

# ON24

## Software - Applications

Rating <b>HOLD</b> unchanged	Price Target <b>US\$10.00↓</b> from US\$13.00
ONTF-NYSE	Price <b>US\$6.99</b>

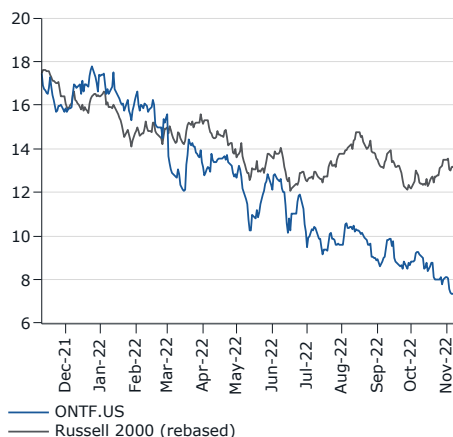
### Market Data

52-Week Range (US\$) :	6.95 - 18.54
Avg Daily Vol (000s) :	338
Market Cap (US\$M) :	391.5
Shares Out. (M) :	56.0
Enterprise Value (US\$M) :	247
Net Cash (US\$M) :	356.0

FYE Dec	2021A	2022E	2023E
Sales (US\$M)	203.7	190.0↓	190.0↓
Previous	-	192.0	200.0
EV/Sales (x)	0.1	0.3	0.3
Free Cash Flow (US\$M)	1.6	(33.3)	(3.7)
EV/FCF (x)	31.8	NA	NA
EPS Non-GAAP (US\$)	0.03	(0.42)↑	(0.15)↑
Previous	-	(0.56)	(0.40)

Quarterly Sales	Q1	Q2	Q3	Q4
2021A	50.1	52.1	49.4	52.0
2022E	48.5A	48.2A	47.6A	45.7
2023E	45.5	46.5	48.0	50.0

Quarterly EPS Non-GAAP	Q1	Q2	Q3	Q4
2021A	0.05	0.04	(0.03)	(0.03)
2022E	(0.13)A	(0.14)A	(0.07)A	(0.09)
2023E	(0.07)	(0.05)	(0.02)	0.00



Source: FactSet

Priced as of close of business 9 November 2022

ON24's digital experience platform converts engagement into revenue via interactive webinars and virtual events that are backed by analytics and an ecosystem of third-party integrations.

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## Progress in spots, challenges in others; stock trading at cash value, but we wait for a resumption of growth

### Investment recommendation

On24 saw continued headwinds in Q3 as post-COVID spend normalization, virtual event pressures with the return of in-person activity, and changes in FX weighed on results. Putting some numbers to this, ARR declined by \$2.2M sequentially (-1% year-over-year) and total revenue fell by 4% compared to Q3'21. Normalizing for virtual event pressure and FX headwinds, ARR would have been flat sequentially, but essentially flat for five consecutive quarters. While total customer count in the quarter declined by 48 from Q2, the firm did add 2 net new customers paying >\$100K in ARR, which sounds like it could be attributed to successful selling in the base. On the positive side, On24 has reduced its annual run-rate opex by about \$16M by the end of Q3, those efforts should continue into this quarter, guidance for losses in Q4 was better than forecast, and the firm now has plans to reach non-GAAP profitability by Q4'23. As headwinds abate, losses narrow and the business returns to growth, there's going to be an interesting opportunity here. The stock is essentially trading at cash today, which is a level we've rarely ever seen in our time in software. That said, with better positioned, better executing companies elsewhere in software that are now trading at multiples we likewise haven't seen in years, we have a hard time saying you have to own ONTF now, just because it's cheap. Thus, we're going to take a wait-and-see approach here, and our hope is to get more constructive when there's a return to sustainable, more profitable growth in sight. Our HOLD rating is unchanged.

### Highlights from the print

**Macro more challenging and customers prioritizing in-person events.** At a macro level, consistent with what others are seeing, On24's sales cycles have lengthened, and customers are tightening their budgets and more closely scrutinizing spend. More specific to On24, the incremental bad news this quarter is that its virtual conference product is experiencing significant headwinds from the return of in-person events, resulting in a churn rate for that product that's about twice that over its other core products over the prior two quarters. For context, On24's virtual conference product contributed a mid-single-digit percentage of ARR prior to COVID, gapped up to ~10% at its peak at the end of 2020, and is now expected to decline back to a single-digit percentage of ARR by the end of this year. All-in-all, On24 expects the underperformance of this product to be a ~300bps headwind to growth this year. Excluding headwinds from it and currency, ARR would've been roughly flat sequentially in Q3.

