

31 May 2023

Stock Data

Ticker (AIM)	LVCG LN
Share Price	2.13p
Market Cap	£5.5M
Yr High/Yr Low	8.65p/1.5p

Price Chart



SOURCE: www.hl.co.uk

Equity Research

Tania Maciver, Special Situations

Tania.maciver@spangel.co.uk
+44 07 5514 44787

Equity Sales

Richard Parlons

+44 20 3470 0472

Abigail Wayne

+44 20 3470 0534

Rob Rees

+44 20 3470 0535

Grant Barker

+44 20 3470 0471

Spec Sits Research

Live Company Group PLC

LVCG.LN

Not Just a BRICK Company – 2023+

Live Company Group (LVCG.LN) is a live events and entertainment group admitted to trading on the AIM market of the LSE in December 2017. Today the Group has grown to include: BRICKLIVE, a children's education and entertainment brand platform that licences creative and interactive content to events & shows; LCSE that manages sports, entertainment, and lifestyle brand events globally – including a Formula-E event; StART for all things art, both off- and online; and the K-POP division that sources artists and manages aspects of K-POP shows and festivals around the world.

A return to live events with a brand licencing platform approach.

LVCG has evolved to include four primary operating divisions that own and licence a network of live event brands to third parties for concerts, festivals, and events around the world:

- **BRICKLIVE:** licences the use of its touring models (IP and sculpture sets) to third parties: visitor attractions, zoos, town centres and shopping malls.
- **LCSE:** creates licenced brand experiential activities within the sports and entertainment and lifestyle sectors. Events include the Formula-E Cape Town, The Ocean Race Cape Town, Wine/Food Festivals, and the Cape Town Cycle Tour.
- **K-POP FESTIVALS:** Under the KPOP LUX and K.FLEX brands, LVCG organises, promotes, and co-promotes K-POP concerts in Europe & Asia.
- **StART ART:** facilitates sales of emerging and established artists' work from around the world through an e-commerce platform.

Licensing agreements driving strategic growth in 2023+: In an effort to de-risk its operating model and focus on achieving overall near-term profitability, LVCG is structuring its agreements with licencing fees to cover its cost base and also includes profit shares and commission arrangements for additional rights and services that provide upside revenue potential and gross margin support. This reduces exposure to the level of success of ticket sales in any one event. So far this year, new agreements include US\$1m for KPOP LUX Japan, £0.5m for StART ART global branding, and £0.1m for StART ART Korea annually.

Financial Forecasts: Based on these diversified revenue streams, we have developed baseline forecasts for LVCG for 2022E and onwards. Our revenue forecasts include assumptions for agreed events, license fees and ticket sales. The upside potential from merchandising and streaming revenues is not yet fully captured in our forecasts. As such we believe these are relatively conservative and that LVCG will deliver strong performance against this base-case forecast model. We forecast EBITDA losses of £1.5m in 2022E, followed by positive EBITDA of £1.25m in 2023E, and £4.3m in 2024E primarily supported by growth in the KPOP brand and increased license fees. We expect the Group to begin generating Net Profit by the end of 2023E.

Outlook: Diversifying the Group's revenue streams is clearly starting to pay off, as the demand for live events, post-covid, soars. We expect LVCG to build on this momentum with increased revenue from live event licencing agreements, as well as merchandising and streaming sales to drive value for shareholders. Note that a simple DCF analysis on our forecasts produces a baseline value of ~ 11p/share (15.6% WACC; 2.5% TG) (exc. any dilution from future warrant conversions). We expect the share price to move more in this direction as the events take place and there is evidence of the success of this licencing model.

Financials (£000)	2021	2022E	2023E	2024E	2025E
Admin Expenses	(2,880.0)	(4,001.9)	(3,633.5)	(4,360.2)	(5,138.9)
Operating Income	(2,844.0)	(2,491.7)	300.9	3,376.4	6,092.5
Net Income	(3,377.0)	(3,203.0)	140.0	3,177.3	4,488.4
EPS (£)	(0.026)	(0.016)	0.001	0.013	0.018
Adj. EBITDA	(1,697.0)	(1,540.7)	1,251.9	4,327.4	7,043.5
Borrowings	1,678.0	1,447.0	1,097.0	597.0	-

The Return of Live Events Supporting Growth at LVCG

With covid restrictions having declined in most countries around the world, people are now able to move about freely and normal social activities and events have resumed. That means live sports, live concerts, travel, movies, and other forms of in-person entertainment are even more a priority for everyone around the world. Despite macro challenges in the event industry like inflation, higher energy costs, and staffing shortages since covid, ticket sales have been selling out faster than pre-covid levels especially for premium ticket experiences. (AEG Europe) Given this renewed lease on life, we believe LVCG is well positioned for growth this year and looking ahead.

