

# Live Ventures



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## MARKET STATISTICS

Exchange / Symbol	NASDAQCM:LIVE
Price:	\$9.58
Market Cap (mm):	\$19.7
Enterprise Value (mm):	\$95.8
Shares Outstanding (mm):	2.1
Diluted Shares (mm):	3.9
Insider Ownership (%):	70%
Volume (3-month avg):	17,200
52-week Range:	\$1.45-32.98
Industry:	Diversified Holding Company

## CONDENSED BALANCE SHEET

(\$mm, except per share data)

Balance Sheet Date:	3/31/2017
Cash & Cash Equivalent:	\$0.75
Cash/Share:	\$0.37
Equity (Book Value):	\$30.92
Equity/Share:	\$15.02

## CONDENSED INCOME STATEMENTS

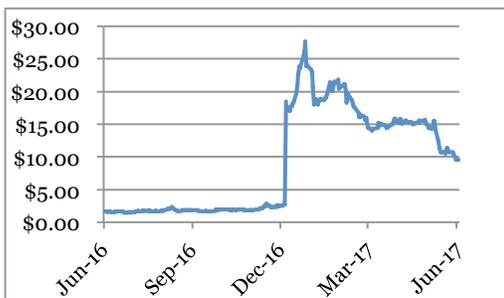
(\$mm, except per share data)

FY - 12/31	Revs.	Income	EBITDA	Dil. EPS
FY14	\$7.27	(\$4.66)	(\$4.01)	(\$0.35)
FY15	\$33.37	(\$14.67)	(\$9.09)	(\$5.58)
FY16	\$78.95	17.83	\$5.44	\$5.40
FY17	\$147.93	\$10.48	\$27.26	\$2.65

## LARGEST SHAREHOLDERS

Jon Isaac	1,215,000
Tony Isaac	125,000
The Vanguard Group, Inc.	57,900
Bridgeway Capital Management Inc.	26,000
Richard Butler, Jr.	15,500
Geode Capital Management LLC	15,200
Morgan Stanley Investments	12,800
Dennis Gao	12,700
Sigma Planning Corporation	12,100
Reynolds Capital Management	1,200

## STOCK CHART



## COMPANY DESCRIPTION

Live Ventures Incorporated (“LIVE”) is a diversified holding company that is focused on acquiring profitable companies with demonstrated success. The Company operates through several wholly-owned subsidiaries that are positioned in diverse industries. LIVE’s manufacturing subsidiary, Marquis Industries, Inc. (“Marquis”) is a leading manufacturer of carpet and specialized high performance yarns, and Marquis is also a reseller of hard surface flooring. LIVE’s most recent acquisition, Vintage Stock, Inc. is a retail entertainment company that specializes in new and used movies, video games, music, collectibles, comics and toys. LIVE also operates an Internet-based business, LiveDeal, a deal engine that connects restaurants with consumers. Live Ventures Incorporated is headquartered in Las Vegas, Nevada, and has approximately 1200 employees.

## SUMMARY

Over the last five years, Live Ventures has had a dramatic transformation from an Internet marketing services company with a looming threat of a NASDAQ delisting to a growing diversified holding company with assets of over \$120 million, annualized revenue estimates of \$140 - \$148M for the current year, a subsidiary with 59 retail stores located in 9 states, and another subsidiary that is one of the top ten residential carpet manufacturers in the U.S. LIVE has demonstrated that it is capable of executing on a disciplined approach to creating value for shareholders through strategic acquisitions of profitable companies with attractive valuations.

