

## Corporate

 Current price **445p**

 Sector **TMT**

 Code **BOOM.L**

 AIM **AIM**

### Share Performance



	1m	3m	12m
<b>BOOM.L</b>	+6.7%	+61%	+228%

Source: Thomson Reuters, Allenby Capital

### Share Data

 Market Cap (£m) **69.4**

 Shares in issue (m) **15.7**

52 weeks	High	Low
	<b>450</b>	<b>127.5</b>

 Financial year end **31 December**

Source: Company Data, Allenby Capital

### Key Shareholders

Nick Candy/Candy Ventures	14.5%
AAQUA BV	10.7%
One Nine Two Pte Ltd	8.9%
Herald IM Ltd	5.9%
Kingsley Duffy/Slovar Ltd	3.1%

Source: Company Data, Allenby Capital

### David Johnson

0203 394 2977

d.johnson@allenbycapital.com

[www.allenbycapital.com](http://www.allenbycapital.com)

# Audioboom plc (BOOM.L)

## Record performance; positive outlook

Record FY20 performance from Audioboom plc, one of the largest independent global podcasting companies, with revenue +20% at \$26.8m. As flagged in January's update, BOOM continues to outpace the global podcasting market as it bounced back from the Q2 CV-19 lull in Q3 and accelerated in the final quarter. Q4, typically BOOM's strongest quarter, saw record revenue (+25% at \$8.5m) as well as other KPIs (brand count, eCPM and available ad inventory). Coupled with continued cost control, adj. EBITDA loss fell to \$1.7m for FY20 (FY19: \$3.0m). Importantly, FY21 has started well, the traditional Q1 seasonal drop off has not materialised and BOOM has already signed advertising bookings representing >80% of our FY21 revenue forecast and is on track for a maiden adj. EBITDA profit. It has good access to capital and continues to expand its premium sales network and Audioboom Originals Network (AON). Forecasts unchanged but fair value increased to 500p/share from 420p, equivalent to 3.0x FY21 EV/revenue.

- FY20 performance:** Revenue +20% to \$26.8m with Q4 +25% on Q4 FY19 and +30% on Q3 FY20, reflecting the ongoing recovery in growth and the traditional Q4 strength. BOOM continues to outpace the US podcasting advertising market (est. +10.4%), itself the fastest growing audio advertising segment. BOOM's Q4 KPIs were all records: brand advertiser count of 311 at Q4 (+11% on Q4 FY19 and +23% on Q3 FY20); December eCPM at \$38.99 (Dec. 2019: \$29.60; Sept. 2020: \$32.69) and total available premium ad impressions +2% to 1,674m, in spite of the move to the more conservative IAB V2 metric. FY20 also saw significant growth in its automated ad network revenue (+258% to \$2.5m). This second window advertising represents a major opportunity.
- Costs/cash:** Cost control and revenue growth drove a 37% reduction in FY20 adj. EBITDA loss to \$1.7m (Q4: \$0.1m). Some working capital expansion in Q4 given the record revenue but working capital management remains good overall and BOOM had access to capital of \$6.6m at year end: \$3.3m cash and the \$3.3m undrawn SPV loan as well as the \$3m SPV content funding guarantee facility (\$1.1m available at year end and \$1.7m currently).
- Outlook:** After the Q2 2020 slowing, the global podcasting market growth rate has bounced back with audiences, available content and brand participation in this highly engaged medium all expanding. The attractions of podcasting are reflected in the ongoing market consolidation and associated valuation multiples. Audioboom has started FY21 well and continues to outpace the global market, adding leading podcasts to its premium sales network, increasing ad-tech revenue, and expanding its higher gross margin AON. Further revenue growth and operational gearing means BOOM is on track for a maiden adj. EBITDA profit for FY21 on our forecast revenue of \$35.4m. Our new fair value of 500p/share is equivalent to 3.0x FY21 EV/revenue.