During this period when live events were on hold during the peaks and troughs of covid, LVCG was extremely busy developing new partnerships and expanding its capabilities in providing live branded events. As a result, LVCG restructured its operations and has diversified its revenue streams into the following four business divisions:

1. BRICKLIVE
2. LCSE
3. K-POP
4. StART ART

With a clear focus on achieving profitability in the near-term, LVCG has recently rationalised its cost base and refocused its revenue model to generate licencing revenue from third-party event managers, with upside earnings potential generated from commissions on ticket sales, streaming rights, and merchandise. This reduces the Group's risk exposure on any single event's success and improves overall margins as the Group grows.

BRICKLIVE – Reverting to pre-covid growth.

BRICKLIVE TOURS: Under the BRICKLIVE brand, LVCG provides an end-to-end service model, owning the largest global inventory of plastic interlocking bricks used for the design and construction of touring asset models, both branded and proprietary model sets. These tours have become very popular with partners in high footfall venues and attractions, including zoos, aquariums, theme parks, business improvement districts (BIDs) and in shopping centres globally. In addition to the themed touring assets, BRICKLIVE has also partnered with some of the world's leading media corporates, targeting household names for pre-school aged children, including Nickelodeon UK Ltd. and the Copyrights Group.

BRICKLIVE works under a revenue sharing model with its licensed partners in North America, South America, Europe, Asia, the Middle East, Africa, and Australia/New Zealand. In particular, the BRICKLIVE Zoo Programme, a core division of BRICKLIVE Tours, exhibiting themes in zoos, safari parks, and aquariums worldwide are a key driver of recurring revenue streams for the Group with high levels of predictability. The BRICKLIVE IP Tours associated with household brand names provide LVCG with royalty-based fees on tour revenues. Outside of the UK market LVCG works with its global partners, who are responsible for operating and marketing costs of the tours, on a revenue sharing basis; shipping costs are embedded in the customer contracts and not borne by LVCG. The larger contracts generate revenue in the range of £0.125-0.250m, providing material value to the business operations.

LVCG currently has 20 touring assets plus a selection of 4 "Christmas Bundles", 2 IP partnership agreements and 4 touring properties. In 2021 LVCG introduced the new tour called Evolution.

BRICKLIVE SHOWS: An extension of the brand as an education and entertainment platform has been focused on providing creative and interactive content in the form of events and shows. The shows are designed to complement the BRICKLIVE touring models and include brick-building based activities: brick pits, graffiti walls, make and take models and play tables. LVCG has moved to a licencing fee model with third parties who produce and exhibit the shows.

BRICKLIVE CUSTOM BUILDS: On occasion LVCG has been contracted to build replicas of models, human figures, building or architecture, or company logos designed and constructed out of bricks. These unique creations are used to develop corporate branding experiences for audiences worldwide. The largest project designed and exhibited by Bright Bricks was a 40m scaled model of Tower Bridge, fully functioning and able to hold the weight of two Land Rovers. Rolls Royce appointed the Group to design and build a working, half scale model of the Trent 1000 jet engine used on the Boeing 787 Dreamliner. Other models include Formula 1 cars, human models, the Queen Mary, replica planes and architectural designs.

BRICKLIVE SETS: Small brick sets and kits are designed to replicate the larger touring models, and other larger life-sized corporate models that are sold at events and online.

Looking Ahead - The focus at BRICKLIVE in 2022 was to build on bookings for touring models, and the first post-pandemic show was hosted in August 2022 in Battersea Park, London. As reported in January 2023, LVCG had bookings for 31 Tours, and 3 live shows, with at least 10 Tours booked already for 2024. The BRICKLIVE division is starting to see recovery to pre-pandemic levels with several new contracts under negotiation.

Revenue in 2022E is expected to be in line with 2021 due to a focus on higher value tours and longer rental periods with a lower number of tours compared to that in 2021 (41 Tours). Expansion into new markets such as the Middle East with a renewed focus across the division on Tour utilisation is expected to drive profitability in 2023+. Notably, LVCG recently announced the sale of two of its underperforming tours, Mythical Beasts and Outer Space. The assets were sold for a combined total of £0.35m in staged payments, with receipt of the first payment in May 2023 and the last payment to be made by October 2023. This was a prudent move by the Group, optimising asset utilisation and also enabling the redeployment of funds to higher growth prospects.

