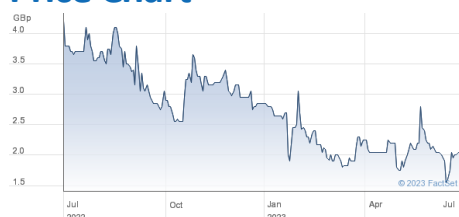


28 July 2023

Stock Data

Ticker (AIM)	LVCG LN
Share Price	N/A
Market Cap	N/A
Previous Close	2.05p
Yr High/Yr Low	4.1p/1.35p

Price Chart



SOURCE: 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

KPOP LUX Madrid Super Concert a Success

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 KPOP division that sources artists and manages aspects of KPOP shows and festivals around the world.

Event: The first KPOP LUX Super Concert was held in Madrid on 22 July 2023.

- Approximately 40,000 fans were in attendance from more than 36 countries worldwide.
- This is the largest KPOP concert in Madrid to date, with ticket sales launching less than three months ago (since the end of April 2023).
- The seven top KPOP artists were on stage to perform including, Enhyphen, Ateez, Ive, SHINee, STAYC, Cravity and Xikers.
- There was a very strong presence in the media and across all social media platforms before, during and after the event.

The first Madrid Super Concert: Recall that SBS was the Producer for the show, LVCG's KPOP LUX, Executive Producer and LA Rock Entertainment was Promoter. Samsung was a lead sponsor and Veeps Ltd had streaming rights. As Executive Producer, net revenue contribution earned includes a share of ticket sales, merchandising, sponsorship and streaming, as well as an Executive Producer fee and Global Marketing fee. We expect modest net revenue in year one of the show growing over the four-year term with increased promotions.

Madrid Super Concert in 2024 and 2025: For Spain's second KPOP LUX concert in 2024, fans and attendees will have significantly more notice of the show with tickets set to go on sale in the fall of 2023. We expect increased net revenue contribution each year, with more time for targeted promotions and ticket sales, increasing exposure of the brand and the show. The 2025 show could be a two-day event allowing for a more diverse roster of artists which should provide a further uptick in net revenue.

Forecasts: We include assumptions for agreed events, license fees and ticket sales. The upside potential from merchandising and streaming revenues is not fully captured in our forecasts. As such we believe these are fairly 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 licensing 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 expected value of just under 11p/share for LVCG (15.6% WACC; 2.5% TG) (excluding any dilution from future warrant conversions).

We expect LVCG financials to be released during August with trade resuming shortly thereafter.

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	-

KPOP LUX Concert in Madrid, Spain

It was decided towards the end of Q1 2023 that the KPOP LUX brand would embark on its first concert with its partner, SBS, in Madrid on 22 July 2023. The KPOP LUX Super Concert, a one-day event, that was organised in the very tight 4-month timeline, was a huge success overall. As the largest KPOP festival ever held in Madrid, approximately 40,000 fans attended from more than 36 countries worldwide to see some of the leading global KPOP bands. No KPOP artists have been able to gather more than 10,000 fans in Spain prior to this event. There was also a significant social media presence before, during and after the show with solid numbers across all platforms, with a return rate of 60.4%. Trending results from 25 July 2023 are shown below, with further increases occurring daily.

As at 25 July 2023	Twitter	TikTok	Instagram	Instagram Reels	Youtube	Facebook
Followers/Subscribers	12,191	4,512	32,213		6,405	529
Accounts Reached	6,238,753		2,277,928			552,502
Impression	4.9m		17,817,084		3,241,221	
Daily Exposure	348,197					
Total Engagements	296,185				26,725	
Profile Visits	50,500		841,154			19,941
Retweets	60,072	21,000				
Likes	236,113	83,000	715,405	297,682		
Hashtag Views						
#KPOPLUX		32.8m				
#KPOPLUXMadrid		26m				
Comments		1,431	53,749	62,278		
Video Views		2.3m				
Shares			16,249	11,113		
Saves			21,930	14,032		
Link clicks			59,437			
Content interactions			1,218,459	388,105		5,600
Watch time					2200hrs	

