

Corporate

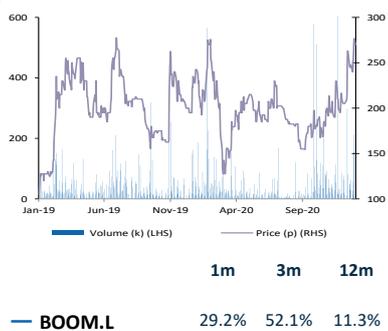
 Current price **275p**

 Sector **TMT**

 Code **BOOM.L**

 AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

 Market Cap (£m) **43.2**

 Shares in issue (m) **15.7**

52 weeks (p)	High	Low
	277	127

 Financial year end **December 31**

Source: Company Data, Allenby Capital

Key Shareholders

Nick Candy/Candy Ventures	24.0%
One Nine Two Pte Ltd	8.9%
Herald IM Ltd	5.9%
Kingsley Duffy/Slovar Ltd	3.1%
R Maddock	2.2%

Source: Company Data, Allenby Capital

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Audioboom plc (BOOM.L)

Record performance on multiple fronts

Strong Q4 performance from Audioboom plc, the leading global podcast company, as it continues to outpace the global podcasting market. Audioboom bounced back from the Q2 CV-19 lull in Q3 and growth accelerated in the final quarter. Q4 revenue of c. \$8.5m was a record, up 25% on the same period last year and the previous record, and FY20 revenue of c. \$26.8m (+20%) was comfortably ahead of forecast (ACLe: \$25.5m). There were also record KPI performances (brand count, eCPM and available ad inventory). Coupled with continued cost control, adj. EBITDA loss fell to c. \$0.2m in Q4 and c. \$1.8m for FY20 (FY19: \$2.9m, ACLe: \$1.9m). The company has good access to capital (\$6.6m at year end) and management expects to achieve a maiden positive adj. EBITDA for FY21. We introduce FY21 forecasts and set a fair value of 420p/share, equivalent to an FY20 EV/Revenue of 3.3x and 2.5x FY21. Although a premium to the current price, this still represents a significant discount to recent industry transaction multiples.

- FY20 performance:** Revenue increased 20% to c. \$26.8m with Q4 +25% on Q4 FY19 and +30% on Q3 FY20, demonstrating the continued recovery in growth as well as the traditionally strong Q4. Audioboom continues to grow faster than the US podcasting advertising market (+10.4%) which is itself the fastest growing segment of the audio advertising market. BOOM's Q4 KPIs were all records: brand advertiser count of 311 as at quarter end (+11% on Q4 FY19 and +23% on Q3 FY20); eCPM for December at \$39.3 (December 2019: \$29.6; September 2020: \$32.6) and total available premium ad impressions +2% to 1,674m, in spite of the move to the more conservative IAB V2 metric.
- Costs/cash:** Management has controlled costs and coupled with revenue growth drove a 36% reduction in FY20 EBITDA loss to c. \$1.8m. Further revenue growth and operational gearing means BOOM should achieve a maiden EBITDA breakeven for FY21 on our forecast revenue of \$35.4m. Working capital management remains good and BOOM had access to capital of \$6.6m at year end: cash of \$3.3m and the \$3.3m undrawn SPV loan. BOOM also has access to the \$4m SPV content funding guarantee facility.
- Outlook:** The US podcasting advertising market saw a slowing in growth in 2020 as advertisers paused spend but it remains the fastest growing area of digital audio spend and the outlook is positive for this highly engaged medium. This is reflected in the ongoing market consolidation and associated revenue multiples. Audioboom continues to outpace the market, securing additional leading podcasts to its premium sales network and expanding its Audioboom Originals Network that offers a higher gross margin - management reports bookings represent >50% of our FY21 forecast. With the prospect of additional growth and a move into EBITDA profit in H2, we set a fair value 420p/share, equivalent to an FY21 EV/revenue of 2.5x.