Recently announced Tours:

- February 2023: An agreement with RWS for the Detroit Zoo to exhibit BRICKLIVE Animal Paradise and Supersized Animals and Bugs.
- January 2023: Zoo Planckendael in Belgium for BRICKLIVE Safari and Big Cats.
- January 2023: Two events in the Netherlands with Aqua Zoo Friesland Exploitatie B.V. and Dierenpark Overloon Exploitatie B.V. for BRICKLIVE Ocean and BRICKLIVE Safari.
- October 2022: A new contract for BRICKLIVE SAFARI was signed with Toulouse Evenements SA for a week at the end of October 2022. The brick safari animals such as lions, leopards and elephants were on display at the Centre de Congres Pierre Baudis.
- August 2022: BRICKLIVE In the Park took place in Battersea Park, with ticket sales that began on 15 March 2022. This was the first live show following the COVID pandemic, consisting of interactive educational stations with brick-based challenges for families and kids.

- July – September 2022: Animal Paradise and Big Cats were hosted by the Knowsley Zoo in Prescot from 9 July to 6 September 2022 with twelve life sized tigers, lions and panthers and safari animal models.
- July 2022: A new contract for BRICKLIVE Paddington was signed with Norfolk Square Gardens which ran from 23 July to 31 July 2022.
- June 2022: The Great Brick Adventure took place at ICC Wales.
- May 2022: BRICKLIVE Animal Paradise exhibited by the Oklahoma Zoological Society where they were in situ from 7 May to 30 October 2022 at the Oklahoma City Zoo and Botanical Gardens.
- April 2022: BRICKLIVE Supersized exhibited at the Stone Zoo from 30 April to 8 Sept 2022 with over 40 models of birds, insects, bugs, fish, and reptiles.
- February 2022: Two new contracts were agreed for Paw Patrol and Paddington. Northampton BID hosted Paw Patrol from 12 March to 27 March 2022 with Chase, Marshall, and Skye. The Paddington models were exhibited by a heritage steam railway during the May half term.

A Closer Look at LCSE Revenue Potential

Recall that LCSE (Pty) Ltd was established by Live Company Group (LVCG) in December 2020 with an acquisition and novation of committed contracts, focused on the fee-based promotion and organisation of global sports and entertainment. LCSE provides its clients with a total project management solution for their live event experience. This includes the delivery of the event itself, brand identity and relationship development, television and digital content production and distribution, sponsorship and merchandising programmes, and hospitality and VIP travel programme management.

While LCSE is currently focused on project management for events in and around Cape Town, South Africa, there is the potential to expand their expertise to other regions around the world. In particular, there is the potential to expand to other Formula-E race locations, such as London, Berlin, New York, Hyderabad, and Mexico City.

Income streams from contracted events typically include a combination of some or all of the following types of payments:

- **Project Delivery Fees** – this is typically a fixed fee on a percentage (~15-20%) of the total budget for a project under management. For example, the Ocean Race includes a Project Delivery Fee, as well as a percentage on profits generated from the operating site.
- **Commission** – a range of 10-20% commission is paid based on the sponsorship funds raised by LCSE. For example, a commission is paid on the funds raised from overseeing the Sponsorship activities at the Cape Town E-Prix. In some cases, this was in addition to Project Delivery Fees, as well as Profit sharing on sales on site during the event.
- **Profit sharing** – An agreed percentage of profit is paid to LCSE for the staging of events. For example, for The Ocean Race, in addition to a management fee, LCSE shared in the profit of the event with V&A Waterfront.

Current Annual Events:

- **Cape Town Cycle Tour – Annual** - LCSE acts as Marketing Agency for one of the race sponsors and as Hospitality Agency for the Cape Town Cycle Tour Trust.
- **Pick'n Pay Annual Wine Festivals** - LCSE stages five (5) Wine Festivals on behalf of national retailer Pick'n Pay every year.

- **The Ocean Race:** LCSE, in partnership with the City of Cape Town and the V&A Waterfront Development, is the Promoter and Delivery Agency for the Global Ocean Race (formerly The Volvo Ocean Race). This year's arrival of leg 2 and departure onto leg 3 fell in February 2023. Cape Town has been host to the around-the-world fleet in 11 of the 13 race's editions; the 2022/23 race is the eighth consecutive time that Cape Town has hosted a stopover.

