

ON24, Inc. (ONTF)

Neutral

Growth Remains Challenged; Lowering Estimates; Maintain at Neutral

CONCLUSION

Total ARR declined 7% y/y to \$159.6M as recessionary and post-pandemic normalization headwinds continued to dampen the growth outlook entering the new year. The FY23 growth guide calling for -12% top-line growth at the mid-point was far below our estimate of -2%, and signals that challenges including tech exposure, Virtual Conference churn, and elevated downsell activity remain obstacles to a growth stabilization this year. That said, Q1 cost optimizations, interest income, and buyback activity could help bring EPS into breakeven territory by Q2 of this year (ahead of the initial plan of 4Q23). We lower our FY23 revenue estimate by \$20M, but take our EPS estimate \$0.12 higher on higher interest income. We remain Neutral on ONTF until we have increased confidence around the timing of a growth stabilization.

- **What happened?** ONTF posted total revenue of \$46.6M (\$0.4M beat to Street expectations) in Q4 on a 10.5% y/y decline. Total ARR declined 7% y/y (vs. our -5% estimate), coming in at \$159.6M. Core Platform ARR, which excludes the Virtual Conference business, ended the quarter at \$152.6M, decreasing 3% y/y. Non-GAAP operating margin came in at -7.4% in Q4 (vs. our -9.2% estimate) as OpEx growth declined ~10% y/y during the quarter on tightening cost discipline. The company now counts 345 customers in its >\$100K cohort (down from 351 in Q3), which was impacted by downsell activity and lower renewal commitments.
- **Numerous headwinds to growth; EPS could breakeven in Q2.** ONTF continues to see multiple headwinds to top-line growth entering the new year, including 1) outsized churn in its Virtual Conference product, 2) 34% exposure to the technology vertical, 3) pressured new business on a challenged macro, 4) outsized declines in the international business, and 5) elevated downsell activity. The life sciences and professional services verticals were called out as areas of relative strength exiting Q4. While the growth algorithm remains challenged, the profitability equation could begin to see improvement slightly sooner than expected in FY23, with heightened cost discipline (13% headcount reduction in Q1), interest income, and buybacks (part of the capital return program) serving as levers to generating breakeven EPS in Q2.
- **Growth stabilization will take time; Lowering estimates.** While initiatives to refocus on upmarket customers and reduce tech exposure could help stabilize growth exiting FY23, we remain on the sidelines given macro and post-pandemic normalization headwinds have not yet subsided. We are lowering our FY23 revenue estimates by \$20M, but raising our EPS estimates on higher interest income. Maintain at Neutral with a \$9 PT.

RISKS TO ACHIEVEMENT OF PT & RECOMMENDATION

Competition, pricing pressure, revenue concentration in Elite product.

COMPANY DESCRIPTION

ON24 is B2B video marketing platform enabling brands to engage with consumers.

PRICE: US\$9.64

TARGET: US\$9.00

10x CY27E EV/FCF, discounted back 4 years by 16%. This assumes \$270M in net cash and 58M shares.

Brent A. Bracelin

Sr. Research Analyst, Piper Sandler & Co.
503 275-8316, brent.bracelin@psc.com

Hannah Rudoff

Research Analyst, Piper Sandler & Co.
503 275-8313, hannah.rudoff@psc.com

Mauro Molina

Research Analyst, Piper Sandler & Co.
713 546-7237, mauro.molina@psc.com

Changes	Previous	Current
Rating	—	Neutral
Price Tgt	—	US\$9.00
FY23E Rev (mil)	US\$187.7	US\$167.5
FY24E Rev (mil)	US\$195.4	US\$174.2
FY23E EPS	US\$(0.17)	US\$(0.05)
FY24E EPS	US\$0.01	US\$0.10

52-Week High / Low	US\$15.65 / US\$6.95
Shares Out (mil)	60.4
Market Cap. (mil)	US\$581.8
Avg Daily Vol (000)	400
Div Yield	0.00%
Fiscal Year End	Dec