### Year End: December

(\$'000)	2017A	2018A*	2019A	2020A	2021E
<b>REVENUE</b>	6,056	11,656	22,310	26,782	35,354
<b>ADJ. EBITDA</b>	(6,203)	(5,642)	(2,970)	(1,720)	15
<b>ADJ. PBT</b>	(6,256)	(5,772)	(3,067)	(1,930)	(85)
<b>ADJ. EPS (c)</b>	(71.53)	(52.51)	(21.26)	(13.52)	(0.54)
<b>CASH</b>	968	1,581	1,992	3,257	1,655
<b>EV/REVENUE (x)</b>	11.4	8.1	4.2	3.5	2.7
<b>EV/EBITDA (x)</b>	NEG	NEG	NEG	NEG	>100

Allenby Capital acts as Nomad &amp; Broker to Audioboom plc (BOOM.L).

Please refer to the last page of this communication for all required disclosures and risk warnings.

## Investment summary

Audioboom plc, one of the largest independent global podcast companies, finished FY20 strongly and continues to outpace the global podcasting market. As flagged in January’s trading statement, the company bounced back in Q3 after advertisers paused spend in Q2 and Audioboom accelerated thereafter to achieve record revenue in Q4, traditionally also its strongest quarter. There were records for the company’s other KPIs (brand count, eCPM and available ad inventory) and group revenue increased 20% to \$26.8m in FY20. Revenue growth and cost control resulted in a further reduction in adj. EBITDA losses and the company has good access to capital. FY20 also saw significant growth in its automated ad tech network revenue (+258% to \$2.5m). This includes a second advertising window for existing content and represents a major revenue opportunity given Audioboom’s substantial library.

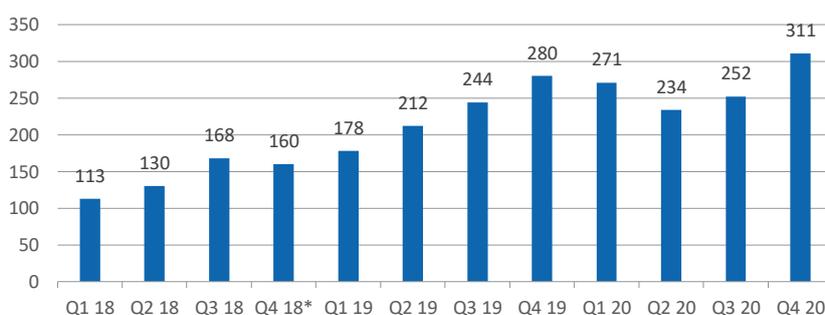
FY21 has started well and management reports that the traditional seasonal drop-off in Q1 advertising demand has not materialised and >80% of our revenue forecast (\$35.4m) is now covered by signed advertising bookings. As a result, Audioboom is on track to achieve a maiden positive adj. EBITDA this year. The strong start to FY21 also leads us to increase our FY21 EV/Revenue multiple to 3.0x (from 2.5x) that implies a fair value per share of 500p (from 420p) – still a discount to recent sector transactions and the current rating of Libsyn (Liberated Syndication Inc (LYSN.PK)) in the US, the closest listed peer. Audioboom remains the only London-listed pure play on the growth of global podcasting market.

### Financial performance

FY20 revenue of \$26.8m represented growth of 20% (FY19: \$22.3m), well ahead of the 10.4% anticipated by eMarketers for the US market, the most developed and Audioboom’s largest market. Audioboom’s growth was a combination of improvements in all KPIs – the number of brand advertisers participating, the revenue per 1,000 downloads (eCPM) and the total available premium advertising impressions. Growth in this final KPI stat came in spite of the move to the more conservative IAB V2 metric.

The brand count as at 31 December increased 11% on the same point in FY19 and by 23% on Q3 FY20. This followed the dip in Q2 FY20 (although still growth on Q2 FY19), as advertisers paused spend with the outbreak of the pandemic (Exhibit 1). Key drivers of this KPI include: the addition of new content genres to broaden brand appeal; overall market growth and expansion of brands advertising into podcasting; and strong campaign performance resulting in new ad agency clients being added.