**Key metrics from the quarter.** ARR of \$165.6M (-1% y-o-y) declined by \$2.2M sequentially (\$1.7M adjusted for currency), with deterioration relative to last quarter attributed to virtual conference product headwinds. Billings came in at \$38M (-19% y-o-y), the worst performance we've seen for that metric since Q1'20. Total revenue of \$47.6M (-4% y-o-y) came in right at the mid-point of guidance as subscription and professional services revenue declined 1% and 25%, respectively. In terms of customer count, On24 realized a net loss of 48 customers in Q3, ending with 2,053 (flat y-o-y), as well as a net gain of 2 >\$100K ARR customers, ending with 351 (-2% y-o-y), translating to an ARPC of \$81K (flat y-o-y). On the bottom line, the company drove meaningful improvement in its cost structure, with approximately \$16M in run-rate savings since Q2, resulting in operating margin of (8%) which compares with (13%) last quarter and (3%) a year ago.

**Updated 2022 guidance and the trajectory into 2023.** For 2022, On24 lowered its revenue guidance slightly to now imply a 6% overall decline, down from 5%. For Q4, this implies ARR that's slightly down sequentially and overall revenue that's down ~11% year-over-year. In terms of profitability, On24 is taking additional actions to reduce its cost structure (primarily within its GTM organization), and now expects better performance, with guidance implying margins of (10%) versus (13.5%) prior for the year. Looking out into next year, On24 is optimistic for a return to top-line growth in the second half. We see several factors that should allow revenue growth to inflect back into positive territory: (1) as we lap the last of first-time renewals from post-COVID customer cohorts, we're starting to see renewal rates stabilize and gross retention improve; (2) service revenue declines, which are projected to be a 400bps headwind to overall growth in C2022, should moderate; (3) virtual conference product churn, which is projected to be a 300bps headwind to growth in C2022, should lessen; and (4) overage revenue declines, which have been a 100bps headwind to growth, should become immaterial. On the bottom line, On24 is firmly focused on driving efficiencies and is now targeting breakeven non-GAAP earnings by Q4'23.

## Valuation and price target

We are lowering our price target to \$10 which reflects our reduced C2023 estimates. This price target is based on a 1.5x EV/revenue multiple applied to our C2023 revenue estimate of \$190M and assumes ~59M fully diluted shares outstanding.

## Quarterly results

The table below details ON24's September quarter (Q3/22) results compared to our published estimates and the year ago quarter's results.

**Figure 1: ONTF September 2022 (Q3/22)**

\$ Millions	Sep-21	Sep-22	Sep-22E	Actual - Estimate	Percent Difference
<b>Annual Recurring Revenue (ARR)</b>	<b>\$167.2</b>	<b>\$165.6</b>	<b>\$167.0</b>	<b>(\$1.4)</b>	<b>-1%</b>
Growth	20%	-1%	0%	--	--
Sequential Dollar Change in ARR	\$3.1	-\$2.2	-\$0.8	-\$1.4	175%
Platform Revenue	43.6	43.3	42.6	0.7	2%
Service Revenue	5.8	4.3	4.9	(0.6)	-12%
Core Revenue	49.4	47.6	47.5	0.1	0%
Legacy Revenue	0.0	0.0	0.0	0.0	n/a
Total Revenue	49.4	47.6	47.5	0.1	0%
Cost of Platform	(8.1)	(8.9)	(9.4)	0.5	5%
Cost of Service	(3.2)	(3.0)	(3.2)	0.2	6%
Cost of Legacy	0.0	0.0	0.0	0.0	n/a
non-GAAP Gross Profit	38.0	35.7	34.9	0.7	2%
Sales & Marketing	(24.2)	(22.4)	(25.6)	3.2	12%
Research & Development	(7.9)	(9.1)	(8.8)	(0.3)	-4%
General & Administrative	(7.3)	(7.9)	(8.1)	0.3	3%
Cost of Operations	(39.4)	(39.3)	(42.5)	3.2	7%
non-GAAP Operating Income	(1.4)	(3.6)	(7.5)	3.9	-52%
Stock Based Compensation	(7.8)	(9.9)	(9.5)	(0.4)	-4%
Amortization & Other	0.0	(1.2)	(1.2)	(0.1)	6%
GAAP Operating Income	(9.2)	(14.8)	(18.2)	3.4	-19%
Interest Income	0.0	0.0	0.0	0.0	n/a
Interest Expense	(0.1)	(0.0)	(0.1)	0.1	n/a
Other Income (Expense)	(0.1)	0.5	0.0	0.5	n/a
GAAP Pre-Tax Income	(9.4)	(14.3)	(18.3)	3.9	-22%
Tax Rate	0%	0%	-1%	1%	n/a
Income Tax Benefit (Expense)	0.0	(0.0)	(0.2)	0.2	-80%
GAAP Net Income	(9.4)	(14.4)	(18.5)	4.1	-22%
Reversal of SBC, Amort, & Other	7.8	11.1	10.7	0.5	4%
Tax Effect of Add-Backs	0.0	0.0	0.0	0.0	n/a
non-GAAP Net Income	(1.5)	(3.3)	(7.8)	4.6	-58%
Basic Shares Outstanding	47.1	47.6	47.4	0.2	0%
Pro Forma/Diluted Shares Outstanding	55.5	56.0	55.8	0.3	0%
GAAP EPS	(\$0.20)	(\$0.30)	(\$0.39)	\$0.09	-23%
non-GAAP EPS	(\$0.03)	(\$0.07)	(\$0.17)	\$0.10	-58%
Free Cash Flow	(1.6)	(4.2)	(9.9)	5.7	-58%
Customer Count	2,054	2,053	2,116	(63)	-3%
Growth	7%	0%	3%	--	--
Net New Customer Additions	(24)	(48)	15	(63)	-420%
Customers with ARR >\$100K	359	351	353	(2)	-1%
Growth	32%	-2%	-2%	--	--
% of Total	17%	17%	17%	--	--
Net New >\$100K ARR Additions	14	2	4	(2)	-50%
ARR per Customer	80,929	79,730	79,203	527	1%
Growth	7%	-1%	-2%	--	--
Calculated Billings (Revenue + Δ Deferred)	46.7	37.8	50.0	(12.2)	-24%
Growth	-12%	-19%	7%	--	--
Net Cash & ST Investments per Share	\$7.12	\$6.07	\$5.96	\$0.10	2%

