be compared against podcasting media platform companies, not radio/tv broadcasting companies, for valuation assessment. Radio/TV broadcasting companies trade at low multiples, owing to their limited growth potential as advertisers and audiences transition to digital channels for their media needs. In stark contrast, the market assigns relatively higher multiples to podcasting media platforms due to their multiple digital channels and cross-vertical revenue generation potential. Within the podcasting media sector, SiriusXM is the best comparable company to PODC on a product, strategy, and growth arc basis. PODC trades at a sharp discount to this comparable company.

We believe PODC should command a better valuation, reflecting our expectations for the company's future growth. Thus, we derive a final multiple of 3.0 times enterprise value to sales for PODC. Adjusting for debt and cash balance, we derive a price target of $6, using the fully diluted share count of 22.9MM.

Figure 24. Valuation Comparable Table

PodcastOne, Inc. - Company Comparables

All Financials ($ in MMs)

		Market	Enterprise	Sales			EV/Sales			Price / Sales		
Company	Ticker	Cap	Value	Dec-22	Dec-23E	Dec-24E	Dec-22	Dec-23E	Dec-24E	Dec-22	Dec-23E	Dec-24E
Podcasting Media												
iHeartMedia, Inc.	IHRT	$438	$6,438	$3,912	$3,743	$4,042	1.6x	1.7x	1.6x	0.1x	0.1x	0.1x
Sirius XM Holdings, Inc.	NAS: SIRI	$15,331	$25,056	$9,003	$9,009	$9,271	2.8x	2.8x	2.7x	1.7x	1.7x	1.7x
Spotify Technologies	SPOT	$30,872	$28,995	$12,330	$14,344	$16,739	2.4x	2.0x	1.7x	2.5x	2.2x	1.8x
Mean - Podcasting Media							2.3x	2.2x	2.0x	1.4x	1.3x	1.2x
Radio-TV Broadcasting												
Cumulus Media	NAS: CMLS	$73,275	$802	$954	$851	$914	0.8x	0.9x	0.9x	76.8x	86.1x	80.2x
Saga Communications	NAS: SGA	$130	$96	$115	$112	$119	0.8x	0.9x	0.8x	1.1x	1.2x	1.1x
Gray Television	NYS: GTN.A	$725	$7,633	$3,676	$3,294	$3,956	2.1x	2.3x	1.9x	0.2x	0.2x	0.2x
Tegna	NYS: TGNA	$3,212	$5,886	$3,279	$2,960	$3,417	1.8x	2.0x	1.7x	1.0x	1.1x	0.9x
Nexstar Media Group	NAS: NXST	$5,334	$11,952	$5,211	$5,010	$5,775	2.3x	2.4x	2.1x	1.0x	1.1x	0.9x
Mean - Radio-TV Broadcasting							1.6x	1.7x	1.5x	16.0x	17.9x	16.7x
PodcastOne	PDOC	$61	$66	$34	$40	$46	1.9x	1.6x	1.4x	1.8x	1.5x	1.3x

Prices as of September 18, 2023

Source: PitchBook Data

Source: Pitchbook Data and Joseph Gunnar Estimates

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Appendix 1. Income Statement

PodcastOne, Inc.

NASDAQ: PDOC

HISTORICAL AND PROJECTED INCOME STATEMENT ($ in 000s, except share data)