**Exhibit 1: Audioboom brand advertiser count**



Source: Company. \* 4-month period

There was a similar recovery in the eCPM rate, the amount of value Audioboom is able to extract from 1,000 downloads (Exhibit 2), following the Q2 dip as the lower number of brand advertisers translated into lower fill rates of podcasts. Other key drivers for this KPI

are: increasing ad rates and developing a second-window revenue model to monetise back catalogue content as well as automated ad insertion in Audioboom’s wider podcast network (Ad Tech). During FY20, revenue from Ad Tech increased 258% to \$2.5m.

**Exhibit 2: Audioboom eCPM (\$)**

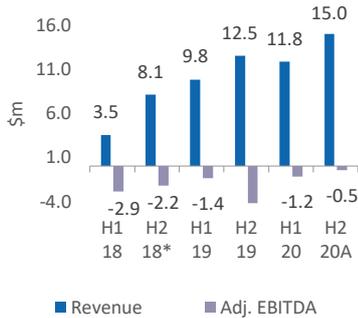


Source: Company. \* 4-month period

Gross margin increased slightly to 23% (FY19: 22%) and Audioboom has a mix of revenue streams with different gross margins: premium advertising on third party content (22%), Audioboom Original Network (40%), Sonic Influencer Marketing (12% to 15%) and Subscriptions (>90% albeit currently a low level of revenue).

The revenue growth, small GM improvement and ongoing cost control meant adj. EBITDA loss fell to \$0.1m in Q4 and \$1.7m in FY20 (FY19: \$3.0m loss). 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 3: 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. 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 working capital. Three leading podcasts have been retained to date via the facility with \$1.1m available at FY20 that has since increased to \$1.7m. Finally, Audioboom received a \$374k Paycheck Protection Program loan in the US in February that will be potentially translated into a grant.

Management has demonstrated efficient working capital management during FY20. Debtor days remained stable (87 vs 86) in spite of the record revenue of \$8.5m in Q4. Creditor days reduced to 65 from 72. During FY20, Audioboom raised £3.1m (gross) and will use these funds to continue to invest in generating organic growth.

## Content is king

Audioboom continues to expand its content offering: addition of successful podcasts to its premium sales network (**Content Acquisition**); owned and operated Audioboom Originals Network (AON) podcasts and co-production and commercial partnerships (**Content Creation**); and providing brands with access to third party brands (**Content Access**).

### Content acquisition

There was continued growth in Audioboom's publisher network in 2020 through its premium sales model and, materially for the first time, its advertising technology (Ad Tech), up 258% to \$2.5m. Monetisation of the premium publisher network (high-engagement, high-CPM, host endorsed ads on c. 200 shows) and Ad Tech accounted for 66% of FY20 revenue.

Key podcast partnership renewals in 2020 and post-period end included *Casefile True Crime*, *Morbid: A True Crime Podcast*, *The Morning Toast*, *No Such Thing As A Fish* and *The Duncan Trussell Family Hour*. The length of renewals is also being extended and currently averages between 24 and 36 months on top performing shows. New podcasts added in 2020 and post-period end include *The Fantasy Footballers*, *Tiny Meat Gang*, *Mile Higher*, *Rotten Mango* and *Coffee Convos*.

Audioboom has a network of more than 1,500 shows beyond the premium network and whilst the eCPMs from the ad network are much lower than direct premium ad sales, the use of automated Ad Tech enables high volumes.

Ad Tech 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 Tech is used to monetise unsold inventory via a number of global ad networks and private marketplaces.

Audioboom's network also includes c. 4,000 subscriptions that pay \$10 or \$20 per month. Revenue from this content group represented c. 2% of group revenue but offers much higher margin (>90%) and the lifetime value of a subscriber is >\$250. There is considerable scope for growth here as more than 100,000 new podcasts are launched every month and each needs a hosting platform in order to publish content to listening apps. All of Audioboom's growth to date has been organic and management aims to drive growth through targeted paid marketing.