Price Performance - 1 Year



Source: Bloomberg

YEAR	REVENUE (US\$ m)						EARNINGS PER SHARE (US\$)					
	Mar	Jun	Sep	Dec	FY	FY RM	Mar	Jun	Sep	Dec	FY	FY P/E
2022A	48.5	48.2	47.6	46.6	190.9	3.0x	(0.13)	(0.14)	(0.07)	(0.04)	(0.37)	NM
2023E	42.4	42.1	41.0	42.0	167.5	3.5x	(0.06)	0.00	(0.00)	0.01	(0.05)	NM
2024E	42.9	43.5	42.8	45.1	174.2	3.3x	0.01	0.02	0.03	0.04	0.10	98.6x

Piper Sandler does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decisions. This report should be read in conjunction with important disclosure information, including an attestation under Regulation Analyst Certification, found on pages 6 - 7 of this report or at the following site: <http://www.pipersandler.com/researchdisclosures>.

Key Performance Indicators

Key Operating Metrics	Fiscal Quarters									Trend	Pri 4-Qtr Avg
	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22		
Revenue	\$53.3	\$50.1	\$52.1	\$49.4	\$52.0	\$48.5	\$48.2	\$47.6	\$46.6		-4%
Revenue Growth (y/y)	122.6%	102.5%	43.5%	15.9%	-2.3%	-3.2%	-7.4%	-3.6%	-10.5%		-4%
Revenue Growth Ex-Legacy (y/y)	137%	111%	47%	16%	-2%	-3%	-7%	-4%	-10%		-4%
Total ARR	\$153.4	\$163.1	\$164.1	\$167.2	\$171.4	\$167.7	\$167.8	\$165.6	\$159.6		4%
Core Product ARR Growth (y/y)	99.6%	89.9%	43.7%	20.4%	11.7%	2.8%	2.3%	-1.0%	-6.9%		4%
\$100K+ ARR Customer Cohort	302	325	345	359	366	367	349	351	345		8%
\$100K+ Customer Growth (y/y)	109.7%	101.9%	50.7%	32.5%	21.2%	12.9%	1.2%	-2.2%	-5.7%		8%

Source: Company Reports, Piper Sandler

Valuation Summary

Our Case

	Base CY27E	Bull CY27E	Bear CY27E
Estimated Revenue (000s)	\$210	\$290	\$185
Estimated FCF (000s)	\$42	\$67	\$28
Estimated % FCF margin	20.0%	23.0%	15.0%
Discount rate	16%	16%	16%
Discount period by year	4	4	4
Discounted FCF	\$23	\$37	\$15
Assumed EV/FCF multiple	10.0x	12.0x	6.0x
Enterprise value	\$232	\$442	\$92
Net cash (debt)	\$270	\$270	\$270
FD share count	58	58	58
Annual dilution	-2%	-2%	-2%
Share value	\$9	\$12	\$6
% upside	-10%	27%	-35%
Implied EV/S (CY24E)	1.3x	2.1x	0.6x
Current EV/S (CY24E)	1.5x	1.2x	1.6x

Source: Piper Sandler Estimates

Peer Group - SaaS Platforms

	2/28/2023	2023E	2023E	2024E
Ticker	Price	Growth	EV/S	EV/S
TWLO	\$67.21	13%	2.2x	0.6x
SPT	\$60.98	31%	9.6x	0.4x
HUBS	\$386.86	19%	8.7x	0.5x
LPSN	\$10.12	6%	1.4x	0.8x
PD	\$29.86	23%	5.1x	0.5x
MNTV	\$6.90	3%	2.1x	0.8x
Average		16%	4.8x	0.6x
ONTF	\$9.64	-12%	1.5x	1.5x