<https://www.theoceanrace.com/en/route/cape-town>

- **ABB FIA Formula E Cape Town E-Prix 2023 and E-Fest Cape Town – Annual** - This is an annual Festival Week alongside the one-day FIA Formula E Race (E-Prix), with LCSE to be the delivery partner (the agreement with FE Holdings includes an option to stage similar festivals in other Formula E, E-Prix Host Cities). LVCG has three potential revenue streams from this event, one as a 14.83% interest in the promotor for the race with a share from net profits, commercial rights at 10% of the sponsorship fees sold by LCSE, and a contract for event management with an annual flat fee.

The first Formula E event in South Africa was held 25 February 2023 as part of Season 9 of the FIA Formula E Championship Series (18 races worldwide) which was judged by all stakeholders and fans as a great success and included a number of sponsorship agreements with The City of Cape Town, Western Cape Government, South Africa Tourism, Nissan, Uber, E-TV, and the Nedbank. All 21,000 tickets were sold prior to the start of the event, and the Corporate Hospitality with 3400 VIP Guests were also sold out. It is expected that a Title Sponsor will be signed for the second race being held in Cape Town in 2024. The race features electric-powered race cars and takes place on temporary city-centre street circuits over a 45-minute period and no pit stops.

<https://www.fiaformulae.com/en/races/2022-23/r5-cape-town>

K-POP Festivals - A Significant Growth Opportunity

KPOP is short for Korean popular music, which originated in South Korea with influence from South Korean culture, as well as undertones from pop, experimental, rock, jazz, gospel, hip hop and other genres. Hitting the global stage at the 2018 Winter Olympics held in PyeongChang, South Korea, the Parade of Nations was supported by music from a number of KPOP artists. Performances from more KPOP solo artists were also showcased at the closing ceremonies for the Olympics that year. Since then, South Korean artists have become increasingly visible at music events globally, hitting the Billboard Hot 100 chart multiple times since 2009. Since then, KPOP has been marked as one of the fastest growing music genres by sales, streaming and paid subscription services. The KPOP industry also experienced declines during covid, though streaming content revenues increased. According to Allied Market Research, the global KPOP events market was valued at US\$8.1 billion in 2021, with projections to increase to US\$20 billion by 2031 or 7.3% CAGR over the ten-year period. The research further notes that the rise in music tourism activities and increased demand for live performances is helping to fuel the expansion of KPOP events globally. Remarkably, KPOP has a global following of over 200 million people with over 8 billion tweets recorded on Twitter.

In 2021, LVCG formed the company K-POP Europa (KPE) with Explorado Group splitting shareholdings 50/50 to produce and/or promote the concert events. In December 2021 KPE formed a JV with Deutsche Bank Stadium, PK Events and Seoul Broadcasting Services for a show in Frankfurt that was scheduled for May 2022 called KPOP.FLEX. LVCG's KPE, the Touring Promotor for the event agreed to contribute US\$0.475m of the

total US\$1.75m financing cost at the time of the agreement. In return, KPE earned revenue from sponsorship (40%), on-line merchandising profits (100%), on site merchandising profits (75%), broadcast and streaming rights ex-Korea (100%), €0.2m of annual consultancy fees and a percentage of ticket sale profits.

Tickets for the first date of the K-POP. Flex Festival on 14 May 2022 were sold out in February 2022, following which a second date was added (15 May 2022) with additional artists agreeing to perform. Average ticket prices were €86 on total ticket sales of 65,000. The original expected average ticket price was €70, 23% lower than the final tally. In March 2022, KPE signed an agreement with Nylon Merchandising Ltd. for the sale of merchandising at the concert. KPE was given a minimum guarantee from the licensee with 75% of net profit from all merchandise sales onsite at the festival; 25% was payable to the licensee. LVCG followed this with a non-live streaming agreement signed with Doors Live AB for packaging and marketing sales of the festival for streaming purposes. LVCG earns 60% of revenue on a pay-per-view based system and retains responsibility for costs associated with streaming rights and in-country publishing rights. In July, LVCG announced that streaming revenue broke even for the event. This first event for the Group provided a great deal of experience in how to manage event partners and artists, as well as producing one of these concerts, providing a good foundation for future shows.

Overall KPE returned a profit of £0.16m, of which half was attributable to the Group, in addition to the recovery of staff costs of £0.137m. With improvements being made to the fan experience for next year's festival, it is expected that profits are likely to increase materially.