- Proven Success of Acquisition Strategy** - LIVE is industry-agnostic and buys private companies generally using debt financing. Acquisitions are based on a set of consistent and straightforward criteria. In addition to meeting stringent parameters for IRR, revenue and earnings, the businesses must compete in a growing industry, have an easily understandable business model, a management team with a background of proven performance, and a history of profitability. The demonstrated success of LIVE’s most recent acquisitions, Marquis Industries and Vintage Stock, signifies a turning point in the Company’s operations and validates management’s acquisition strategy.
- Focus on Shareholder Value** - LIVE’s focus over the last five years has been to allocate cash effectively, with the goal of increasing book value per share and overall intrinsic value for the Company. Book value per share has grown from \$2.24 in 2015 to \$15.02 as of Q2 2017 (although we note \$39M in goodwill as of 3/31/17 on balance sheet). While continuing to grow its asset base and increase revenues and income through strategic acquisitions, the Company has been reducing long-term debt and reducing shares issued and outstanding through reverse splits, buy-back policies, and redemption of preferred shares. CEO Jon Isaac’s commitment to the long-term growth of the Company is reflected in his personal history of buying shares. He owns in excess of 50% of outstanding shares with a voluntary 5-year lock up period and continues to buy shares in the open market.
- Recent Results** - Live Ventures’ revamped business plan has led to a dramatic turnaround in its financial performance. Comparing Y-O-Y Q2 17 results (ending 3/31/17), revenues rose by more than 90%, gross profits improved by almost 194%, and operating earnings grew by over 339%. We note that Vintage was consolidated as of 11/3/16, and management looks for further acquisition opportunities.
- Management** – Jon Isaac, current President and CEO, injected private funds to save the Company in 2011 from near bankruptcy and delisting. He brings to the table his extensive experience in executing multi-faceted transactions involving the government as well as publicly traded and private companies. And he has assembled both a management team as well as a BOD with strong operational as well as financial backgrounds across a variety of industries.
- Valuation** - Based on our estimates for LIVE for FY17 E, at \$9.58 per share the Company is currently trading at an EV/EBITDA of 3.5x and a P/E multiple of 1.9x (on basic) and 3.6x (on diluted). With blended long-term growth potential in the low- to mid-single digits for the top line and expectations for continued margin expansion, resulting in annual improvements to EBITDA, we believe that LIVE deserves higher multiples. See page 8 for further details.

## OVERVIEW

Live Ventures Incorporated is a diversified holding company that is strategically focused on the acquisition of U.S.-based middle market companies. The Company was founded in 1994 as yp.com, bringing the print Yellow Pages to the Internet. In 2007, following the merger of yp.com and LiveDeal, a local directory and classifieds site, the Company became known as LiveDeal, Inc. Following the sale of yp.com to AT&T in 2008, LiveDeal focused on promoting online marketing solutions; however, by the fourth quarter of 2011, the Company had failed to reach profitability, shares were trading at \$0.98, and LiveDeal was on the verge of a delisting and possible bankruptcy.

At year-end 2011, Isaac Capital Group, led by Jon Isaac, invested capital to cure LiveDeal's shareholder deficiency, and shortly thereafter, Mr. Isaac became CEO. In 2015, Isaac restructured the Company as a holding company, changed the name to Live Ventures Incorporated, and shifted the focus to diversifying operations through the acquisition of profitable and growing companies with predictable revenues that add cash flow and scale to the existing company.

## BUSINESS STRATEGY

Live Ventures' business strategy emphasizes a disciplined set of investment criteria. LIVE differs from traditional companies involved in private equity funding due to its longer-term focus. The business model of many companies that compete in this space involves selling companies in their portfolios every 3 to 5 years. In contrast, Live Ventures' goal is to increase value over the long-term through acquisitions and organic growth.

*Exhibit 1: Live Ventures' Investment Criteria*



*Source: Company Reports; Stonegate Capital Partners*

The management team works with consultants to identify stable, profitable and well-managed companies that are synergistic with current holdings and that fit the Company's rigorous acquisition requirements:

- Mature companies in growing industries
- A solid history of profitability and demonstrated consistent earnings power (management has no interest in turnarounds and distressed sale scenarios)

- A proven management team with a verifiable track record achieving value and consistent cash-flows over the long-term
- Companies adding a minimum of 25% yearly IRR
- Companies with \$40 million to \$250 million in sales and \$10 million in pre-tax earnings

Management's goal is to select profitable, growing companies and then step out of the way, enabling them to continue on their successful pathways. Live Ventures sees its role as providing the resources to enable continued growth, while allowing acquired companies to retain the business plans and company cultures that led to their success. LIVE management is currently evaluating several acquisition targets that meet the Company's investment criteria. We expect LIVE to maintain a pace of at least one accretive transaction per year of businesses with fundamentally sound growth strategies, strong management teams and demonstrated consistent earnings.

## CURRENT PORTFOLIO COMPANIES

LIVE offers the following products and services principally through three companies:



**Marquis Industries, Inc.** - a high-end residential carpet manufacturer, hard-surfaces reseller and specialty yarns manufacturer



**Vintage Stock, Inc.** - a retailer of movies, books, video games and collectibles that utilizes a buy-sell-trade business model



**LiveDeal.com** - A deal engine that connects merchants and consumers, enabling restaurants to provide real-time offers to consumers based on each consumer's location

### Marquis Industries, Inc.

Following Live Ventures' change in strategy, the Company's first acquisition was Marquis Industries, Inc. Marquis has become one of the top ten high-end residential carpet manufacturers in the U.S. and a market leader in value-oriented polyester carpet, the market's fastest-growing fiber category.