Source: FactSet, Piper Sandler Estimates

Brent Bracelin
Managing Director | Senior Research Analyst
Cloud Applications & Analytics
Phone: 503-275-8316
Email: Brent.Bracelin@psc.com

ONTF: ON24, Inc. Income Statement	FY 2020	FY 2021	1Q22 MAR	2Q22 JUN	3Q22 SEP	4Q22 DEC	FY 2022	1Q23E MAR	2Q23E JUN	3Q23E SEP	4Q23E DEC	FY 2023E	1Q24E MAR	2Q24E JUN	3Q24E SEP	4Q24E DEC	FY 2024E
\$ chg q/q			(\$3,700)	\$100	(\$2,200)	(\$6,000)		(\$4,252)	(\$3,491)	\$233	\$236		\$1,280	\$1,395	\$1,410	\$1,425	
Total ARR	\$153,400	\$171,400	\$167,700	\$167,800	\$165,600	\$159,600	\$159,600	\$155,348	\$151,857	\$152,090	\$152,326	\$152,326	\$153,607	\$155,002	\$156,412	\$157,837	\$157,837
% Y/Y Chg	100%	12%	3%	2%	-1%	-7%	-7%	-7%	-10%	-8%	-5%	-5%	-1%	2%	3%	4%	4%
\$ chg q/q						(\$3,400)		(\$3,052)	(\$2,991)	\$733	\$736		\$1,480	\$1,495	\$1,510	\$1,525	
Core Platform ARR	\$137,800	\$157,600			\$156,000	\$152,600	\$152,600	\$149,548	\$146,557	\$147,290	\$148,026	\$148,026	\$149,507	\$151,002	\$152,512	\$154,037	\$154,037
% Y/Y Chg	92%	14%			-	-3%	-3%	-	-	-6%	-3%	-3%	0%	3%	4%	4%	4%
% Y/Y Chg																	
Platform Revenue	82.9%	45.0%	1.4%	(2.9%)	(0.7%)	(6.6%)	(2.2%)	(11.5%)	(11.4%)	(14.0%)	(9.6%)	(11.6%)	0.5%	2.6%	3.7%	6.7%	3.4%
Services Revenue	133.0%	(17.5%)	(30.0%)	(33.2%)	(25.3%)	(35.5%)	(31.3%)	(22.7%)	(24.0%)	(12.8%)	(10.8%)	(18.0%)	8.2%	9.6%	11.4%	11.6%	10.2%
Platform Revenue	\$121,214	\$175,777	\$43,477	\$43,064	\$43,271	\$42,029	\$171,841	\$38,487	\$38,150	\$37,219	\$37,993	\$151,849	\$38,671	\$39,155	\$38,594	\$40,531	\$156,950
Services Revenue	\$33,583	\$27,702	\$5,015	\$5,174	\$4,304	\$4,538	\$19,031	\$3,879	\$3,934	\$3,752	\$4,049	\$15,614	\$4,197	\$4,310	\$4,179	\$4,521	\$17,207
Legacy Revenue	\$2,144	\$134	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$156,941	\$203,613	\$48,492	\$48,238	\$47,575	\$46,567	\$190,872	\$42,366	\$42,085	\$40,970	\$42,042	\$167,463	\$42,868	\$43,465	\$42,773	\$45,051	\$174,157
% Y/Y Chg	76.1%	29.7%	(3.2%)	(7.4%)	(3.6%)	(10.5%)	(6.3%)	(12.6%)	(12.8%)	(13.9%)	(9.7%)	(12.3%)	1.2%	3.3%	4.4%	7.2%	4.0%
% Y/Y Chg - Ex-Legacy	91.8%	31.4%	(3.1%)	(7.4%)	(3.5%)	(10.5%)	(6.2%)	(12.6%)	(12.8%)	(13.9%)	(9.7%)	(12.3%)	1.2%	3.3%	4.4%	7.2%	4.0%
\$ chg q/q			(\$3,542)	(\$254)	(\$663)	(\$1,008)		(\$4,201)	(\$281)	(\$1,114)	\$1,072		\$826	\$597	(\$692)	\$2,279	