### Content Creation – AON

Audioboom launched eight new Audioboom Originals during FY20 and also extended its production services offering. Production plans were disrupted by the pandemic as advertising spend slowed and shows in production were impacted by the shift to remote working. Existing shows (*Mafia*, *What Makes A Killer*, *Never Thought I'd Say This* and *An Hour Or So With Sue Perkins*) all returned for new seasons, while *It's Happening*, *Blank Check* and *The 45th* continued to deliver weekly episodes.

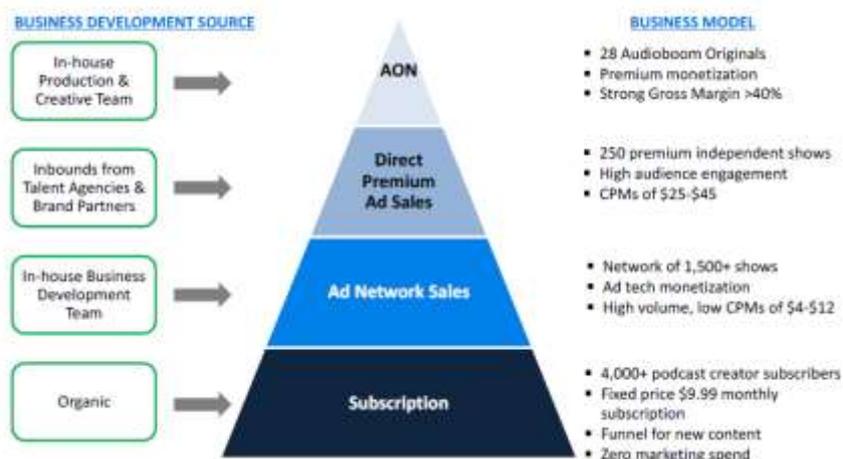
In January 2021, AON launched *RELAX! with Colleen Ballinger and Erik Stocklin*. Ballinger is a comedian, actor, producer and New York Times Best Selling Author, known for her YouTube character Miranda Sings. She has more than 40 million subscribers and followers across her video and social channels. Her husband, Erik Stocklin, is a star of the Netflix series *Haters Back Off*. The podcast went straight to number 1 in the Apple podcast chart on launch. In April, *Dark Air*, a 14 episode serial written by and starring Rainn Wilson from US version of *The Office*, is due for release.

Overall, AON revenue increased 57% to \$1.1m, accounting for c. 4% of revenue in 2020 and management aims to increase this to 15% by 2024.

Content Access – Sonic IM

In its second full year of operation, more than 30 brands used the Sonic Influencer Marketing platform to purchase advertising inventory across the entire podcast landscape. Key clients included Article, Outerknown and Instacart and Sonic has developed a bespoke Salesforce inventory management platform that will enable the business to scale and provide new levels of information around audiences, pricing and campaign performance. The new platform launched in early 2021. Four new clients have joined Sonic in Q1, including Keeps, a major podcast advertiser.

Exhibit 4: Content segmentation



Source: Company. Note: As at Q3 FY20.

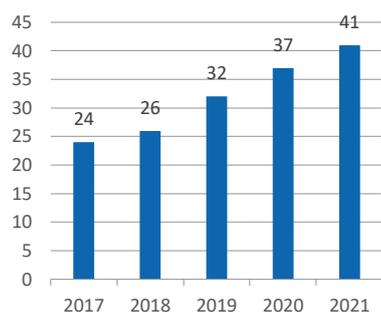
Exhibit 4 demonstrates Audioboom’s model to drive value to content creators at any stage and scale and keep the value chain within its own ecosystem. Audioboom has successfully moved podcasters up through the tiers and achieved growth in revenue and reach for its content partners.

Audioboom’s in-house sales team in New York and London works closely with advertiser brand partners and Audioboom is also working with sales partners in Australia (Australia Radio Network) and Canada (Rogers Media) to enable a low-cost sales and marketing expansion. The success of the model is evidenced in the latest Triton Digital US podcast report (Exhibit 5) where Audioboom moved up to fifth. Audioboom also ranked third in Triton’s December report covering Australia and the largest international publisher.