Year End: December

(\$'000)	2017A	2018A*	2019A	2020E	2021E
REVENUE	6,056	11,656	22,310	26,803	35,354
ADJ. EBITDA	(5,629)	(4,679)	(2,860)	(1,842)	15
ADJ. PBT	(5,682)	(4,809)	(2,957)	(2,115)	(295)
ADJ. EPS (c)	(64.67)	(43.32)	(19.53)	(15.10)	(2.11)
CASH	968	1,581	1,992	3,257	1,655
EV/REVENUE (x)	7.0	4.9	2.5	2.0	1.6
EV/EBITDA (x)	NEG	NEG	NEG	NEG	>100

Allenby Capital acts as Nomad & Broker to Audioboom plc (BOOM.L). * 13 months

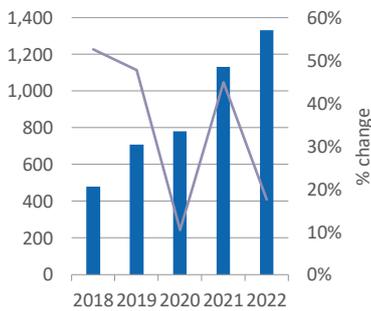
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Investment summary

Audioboom plc, a leading global podcast company, has finished FY20 strongly and continues to outpace the global podcasting market. In Q3, the company successfully bounced back from the lull associated with the CV-19 pandemic as advertisers paused spend and growth has accelerated in the final quarter, traditionally Audioboom’s biggest quarter. Revenue growth and cost control resulted in a further reduction in adj. EBITDA losses and the company has good access to capital. The outlook for the global podcasting industry remains positive as audience numbers and consumption levels continue to increase. Podcasting represents a highly engaged medium and enables advertisers to reach an attractive demographic.

We introduce FY21 forecasts that anticipate a maiden EBITDA break even on revenue up 32% at \$35.4m and set a fair value of 420p/share, equivalent to an FY21 EV/Revenue of 2.5x. This represents a premium to the current share price but a significant discount to recent transaction multiples in the sector. Audioboom remains the only London-listed pure play means of gaining exposure to the growth of global podcasting market.

Exhibit 1: US podcast ad spending (\$m)



Source: eMarketers

Financial performance

FY20 revenue of c. \$26.8m represented growth of 20% (FY19: \$22.3m, AClE: \$25.5m), well ahead of the 10.4% anticipated by eMarketers in its August 2020 Podcast Advertising Revenue report for the US market, the most developed and Audioboom’s largest market.

Audioboom’s growth was a combination of improvements in all of the company’s KPIs – the number of brand advertisers participating, the revenue per 1,000 downloads (eCPM) and the total available premium advertising impressions.

In 2021, BOOM will replace this final KPI with an industry standard monthly global downloads KPI that will resonate better with both podcasters and advertisers. Downloads will be measured according to the Interactive Advertising Bureau’s (IAB) Podcast Measurement Standard V2. This KPI saw similar monthly growth in 2020 (Q2: 73.5m, Q3: 77.9m and Q4: 81.7m).

As illustrated in Exhibit 2, there was a sequential fall in the number of brand advertisers in Q2 FY20 (although still growth on Q2 FY19), as some advertisers paused spend with the outbreak of the pandemic.

Exhibit 2: Audioboom brand advertiser count

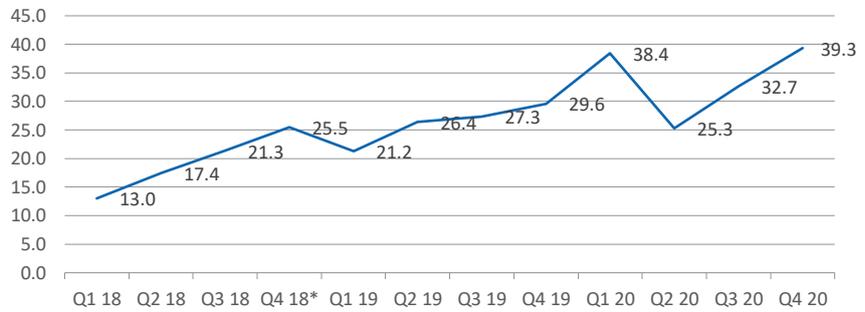


Source: Company. * 4-month period

This reduction in the number of brand advertisers translated into lower fill rates of podcasts and is reflected in the lower eCPM, the amount of value Audioboom is able to extract from 1,000 downloads (Exhibit 3). Key drivers for this KPI are increasing the fill rate across the premium network, increasing rates per advertising slot and the second sales window – archive and back catalogue.