The next show scheduled, K.FLEX Frankfurt, was originally to be held in June 2023 at the Deutsche Bank Stadium. Ticket sales for this conference have already surpassed €2.0m, with most of the lower-level artists already announced. This show has now been postponed until October 13th and 14th 2023 with more S-line and A-line artists being added to the line-up. The postponed show is now being provided by joint venture partners Live Company Group, PK Events, and the Deutsche Bank Park Stadium (SBS and KPE are no longer participating partners).

KPOP LUX Ltd. - More recently, LVCG created a K-POP brand, called KPOP LUX Ltd, which is solely owned by LVCG. The upcoming shows scheduled under this brand include:

- KPOP LUX SBS Super Concert Madrid – This concert is a one-day event set for 22 July 2023. The agreement with SBS is a four-year contract term. It is expected that event partner, SBS will produce the show, KPL (LVCG division) will be Executive Producer, and the outsourced Promoter is Madrid-based LA Rock Entertainment. Tickets sales were launched 27 April 2023 for the venue in Madrid, Civitas Metropolitano, which has a concert capacity of up to 47,000. Three of the seven KPOP acts were announced in April, Enhypen, Ateez and Ive. The remaining artists were announced 17 May 2023 including Shinee, STAYC, Cravity and Xikers. LVCG will receive revenue from ticket sales, merchandising, sponsorship, and streaming associated with this event. Notably, as of today's date 31st of May 25,000 tickets have already been sold for this event (~50% of seats), representing nearly ~€3m face value. SBS, which stands for Seoul Broadcasting System, is a major broadcasting company in South Korea and has been instrumental in promoting K-pop to international audiences.

ENHYPHEN is one of the top ten KPOP acts this year with over 12 million follows on Instagram and are first-time performers in Spain. ATEEZ has performed twice before in Spain and has a significant regional fanbase. IVE, also a first-time performer in Spain, won Song of the Year in 2022 at four major music awards and has achieved two number one hits this year already. Shinee has been together for 15 years in 2023 and have never previously performed in Spain. STAYC or Start to a young culture, was formed in November 2020. Cravity were the first rookie artists to debut on the Billboard KPOP hot 100 in 2020. Xikers is a newly formed group this year with over 0.5m monthly listeners on Spotify and 0.36m followers on Instagram in only 2 months.

- KPOPLUX SBS Super Concert London – 22-24 September 2023 at the O2 Arena This is a three-day festival starting on 22 September for emerging artists, as well as a festival showcasing Korean culture, art, and music. This is a four-year contract. SBS will produce the show and KPL (LVCG division) will be Executive Producer. LVCG will receive revenue from ticket sales, merchandising, sponsorship, and streaming associated with this event.

Summary - the KPOP brands provide significant revenue generation opportunities for LVCG. The license fee model protects the Group's downside exposure to the level of ticket sales success/failure, covering the Group's cost base, with significant upside potential to drive profits from merchandising, sponsorship, and streaming revenues.

StART Art Global Ltd.

Recall that LVCG had previously acquired a minority interest of 18.6% in StART Art Global Ltd. for a total consideration of £1.0m. There was a soft launch for the StART Art platform in June 2021 with a full launch in October 2021. After a restructuring of the StART Art capital structure, LVCG's interest increased to 19.9%. LVCG raised a total of £1.9m in two separate placings to support the investment in StART Art and for the launch of KPOP.FLEX, as well as funding additional working capital.

In July 2022 LVCG announced that it would acquire the remaining portion of StART Art not already owned, or 80.6%. Shortly thereafter, LVCG announced an amendment to the acquisition price, reducing the overall consideration by 20%. The new acquisition terms total £3.2m compared to the previous amount of £4.0m:

- Initial cash consideration: £0.12m payable to Ranjit Murugason.
- Shares of £1.06m and £0.357m in shares at a price of 6p/share to Mr. Ciclitira (Chairman) and Mr Murugason, respectively. These shares will be subject to a 1-year lock-in from the date of issue.
- Cash consideration of £0.3m and £0.2m to Mr Ciclitira and Mr Murugason respectively, payable on 31 December 2022.
- Delayed consideration of £0.8m and £0.68m to Mr Ciclitira and Mr Murugason in cash or shares at the option of the Group no later than 30 June 2023. Of this amount, £0.52m and £0.44m payable respectively is subject to EBIT exceeding £0.488m for the year ended 31 December 2022. In the event the threshold is not met, the deferred consideration remains payable no later than 30 June 2024 with an EBIT threshold of £1.482m for the year ended 31 December 2023. Should that final threshold not be met, only the amount of the deferred consideration not subject to the EBIT threshold remains payable. That is, £0.28m and £0.4m to Mr Ciclitira and Mr Murugason, respectively.