Platform COGS	\$20,592	\$31,503	\$8,734	\$9,135	\$8,908	\$8,726	\$35,503	\$8,082	\$8,012	\$7,816	\$7,789	\$31,698	\$7,928	\$8,027	\$7,912	\$8,309	\$32,175
Services COGS	\$12,552	\$13,583	\$3,168	\$3,177	\$2,990	\$3,506	\$12,841	\$2,715	\$2,754	\$2,626	\$2,835	\$10,930	\$2,854	\$2,931	\$2,842	\$3,074	\$11,700
Total COGS	\$33,144	\$45,086	\$11,902	\$12,312	\$11,898	\$12,232	\$48,344	\$10,797	\$10,766	\$10,442	\$10,623	\$42,628	\$10,781	\$10,958	\$10,753	\$11,383	\$43,875
Gross Profit (Non-GAAP)	\$123,797	\$158,527	\$36,590	\$35,926	\$35,677	\$34,335	\$142,528	\$31,568	\$31,319	\$30,528	\$31,419	\$124,835	\$32,086	\$32,507	\$32,019	\$33,669	\$130,282
% Total Gross Margin	78.9%	77.9%	75.5%	74.5%	75.0%	73.7%	74.7%	74.5%	74.4%	74.5%	74.7%	74.5%	74.8%	74.8%	74.9%	74.7%	74.8%
% Gross Margin Ex-Legacy	80.0%	77.9%	75.5%	74.5%	75.0%	73.7%	74.7%	74.5%	74.4%	74.5%	74.7%	74.5%	74.8%	74.8%	74.9%	74.7%	74.8%
% Platform GM	83.0%	82.1%	79.9%	78.8%	79.4%	79.2%	79.3%	79.0%	79.0%	79.0%	79.5%	79.1%	79.5%	79.5%	79.5%	79.5%	79.5%
% Services GM	62.6%	51.0%	36.8%	38.6%	30.5%	22.7%	32.5%	30.0%	30.0%	30.0%	30.0%	30.0%	32.0%	32.0%	32.0%	32.0%	32.0%
Sales & Marketing	\$59,589	\$95,257	\$25,501	\$25,153	\$22,374	\$21,121	\$94,149	\$19,912	\$18,517	\$17,822	\$18,078	\$74,329	\$18,648	\$18,473	\$17,965	\$18,471	\$73,556
% of Revenue	38.0%	46.8%	52.6%	52.1%	47.0%	45.4%	49.3%	47.0%	44.0%	43.5%	43.0%	44.4%	43.5%	42.5%	42.0%	41.0%	42.2%
Research & Development	\$18,915	\$30,433	\$8,663	\$8,886	\$9,096	\$8,979	\$35,624	\$8,897	\$7,786	\$7,580	\$7,694	\$31,956	\$7,802	\$7,693	\$7,357	\$7,659	\$30,511
% of Revenue	12.1%	14.9%	17.9%	18.4%	19.1%	19.3%	18.7%	21.0%	18.5%	18.5%	18.3%	19.1%	18.2%	17.7%	17.2%	17.0%	17.5%
General & Administrative	\$20,521	\$30,777	\$8,085	\$8,071	\$7,854	\$7,692	\$31,702	\$7,414	\$6,944	\$6,555	\$6,643	\$27,556	\$6,645	\$6,520	\$6,416	\$6,532	\$26,113
% of Revenue	13.1%	15.1%	16.7%	16.7%	16.5%	16.5%	16.6%	17.5%	16.5%	16.0%	15.8%	16.5%	15.5%	15.0%	15.0%	14.5%	15.0%
Operating Expenses	\$99,025	\$156,467	\$42,249	\$42,110	\$39,324	\$37,792	\$161,475	\$36,223	\$33,247	\$31,957	\$32,415	\$133,841	\$33,094	\$32,686	\$31,737	\$32,662	\$130,179
% Y/Y	63.1%	76.8%	14.4%	10.3%	(0.3%)	(9.8%)	84.6%	(14.3%)	(21.0%)	(18.7%)	(14.2%)	79.9%	(8.6%)	(1.7%)	(0.7%)	0.8%	74.7%