Source: Company reports, Canaccord Genuity estimates

**Figure 2: Income statement**

On24 (ONTF/NYSE)		11/9/2022																															
Income Statement		Quarterly								Quarterly								Quarterly								Quarterly							
\$ Millions		CY-2018				CY-2019				CY-2020				CY-2021				CY-2022E				CY-2023E				CY-2024E							
		Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22E	Mar-23E	Jun-23E	Sep-23E	Dec-23E	Mar-23E	Jun-23E	Sep-23E	Dec-23E	Mar-23E	Jun-23E	Sep-23E	Dec-23E				
Annual Recurring Revenue (ARR)	61.2	\$63.6	\$67.2	\$70.0	\$76.9	\$85.9	\$114.2	\$138.9	\$153.4	\$153.4	\$163.1	\$164.1	\$167.2	\$171.4	\$171.4	\$167.7	\$167.8	\$165.6	\$163.0	\$163.0	\$163.0	\$162.0	\$164.0	\$167.0	\$170.0	\$170.0	\$170.0	\$170.0	\$170.0				
Sequential Dollar Change in ARR	n/a	n/a	\$3.6	\$2.8	\$6.9	\$15.6	\$29.0	\$24.7	\$14.5	\$8.7	\$1.0	\$3.1	\$4.2	\$18.0	\$3.7	\$0.1	\$2.2	\$2.2	\$2.2	\$2.2	\$2.2	(\$1.0)	\$2.0	\$3.0	\$3.0	\$7.0	\$7.0	\$7.0	\$7.0				
Platform Revenue	57.8	14.9	16.1	17.2	18.0	66.3	19.3	26.4	34.3	41.2	121.2	42.9	44.4	43.6	45.0	175.8	43.5	43.1	43.3	41.1	170.9	41.0	42.0	43.5	45.0	171.5	195.0	195.0	195.0				
Service Revenue	11.1	3.2	3.9	3.0	4.3	14.4	4.4	9.1	8.2	11.9	33.6	7.2	7.7	5.8	7.0	27.7	5.0	5.2	4.3	4.6	19.1	4.5	4.5	4.5	5.0	18.5	20.4	20.4	20.4				
Core Revenue	68.8	18.1	20.0	20.3	22.4	80.7	23.7	35.5	42.5	53.1	154.8	50.0	52.1	49.4	52.0	203.5	48.5	48.2	47.6	45.7	190.0	45.5	46.5	48.0	50.0	190.0	215.4	215.4	215.4				
Legacy Revenue	13.8	2.5	2.4	1.9	1.6	8.4	1.0	0.8	0.1	0.2	2.1	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Total Revenue	82.6	20.6	22.4	22.2	23.9	89.1	24.7	36.3	42.6	53.3	156.9	50.1	52.1	49.4	52.0	203.7	48.5	48.2	47.6	45.7	190.0	45.5	46.5	48.0	50.0	190.0	215.4	215.4	215.4				
Cost of Platform	(11.7)	(3.6)	(3.6)	(3.8)	(3.8)	(14.8)	(3.9)	(4.6)	(5.3)	(6.3)	(20.1)	(7.2)	(7.8)	(8.1)	(8.3)	(31.5)	(8.7)	(9.1)	(8.9)	(8.8)	(35.6)	(8.8)	(9.0)	(9.1)	(9.5)	(36.4)	(39.0)	(39.0)	(39.0)				
Cost of Service	(6.4)	(2.0)	(2.2)	(1.9)	(2.5)	(8.6)	(2.2)	(3.0)	(3.1)	(3.7)	(12.0)	(3.1)	(3.6)	(3.2)	(3.6)	(13.6)	(3.2)	(3.2)	(3.0)	(3.0)	(12.3)	(2.9)	(2.9)	(2.9)	(3.3)	(12.0)	(13.3)	(13.3)	(13.3)				
Cost of Legacy	(6.7)	(1.3)	(1.0)	(0.8)	(0.6)	(3.6)	(0.6)	(0.3)	(0.2)	0.0	(1.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
non-GAAP Gross Profit	57.8	13.8	15.6	15.7	17.1	62.1	18.1	28.4	34.0	43.3	123.8	39.7	40.7	38.0	40.1	158.6	36.6	35.9	35.7	33.9	142.1	33.8	34.5	35.9	37.3	141.5	163.1	163.1	163.1				
Sales & Marketing	(46.3)	(12.8)	(11.4)	(10.8)	(11.9)	(46.9)	(11.9)	(12.6)	(15.6)	(19.5)	(59.6)	(22.2)	(23.9)	(24.2)	(24.9)	(95.3)	(25.5)	(25.2)	(22.4)	(21.5)	(94.5)	(20.7)	(20.5)	(20.4)	(20.5)	(82.1)	(85.0)	(85.0)	(85.0)				