We would anticipate some softening in Q1 across both metrics, traditionally Audioboom’s weaker quarter, but this should recover in Q2 and the outlook remains positive on forward bookings. Management reports that signed advertising bookings already represent >50% of our FY21 revenue forecast. Audioboom is also adding new content genres to widen brand appeal and the company is benefiting from the general increase in the interest of brands in podcasting.

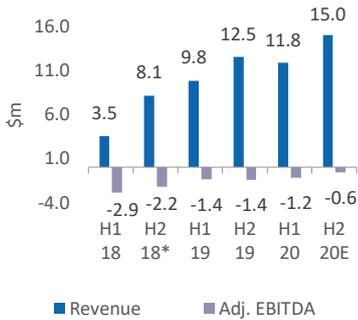
Exhibit 3: Audioboom eCPM (\$)



Source: Company. * 4-month period

Revenue growth coupled with ongoing cost control meant adj. EBITDA loss fell to c. \$0.2m in Q4 and c. \$1.8m for FY20 (FY19: \$2.9m, ACLe: \$1.9m). Audioboom’s year is typically split 40:60 in revenue terms and our breakeven forecast for FY21 is based on reducing losses in Q1, Q2 and Q3 offset by profit in Q4.

Exhibit 4: Revenue and EBITDA progression (\$m)



Source: Company; Allenby Capital. * 7 months

Audioboom has good access to capital (\$6.6m at year end) comprising \$3.3m in cash and \$3.3m of the non-revolving SPV loan. Management has demonstrated efficient working capital management during FY20. We would anticipate some working capital expansion in Q4 given the high levels of trading in the run up to the year-end and this should unwind in Q1.

There is also the content funding guarantee facility, announced June 2019, that is used to provide minimum revenue guarantees up to an aggregate of \$4m at any one time to new or renewing leading content providers. This secures the minimum guaranteed advertising revenue share payable without tying up the Company's working capital. Following the third use of this facility announced in December 2020, there was c. \$1m available under the facility but this will increase as advertising revenue is paid out.

Investment in content

Audioboom continues to expand its content offering: owned and operated Audioboom Originals Network (AON) podcasts; co-production and commercial partnerships; and the addition of successful podcasts to its premium sales network.

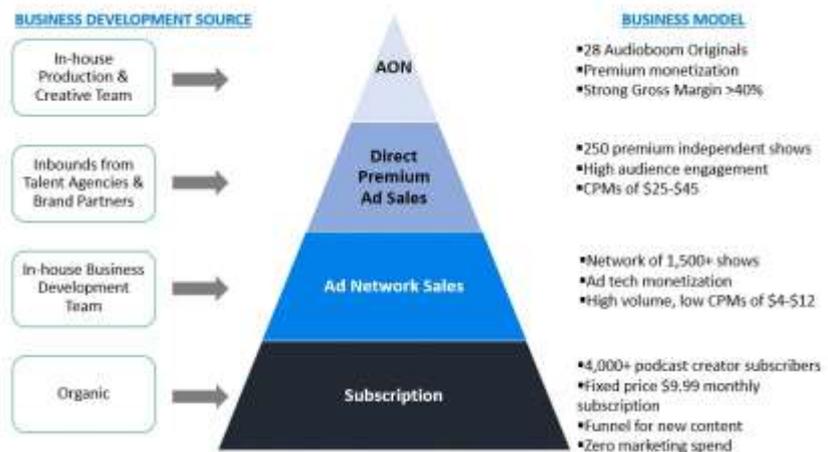
Recently, AON launched *Raising A Pro*, *Crime Weekly* (a co-production with Main Event Media) and *RELAX! with Colleen Ballinger and Erik Stocklin*. Ballinger is a comedian, actor, producer and New York Times Best Selling Author, known for her YouTube character Miranda Sings. She has more than 40 million subscribers and followers across her video and social channels. Her husband, Erik Stocklin, is a star of the Netflix series *Haters Back Off*. The podcast launched on January 13th and went straight to number 1 in the Apple podcast chart.