LIVE acquired 80% of Marquis in July 2015 and acquired the remaining 20% in November 2015. The Company paid approximately \$30 million for Marquis, \$7 million of which came from subordinated bridge financing from Isaac Capital Fund I, LLC, a company controlled by CEO, Jon Isaac. In keeping with the Company's acquisition strategy, LIVE retained Marquis' senior management, who committed to staying on for five years following the acquisition.

At the time of purchase, Marquis had trailing annual revenues of \$59.1 million, with \$6.9 million in EBITDA profits. The Marquis acquisition immediately added to the Company's bottom line and led to LIVE announcing its first profitable results in 27 quarters (Q4 ended September 2015). Then, in 2016, its first full year under the Live Venture umbrella, Marquis had a record year, with sales reaching \$72.5 million and EBITDA of \$12 million.

Operating through 13 divisions specializing in different markets within the flooring industry, Marquis serves over 2,000 customers, primarily in the residential market (80% of sales), but also in niche commercial and hospitality end markets. Best Buy is the Company's largest division, selling to more than 2,000 carpet dealers across the country. Another division, A-O Industries, provides the opportunity to participate in a high-growth segment of the industry. Through the A-O division, Marquis provides monofilament textured yarn to the artificial turf industry, and according to the Company, it is the only manufacturer in the world that is able to produce specific yarns that are highly valued in the industry. To address A-O's several month order backlog for these specialized yarns, the Company has recently purchased a new \$2.5 million turf extruder, enabling A-O to increase production to help meet demand.

*Exhibit 2: Marquis' Divisions*

Division	Products/Services
Best Buy flooring	All forms of carpets to dealers
Marquis Carpet	Carpet products to home centers
Best Buy hard surface	Hard surface products manufactured by third parties to dealers
A-O Industries	Monofilament nylon, polypropylene and polyethylene yarns for outdoor turf industry
Omega Pattern Works	Specialty printed carpet to the entertainment industry (bowling alleys, fund centers, movie theaters, casinos)
Astro Carpet Mills	Specialty printed carpet to the entertainment industry and artificial turf
Artisans Hospitality	Carpets to commercial and hospitality markets
Artisans Carpet	Carpets to carpet distributors
Trendsetters Rug	Development stage – printed carpets for educational markets
Dalton Carpet Depot	Sells specials and off grade carpet products to dealers
M&M Fibers	Extrusion carpet fiber division supplying raw material to Marquis
Quantum Textiles	Internal twisting and heat set yarn plant – some commission work for local mills
B&H Tufters	Internal tufting operations

Source: Company Reports; Stonegate Capital Partners

The Marquis acquisition added assets valued at \$35 million to LIVE's balance sheet. The manufacturing facilities totaling 500,000 square feet with state-of-the-art equipment used in all stages of vertically integrated production allow the Company to manufacture high quality carpet with short lead times. Additionally, Marquis has the existing capacity to grow sales by 25% without additional investment. Recent investments in equipment (\$7.5 million in 2016 and \$6 million in 2017) have increased efficiency, enabling a reduction in production costs and have also provided the opportunity for Marquis to enter new high-growth markets in the future; thus, while revenues are expected to be relatively flat in 2017, margin expansion is expected as a result of these recent manufacturing upgrades. Also, in January 2016, Live Ventures closed on a \$10 million deal that involved a sale leaseback of land owned by Marquis and a loan that was secured by improvements to the land. STORE Capital Corporation (NYSE: STOR) closed the transaction. The proceeds were primarily used to pay down debt.

*Exhibit 3: Marquis' Upgraded Manufacturing Facilities*



Source: Company Reports

LIVE competes within the **floor covering industry** through its Marquis Industries subsidiary, with a focus on the high-end residential and commercial markets. The U.S. floor coverings manufacturer market was valued at \$23.14 billion in 2015 (Catalina Research), representing the sixth straight year of growth in dollars and the fourth straight year of volume growth. Growth continued into 2016, increasing an estimated 3.8% over 2015 to reach \$24.6 billion.

Residential floor covering sales are influenced by home remodeling, existing home sales, and housing starts, as well as consumer confidence and the strength of the economy. The National Association of Home Builders (NAHB) expects a gradual rise in the housing market in 2017, with further growth in new home sales, spurred by employment gains and an increase in household formations. These numbers set the stage for Marquis to continue its upward trajectory.