Operating Income (Non-GAAP)	\$24,772	\$2,060	(\$5,659)	(\$6,184)	(\$3,647)	(\$3,457)	(\$18,947)	(\$4,654)	(\$1,928)	(\$1,429)	(\$995)	(\$9,006)	(\$1,008)	(\$178)	\$282	\$1,006	\$102
% Operating Margin	15.8%	1.0%	(11.7%)	(12.8%)	(7.7%)	(7.4%)	(9.9%)	(11.0%)	(4.6%)	(3.5%)	(2.4%)	(5.4%)	(2.4%)	(0.4%)	0.7%	2.2%	0.1%
Interest income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest (expense)	(\$869)	(\$464)	(\$54)	(\$49)	(\$42)	(\$36)	(\$181)	(\$40)	(\$40)	(\$40)	(\$40)	(\$160)	(\$40)	(\$40)	(\$40)	(\$40)	(\$160)
Other income (expense)	\$76	(\$487)	(\$177)	(\$103)	\$463	\$2,331	\$2,514	\$2,100	\$2,100	\$1,500	\$1,500	\$7,200	\$1,500	\$1,500	\$1,500	\$1,500	\$6,000
Pre-tax income (losses)	\$23,979	\$1,109	(\$5,890)	(\$6,336)	(\$3,226)	(\$1,162)	(\$16,614)	(\$2,594)	\$132	\$31	\$465	(\$1,966)	\$452	\$1,282	\$1,742	\$2,466	\$5,942
Tax expense	(\$297)	\$285	(\$82)	(\$41)	(\$40)	(\$795)	(\$958)	(\$100)	(\$100)	(\$100)	(\$100)	(\$400)	(\$100)	(\$100)	(\$100)	(\$100)	(\$400)
Tax rate	-9%	105%	328%	210%	-1102%	-6475%	-1389%	-5250%	-5250%	-3750%	-3750%	-4500%	-3750%	-3750%	-3750%	-3750%	-3750%
Net Income (Non-GAAP)	\$23,682	\$1,394	(\$5,972)	(\$6,377)	(\$3,266)	(\$1,957)	(\$17,572)	(\$2,694)	\$32	(\$69)	\$365	(\$2,366)	\$352	\$1,182	\$1,642	\$2,366	\$5,542
% Net Margin	15.1%	0.7%	(12.3%)	(13.2%)	(6.9%)	(4.2%)	(9.2%)	(6.4%)	0.1%	(0.2%)	0.9%	(1.4%)	0.8%	2.7%	3.8%	5.3%	3.2%
EPS	\$1.46	\$0.03	(\$0.13)	(\$0.14)	(\$0.07)	(\$0.04)	(\$0.37)	(\$0.06)	\$0.00	(\$0.00)	\$0.01	(\$0.05)	\$0.01	\$0.02	\$0.03	\$0.04	\$0.10
Basic Shares Outstanding	10.0	43.6	47.6	47.2	47.6	48.0	47.6	47.5	46.3	45.1	43.9	45.7	44.1	44.3	44.5	44.7	44.4
Pro-forma Outstanding	16.2	51.5	56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7	56.7
Net Income (Non-GAAP)	\$23,682	\$1,394	(\$5,972)	(\$6,377)	(\$3,266)	(\$1,957)	(\$17,572)	(\$2,694)	\$32	(\$69)	\$365	(\$2,366)	\$352	\$1,182	\$1,642	\$2,366	\$5,542
Stock-based Compensation	(\$2,929)	(\$25,650)	(\$9,507)	(\$9,698)	(\$9,903)	(\$9,435)	(\$38,543)	(\$9,500)	(\$9,500)	(\$9,500)	(\$9,500)	(\$38,000)	(\$9,500)	(\$9,500)	(\$9,500)	(\$9,500)	(\$38,000)
Other	\$0	\$0	\$0	(\$137)	(\$1,218)	(\$738)	(\$2,093)	(\$4,200)	\$0	\$0	\$0	(\$4,200)	\$0	\$0	\$0	\$0	\$0
GAAP Net Income	\$20,753	(\$24,256)	(\$15,479)	(\$16,212)	(\$14,387)	(\$12,130)	(\$58,208)	(\$16,394)	(\$9,468)	(\$9,569)	(\$9,135)	(\$44,566)	(\$9,148)	(\$8,318)	(\$7,858)	(\$7,134)	(\$32,458)