Early in September 2022, LVCG announced the successful launch of the StART Art Fair Korea. The Fair focused on emerging and established artists in an exhibition style environment where visitors viewed and purchased works of art by a wide range of artists including some KPOP artists.

A placing of £0.6m at 4p/share was completed to support this acquisition and to raise additional working capital to support KPOP, BRICKLIVE and LCSE.

An additional licence agreement with Mr Jason Lee Byoung Goo licencing the StART ART name worldwide for use in an art-based blockchain product (Coin) comes with an annual fee of £0.5m payable 1 August each year. This is split into a £0.3m cash payment, with the balance to be received in cash or Coins on or before 1 September each year, at the discretion of the Group.

Additional exhibits planned for 2023:

- A OHNIM (MINO, member of the WINNER KPOP Band) solo StART+ exhibit took place in Korea.
- A second StART+ event took place in the same venue with a solo show by British artist, Mark Sloper from 22 February to 12 March; this is to be followed with a show by British Artist Michelle Harton from 12-15 July 2023.
- A third StART+ event took place at the same venue and subsequently in Busan featuring works of YooYeon, a member of the WINNER KPOP Band.
- StART ART Fair will celebrate its 10th anniversary at Saatchi Gallery 11-15 October 2023 showcasing emerging and established artists from around the world.

Financial Forecasts

There has been a great deal of change within the Group in the past few years from which we are now beginning to see tangible results. LVCG has created and owned brand platforms such as BRICKLIVE, K.FLEX, KPOP LUX, StART ART, and LCSE events in Cape Town, are expected to generate additional licencing revenue for the Group starting in 2023. Based on these diversified revenue streams and new agreements in 2023, we have developed base case forecasts for LVCG for 2022 and onwards. Our revenue forecasts include assumptions for agreed events, license fees and ticket sales. The upside potential from merchandising and streaming revenues is not yet fully captured in our forecasts given uncertainty in predictability at this time. As such, we believe these are relatively conservative and that LVCG will deliver strong performance against this base-case forecast model, particularly given the potential of the KPOP brands in their inaugural year.

Assumptions driving our forecasts include the following:

- BRICKLIVE is continuing to maximise the usage of its assets on a global scale, eliminating those that are underperforming through a sale.
- KPOP.LUX concerts are scheduled for Madrid, Frankfurt, London, and Japan so far. Assumptions are for 1 concert in Madrid in 2023, increasing to 2 concerts in 2024 and 2025. Revenues are primarily from the share of ticket sales and minimum guarantees on merchandise. The Frankfurt concerts are slightly different in that LVCG earns fees from marketing, PR, and advertising, and then an executive producer's fee; our model calls for 2 days of concerts in Frankfurt in each year. The London concerts are similar to Madrid with a share of ticket sales, and minimum guarantees on merchandise,

with streaming providing some upside. There are 3 days of concerts forecast for London. Finally, the concerts in Japan provide a fixed fee for the event with no production costs or liabilities incurred; this is for 1 event per year.

- St.Art and LCSE are both expected to generate only modest profits over the forecast period.
- License fee agreements are in place for the use of the StArt name and logo in Korea, as well as or the development of the StArt Coin.

TABLE 1: Financial Forecasts

Financials (£000)	2021	2022E	2023E	2024E	2025E
Admin Expenses	(2,880.0)	(4,001.9)	(3,633.5)	(4,360.2)	(5,138.9)
Operating Income	(2,844.0)	(2,491.7)	300.9	3,376.4	6,092.5
Net Income	(3,377.0)	(3,203.0)	140.0	3,177.3	4,488.4
EPS (£)	(0.026)	(0.016)	0.001	0.013	0.018
Adj. EBITDA	(1,697.0)	(1,540.7)	1,251.9	4,327.4	7,043.5
Borrowings	1,678.0	1,447.0	1,097.0	597.0	-

Financial Position (£000)	2021	2022E	2023E	2024E	2025E
Cash	211.0	36.4	899.4	2,115.7	6,003.1
Inventory	3,805.0	2,850.0	2,850.0	2,850.0	2,850.0
Trade & Other Receivables	512.0	530.0	492.0	755.0	1,002.0
Trade & Other Payables	2,636.0	2,579.0	1,151.0	298.0	158.0
Total Assets	11,857.0	10,368.0	10,792.0	11,870.3	15,603.7
Total Liabilities	6,435.0	6,083.0	4,250.0	2,151.0	1,396.0
Total Equity	5,422.0	4,285.0	6,542.0	9,719.3	14,207.7

SOURCE: Company reports and SP Angel forecasts

Source: Company reports and SP Angel Forecasts

Year-end Financing Arrangements

Cost saving initiatives were announced in January 2023 including a review of all revenue streams and the removal of non-core and loss-making activities. Some short-term working capital improvements were also announced with the payment of some contractors in shares and the payment of non-executive Director fees in shares – a total of 1.7m shares were issued at 3p/share and admitted to trading around 11 January 2023.