In the residential floor covering market, Marquis competes with Mohawk (NYSE: MHK), Armstrong Flooring (NYSE: AFI), Dixie Home (NASDAQ: DXYN), Beaulieu, and to a lesser extent due to its lower-end focus, Shaw Floors, as well as several other private entities. Through its A-O division, Marquis also competes in the artificial turf market, providing specialty yarns to artificial turf manufacturers. The artificial turf industry is a high-growth market that is driven by an uptick in building activity, increasing participation in sports, and heightened environmental concerns. According to Technavio, the artificial grass turf market in the Americas (primarily in North America) will grow at a CAGR of nearly 13% to reach \$440 million by 2019. Marquis' competitive advantage in this market is the high quality of its yarns and its unique ability within the industry to perform certain types of texturing processes that are prized by turf manufacturers.

### Vintage Stock, Inc.

In November 2016, Live Ventures acquired Missouri-based entertainment retailer, Vintage Stock, using a combination of cash and debt valued at \$57.7 million. The acquisition added \$66 million in assets to LIVE's balance sheet. Vintage Stock was founded in 1980

and operates under the names Vintage Stock, V-Stock, Movie Trading Company and EntertainMart.



Adhering to Live Venture's policy of non-dilution, the Company issued no shares of convertible debt, and the acquisition was immediately accretive. With a Vintage Stock's history of consistent and stable earnings, a successful and proven management team, and a successful business model, the transaction was consistent with LIVE's acquisition criteria.

With the recent opening of nine new stores in the first half of 2017, Vintage Stock now operates 59 stores across 9 states (Missouri, Kansas, Oklahoma, Arkansas, Illinois, Texas, Colorado, New Mexico, and Idaho). The new locations, which were purchased from a competitor, not only extend the Company's footprint, but also provide an expanded base of existing customers.

*Exhibit 4: Vintage Stock Storefront and Interior*



*Source: Company Reports*

Vintage Stock stores range from 3,000 to 50,000 sq. ft., compared with competitor GameStop's (NASDAQ: GME) 1000 to 1500 sq. ft. stores. This enables the Vintage Stock to offer a much larger selection than most competitors—up to 50,000+ unique entertainment products, including new and pre-owned movies, video games and music products, along with books, toys and collectibles. The stores use a buy-sell-trade model that involves buying used merchandise for cash or store credit. The store credit is typically 50% higher than the cash offer, to encourage the shopper to buy merchandise in the store.

The buy-sell-trade has somewhat insulated Vintage Stock from the popularity of digital downloads that has adversely affected other brick and mortar retailers. In a scenario using the Vintage Stock buy-sell-trade business model, a customer buys a newly released video game for \$60 and then sells it back to Vintage two months later for \$30, which in effect, provides the customer with a 50% savings on a new game purchase. This model provides an incentive to buy DVDs over downloads (which cannot be resold or as easily transported and are often reliant on connectivity), and an incentive to shop at Vintage Stock. The buy-sell-trade model provides exceptional margins for Vintage Stock. On the sale of a new video game, the game publisher collects a large portion of the retail price, but on the resale of a used game, Vintage Stock keeps the majority of the profits. Thus, gross margins on its largest selling category (used movies, books and games) are in the 80% range.

In calendar year 2015, Vintage Stock had revenues of \$61.6 million and pre-tax income of \$13.5 million. In 2016, Vintage Stock, Inc. sales reached \$67 million with \$13.8 million in adjusted EBITDA. Management estimates Vintage Stock is on pace for approximately \$17 million EBITDA in 2017.

Going forward, growth in the Vintage Stock subsidiary is projected to come organically, not only from used merchandise, but particularly from the release of new movies, video games and video consoles, such as the popular Nintendo Switch. Growth is also expected to come from the opening of new stores. LIVE has opened a total of nine stores since the acquisition of Vintage Stock, Inc., and management has set a target of 5 to 7 additional store openings per year, most likely beginning in 2018.

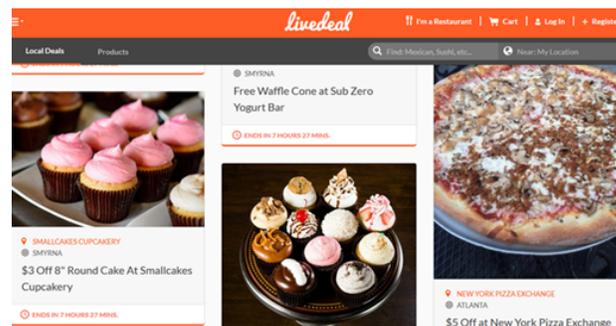
Vintage Stock competes in the **toy, game and hobby retail market**, which according to Dun & Bradstreet, this segment of the retail industry includes about 8,200 stores that have combined annual revenues of approximately \$20 billion. These stores include large merchandisers, as well as small local stores.