AON offers considerably higher gross margins (>40%) than the premium sales network (c. 25%) as there is a much lower revenue pay away. That said, the AON titles are less well established and advertisers tended to favour the larger podcasts during the Q2 slowdown. Overall, AON accounted for c. 4% of revenue in 2020 and management aims to increase this to c.15% by 2025.

Audioboom has extended its co-production and commercial partnership with Formula 1 until 2023 and it will produce the *F1: Beyond The Grid* and *F1 Nation* podcasts and provide exclusive advertising sales, technology and distribution. Since launching in July 2018, *Beyond The Grid* has been downloaded more than 24m times and has consistently charted well.

Recent additions to the premium sales network include *The Fantasy Footballers*, *Strange & Unexplained*, *Hoot and a Half*, *That Gaby Roslin Podcast*, *Meditation Minis*, and *Team Never Quit*. *The Fantasy Footballers* is a leading US fantasy sports podcast focused on the NFL. Since it launched in 2014, the show has been downloaded more than 200 million times, >50m in 2019, and has been described by Forbes as ‘America’s largest fantasy football podcast’.

Exhibit 5: Content segmentation



Source: Company. Note: As at Q3 FY20.

Exhibit 5 demonstrates Audioboom’s model to drive value to content creators at any stage and scale, while offering catered monetisation and support and keeping the value chain within its own ecosystem. Importantly, Audioboom is able to demonstrate constant growth and reach to its content partners through data insights, promotions across its network and active business development.

The Company’s in-house sales team in New York and London works closely with advertiser brand partners to match the best content to each advertiser’s unique strategy. Audioboom is also working successfully with sales partners in Australia (Australian Radio Network) and Canada (Rogers Media). This partnership model enables a low-cost expansion of Audioboom’s sales and marketing reach.

The success of the model is evidenced in the latest Triton Digital US podcast report (Exhibit 6) and Audioboom also ranked third in Triton’s December report covering Australia.

Exhibit 6: US Podcast Report: Top 15 Networks (November 2020)

Rank	Podcast Network	# of Active Podcasts	Average weekly downloads (m)
1	NPR	54	43.7
2	Stitcher Media	344	24.2
3	Entercom/Cadence13/Pineapple Studios	375	21.4
4	Wondery	136	19
5	Cumulus Media/Westwood One	286	18.2
6	Audioboom	265	9.8
7	AdLarge/cabana	152	7.6
8	NBC News	25	7.4
9	WarnerMedia	101	4.5
10	FOX News Podcasts	39	3.7
11	Salem Communications	556	2.6
12	CBC/Radio-Canada	206	0.6
13	Bonneville International	243	0.6
14	Beasley Media Group	145	0.5
15	Focus on the Family	16	0.4

Source: Triton Digital

Ad technology drives significant revenue growth

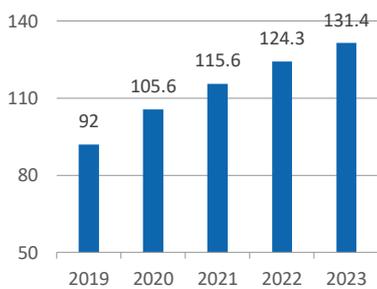
During 2020 there was a strong increase in the performance related to Audioboom’s ad technology with revenue from the automated ad network up 258% to \$2.5m. Audioboom has a network of more than 1,500 shows and whilst the eCPMs from the ad network are much lower than direct premium ad sales, the use of technology enables high volumes.

The ad technology also provides the opportunity for a ‘second bite’ on podcasts where direct premium ad sales have been made initially. The host-read adverts are removed from the show after 90 days and replaced with ad markers enabling dynamic ad insertion. In-house and external sales partners sell ‘archive’ consumption of premium shows and the ad technology is used to monetise unsold inventory via a number of global ad networks and private marketplaces.

Subscription: source of revenue and content

Finally, BOOM continues to derive subscription revenue from >4,000 small podcast creators at a fixed price of \$9.99 or \$19.99 per month. This is targeted at creators that are looking to distribute and host content (ad-free) as they grow their audience and reach. As well as representing a revenue stream in its own right, the subscriber base represents a source of content that can be converted into ad network sales and ultimately premium ad sales. The subscription base is all organic and there has been no marketing investment.