Short-term facility: LVCG also announced the offer for a prepayment facility for up to £0.5m short-term working capital from RiverFort Global Opportunities PCC Ltd. The Group immediately drew down £0.217m as an initial prepayment. On closing RiverFort subscribed for 5.6m ordinary shares at 1p/share totalling £56.5k, which will be used to settle future equity placings associated with this facility. These fees cover 10% interest and other costs totalling £74k, resulting in a net payment to the group of £0.2m. This is repayable within 6 months in the form of future equity placements at a price equal to the lower of 120% of the five daily VWAPs prior to the drawdown and 92% of the lowest VWAP in the 10 days prior to the notice of subscription. Additional drawdowns may be agreed over the three-year term of the facility up to an aggregate of £0.5m. A fixed coupon of 10% is payable on the initial prepayment as well as a 5% implementation fee and other related costs. Warrants are also to be issued at a ratio of 1 warrant to 1 ordinary share to RiverFort with an exercise price set at 120% of the reference price, exercisable for up to 48 months. We have assumed in our model that the facility is repaid in the form of equity within the requisite six-month timeframe.

Close Brothers settlement: LVCG has also reached a settlement agreement with Close Brothers to settle the outstanding balance of £142,735 plus £20,000 in interest by way of issuing £200,000 in shares at the 5 daily VWAPs prior to the relevant settlement date. The Group will issue 4 tranches of £50,000 ordinary shares, sixty days apart. We have also assumed that this is settled via the issue of shares in 2023.

With the additional licencing agreements signed for 2023 so far, as well as new branded events planned, it is expected that LVCG will grow out of the need for facilities such as these, though we recognise the importance of them in the short term in order to achieve the longer-term goals of the Group. We expect all the debt facilities to be cleared within the next two years.

H1 2022 Reported Results

LVCG took the opportunity during the Covid pandemic to stabilise its core business and begin to build additional potential revenue streams that align with its overall strategy of delivering high quality live experiences to audiences globally. The first half of 2022 is starting to reflect some successes with the delivery of some inaugural events, including the new KPOP division which produced a profit of £0.16m (£0.08m to LVCG) during the period and recovered staff costs of £0.14m, and the first BRICKELIVE interactive event since the pandemic, BRICKELIVE in the Park.

- **Revenue:** Total revenue for the period was £2.6m, +319% y/y and ~+27% over H2 2021. This includes revenue from BRICKLIVE of £1.0m, from LCSE of £0.57m, and inaugural KPOP.FLEX revenue of £0.98m.
- **Gross margin:** H122 Gross margin was 18% compared to negative margins of 87% in H121, and down from 28% in H221. The trend is for continuously positive gross margins going forward.
- **EBITDA pre-exceptional items:** Loss of £0.6m, +55.7% over H121 (-£1.35m), but down ~72% sequentially from H221.
- **Exceptional items:** Included in exceptional items are non-cash charges of £0.09m of share option and warrant charges, £0.014m of costs associated with acquisition of the remaining 80.06% of StART Art completed in July 2022.
- **Bricks inventory:** This line item decreased by ~6% during the period, leaving holdings valued at £3.6m.
- **Trade receivables:** Receivables increased to £1.0m, from £0.5m in H221, likely driven by the live events held during Q222, including the KPOP.FLEX concert held mid-May which included revenue from ticket sales, streaming revenue, and merchandising sales.
- **Trade payables:** Payables increased to £2.88m, from £2.6m in H221.
- **Borrowings:** A reduction of £0.3m, left borrowings at £1.4m at the end of H122, from £1.7m at the end of H221. This is comprised of £1.18m left on the Close Leasing Ltd. hire purchase facility provided in August 2020 (originally £1.5m) on a 5-year term with a 5.14% effective interest rate, secured by stock and charge over assets; and £0.21m CBILS loan agreement with NatWest Bank (originally £0.25m) that is unsecured for a 6-year term and effective interest rate of 4.08%. the £0.5m loan with Chairman, David Ciclitira, from April 2020 is no longer outstanding.
- **24.15m shares issued at an average price of 5p:** During the period 6.2m shares were issued to satisfy £0.22m of salaries and fees due to employees, Directors, and suppliers. An additional 16.5m shares were issued in a fundraise for £0.825m.

