

## Vivid Seats

# 4Q results beat again & SEAT continues to trade a significant discount to growth; Buy

Reiterate Rating: BUY | PO: 10.00 USD | Price: 5.35 USD

## Vivid delivers another solid beat in 4Q

Vivid Seats (SEAT) reported 4Q sales/EBITDA of \$198mn/\$35mn, above Street ests of \$184mn/\$32.3mn. Marketplace GOV (+31% YoY) came in above Street by 12.9ppts, driven by a continuation of strong event demand as well as initiatives including the scaling of Vivid's loyalty program and growing repeat/retention trends. Marketplace take rate of 15.0% was below the Street at 15.4% but mgmt. continues to guide to 15.5%+ for 2024. EBITDA margin of 17.7% was above 17.5% for the Street.

## 2024 guide factors int'l investments but not revs to match

Vivid maintained FY24 GOV guidance at \$4.20-4.50bn and total rev at \$810-840mn which factors another solid year of industry growth (industry leader Live Nation sees a very strong pipeline for concert supply, with demand to match) and the inclusion of acquisitions Wavedash and Vegas.com. EBITDA was lowered to \$160-170mn (\$170-180mn prior), entirely due to infrastructure investments to accelerate international growth. Importantly, SEAT is not factoring any incremental revenue from these investments into guidance but is bullish on international expansion given a larger, more fragmented market with higher take rates relative to the US. Guidance includes minimal/no contribution from integrating Vegas.com and launching Skybox Drive (pro seller CRM/pricing tool) which could revenue drive upside.

## Lowering EBITDA estimates slightly and PO to \$10

We lower full year EBITDA estimates primarily on international investments. For 1Q24E, we lower revenue to \$182mn and EBITDA to \$33mn (from \$205/45mn) due to updating quarterly weighting from acquisitions. For 2024E, we lower revenue/EBITDA to \$830/170mn (\$837/179mn prior). For 2025E, we raise revenue 1.4% to \$914mn on international expansion and lower EBITDA to \$201mn (\$211mn prior). We lower our PO to \$10 (was \$10.50) still on 10x our 2025E EV/EBITDA.

## Reit Buy as we cont. to see attractive valuation to growth

Despite better 4Q results and reaffirmed 2024 GMV/rev guide, shares traded down 10% (vs. -1.7% for Nasdaq 100), likely due to a 5.7% cut to EBTIDA on int'l investments and amplified by SEATs's low float (sponsors currently hold ~60% of total shares). We continue to see valuation as very attractive (~6x '25 EV/EBTIDA vs. 19% avg growth from 2024-26) and remain positive industry fundamentals, SEAT's high margin growth and strong free cash flow (FCF yield is 11%). We reiterate our Buy rating.

Estimates(Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.51	0.54	0.38	0.44	0.58
GAAP EPS	0.51	0.54	0.19	0.44	0.58
EPS Change (YoY)	NM	5.9%	-29.6%	15.8%	31.8%
Consensus EPS (Bloomberg)	0.36	0.47	0.47	0.62	0.59
Valuation (Dec)					
P/E	10.5x	9.9x	14.1x	12.2x	9.2x
GAAP P/E	10.5x	9.9x	28.2x	12.2x	9.2x
EV / EBITDA*	11.7x	9.3x	7.8x	6.6x	5.5x
Free Cash Flow Yield*	-0.1%	13.1%	10.9%	13.1%	16.9%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

05 March 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
Price Obj.	10.50	10.00
2024E Rev (m)	837.3	830.1
2025E Rev (m)	911.2	914.8
2026E Rev (m)	985.4	1,003.5
2024E EPS	0.51	0.38
2025E EPS	0.56	0.44
2026E EPS	0.68	0.58

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### Stock Data

Price	5.35 USD
Price Objective	10.00 USD
Date Established	5-Mar-2024
Investment Opinion	C-1-9
52-Week Range	5.14 USD - 9.89 USD
Mrkt Val (mn) / Shares Out (mn)	1,069 USD / 199.8
Free Float	59.0%
Average Daily Value (mn)	7.11 USD
BofA Ticker / Exchange	SEAT / NAS
Bloomberg / Reuters	SEAT US / SEAT.OQ
ROE (2024E)	11.0%
Net Dbt to Eqty (Dec-2023A)	52.1%

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Timestamp: 05 March 2024 07:10PM EST

# iQprofile<sup>SM</sup> Vivid Seats

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	6.5%	6.6%	6.6%	7.0%	8.2%
Return on Equity	15.6%	20.1%	11.0%	10.3%	11.9%
Operating Margin	13.0%	11.4%	12.3%	14.0%	16.1%
Free Cash Flow	(1)	140	117	140	180

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.2x	1.4x	1.7x	1.7x	1.7x
Asset Replacement Ratio	2.0x	0.4x	0.5x	0.5x	0.5x
Tax Rate	NM	NM	16.5%	25.0%	25.0%
Net Debt-to-Equity Ratio	37.1%	52.1%	28.1%	15.4%	1.6%
Interest Cover	6.1x	6.0x	11.1x	16.5x	31.4x

## Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	600	713	830	915	1,004
% Change	35.5%	18.8%	16.4%	10.2%	9.7%
Gross Profit	460	531	612	675	740
% Change	30.5%	15.4%	15.4%	10.2%	9.7%
EBITDA	113	142	169	201	241
% Change	3.1%	25.3%	18.8%	19.4%	19.8%
Net Interest & Other Income	(9)	(10)	(9)	(8)	(5)
<b>Net Income (Adjusted)</b>	<b>71</b>	<b>107</b>	<b>78</b>	<b>90</b>	<b>117</b>
<b>% Change</b>	<b>NM</b>	<b>51.2%</b>	<b>-27.4%</b>	<b>16.3%</b>	<b>29.4%</b>

## Free Cash Flow Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	71	107	78	90	117
Depreciation & Amortization	8	17	34	37	40
Change in Working Capital	(158)	66	(23)	(13)	4
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	93	(43)	44	42	38
Capital Expenditure	(15)	(7)	(16)	(17)	(19)
<b>Free Cash Flow</b>	<b>-1</b>	<b>140</b>	<b>117</b>	<b>140</b>	<b>180</b>
<b>% Change</b>	<b>NM</b>	<b>NM</b>	<b>-16.9%</b>	<b>19.8%</b>	<b>28.9%</b>
Share / Issue Repurchase	NA	NA	NA	NA	NA
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(7)	0	0	0	0

## Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	282	166	243	325	456
Trade Receivables	37	58	44	46	50
Other Current Assets	13	21	28	28	31
Property, Plant & Equipment	NA	NA	NA	NA	NA
Other Non-Current Assets	820	1,304	1,288	1,288	1,288
<b>Total Assets</b>	<b>1,151</b>	<b>1,550</b>	<b>1,603</b>	<b>1,687</b>	<b>1,825</b>
Short-Term Debt	182	192	198	192	201
Other Current Liabilities	196	296	276	275	279
Long-Term Debt	278	281	278	275	273
Other Non-Current Liabilities	15	195	21	22	24
<b>Total Liabilities</b>	<b>671</b>	<b>963</b>	<b>774</b>	<b>764</b>	<b>777</b>
<b>Total Equity</b>	<b>480</b>	<b>587</b>	<b>830</b>	<b>923</b>	<b>1,049</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,151</b>	<b>1,550</b>	<b>1,603</b>	<b>1,687</b>	<b>1,825</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Internet/e-Commerce

## Company Description

Vivid Seats is a US-based ecommerce company that operates a secondary ticket marketplace. Vivid is most exposed to live music events but also has a growing presence in sports and theatre. The company operates Skybox, an industry leading ticket management system used by 55% of professional sellers. Vivid launched its marketplace platform in 2010 and went public through a SPAC transaction in 2021. As of 2022, Vivid processed over \$3.0bn in gross order value and revenues for totaled \$624mn.

## Investment Rationale

We rate Vivid Seats Buy. Competition within the secondary ticketing market is elevated with peers focused on driving volumes through high spend on advertising and select sports distribution deals. However, we believe that Vivid's strategy of driving sticky and recurring transaction growth through investments in brand marketing, a customer loyalty program that enhances an already strong value proposition and seller pricing tools should drive above industry growth over the long term.

## Stock Data

Average Daily Volume 1,329,715

## Quarterly Earnings Estimates

	2023	2024
Q1	0.15A	NA
Q2	0.20A	NA
Q3	0.08A	NA
Q4	0.11A	NA

# Actuals vs. Estimates

## Exhibit 1: 4Q23 Actual results vs. estimates

4Q23 revenue came in at \$198.30mn vs. our estimate of \$191.65mn and consensus estimates of \$184.37mn

	4Q23   Quarter Ended 12/31/23			
Vivid Seats	Actual	Estimate	Consensus	Vs. BofA
Key Metrics				
Marketplace Orders	2,974	2,618	2,484	356
% YoY Growth	36%	20%	14%	16.3%
Marketplace AOV	374	400	404	(26)
% YoY Growth	-4%	3%	4%	-6.6%
Marketplace GOV	1,112,326	1,046,417	1,003,097	65,909
% YoY Growth	31%	24%	19%	7.8%
Marketplace Revenue	167,269	162,195	154,942	5,074
% YoY Growth	19%	16%	11%	3.6%
Take Rate	15.0%	15.5%	15.4%	-0.5%
Resale Orders	107	101	100	6
% YoY Growth	22%	15%	14%	6.6%
Resale AOV	290	291	291	(1)
% YoY Growth	3%	3%	3%	-0.4%
Resale Revenue	31,034	29,456	29,212	1,578
% YoY Growth	25%	18%	17%	6.3%
Income Statement				
Total Revenue	198,303	191,651	184,373	6,652
% YoY Growth	20%	16%	12%	4.0%
Total COGS	51,346	50,308	46,403	1,038
Gross Profit	146,957	141,342	137,970	5,615
Gross Margin	74%	74%	75%	0.4%
Operating Expenses				
Marketing and Selling	77,126	76,388	77,190	738
% of Revenue	39%	40%	42%	-1.0%
General and Administrative	51,160	38,905	36,572	12,255
% of Revenue	26%	20%	20%	5.5%
Depreciation and Amortization	8,575	3,600	3,473	4,975
% of Revenue	4%	2%	2%	2.4%
Other	0	0	20	-
% of Revenue	0%	0%	0%	0.0%
Total Operating Expenses	136,861	118,894	117,255	17,967
% of Revenue	69%	62%	64%	7.0%
Operating Income	10,096	22,449	20,715	-12,353
% Margin	5%	12%	11%	-6.6%
Interest expense (income), net	4,909	2,652	2,559	2,257
Other	(2,744)	0	(351)	(2,744)
Earnings Before Tax	7,931	19,797	18,506	(11,866)
Income Tax Expense (Benefit)	-14,498	198	8,498	(14,696)
Effective Tax Rate (GAAP)	-183%	1%	46%	-183.8%
Net Income (GAAP)	22,429	19,599	13,407	2,830
% Margin	11%	10%	7%	1.1%
Diluted GAAP EPS	\$0.11	\$0.10	\$0.11	\$0.01
Adjusted EBITDA	35,103	33,599	32,319	1,504
% Margin	18%	18%	17.5%	0.2%
Cash Flow				
Free Cash Flow	34,594	37,145	19,305	(2,551)