Source: Piper Sandler Estimates, Company Filings

(figures in \$ thousands)

Current disclosure information for this company can be found at:

www.pipersandler.com/researchdisclosures

Last Updated: 3/1/2023

ONTF: ON24, Inc. Balance Sheet	FY 2020	FY 2021	1Q22 MAR	2Q22 JUN	3Q22 SEP	4Q22 DEC	FY 2022	1Q23E MAR	2Q23E JUN	3Q23E SEP	4Q23E DEC	FY 2023E	1Q24E MAR	2Q24E JUN	3Q24E SEP	4Q24E DEC	FY 2024E
Assets																	
Cash and cash equivalents	\$61,243	\$382,557	\$359,027	\$344,869	\$341,824	\$328,121	\$328,121	\$301,635	\$290,796	\$285,880	\$266,011	\$266,011	\$260,020	\$265,522	\$278,096	\$275,007	\$275,007
Accounts receivable, net	\$48,617	\$46,117	\$42,078	\$39,765	\$31,213	\$43,757	\$43,757	\$39,600	\$37,548	\$28,642	\$43,890	\$43,890	\$39,317	\$37,059	\$27,263	\$44,798	\$44,798
Deferred Commission, current	\$10,528	\$11,921	\$14,345	\$12,212	\$12,018	\$13,136	\$13,136	\$14,488	\$12,334	\$12,138	\$13,267	\$13,267	\$14,633	\$12,457	\$12,260	\$13,400	\$13,400
Prepaid expenses and other assets	\$7,079	\$8,467	\$11,759	\$9,945	\$8,375	\$6,281	\$6,281	\$10,903	\$8,727	\$6,998	\$4,464	\$4,464	\$10,472	\$8,079	\$6,177	\$3,390	\$3,390
Total Current Assets	\$127,467	\$449,062	\$427,209	\$406,791	\$393,430	\$391,295	\$391,295	\$366,626	\$349,404	\$333,658	\$327,632	\$327,632	\$324,443	\$323,117	\$323,795	\$336,595	\$336,595
Net property, plant & equipment	\$9,051	\$8,780	\$8,672	\$8,076	\$8,129	\$7,212	\$7,212	\$6,962	\$6,712	\$6,462	\$6,212	\$6,212	\$6,062	\$5,912	\$5,762	\$5,612	\$5,612
Deferred Commission, non-current	\$18,753	\$20,887	\$18,023	\$19,947	\$18,980	\$17,773	\$17,773	\$17,163	\$16,570	\$15,996	\$15,423	\$15,423	\$14,905	\$14,401	\$13,912	\$13,426	\$13,426
Other long-term assets	\$1,447	\$1,760	\$8,224	\$10,377	\$9,766	\$9,193	\$9,193	\$9,193	\$9,193	\$9,193	\$9,193	\$9,193	\$9,193	\$9,193	\$9,193	\$9,193	\$9,193
Total Assets	\$156,718	\$480,489	\$462,128	\$445,191	\$430,305	\$425,473	\$425,473	\$399,944	\$381,879	\$365,308	\$358,460	\$358,460	\$354,602	\$352,623	\$352,662	\$364,826	\$364,826
Liabilities																	
Accounts payable	\$4,730	\$3,123	\$5,149	\$3,626	\$4,283	\$4,611	\$4,611	\$6,527	\$4,956	\$4,900	\$6,297	\$6,297	\$8,405	\$6,677	\$6,616	\$8,152	\$8,152