A large part of Vintage's business is in the sale of new and used video games. In the video game market, Vintage Stock competes with mass retailers, consumer electronics stores, toy retail chains, and online retailers, among others. According to PriceWaterhouse Coopers, the U.S. video game industry (including games, consoles and accessories) will grow to \$19.6 billion in 2019, up from \$15 billion in 2014, a compound annual growth rate of 5.5 percent.

### LiveDeal

In September 2013, Live Ventures launched LiveDeal.com, a real-time "deal engine" with an intuitive interface that connects restaurants with consumers, providing limited time offers. LiveDeal provides a unique marketing solution to restaurants that can boost customer awareness and merchant visibility online. The site competes with other daily deal sites, such as Groupon, but unlike Groupon, LiveDeal never asks for credit card information to prepay for vouchers, and the vouchers never expire. Restaurants are able to create their limited time offers and publish immediately or set a schedule for release, and they are often designed to entice consumers to visit their establishments during slower time periods. The Company is not currently spending on customer acquisition in this segment, and management is evaluating alternative uses for this deal engine within LIVE's organization.

### Exhibit 5: LiveDeal Website



Source: LiveDeal.com

### RISKS

As with any investment, there are certain risks associated with Live Ventures' operations, as well as with the surrounding economic and regulatory environments.

**Access to capital** - LIVE's continued growth through acquisitions will likely require access to capital through issuing debt or equity. The sale of equity or convertible debt securities could result in dilution to existing stockholders, and the most favorable terms on capital can be difficult to find and negotiate.

**Growth strategy** - Other risks associated with LIVE's growth strategy include finding suitable acquisition candidates, competition among private equity firms for quality companies, and possible difficulties with integration of acquired companies.

**Dependence on management** - Live Ventures is highly dependent on guidance from senior management, particularly Jon Isaac, whose years of experience and expertise have been instrumental in the Company's success. Additionally, per the terms of the acquisition agreements, Marquis and Vintage Trade key executives are continuing to operate their respective companies. Loss of any of these executives could adversely affect Live Venture's operations and financial circumstances.

**Legal proceedings** - The Company is at risk for being named in legal proceedings from time to time as part of its normal course of business, and such legal matters can be costly, time consuming and reflect poorly upon the Company. Management notes that the Company would not expect any current pending matters to have a materially adverse result against Company operations, cash flows or liquidity.

**Goodwill impairment** - As of 3/31/17, LIVE had approximately \$39M of goodwill recorded as an asset on its balance sheet. Should a determination be made that significant impairment to this asset had occurred, the Company would be required to write down this asset's value, possibly a significant amount, thus negatively impacting LIVE's financials.

**BALANCE SHEETS**

Live Ventures Incorporated (NASDAQCM: LIVE)  
 Consolidated Balance Sheets (in thousands \$)  
 Fiscal Year: September