Source: BofA Global Research estimates, Company Materials, Visible Alpha

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## Price objective basis & risk

### Vivid Seats (SEAT)

Our \$10 price objective is based on 10x our 2025E EV/EBITDA. This is below Vivid's historical average and a discount to a median of 13x for comparable entertainment and marketplace companies. We believe a discount to comps is warranted given lower revenue growth, lower EBITDA margins and a smaller total addressable market. Our 12x EV/EBITDA multiple also represents a discount relative to expected growth (we forecast 21% compounded EBITDA growth from 2023-26), which we also believe is warranted given high industry competition, the inclusion of acquisitions in 2024 and uncertainty over normalized growth through 2024 post a release of pent-up COVID demand.

Upside risks to our PO are: higher than expected ticketing industry growth, a reduction in elevated competition, higher-than-expected adoption of Vivid's loyalty program and Skybox Drive system and increased regulation, particularly ticket price transparency.

Downside risks to our PO are: a pullback in ticketing and general entertainment spend post two years of COVID catch-up demand, increased marketing spend or lower pricing from competitors, a reduction in concert events, an increase in exclusive ticket distribution deals from competitors and lower-than-expected adoption of Vivid's loyalty program and high private equity and SPAC sponsor ownership.

## Analyst Certification

I, Curtis Nagle, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern
<b>NEUTRAL</b>				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA

## US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
<b>UNDERPERFORM</b>				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

**Numerator**

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

**Denominator**

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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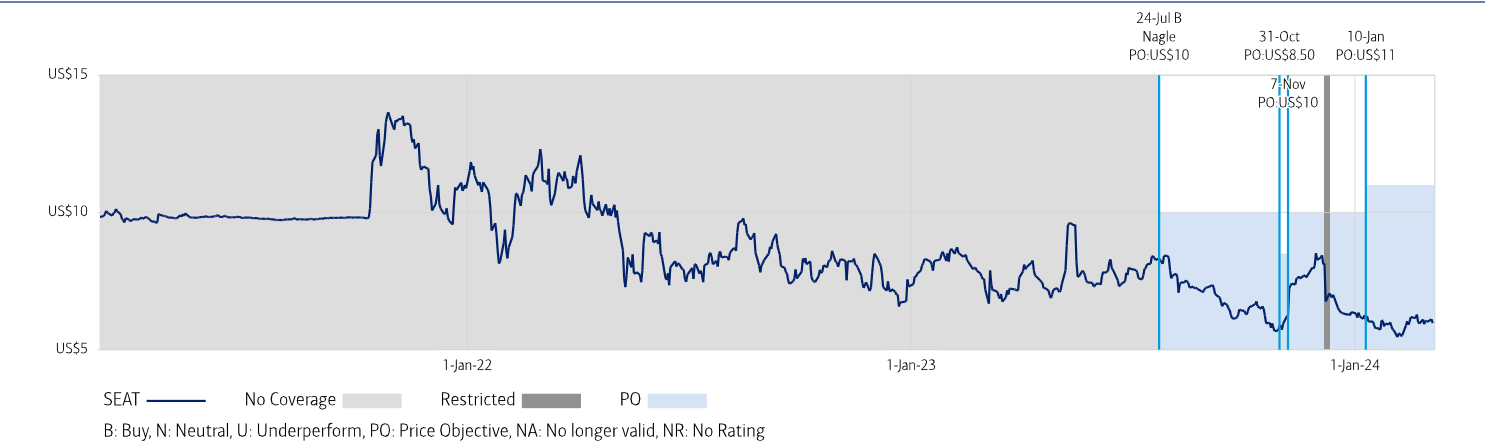
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# Disclosures

## Important Disclosures

### Vivid Seats (SEAT) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup> Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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