Research & Development	(14.1)	(3.8)	(3.7)	(4.0)	(4.0)	(15.5)	(4.0)	(4.5)	(4.6)	(5.8)	(18.9)	(7.2)	(7.3)	(7.9)	(8.1)	(30.4)	(8.7)	(9.0)	(9.1)	(9.1)	(35.9)	(8.9)	(8.8)	(8.9)	(9.0)	(35.6)	(37.9)	(37.9)	(37.9)				
General & Administrative	(12.8)	(3.3)	(3.4)	(3.5)	(3.5)	(13.9)	(3.3)	(4.0)	(6.4)	(6.9)	(20.5)	(7.5)	(7.0)	(7.3)	(8.9)	(30.8)	(8.1)	(7.9)	(7.9)	(7.5)	(31.4)	(7.5)	(7.4)	(7.4)	(7.5)	(29.9)	(31.5)	(31.5)	(31.5)				
Cost of Operations	(73.3)	(20.2)	(18.5)	(18.1)	(19.4)	(75.2)	(19.2)	(21.0)	(26.5)	(32.2)	(99.0)	(36.9)	(38.2)	(39.4)	(41.9)	(156.3)	(42.2)	(42.1)	(39.3)	(38.2)	(161.8)	(37.1)	(36.7)	(36.7)	(37.0)	(147.6)	(154.4)	(154.4)	(154.4)				
non-GAAP Operating Income	(15.5)	(6.5)	(2.8)	(2.5)	(2.3)	(14.1)	(1.1)	7.3	7.5	11.1	24.8	2.8	2.5	(1.4)	(1.8)	2.1	(5.7)	(6.2)	(3.6)	(4.3)	(19.8)	(3.3)	(2.2)	(0.8)	0.3	(6.0)	6.7	6.7	6.7				
Stock Based Compensation	(1.5)	(0.4)	(0.4)	(0.5)	(0.7)	(2.0)	(0.4)	(0.4)	(0.6)	(1.5)	(2.9)	(5.0)	(5.0)	(7.8)	(7.9)	(25.7)	(9.5)	(9.7)	(9.9)	(9.1)	(38.2)	(9.1)	(9.3)	(9.6)	(10.0)	(38.0)	(43.1)	(43.1)	(43.1)				
Amortization & Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
GAAP Operating Income	(16.9)	(6.9)	(3.3)	(2.9)	(3.0)	(16.1)	(1.5)	6.9	6.8	9.6	21.8	(2.2)	(2.5)	(9.6)	(9.6)	(23.6)	(15.2)	(16.0)	(14.8)	(14.7)	(60.7)	(12.4)	(11.5)	(10.4)	(9.7)	(44.0)	(34.4)	(34.4)	(34.4)				
Interest Income	0.1	0.0	0.1	0.1	0.1	0.3	0.1	0.0	0.0	(0.2)	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Interest Expense	(1.2)	(0.3)	(0.4)	(0.4)	(0.3)	(1.4)	(0.3)	(0.2)	(0.3)	0.3	(0.4)	(0.2)	(0.1)	(0.1)	(0.1)	(0.5)	(0.1)	(0.0)	(0.0)	(0.1)	(0.2)	0.0	(0.1)	(0.1)	(0.1)	(0.4)	(0.4)	(0.4)	(0.4)				
Other Income (Expense)	0.6	(0.0)	(0.0)	(0.1)	0.1	(0.0)	(0.3)	0.0	0.0	0.0	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)	(0.5)	(0.2)	(0.1)	0.5	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
GAAP Pre-Tax Income	(17.4)	(7.2)	(3.5)	(3.3)	(3.1)	(17.2)	(2.0)	6.7	6.6	9.7	21.1	(2.6)	(2.8)	(9.4)	(9.7)	(24.5)	(15.4)	(16.2)	(14.3)	(14.8)	(60.7)	(12.5)	(11.6)	(10.5)	(9.8)	(44.4)	(34.8)	(34.8)	(34.8)				
Tax Rate	-1%	0%	-1%	-1%	-10%	-2%	-3%	0%	0%	2%	1%	-10%	10%	0%	0%	7%	-1%	-1%	0%	0%	-1%	-1%	-2%	-2%	-2%	-2%	-2%	-2%	-2%				
Income Tax Benefit (Expense)	(0.2)	0.0	(0.0)	(0.0)	(0.3)	(0.4)	(0.1)	(0.0)	(0.0)	(0.2)	(0.3)	(0.2)	0.3	0.0	0.2	0.3	(0.1)	(0.0)	(0.0)	(0.2)	(0.4)	(0.4)	(0.2)	(0.2)	(0.2)	(0.4)	(0.8)	(0.8)	(0.8)				
GAAP Net Income	(17.6)	(7.2)	(3.6)	(3.3)	(3.5)	(17.5)	(2.1)	6.7	6.6	9.5	20.8	(2.8)	(2.5)	(9.4)	(9.5)	(24.2)	(15.5)	(16.2)	(14.4)	(15.0)	(61.1)	(12.7)	(11.8)	(10.7)	(10.0)	(45.2)	(35.6)	(35.6)	(35.6)				
Reversal of SBC, Amort., & Other	1.5	0.4	0.4	0.5	0.7	2.0	0.4	0.4	0.6	1.5	2.9	5.0	5.0	7.8	7.9	25.7	9.5	9.8	11.1	10.4	40.9	9.1	9.3	9.6	10.0	38.0	43.1	43.1	43.1				