Exhibit 7: US podcast listeners (m)



Source: eMarketer

Market consolidation

The podcast industry has seen considerable levels of consolidation during the past couple of years and Audioboom went through its own formal sales process in 2020. The consolidation reflects the considerable growth in the podcasting industry (audience, advertising spend and the numbers of shows). This consolidation has been partly driven by interest in the advertising market but podcasts are also seen as a way to complement existing digital services and as a source of proven content that can be reformatted in video content.

Spotify has been the most active as it looks to add podcasting content and services to its existing music streaming services and also increase group gross margins through higher content ownership. It has spent c. \$900 million on podcast production and technology companies and also acquired exclusive rights to celebrity shows, such as Kim Kardashian and TikTok star Addison Rae, and invested heavily in the likes of Joe Rogan, Michelle Obama and Prince Harry and Meghan Markle.

In February 2019, Spotify spent c. \$340m on producer Gimlet Media and consumer podcast services provider Anchor FM Inc. In November 2020, it spent a further \$235m for Megaphone, a podcast advertising and publishing platform. Other studio acquisitions include Parcast (c. \$55m) and The Ringer (up to \$196m in February 2020) that has more

Transaction multiples: 4.5x to 7.5x revenue

than thirty sports and entertainment news podcasts. The latter had reported ad sales of \$15m in 2018.

In July 2020, SiriusXM agreed to buy podcast platform Stitcher for up to \$325m from E.W. Scripps as well as acquiring the consumer podcast host Simplecast. E.W. Scripps had acquired Stitcher in 2016 for \$4.5m combining it with its \$50m Midroll Media acquisition from 2015.

Stitcher is a specialised podcast advertising network doing sales for more than 300 podcasts and is the owner of two podcast networks, Earwolf and Stitcher Podcasts with c. 40 comedy podcasts. Stitcher generated revenue of \$72.5m in 2019 suggesting a historic revenue multiple of c. 4.5x.

Most recently Amazon acquired studio Wondery in December for a reported \$300m. Wondery has demonstrated considerable abilities in launching new shows. For example, there were eleven shows from Wondery in Podtrac's Top 25 New Podcasts of 2020. It has also been successful in expanding beyond the core US market and has signed up advertising partners in Canada, Australia and the UK, where it launched a JV with Stitcher.

Wondery was expected to achieve revenue of \$40m in 2020, suggesting a 7.5x revenue multiple. Part of this premium multiple reflects Wondery ownership of much of its content rather than acting purely as a representative to third party podcasters. This offers much higher gross margins as well as scope to develop additional revenue streams. Around a quarter of Wondery's revenue was derived from licensing to TV, third party networks as well as its own Wondery Plus service and licensing with overseas partners.

Audioboom: one of the few large independent podcast publishers and ad tech and monetisation platforms

This consolidation means that Audioboom is now one of the few large independent podcast publishers and ad tech and monetisation platforms. This independence, combined with a proven ability to grow a podcaster's audience and monetisation, means Audioboom is attractive partner for many podcasters.

In terms of listed companies, Liberated Syndication Inc (LSYN.PK) in the US is the closest peer. The company comprises two business: Libsyn, a podcast hosting network with distribution and monetisation services, and Pair, a web hosting business. It should also be noted that the Libsyn division has been growing more slowly than Audioboom (18% CAGR 2016 to 2019) and the majority of its revenue is derived from subscriptions paid by podcasters rather than advertising sales. With a current market capitalisation of \$135m, Liberated Syndication is trading on an EV/Revenue of 5.7x on a trailing twelve-month basis, compared to Audioboom's 2.1x FY20 revenue.

Fair value of 420p/share,

Our fair value of 420p/share for Audioboom, equivalent to an FY20 EV/Revenue of 3.3x and 2.5x FY21 represents a premium to the current share price but a significant discount to recent transaction multiples in the sector and reflects the Audioboom's current balance between owned content and third-party sales representation. As the percentage of AON content continues to increase, we would argue that this discount should narrow.

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