					FY2023				FY2024				FY2025			
Year Ending: March 31	FY 2022A	FY 2023A	FY 2024E	FY 2025E	Jun-22 1Q23A	Sep-22 2Q23A	Dec-22 3Q23A	Mar-23 4Q23A	Jun-23 1Q24A	Sep-23 2Q24E	Dec-23 3Q24E	Mar-24 4Q24E	Jun-24 1Q25E	Sep-24 2Q25E	Dec-24 3Q25E	Mar-25 4Q25E
Revenues:																
Total Revenue	**$32,348**	**$34,645**	**$42,054**	**$48,368**	**$8,716**	**$8,497**	**$8,589**	**$8,843**	**$10,637**	**$10,052**	**$10,957**	**$10,409**	**$11,606**	**$11,258**	**$12,946**	**$12,558**
Cost of Revenue	26,271	27,579	32,550	36,932	6,581	6,328	7,045	7,625	8,222	7,991	8,217	8,119	8,646	8,781	9,710	9,795
Gross Profit	**$6,077**	**$7,066**	**$9,505**	**$11,435**	**$2,135**	**$2,169**	**$1,544**	**$1,218**	**$2,415**	**$2,061**	**$2,739**	**$2,290**	**$2,959**	**$2,477**	**$3,237**	**$2,763**
Operating Expenses:																
Sales and marketing	5,155	5,174	5,020	5,268	1,590	1,226	1,115	1,243	1,250	1,206	1,315	1,249	1,300	1,238	1,424	1,306
Product development	251	312	112	112	65	43	26	178	27	28	28	28	28	28	28	28
Geneal and administrative	4,871	3,316	3,390	3,471	936	676	1,111	593	920	804	833	833	870	867	867	866
Amortization of intangible assets	502	99	119	145	25	26	25	23	25	30	33	31	35	34	39	38
Total Operating Expenses	*10,779*	*8,901*	*8,641*	*8,997*	*2,616*	*1,971*	*2,277*	*2,037*	*2,222*	*2,069*	*2,209*	*2,141*	*2,233*	*2,167*	*2,359*	*2,238*
Operating Income (Loss)	(4,702)	(1,835)	864	2,439	(481)	198	(733)	(819)	193	(8)	530	149	727	310	878	525
Other Income (Expenses)																
Interest expense, net	(5)	(4,674)	(3,093)	0	0	(1,382)	(1,661)	(1,631)	(1,593)	(1,500)	0	0	0	0	0	0
Change in fair value of derivatives	-	(459)	1,190	0	0	865	178	(1,502)	1,190	0	0	0	0	0	0	0
Change in fair value of contigent consideration	(542)	-	0	0	0	2,157	(2,157)	0	0	0	0	0	0	0	0	0
Forgiveness of PPP loan	1,103	-	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Income (Expense)	-	1	0	0	0	(138)	138	1	0	0	0	0	0	0	0	0
Total Other Income (Expenses)	556	(5,132)	(1,903)	0	0	1,502	(3,502)	(3,132)	(403)	(1,500)	0	0	0	0	0	0
Pre-Tax Income (Loss)	(4,146)	(6,967)	(1,039)	2,439	(481)	1,700	(4,235)	(3,951)	(210)	(1,508)	530	149	727	310	878	525
Provision For Income Taxes	0	0	0	0	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	(4,146)	(6,967)	(1,039)	2,439	(481)	1,700	(4,235)	(3,951)	(210)	(1,508)	530	149	727	310	878	525
Basic - Earnings per share	($0.03)	($0.06)	($0.05)	$0.11	($0.00)	$0.01	($0.03)	($0.18)	($0.01)	($0.07)	$0.02	$0.01	$0.03	$0.01	$0.04	$0.02
Diluted - Earnings per share	($0.03)	($0.06)	($0.05)	$0.11	($0.00)	$0.01	($0.03)	($0.18)	($0.01)	($0.07)	$0.02	$0.01	$0.03	$0.01	$0.04	$0.02
Weighted Share Outstanding - Basic	147,984,230	110,816,207	22,145,552	22,860,736	147,984,230	147,984,230	125,563,634	21,732,734	20,000,000	22,860,736	22,860,736	22,860,736	22,860,736	22,860,736	22,860,736	22,860,736
Weighted Share Outstanding - Diluted	147,984,230	110,816,207	22,145,552	22,860,736	147,984,230	147,984,230	125,563,634	21,732,734	20,000,000	22,860,736	22,860,736	22,860,736	22,860,736	22,860,736	22,860,736	22,860,736

Source: Company reports and Joseph Gunnar estimates

Leo Carpio
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Date: September 18, 2023

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Appendix 2. Cash Flow Statement

PodcastOne, Inc.
NASDAQ: PDOC

HISTORICAL AND PROJECTED STATEMENT OF CASH FLOWS ($ in 000s)