	FY 2014	FY 2015	FY 2016	Q2 FY17 3/31/17
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 8,114	\$ 2,728	\$ 771	\$ 752
Trade and other receivables, net	854	8,244	8,335	9,501
Inventories, net	4,278	13,335	11,053	33,653
Prepaid expenses and other current assets	584	1,522	5,060	3,400
<b>Total current assets</b>	<b>13,830</b>	<b>25,829</b>	<b>25,219</b>	<b>47,306</b>
Property and equipment, net	153	12,482	14,014	21,498
Deposits and other assets	65	36	19	78
Deferred taxes	-	-	12,525	10,655
Intangible assets	3,071	1,517	1,690	2,865
Goodwill	1,170	800	-	39,066
<b>Total assets</b>	<b>\$ 18,289</b>	<b>\$ 40,664</b>	<b>\$ 53,467</b>	<b>\$ 121,469</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 2,283	\$ 5,537	\$ 5,403	\$ 8,096
Accrued liabilities	1,046	3,661	6,397	5,170
Income tax payable	-	376	-	434
Derivative liability	84	-	-	-
Note payable	920	-	-	-
Current portion of long term debt	-	1,443	1,789	5,833
<b>Total current liabilities</b>	<b>4,333</b>	<b>11,017</b>	<b>13,588</b>	<b>19,531</b>
Notes payable, net of current portion	639	14,568	13,683	69,019
Note payable, related party	-	6,496	2,000	2,000
Contingent consideration from business combination	-	316	-	-
<b>Total liabilities</b>	<b>4,972</b>	<b>32,397</b>	<b>29,271</b>	<b>90,551</b>
Commitments and contingencies	251	-	-	-
<b>STOCKHOLDERS' EQUITY</b>				
Series B Convertible Preferred Stock	-	-	-	0
Series E Convertible Preferred Stock	11	11	11	11
Common stock	14	3	3	2
Paid-in capital	45,038	52,965	53,319	56,774
Treasury stock	-	-	(300)	(300)
Accumulated deficit	(31,997)	(46,665)	(28,837)	(25,569)
<b>Total Live Ventures stockholders equity</b>	<b>13,066</b>	<b>6,314</b>	<b>24,196</b>	<b>30,918</b>
<b>Noncontrolling interest</b>	<b>-</b>	<b>1,953</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>13,066</b>	<b>8,267</b>	<b>24,196</b>	<b>30,918</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 18,289</b>	<b>\$ 40,664</b>	<b>\$ 53,467</b>	<b>\$ 121,469</b>
<b>Liquidity</b>				
Current Ratio	3.2x	2.3x	1.9x	2.4x
Quick Ratio	2.2x	1.1x	1.0x	0.7x
Working Capital	9,497	14,812	11,631	27,775
<b>Leverage</b>				
Debt To Equity	11.9%	272.3%	72.2%	248.6%
Debt To Capital	10.7%	73.1%	41.9%	71.3%
<b>Valuation</b>				
Book Value/Share	\$5.39	\$2.24	\$8.67	\$14.11

Source: Company Reports, Stonegate Capital Partners, Capital IQ

**INCOME STATEMENTS**

Live Ventures Incorporated (NASDAQCM: LIVE)  
 Consolidated Statements of Income (in thousands \$, except per share amounts)  
 Fiscal Year: September

	FY 2014	FY 2015	FY 2016	FY 2017 E
<b>Revenues</b>				
Revenues	\$ 7,265	\$ 33,370	\$ 78,954	\$ 147,932
Cost of revenues	5,227	22,115	58,979	84,452
Gross profit	2,038	11,255	19,975	63,479
<b>Operating costs and expenses</b>				
General and administrative expenses	5,644	10,992	8,544	31,709
Sales and marketing expenses	894	6,685	9,113	7,962
Impairment of intangible assets	-	3,714	-	-
Total operating cost and expenses	6,538	21,391	17,657	39,671
<b>Income (loss) from operations</b>	(4,500)	(10,136)	2,318	23,809
<b>Other income (expense)</b>				
Interest expense, net	(458)	(4,486)	(4,022)	(6,884)
Other income	241	202	2,589	185
Bargain purchase gain on acquisition	-	-	4,574	-
Gain on derivative liability	56	84	-	-
Total other income (expense), net	(161)	(4,200)	3,141	(6,699)
<b>Income (loss) provision before income taxes</b>	(4,661)	(14,336)	5,459	17,110
<b>Current tax expense (benefit)</b>	-	376	31	891
<b>Deferred tax expense (benefit)</b>	-	-	(12,525)	5,744
<b>Total provision (benefit) for income taxes</b>	-	376	(12,494)	6,635
<b>Net income (loss)</b>	(4,661)	(14,712)	17,954	10,475
<b>Net income (loss) attributed to noncontrolling interest</b>	-	(46)	124	-
<b>Net income (loss) attributed to Live Ventures Incorporated</b>	\$ (4,661)	\$ (14,666)	\$ 17,830	\$ 10,475
<b>Basic EPS (loss)</b>	\$ (0.35)	\$ (5.58)	\$ 6.33	\$ 5.05
<b>Diluted EPS (loss)</b>	\$ (0.35)	\$ (5.58)	\$ 5.40	\$ 2.65
<b>Normalized earnings to Live Ventures Incorporated*</b>	\$ (4,661)	\$ (14,666)	\$ 5,305	\$ 10,475
<b>Basica EPS (loss)</b>	\$ (0.35)	\$ (5.58)	\$ 1.88	\$ 5.05
<b>Diluted EPS (loss)</b>	\$ (0.35)	\$ (5.58)	\$ 1.61	\$ 2.65
Basic shares outstanding	13,144	2,628	2,815	2,075
Diluted shares outstanding	13,144	2,628	3,304	3,956
<b>EBITDA</b>	(4,010)	(9,088)	5,443	27,265
<b>Margin Analysis</b>				
Gross margin	28.1%	33.7%	25.3%	42.9%
General and administrative	77.7%	32.9%	10.8%	21.4%
Sales and marketing expenses	0.0%	27.3%	14.9%	5.9%
Operating margin	-61.9%	-30.4%	2.9%	16.1%
Net income margin	-64.2%	-43.9%	22.6%	7.1%
EBITDA margin	-55.2%	-27.2%	6.9%	18.4%
Tax rate	0.0%	-2.6%	-228.9%	38.8%
<b>Growth Rate Analysis Y/Y</b>				
Revenues	n/a	359.3%	136.6%	87.4%
Cost of revenues	n/a	323.1%	166.7%	43.2%
General and administrative	n/a	94.8%	-22.3%	271.1%
Sales and marketing	n/a	647.8%	36.3%	-12.6%
Income (loss) from operations	n/a	-125.2%	122.9%	927.1%
Net income	n/a	-214.7%	221.6%	-41.2%
EPS - fully diluted	n/a	-1473.7%	196.7%	-50.9%
EBITDA	n/a	126.7%	-159.9%	400.9%