Accrued liabilities	\$17,439	\$18,740	\$18,707	\$18,798	\$17,058	\$18,465	\$18,465	\$17,487	\$18,595	\$16,484	\$18,023	\$18,023	\$16,752	\$17,970	\$15,226	\$16,919	\$16,919
Deferred revenue	\$92,240	\$96,225	\$92,127	\$90,774	\$81,029	\$83,453	\$83,453	\$80,949	\$82,568	\$84,220	\$90,115	\$90,115	\$87,412	\$90,908	\$94,544	\$103,999	\$103,999
Long-term debt, current portion	\$2,359	\$2,039	\$1,637	\$1,755	\$1,762	\$1,554	\$1,554	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other current liabilities	\$0	\$0	\$2,462	\$2,563	\$2,676	\$2,648	\$2,648	\$2,648	\$2,648	\$2,648	\$2,648	\$2,648	\$2,648	\$2,648	\$2,648	\$2,648	\$2,648
Total Current Liabilities	\$116,768	\$120,127	\$120,082	\$117,516	\$106,808	\$110,731	\$110,731	\$107,612	\$108,768	\$108,252	\$117,083	\$117,083	\$115,217	\$118,204	\$119,034	\$131,718	\$131,718
Long-term debt	\$25,727	\$1,955	\$1,377	\$719	\$300	\$91	\$91	\$91	\$91	\$91	\$91	\$91	\$91	\$91	\$91	\$91	\$91
Other long-term liabilities	\$4,022	\$3,317	\$8,123	\$7,579	\$7,313	\$6,690	\$6,690	\$6,690	\$6,690	\$6,690	\$6,690	\$6,690	\$6,690	\$6,690	\$6,690	\$6,690	\$6,690
Total Liabilities	\$146,517	\$125,399	\$129,582	\$125,814	\$114,421	\$117,512	\$117,512	\$114,393	\$115,549	\$115,033	\$123,864	\$123,864	\$121,998	\$124,985	\$125,815	\$138,499	\$138,499
Common Stock	\$1	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5	\$5
Additional paid in capital	\$181,369	\$550,839	\$545,144	\$548,740	\$559,381	\$562,555	\$562,555	\$572,055	\$581,555	\$591,055	\$600,555	\$600,555	\$610,055	\$619,555	\$629,055	\$638,555	\$638,555
Cumulative Translation Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated deficit	(\$171,169)	(\$195,754)	(\$212,603)	(\$229,368)	(\$243,502)	(\$254,599)	(\$254,599)	(\$286,509)	(\$315,229)	(\$340,784)	(\$365,964)	(\$365,964)	(\$377,455)	(\$391,922)	(\$402,213)	(\$412,233)	(\$412,233)
Total Liabilities & Stockholders Equity	\$156,718	\$480,489	\$462,128	\$445,191	\$430,305	\$425,473	\$425,473	\$399,944	\$381,879	\$365,308	\$358,460	\$358,460	\$354,602	\$352,623	\$352,662	\$364,826	\$364,826

Source: Piper Sandler Estimates, Company Filings
(figures in \$ thousands)