					FY 2023				FY 2024				FY 2025			
Year Ending: March 31	FY 2022A	FY 2023A	FY 2024E	FY 2025E	Jun-22 1Q23A	Sep-22 2Q23A	Dec-22 3Q23A	Mar-23 4Q23A	Jun-23 1Q24A	Sep-23 2Q24E	Dec-23 3Q24E	Mar-24 4Q24E	Jun-24 1Q25E	Sep-24 2Q25E	Dec-24 3Q25E	Mar-25 4Q25E
OPERATING ACTIVITIES																
Net Income	**($3,604)**	**($6,967)**	**($1,039)**	**$2,439**	**($481)**	**$1,700**	**($4,235)**	**($3,951)**	**(210)**	**($1,508)**	**$530**	**$149**	**$727**	**$310**	**$878**	**$525**
Adjustments to reconcile net loss to net cash used in operating activities:																
Depreciation and amortization	634	323	344	344	75	81	85	82	86	86	86	86	86	86	86	86
Stock-based compensation	2,526	1,001	384	400	286	299	166	250	84	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Amortization of debt discount	0	4,081	2,950	-	-	1,200	1,441	1,440	1,475	**1,475**	**0**	**0**	**0**	**0**	**0**	**0**
Change in fair value of bifurcated embedded derivatives		459	(1,190)	-	-	(865)	(178)	1,502	(1,190)	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Change in fair value of contingent consideration liability		-	-	-	-	(2,157)	2,157	0	-	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Forgiveness of PPP Loans	(1,103)	-	-	-	-	-	-	-	-	0	0	0	0	0	0	0
Provision for doubtful accounts	62	85	49	-	-	(21)	20	86	49	0	0	0	0	0	0	0
Changes in operating assets and liabilities:																
Accounts receivable	(4,068)	1,034	(1,917)	(1,303)	1,199	(332)	860	(693)	(1,968)	(52)	80	22	(773)	(300)	(281)	52
Prepaid expenses and other current assets	(253)	(462)	277	(276)	69	(209)	113	(435)	(120)	623	64	(290)	(84)	81	20	(293)
Deferred revenue	-	-	-	-	-	-	-	-	-	0	0	0	0	0	0	0
Related party receivable/payables	1,979	(4,157)	(113)	(367)	283	(4,125)	(1,067)	752	588	(645)	25	(81)	(136)	(172)	72	(131)
Accounts payable and accrued liabilities	1,839	(94)	1,067	2	(563)	(255)	107	617	1,160	(114)	8	13	(16)	(61)	37	41
Total adjustments	*1,616*	*2,270*	*1,851*	*(1,200)*	*1,349*	*(6,384)*	*3,704*	*3,601*	*164*	*1,473*	*364*	*(151)*	*(823)*	*(267)*	*34*	*(144)*
Net Cash Used in Operating Activities	**(1,988)**	**(4,697)**	**812**	**1,239**	**868**	**(4,684)**	**(531)**	**(350)**	**(46)**	**(35)**	**895**	**(2)**	**(97)**	**43**	**912**	**380**
INVESTING ACTIVITIES																
Cash acquired in the acquisition of PodcastOne	-	-	-	0	-	-	-	-	-							
Purchase of property and equipment	(283)	(219)	(195)	(205)	(54)	(54)	(54)	(57)	(48)	(48)	(50)	(49)	(48)	(50)	(52)	(55)
Net Cash Used in Investing Activities	**(283)**	**(219)**	**(195)**	**(205)**	**(54)**	**(54)**	**(54)**	**(57)**	**(48)**	**(48)**	**(50)**	**(49)**	**(48)**	**(50)**	**(52)**	**(55)**
FINANCING ACTIVITIES																
Payment of contingent consideration	-	-	-	0	0	(426)	426	0	0	0	0	0	0	0	0	0
Payments on bridge loan	-	-	(3,000)	0	0	0	0	0	(3,000)	0	0	0	0	0	0	
Proceeds from bridge loan	-	7,376	-	0	0	7,376	0	0	0	0	0	0	0	0	0	0
Proceeds from note payable	-	-	-	0	-	-	0	0	0	0	0	0	0	0	0	0
Net Cash Provided By (Used in) Financing Activities	**0**	**7,376**	**(3,000)**	**0**	**0**	**6,950**	**426**	**0**	**(3,000)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net Increase (Decrease) in Cash	(2,271)	2,460	(2,383)	1,034	814	2,212	(159)	(407)	(3,094)	(83)	845	(51)	(145)	(7)	860	325
Cash, beginning of period	3,374	1,103	3,563	1,180	1,103	1,917	4,129	3,970	3,563	469	386	1,231	1,180	1,036	1,029	1,889
Cash, end of period	**1,103**	**3,563**	**1,180**	**2,214**	**1,917**	**4,129**	**3,970**	**3,563**	**469**	**386**	**1,231**	**1,180**	**1,036**	**1,029**	**1,889**	**2,214**