Tax Effect of Adj. Backs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
non-GAAP Net Income	(16.1)	(6.8)	(3.1)	(2.8)	(2.8)	(15.5)	(1.7)	7.1	7.2	11.0	23.7	2.2	2.5	(1.5)	(1.7)	1.4	(6.0)	(6.4)	(3.3)	(4.6)	(20.2)	(3.6)	(2.5)	(1.1)	(0.0)	(7.2)	7.5	7.5	7.5				
Basic Shares Outstanding	—	9.1	9.1	9.1	9.1	9.1	9.1	9.7	10.4	10.8	10.0	32.6	46.6	47.1	47.8	43.5	47.6	47.2	47.6	48.3	47.7	49.0	49.8	50.5	51.3	50.1	53.6	53.6	53.6				
Pro Forma/Diluted Shares Outstanding	—	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	19.1	14.8	42.2	55.0	55.5	56.0	56.2	56.0	55.5	56.0	56.8	56.1	57.6	58.5	59.4	60.3	59.0	63.0	63.0				
GAAP EPS	—	(\$0.79)	(\$0.39)	(\$0.36)	(\$0.38)	(\$1.93)	(\$0.23)	\$0.50	\$0.49	\$0.17	\$0.94	(\$0.09)	(\$0.05)	(\$0.20)	(\$0.20)	(\$0.54)	(\$0.32)	(\$0.34)	(\$0.30)	(\$0.31)	(\$1.28)	(\$0.76)	(\$0.84)	(\$0.91)	(\$0.90)	(\$0.90)	(\$0.67)	(\$0.67)	(\$0.67)				
non-GAAP EPS	—	(\$0.74)	(\$0.35)	(\$0.31)	(\$0.30)	(\$1.71)	(\$0.18)	\$0.53	\$0.54	\$0.57	\$1.46	\$0.05	\$0.04	(\$0.03)	(\$0.03)	\$0.03	(\$0.13)	(\$0.14)	(\$0.07)	(\$0.09)	(\$0.42)	(\$0.07)	(\$0.05)	(\$0.02)	(\$0.00)	(\$0.15)	\$0.14	\$0.14	\$0.14				
Free Cash Flow	(12.1)	(1.6)	(4.3)	(2.2)	(4.4)	(12.5)	1.2	13.8	11.1	10.3	36.5	3.2	5.7	(1.6)	(5.6)	1.6	(7.8)	(3.4)	(4.2)	(18.0)	(33.3)	(6.5)	1.3	8.0	(6.5)	(3.7)	(2.1)	(2.1)	(2.1)				
Customer Count	1,241	1,272	1,314	1,342	1,401	1,401	1,503	1,769	1,918	1,994	1,994	2,062	2,078	2,054	2,122	2,122	2,145	2,101	2,053	2,013	2,013	1,993	1,993	2,003	2,023	2,023	2,183	2,183	2,183				
Growth	—	—	—	—	—	13%	18%	35%	43%	42%	42%	7%	17%	7%	6%	6%	4%	1%	0%	-5%	-5%	-7%	-5%	-2%	0%	0%	8%	8%					
Net New Customer Additions	—	31	42	28	59	160	102	266	149	76	593	68	16	(24)	68	128	23	(44)	(48)	(40)	(109)	(20)	0	10	20	10	160	160	160				
Customers with ARR >\$100K	116	119	124	129	144	144	161	229	271	302	302	325	345	359	366	366	367	349	351	353	353	356	359	363	368	368	398	398	398				
Growth	—	—	—	—	—	24%	35%	85%	110%	110%	110%	102%	51%	32%	21%	21%	13%	1%	-2%	-4%	-4%	-3%	3%	3%	4%	4%	8%	8%					
% of Total	9%	9%	9%	10%	10%	10%	11%	13%	14%	15%	15%	16%	17%	17%	17%	17%	17%	17%	17%	18%	18%	18%	18%	18%	18%	18%	18%	18%	18%				
Net New >\$100K ARR Additions	—	3	5	5	15	28	17	68	42	31	158	23	20	14	42	7	(13)	3	14	(16)	3	3	5	15	3	3	3	3	3				
ARR per Customer	—	\$0.584	\$1.971	\$2.709	\$6.035	\$6.035	\$9.143	\$6.974	\$7.531	\$7.425	\$7.425	\$8.042	\$9.275	\$8.929	\$8.208	\$8.208	\$7.803	\$7.939	\$7.930	\$7.717	\$8.017	\$8.079	\$8.288	\$8.354	\$8.451	\$8.451	\$9.228	\$9.228	\$9.228				
Growth	—	—	—	—	—	17%	34%	43%	40%	40%	36%	14%	7%	5%	5%	-2%	0%	-1%	-2%	-2%	3%	4%	5%	5%	5%	5%	5%	5%					
Calculated Billings (Revenue + Δ Deferred)	—	\$25.4	\$23.4	\$19.6	\$29.4	\$97.7	\$6.0	\$8.1	\$5.3	\$6.2	\$20.6	\$3.4	\$0.5	\$6.7	\$7.1	\$20																	