Source: Company Reports, Stonegate Capital Partners estimates

\*Tax benefit recognized in FY2016 related to profitability of Marquis of \$12.5M removed for comparative purposes

## VALUATION

While the operations of Marquis have been consolidated into LIVE's financial statements for over a year, this was the first full quarter including results for Vintage Stock (3/31/17, or Q2 FY17). LIVE has current guidance of approximately \$140 - \$148M in total revenues for FY17 as well as an EBITDA range of approximately \$27 - \$31M estimated for year.

For the remaining two quarters included in our FY17 estimates, we have made the following assumptions:

- Given the both the momentum of Marquis and Vintage, and taking into account historical growth, number of locations, and general expectations for the industries for the remainder of 2017, we assume slow but steady growth quarter-over-quarter resulting in a top line total of approximately \$148M
- There will be improvements in gross margins given the addition of Vintage, with margins in the 55 – 60% range in recent years, as well as the recent upgrades and improvements to Marquis' manufacturing facilities
- Overhead expenses remain relatively flat for the remainder of FY17
- Due to recently added debt, interest expense shows healthy increases as compared to prior year
- An approximate 37% tax rate has been incorporated and applied to net income; no additional tax benefits have been factored in, although LIVE has sizable NOLs still available per filings

Overall, with revenues of approximately \$147.9M for FY17 E, almost double that of the prior year, we expect to see operating income of \$23.8M, net income to Live Ventures of \$10.5M, and EBITDA of \$27.3M.

Below we have detailed analysis that includes various multiples scenarios for Live Ventures. Based on our estimates for LIVE for FY17 E, at \$9.58 per share the Company is currently trading at an EV/EBITDA of 3.5x and a P/E multiple of 1.9x (on basic) and 3.6x (on diluted). With blended long-term growth potential in the low- to mid-single digits for the top line and expectations for continued margin expansion, resulting in annual improvements to EBITDA, we believe that LIVE deserves higher multiples as calculated within the ranges in Exhibit 6.

### Exhibit 6: Multiples Analysis

Name	Price (1)	Sh	Mrkt Cap	EV	EBITDA	EPS - Basic	EPS - Diluted
					FY17 E	FY17 E	FY17E
(MMs, except per share data)							
<b>Live Ventures Incorporated</b>	<b>\$9.58</b>	<b>2.06</b>	<b>\$19.72</b>	<b>\$95.82</b>	<b>\$27.26</b>	<b>\$5.05</b>	<b>\$ 2.65</b>
<b>EV/EBITDA</b>					<b>3.5x</b>		
	@4x	\$ 16.01					
	@ 5x	\$29.26					
	@6x	\$ 42.51					
	@7x	\$ 55.76					
<b>Price/Earnings - Basic Shares</b>						<b>1.9x</b>	
	@6x	\$30.30					
	@8x	\$40.39					
	@10x	\$50.49					
	@12x	\$60.59					
<b>Price/Earnings - Diluted Shares</b>							<b>3.6x</b>
	@6x	\$15.89					
	@8x	\$21.19					
	@10x	\$26.48					
	@12x	\$31.78					
(1) Most recent closing price							

Source: Company Reports, Stonegate Capital Partners, Capital IQ

## CORPORATE TIMELINE

### **May 2017**

Company selects BDO USA, LLP, as its auditor, with a presence of more than 1400 offices in over 150 countries

### **January 2017**

Live Ventures subsidiary, Vintage Stock, Inc. opened eight new stores

### **December 2016**

Reverse stock split executed; stockholders of record as of December 5, 2016, received 1 share for every 6 shares of LIVE stock held