Source: Company reports and Joseph Gunnar estimates

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Appendix 3. Balance Sheet

PodcastOne, Inc.

NASDAQ: PDOC

HISTORICAL AND PROJECTED BALANCE SHEET ($ in 000s)

						FY 2024				FY 2025			
Year Ending: March 31	FY 2021A	FY 2022A	FY 2023A	FY 2024E	FY 2025E	Jun-23 1Q24A	Sep-23 2Q24E	Dec-23 3Q24E	Mar-24 4Q24E	Jun-24 1Q25E	Sep-24 2Q25E	Dec-24 3Q25E	Mar-25 4Q25E
Assets:													
Current Assets:													
Cash and cash equivalents	3,374	1,103	3,562	1,180	2,214	468	386	1,231	1,180	1,036	1,029	1,889	2,214
Accounts receivable, net	3,988	7,995	6,876	8,743	10,046	8,794	8,846	8,765	8,743	9,517	9,817	10,098	10,046
Prepaid expenses and other current assets	291	543	1,006	729	1,005	1,126	503	438	729	812	732	712	1,005
Total current assets	**7,653**	**9,641**	**11,444**	**10,652**	**13,265**	**10,388**	**9,734**	**10,435**	**10,652**	**11,365**	**11,577**	**12,699**	**13,265**
Property and equipment, net	95	247	242	192	152	229	216	204	192	178	168	158	152
Goodwill	12,041	12,041	12,041	12,041	12,041	12,041	12,041	12,041	12,041	12,041	12,041	12,041	12,041
Intangible assets, net	1,334	831	732	632	533	707	682	657	632	608	583	558	533
Related party receivable	4,204	1,167	3,768	4,164	4,646	3,846	4,021	4,164	4,164	4,410	4,503	4,661	4,646
Total Assets	**$25,327**	**$23,927**	**$28,227**	**$27,681**	**$30,638**	**$27,211**	**$26,694**	**$27,500**	**$27,681**	**$28,602**	**$28,872**	**$30,117**	**$30,638**
Liabilities and Shareholders' Equity:													
Current Liabilities:													
Accounts payable and accrued liabilities	5,164	6,998	6,898	7,965	7,967	8,058	7,944	7,952	7,965	7,949	7,888	7,926	7,967
Bridge loan, net	0	0	7,155	0	0	5,630	0	0	0	0	0	0	0
Derivative liabilities	0	0	4,767	7	0	3,577	2,387	1,197	7	0	0	0	0
Notes payable	1,098	0	0	0	0	-	0	0	0	0	0	0	0
Related party payable	4,902	3,844	2,288	2,569	2,685	2,953	2,482	2,651	2,569	2,680	2,601	2,831	2,685
Total Liabilities	**11,164**	**10,842**	**21,108**	**10,541**	**10,652**	**20,218**	**12,813**	**11,800**	**10,541**	**10,629**	**10,489**	**10,756**	**10,652**
Shareholders' Equity													
Common Stock - Par Value	0	0	0	0	0	0	0	0	0	0	0	0	0
Additional Paid in Capital	16,258	18,784	19,785	30,845	31,252	19,869	28,265	29,555	30,845	30,952	31,052	31,152	31,252
Accumulated Deficit	(2,095)	(5,699)	(12,666)	(13,705)	(11,266)	(12,876)	(14,384)	(13,854)	(13,705)	(12,978)	(12,669)	(11,791)	(11,266)
Total Shareholders Equity	**14,163**	**13,085**	**7,119**	**17,140**	**19,986**	**6,993**	**13,881**	**15,701**	**17,140**	**17,974**	**18,383**	**19,361**	**19,986**
Total Liabilities & Shareholders Equity	**$25,327**	**$23,927**	**$28,227**	**$27,681**	**$30,638**	**$27,211**	**$26,694**	**$27,501**	**$27,681**	**$28,603**	**$28,872**	**$30,117**	**$30,638**