Source: media.umbraco.io/live-company-group/42meg11k/kpop-LUX-madrid-event-report-web.pdf

Economics to LVCG

Tickets sales were launched 27 April 2023 for the venue in Madrid, Civitas Metropolitano, which has a concert capacity of up to 47,000. Over 30,000 tickets were sold, with invited guests, media and season ticket holders taking the total attendance to nearly 40,000. Three of the seven KPOP acts were first announced in April, Enhyphen, Ateez and Ive. The remaining artists were announced 17 May 2023 including SHINee, STAYC, Cravity and Xikers. This drove gross ticket sales income to just under €4m in total; this is before streaming, sponsorship and merchandise sales.



Source: Photos from Twitter, Veeps, El Mirador de Madrid – Kpop LUX Madrid Images

Recall, LVCG has a four-year agreement with event partner SBS (Seoul Broadcasting System), a major broadcasting company in South Korea, which has been instrumental in promoting KPOP to international audiences. SBS produced the Madrid show; KPOP LUX (KPL), a division of LVCG, was Executive Producer; and the outsourced Promoter was Madrid-based LA Rock Entertainment. LVCG's streaming partner signed just before the show was Veeps Inc. which was granted live and pre-recorded streaming rights for all markets except South Korea and Japan. Veeps is part of Live Nation Entertainment (NYSE: LYV) and is the world's leading livestream platform for music and entertainment. On 14 July 2022, it was announced that a title sponsorship for the show was signed with Samsung, the South Korean multinational electronics corporation. This meant that LVCG received revenue from ticket sales which we estimate the average cost to be just under €150 per ticket (ranging from €50 to ~€250), merchandising, sponsorship, and streaming associated with this event. Veep's price for pre-purchased streaming was set at \$14.99, increasing to \$19.99 per stream on the day of the show. 90% of net proceeds

is payable to LVCG. Sponsorship fees were €70,000 with a commitment to purchase tickets to the event.

It is typical that the first concert in a series is quite conservatively run as profit expectations are quite low given start-up costs etc. As such, we expect moderate net revenue contribution to LVCG from this first one-day concert in Spain, when considering additional fees to the Group as Executive Producer and for Global Marketing rights.

Looking ahead to Madrid/Spain in 2024 and 2025

For Spain's second KPOP LUX concert in 2024, fans and attendees will have significantly more notice of the show with tickets set to go on sale in the fall of 2023. As a result, we anticipate higher ticket sales in year 2. Also given the success of the 2023 show, SBS has committed to providing the higher level of artists again in 2024, which is expected to support increased streaming globally and higher sponsorship opportunities. We expect that lessons learned in production, marketing, and promotions from year one will drive cost efficiencies and higher profitability in year two and beyond.

The 2025 show could be a two-day event allowing for a more diverse roster of artists and extended festival event. This means more tickets sales but only moderately higher production costs for the second day. The London concerts are similar to Madrid with a share of ticket sales, and minimum guarantees on merchandise, with streaming providing additional upside.

Up next is the KPOP LUX SBS Super Concert in London

KPOP LUX SBS Super Concert London is scheduled for 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. Under the terms of the SBS agreement, SBS will produce the show and KPOP LUX (LVCG division) will be Executive Producer. LVCG will receive revenue from ticket sales, merchandising, sponsorship, and streaming associated with this event.

Along with the success of the first KPOP LUX Super Concert in Madrid, there has been significant support for the London event scheduled for September across all media outlets and social media platforms. There have also been additional requests for Super Concerts in Brazil and across South America.

KPOP concerts are scheduled for Madrid (KPOPLUX), Frankfurt (K.FLEX), and London (KPOPLUX). 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 targeted for London.

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.

Some background on KPOP Festivals

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.

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%.