**Figure 3: Balance sheet and SOCF**

On24 (ONTF/NYSE) 11/9/2022 <u>Statement of Cash Flows</u> \$ Millions						On24 (ONTF/NYSE) 11/9/2022 <u>Balance Sheet</u> \$ Millions						Most Recent Q
	Dec-20A	Dec-21A	Dec-22E	Dec-23E	Dec-24E		Dec-20A	Dec-21A	Dec-22E	Dec-23E	Dec-24E	Sept-22A
<b>Operating Activities</b>						<b>Assets</b>						
Net Income	20.8	(24.3)	(61.1)	(45.2)	(35.6)	Cash and Cash Equivalents	61.2	164.9	18.4	14.1	11.4	36.4
Depreciation & other	8.4	19.3	24.5	24.0	24.0	Marketable Securities	0.0	217.6	305.5	305.5	305.5	305.5
Stock-Based Compensation	2.9	29.7	38.2	38.0	43.1	Accounts Receivable, net	48.6	46.1	40.2	44.0	49.7	31.2
<b>Changes in Assets &amp; Liabilities:</b>						Deferred Contract Acquisition Costs, current	10.5	11.9	13.7	18.8	24.0	12.0
Accounts Receivable	(27.7)	(0.4)	4.8	(3.8)	(5.7)	<u>Prepaid Expenses &amp; Other Current Assets</u>	<u>7.1</u>	<u>8.5</u>	<u>9.1</u>	<u>13.8</u>	<u>15.5</u>	<u>8.4</u>
Prepaid Expenses & Other	(21.7)	(19.0)	(14.1)	(14.1)	(16.0)	Total Current Assets	127.5	449.1	386.9	396.0	406.1	393.4
Accounts Payable	2.0	(1.2)	0.5	4.4	(3.4)							
Accrued & Other Liabilities	5.1	(2.7)	(1.9)	1.7	2.6	Property and Equipment, net	9.1	8.8	3.0	(17.2)	(36.9)	8.1
<u>Deferred Revenue</u>	<u>47.8</u>	<u>4.0</u>	<u>(20.9)</u>	<u>(5.0)</u>	<u>(6.9)</u>	Operating Right-of-use Assets	0.0	0.0	6.0	6.0	6.0	6.0
<b>Net Cash Flow from Operating Activities</b>	<b>37.6</b>	<b>5.2</b>	<b>(30.0)</b>	<b>0.1</b>	<b>2.2</b>	Deferred Contract Acquisition Costs, non current	18.8	20.9	20.6	25.0	33.9	19.0
						<u>Other Assets</u>	<u>1.4</u>	<u>1.8</u>	<u>3.8</u>	<u>3.8</u>	<u>3.8</u>	<u>3.8</u>
<b>Investing Activities</b>						<b>Total Assets</b>	<b>156.7</b>	<b>480.5</b>	<b>420.3</b>	<b>413.6</b>	<b>412.9</b>	<b>430.3</b>
Capital Expenditures	(1.0)	(3.6)	(3.3)	(3.8)	(4.3)	<b>Liabilities and Shareholders' Equity</b>						
Cash Paid for Acquisitions, net of acquired	0.0	0.0	(2.5)	0.0	0.0	Accounts Payable	4.7	3.1	4.6	9.0	5.7	4.3
<u>Other Investing Activities</u>	<u>2.0</u>	<u>(215.6)</u>	<u>(89.3)</u>	<u>0.0</u>	<u>0.0</u>	Accrued Liabilities	17.4	19.0	18.3	20.0	22.6	17.1