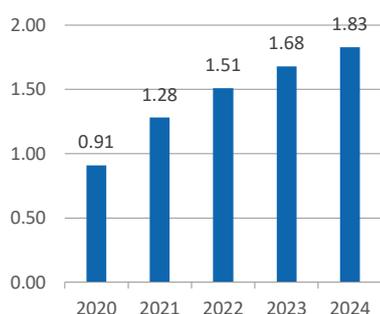
Exhibit 5: US Podcast Report: Top 15 Networks (January 2021)

Rank	Podcast Network	# of Active Podcasts	Av. weekly downloads (m)
1	NPR	54	43.2
2	Stitcher Media	512	34.7
3	Entercom/Cadence13/Pineapple Studios	500	20.5
4	Cumulus Media/Westwood One	282	16
5	Audioboom	257	10.9
6	Wondery	95	9.6
7	AdLarge/cabana	156	9.4
8	NBC News	25	8.1
9	WarnerMedia	104	4.9
10	FOX News Podcasts	40	3.1
11	Salem Communications	627	2.6
12	Kast Media	79	2.5
13	All Things Comedy	38	1.9
14	CBC/Radio-Canada	212	0.8
15	Bonneville International	247	0.7

Source: Triton Digital

**Exhibit 6: Monthly podcast listening (% US pop.)**

Source: Edison Research &amp; Triton Digital

**Exhibit 7: US Podcast Ad spend (\$bn)**

Source: eMarketer

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

**Fair value of 500p/share**

### Market growth and consolidation

As noted above, the global podcasting industry continues to expand on multiple levels: the volume of content available, the number of listeners and levels of content consumption, and the numbers of brands advertising in this highly engaged medium. According to the recent Infinite Dial 2020 from Triton Digital and Edison survey, 41% of US adults (116m) now listen to podcasts every month, up 4pps. The survey also found that 56% of 12-34 year olds now listen to podcasts every month (2020: 49%) and this audience now represents more than 50% of the total listening audience – an attractive demographic for advertisers. The survey also found that there was a marked reduction in consumption at the start of the pandemic, typically a function of the disruption to commuting habits, but this recovered rapidly.

The February 2021 report from eMarketers on podcast advertising spending suggests that the US market will top \$1bn for the first time this year and this represents an upgrade on its July 2020 report (Exhibit 6).

### Market consolidation

The growth and attractions of the global podcasting industry continue to drive consolidation activity and Audioboom went through its own formal sales process in 2020. Consolidation has been partly a function of the growing 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. Acquisition multiples, where disclosed, have been in the range of 4.5x to 7x historic revenue with content IP commanding a premium.

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 and invested heavily in celebrity shows. According to the eMarketer report, Spotify will overtake Apple in terms of podcast listening on a monthly basis.

**Exhibit 8: Selected podcast transactions**

Spotify	Gimlet Media, Anchor FM, Megaphone, Parcast and The Ringer
Sirius CM	Stitcher
iHeartMedia	Voxnest and Triton Digital
Amazon	Wondery
Entercom	Podcorn
Liberated Syndication (Libsyn)	Auxbus
Podchaser	Podover and Podcharts

Source: Source: Company; Allenby Capital

This consolidation means that Audioboom is now one of the few large global 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, talent agencies and brands.

In terms of listed companies, Liberated Syndication Inc (LSYN.PK) in the US is the closest peer. The company has two businesses: Libsyn, a podcast hosting network with distribution and monetisation services, and Pair, a web hosting business. With a current market capitalisation of \$113m, it is trading on an EV/Revenue of 4.2x on a TTM basis.

Our fair value of 500p/share for Audioboom (from 420p), equivalent to an FY21 EV/Revenue of 3.0x, represents a premium to the current share price but a significant discount to 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, this discount should narrow further.

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**Allenby Capital, 5 St Helen's Place London EC3A 6AB, +44 (0)20 3328 5656, [www.allenbycapital.com](http://www.allenbycapital.com)**