### **November 2016**

Acquired the remaining 20% of Marquis Industries

### **November 2016**

LIVE announced closing of \$60 million acquisition of Vintage Stock, Inc., backed by Texas Capital Bancshares and Capitala Group; acquired 100% of Vintage Stock, V-Stock, Movie Trading Company and EntertainMart (collectively "Vintage Stock")

### **October 2015**

LiveDeal announced corporate name change to Live Ventures Incorporated

### **September 2015**

Ceased operating Live Goods and DealTicker and discontinued solutions under the Velocity Local™ brand

### **July 2015**

Acquired a majority interest (80%) in Marquis Industries, Inc. through Company's partially-owned subsidiary, Marquis Affiliated Holdings, LLC

### **August 2014**

Acquired Modern Everyday, Inc.

### **May 2014**

Acquired DealTicker

### **March 2014**

Acquired DA Stores, LLC

### **September 2013**

Launched LiveDeal.com, a real-time "deal engine" connecting restaurants with consumers

### **April 2013**

Announced launch of Velocity Local™ brand

### **January 2012**

Jon Isaac appointed President/CEO

## LIVE GOVERNANCE

### Management

**\*Jon Isaac - President, Chief Executive Officer and Director** - Jon Isaac has been the Live Ventures' President and CEO since January 2012 and has served on the Board of Directors since December 2011. Mr. Isaac is founder of Isaac Organization, a privately held investment company. His background includes assisting a number of public companies in raising capital and implementing turnarounds. He has successfully completed a number of multifaceted real estate transactions with private and public companies, as well as transactions involving the U.S. government. Mr. Isaac attended the University of Ottawa, Canada, where he studied economics and finance.

**\*Tony Isaac - Financial Planning and Strategist/Economist and Director** - Tony Isaac has been a Director of the Company since December 2011. He became Live Ventures' Financial Planning and Strategist/Economist in July 2012. He serves as Chairman of Isaac Organization, a privately held investment company that he cofounded. Mr. Isaac has been an investor in a number of public and private companies from 1980 to the present. He specializes in negotiation and strategic problem solving in real estate and business transactions. Mr. Isaac is a 1981 graduate of Ottawa University, majoring in commerce and business.

**Virland A. Johnson - Chief Financial Officer** - Mr. Johnson joined Live Ventures in 2016. He previously served as Senior Director of Revenue for JDA Software. Mr. Johnson has over 25 years of experience in executive-level positions involving mergers and acquisitions, process improvement, debt financings, corporate restructuring and global financing in various public and privately held companies, including Cultural Experiences Abroad, Inc., Fender Musical Instruments Corp., Triumph Group, Inc., Unitech Industries, Inc., and Younger Brothers Group, Inc. Mr. Johnson has a Bachelor's degree in accountancy from Arizona State University and is a licensed Certified Public Accountant in Arizona.

### Board of Directors

**\* Jon Isaac**

**\* Tony Isaac**

**Richard Butler – Director, Chairman of the Corporate Governance and Nominating Committee, Member of the Audit Committee** – Mr. Butler is a savings and loan mortgage banking executive, who cofounded Aspen Healthcare, Inc. and Ref-Razzer Corporation, and he has served as the CEO of multiple companies, including Mt. Whitney Savings Bank, First Federal Mortgage Bank, and Trafalgar Mortgage. He was also Executive Officer and member of the President's Advisory Committee at State Savings & Loan Association and American Savings & Loan Association. Mr. Butler attended Bowling Green University in Ohio, San Joaquin Delta College in California and Southern Oregon State College.

**Dennis Gao – Director, Member of the Audit Committee** - Mr. Gao cofounded and served as CFO of Oxstones Capital Management, a private social and philanthropic enterprise. He was a product owner at Procter and Gamble and was responsible for the company's financial report consolidation process. He also served as a financial analyst at the Internal Revenue Service's CFO division. Mr. Gao graduated from University of Maryland with a dual major in computer science and economics. He has an M.B.A. from Georgetown University in finance and accounting.

**Tyler Sickmeyer – Director** – Mr. Sickmeyer brings more than a decade of marketing experience to the Company. He founded and serves as the CEO of Fidelitas Development, a marketing firm that focuses on improving the return on investment for its clients. Mr. Sickmeyer, whose specialty is creating efficiencies for developing brands, has been a consultant for a variety of large and small companies in multiple industries. He attended Morris University and Lincoln Christian University, where he studied business.

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