Source: Company reports and Joseph Gunnar estimates

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4. Leverage Risk: Fluctuations in interest rates on borrowings or the dividend rates on preferred shares due to changes in short-term interest rates may reduce the return to common shareholders or result in fluctuations in the dividends paid on the common shares. There is no assurance that a leverage strategy will be successful.
5. Foreign Investment Risk: Investment in foreign securities (governmental and corporate) may involve a high degree of risk. Regarding debt securities, such risks may impair the timely payment of principal and/or interest.
6. Short selling involves an inordinate risk, including the theoretical potential for unlimited losses and losses that can significantly exceed the principal amount invested. In contrast, the potential gain from short selling is generally limited to the principal amount invested. Short sellers can have their stock called away by the lender of the shares shorted, subjecting the short seller to incremental risk. Short sellers, by definition, must borrow shares, subjecting short sellers to margin risk. The risks cited here concerning short selling are not all-inclusive. Investors should consult with their independent advisors before engaging in any recommended short-selling strategies, including, if applicable, any recommendations in this report.

The risks detailed above are not inclusive. Other significant risk factors not identified here may be equally or more critical to any particular investor in assessing the overall risks associated with these securities.

The information contained herein is illustrative and is not intended to predict actual results, which may differ substantially from those reflected herein.

Securities and other financial instruments discussed in this research report may lose value; are not insured by the Federal Deposit Insurance Corporation; and are subject to investment risks, including possible loss of the principal amount invested.

RISK RATING CRITERIA

Speculative – Fundamental Criteria: This risk rating is assigned to early-stage companies with minimal to no revenues, lack of earnings, balance sheet concerns, and/or a short operating history. Accordingly, the fundamental risk is expected to be significantly above the industry. Because of the inherent fundamental criteria of the companies falling within this risk category, the price volatility is expected to be significant, with the possibility that the investment could eventually be worthless. Speculative stocks may not be suitable for a substantial class of individual investors.

High–Fundamental Criteria: This risk rating is assigned to companies with below-average revenue and earnings visibility, negative cash flow, and low market cap or public float. Accordingly, fundamental risk is expected to be above the industry. The price volatility of companies falling within this category is expected to exceed the industry or sector. High-risk stocks may not be suitable for a significant class of individual investors.

Medium-Fundamental Criteria: This risk rating is assigned to companies with average revenue and earnings visibility, positive cash flow, and relatively liquid. Accordingly, price volatility and fundamental risk are expected to approximate the industry average.

Low–Fundamental Criteria: This risk rating is assigned to companies with above-average revenue and earnings visibility, positive cash flow, and relatively liquid. Accordingly, price volatility and fundamental risk are expected to be below the industry average.

DEFINITION OF RATINGS

Definition of Ratings

BUY (B) – Shares are expected to outperform its relevant index over the next 12 months.

HOLD (H) – Shares are expected to trade in line with their relevant index over the 12 months.

SELL (S) – Shares are expected to underperform its relevant index over the next 12 months.

For PODC, we use the Russell 2000 as the relevant index.

Investors should consider this report as only one of several factors in making their investment decisions.

Joseph Gunnar & Co. Ratings Distribution – As of September 19, 2023

Rating	% of Coverage Universe with Rating	% of Rating for which Firm Provided Banking Services in the Last 12 Months
Buy	80%	25%
Hold	20%	0%
Sell	0%	0%

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