<b>Net Cash Flow from Investing Activities</b>	<b>1.0</b>	<b>(219.2)</b>	<b>(95.1)</b>	<b>(3.8)</b>	<b>(4.3)</b>	Deferred Revenue	92.2	96.2	75.3	70.3	63.4	81.0
						Debt, current portion	2.4	1.8	1.8	1.8	1.8	1.8
<b>Financing Activities</b>						Operating Lease Liabilities, current	0.0	0.0	2.7	2.7	2.7	2.7
Proceeds from Borrowing and Issuance	13.6	349.0	(19.5)	1.0	1.0	<u>Other current liabilities</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<u>Changes in Debt and Other Liabilities</u>	<u>(12.6)</u>	<u>(28.5)</u>	<u>(2.5)</u>	<u>(1.6)</u>	<u>(1.6)</u>	Total Current Liabilities	116.8	120.1	102.6	103.8	96.1	106.8
<b>Cash Flow from Financing</b>	<b>1.0</b>	<b>320.5</b>	<b>(22.0)</b>	<b>(0.6)</b>	<b>(0.6)</b>							
						Deferred Rent	0.0	0.0	0.0	0.0	0.0	0.0
<u>Effect of Exchange Rate</u>	<u>(0.1)</u>	<u>0.2</u>	<u>0.5</u>	<u>0.0</u>	<u>0.0</u>	Capital Lease	0.0	0.0	0.0	0.0	0.0	0.0
<b>Change In Cash</b>	<b>39.4</b>	<b>106.7</b>	<b>(146.6)</b>	<b>(4.3)</b>	<b>(2.7)</b>	Long-Term Debt	25.7	1.6	0.3	0.3	0.3	0.3
						Operating Lease Liabilities, non-current	0.0	0.0	5.6	5.6	5.6	5.6
<b>Cash Balance Beginning</b>	<b>23.9</b>	<b>63.3</b>	<b>170.0</b>	<b>23.4</b>	<b>19.1</b>	<u>Other Long-Term Liabilities</u>	<u>4.0</u>	<u>3.6</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>
<b>Cash Ending</b>	<b>63.3</b>	<b>170.0</b>	<b>23.4</b>	<b>19.1</b>	<b>16.4</b>	<b>Total Liabilities</b>	<b>146.5</b>	<b>125.4</b>	<b>110.2</b>	<b>111.4</b>	<b>103.7</b>	<b>114.4</b>
<b>Free Cash Flow</b>	<b>36.5</b>	<b>1.6</b>	<b>(33.3)</b>	<b>(3.7)</b>	<b>(2.1)</b>	<b>Total Shareholders' Equity</b>	<b>10.2</b>	<b>355.1</b>	<b>310.0</b>	<b>302.2</b>	<b>309.1</b>	<b>315.9</b>
FCF/Share	\$2.46	\$0.03	(\$0.59)	(\$0.06)	(\$0.03)	<b>Total Liabilities and Shareholders' Equity</b>	<b>156.7</b>	<b>480.5</b>	<b>420.3</b>	<b>413.6</b>	<b>412.9</b>	<b>430.3</b>
FCF Margin	23.3%	0.8%	-17.5%	-2.0%	-1.0%							
						Sales/Assets	1.0x	0.4x	0.5x	0.5x	0.5x	
						Assets/Equity	15.4x	1.4x	1.4x	1.4x	1.3x	
						<u>NGOI/Sales</u>	<u>15.8%</u>	<u>1.0%</u>	<u>-10.4%</u>	<u>-3.2%</u>	<u>4.0%</u>	
						ROE	242.8%	0.6%	-6.4%	-2.0%	2.8%	