Also, there were 1.4m warrants exercised at 5p resulting in the issue of 1.43m shares.

- **Related party amounts outstanding:** Unpaid balances to the Directors amount to £0.35m, with an additional £0.22m carried for remuneration. These amounts don't appear to be increasing suggesting that headway is being made in terms of either payments in shares or cash.

Valuation Perspective

Looking at the current stage of the Group, recognising the transformation that has been undertaken since covid hit in 2020, it is evident that the Group's financial prospects are on much firmer ground, with significant prospects for upside. There are certainly still risks that remain and it is early days in some of the event brands, but the prospects are well diversified, and the brand choices made so far are in rather large markets. Given the baseline forecasts that we present for the next few years, we ran a simple discounted cash flow analysis. We used a more aggressive WACC of 15.6% and a nominal terminal growth rate of 2.5%. This resulted in a baseline equity value of ~£27.5m or just under ~11p/share. As such, we expect the share price to move more in this direction as the events take place and there is some additional evidence of the success of the licensing model underscoring these events.

Note: This assumes that all debt is repaid within 2-years and all shorter-term facilities have converted into shares. This does not consider any further dilution from the exercise of any warrants that are currently outstanding (~21m due 23 March 2025 at 3.5p; and 8.3m due 3 February 2027 at 3.13p).

DISCLAIMER: Non-independent research

This note has been issued by SP Angel Corporate Finance LLP ("SP Angel") in order to promote its investment services and is a marketing communication for the purposes of the European Markets in Financial Instruments Directive (MiFID) and FCA's Rules. It has not been prepared in accordance with the legal requirements designed to promote the independence or objectivity of investment research and is not subject to any prohibition on dealing ahead of its dissemination.

SP Angel considers this note to be an acceptable minor non-monetary benefit as defined by the FCA which may be received without charge. In summary, this is because the content is either considered to be commissioned by SP Angel's clients as part of our advisory services to them or is short-term market commentary. Commissioned research may from time to time include thematic and macro pieces. For further information on this and other important disclosures please see the Legal and Regulatory Notices section of our website [Legal and Regulatory Notices](#)

While prepared in good faith and based upon sources believed to be reliable SP Angel does not make any guarantee, representation, or warranty, (either express or implied), as to the factual accuracy, completeness, or sufficiency of information contained herein.

The value of investments referenced herein may go up or down and past performance is not necessarily a guide to future performance. Where investment is made in currencies other than the base currency of the investment, movements in exchange rates will have an effect on the value, either favourable or unfavourable. Securities issued in emerging markets are typically subject to greater volatility and risk of loss. The investments discussed in this note may not be suitable for all investors and the note does not take into account the investment objectives and policies, financial position, or portfolio composition of any recipient. Investors must make their own investment decisions based upon their own financial objectives, resources, and appetite for risk.

This note is confidential and is being supplied to you solely for your information. It may not be reproduced, redistributed, or passed on, directly or indirectly, to any other person or published in whole or in part, for any purpose. If this note has been sent to you by a party other than SPA the original contents may have been altered or comments may have been added. SP Angel is not responsible for any such amendments.

Neither the information nor the opinions expressed herein constitute, or are to be construed as, an offer or invitation or other solicitation or recommendation to buy or sell investments. Opinions and estimates included in this note are subject to change without notice. This information is for the sole use of Eligible Counterparties and Professional Customers and is not intended for Retail Clients, as defined by the rules of the Financial Conduct Authority ("FCA").

Publication of this note does not imply future production of notes covering the same issuer(s) or subject matter.

SP Angel, its partners, officers and or employees may own or have positions in any investment(s) mentioned herein or related thereto and may, from time to time add to, or dispose of, any such investment(s).

SPA has put in place a number of measures to avoid or manage conflicts of interest with regard to the preparation and distribution of research. These include (i) physical, virtual, and procedural information barriers (ii) a prohibition on personal account dealing by analysts and (iii) measures to ensure that recipients and persons wishing to access the research receive/are able to access the research at the same time.

SP Angel Corporate Finance LLP definition of research ratings: Expected performance over 12 months: Buy - Expected return of greater than +15%, Hold - Expected return from -15% to +15%, Sell - Expected return of less than -15%.