Source: Company reports, Canaccord Genuity estimates

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## Investment Recommendation

Date and time of first dissemination: November 09, 2022, 23:16 ET

Date and time of production: November 09, 2022, 22:37 ET

## Target Price / Valuation Methodology:

ON24 - ONTF

Our \$10 price target is based on a 1.5x EV/revenue multiple applied to our C2023 revenue estimate of \$190M and assumes ~59M fully diluted shares outstanding.

## Risks to achieving Target Price / Valuation:

ON24 - ONTF

ON24 faces macro, micro, and economic risks as well as competitive and regulatory threats which could cause our estimates to be incorrect and the value of ON24 shares to decline.

## Distribution of Ratings:

### Global Stock Ratings (as of 11/09/22)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	631	66.28%	29.48%
Hold	142	14.92%	20.42%
Sell	13	1.37%	0.00%
Speculative Buy	158	16.60%	41.14%
	952*	100.0%	

\*Total includes stocks that are Under Review

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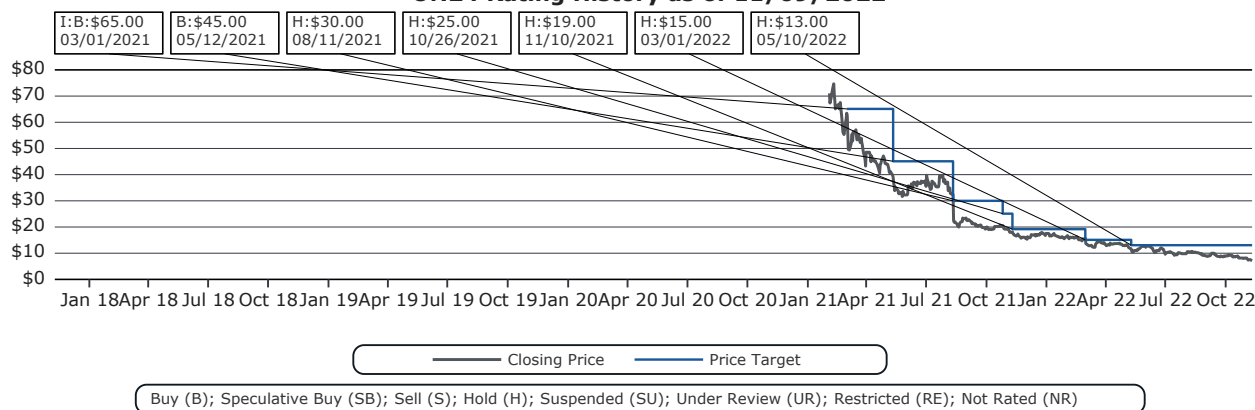
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An analyst has visited the material operations of ON24. No payment was received for the related travel costs.

**ON24 Rating History as of 11/09/2022**



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