ONTF: ON24, Inc. Statement of Cash Flows	FY 2020	FY 2021	1Q22 MAR	2Q22 JUN	3Q22 SEP	4Q22 DEC	FY 2022	1Q23E MAR	2Q23E JUN	3Q23E SEP	4Q23E DEC	FY 2023E	1Q24E MAR	2Q24E JUN	3Q24E SEP	4Q24E DEC	FY 2024E
Net Income	\$20,753	(\$24,256)	(\$15,479)	(\$16,212)	(\$14,387)	(\$12,130)	(\$58,208)	(\$16,394)	(\$9,468)	(\$9,569)	(\$9,135)	(\$44,566)	(\$9,148)	(\$8,318)	(\$7,858)	(\$7,134)	(\$32,458)
Depreciation	\$2,974	\$4,592	\$1,207	\$1,339	\$1,407	\$1,463	\$5,416	\$1,450	\$1,450	\$1,450	\$1,450	\$5,800	\$1,450	\$1,450	\$1,450	\$1,450	\$5,800
Stock-based compensation expense	\$2,929	\$25,650	\$9,507	\$9,698	\$9,903	\$9,435	\$38,543	\$9,500	\$9,500	\$9,500	\$9,500	\$38,000	\$9,500	\$9,500	\$9,500	\$9,500	\$38,000
Amortization of deferred commissions	\$11,115	\$15,248	\$4,067	\$3,950	\$3,833	\$3,815	\$15,665	\$3,457	\$3,358	\$3,258	\$3,243	\$13,315	\$2,938	\$2,854	\$2,769	\$2,756	\$11,318
Provision for doubtful accounts	\$3,009	\$2,943	\$260	\$487	\$456	\$715	\$1,918	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Noncash interest and dividends received	\$63	\$503	\$773	\$558	\$130	(\$582)	\$879	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Changes in assets and liabilities:																	
Accounts receivable	(\$29,024)	(\$443)	\$3,779	\$1,866	\$8,096	(\$13,259)	\$482	\$4,157	\$2,053	\$8,906	(\$15,248)	(\$133)	\$4,573	\$2,258	\$9,796	(\$17,535)	(\$908)
Deferred commissions	(\$26,354)	(\$18,775)	(\$3,627)	(\$3,741)	(\$2,672)	(\$3,726)	(\$13,766)	(\$4,715)	(\$4,863)	(\$3,474)	(\$4,844)	(\$17,896)	(\$6,130)	(\$6,322)	(\$4,516)	(\$6,297)	(\$23,265)
Prepaid expenses & other assets	(\$2,862)	(\$4,617)	(\$3,555)	\$1,978	\$1,572	\$2,303	\$2,298	(\$4,622)	\$2,176	\$1,729	\$2,533	\$1,817	(\$6,008)	\$2,393	\$1,902	\$2,787	\$1,074
Accounts payable	\$2,032	(\$1,247)	\$1,742	(\$1,428)	(\$51)	\$1,270	\$1,533	\$1,916	(\$1,571)	(\$56)	\$1,397	\$1,686	\$2,108	(\$1,728)	(\$62)	\$1,537	\$1,855
Accrued liabilities	\$4,986	\$2,311	(\$752)	\$1,007	(\$1,624)	\$1,399	\$30	(\$978)	\$1,108	(\$2,111)	\$1,539	(\$442)	(\$1,271)	\$1,218	(\$2,745)	\$1,693	(\$1,104)
Other liabilities	\$122	(\$705)	(\$594)	(\$782)	(\$373)	(\$695)	(\$2,444)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Deferred revenue	\$47,799	\$3,985	(\$4,098)	(\$1,388)	(\$9,745)	\$2,424	(\$12,807)	(\$2,504)	\$1,619	\$1,651	\$5,895	\$6,662	(\$2,703)	\$3,496	\$3,636	\$9,454	\$13,884
Net cash used by operating activities	\$37,542	\$5,189	(\$6,770)	(\$2,668)	(\$3,455)	(\$7,568)	(\$20,461)	(\$8,732)	\$5,361	\$11,285	(\$3,670)	\$4,244	(\$4,691)	\$6,802	\$13,874	(\$1,789)	\$14,196
% OCF margin	23.9%	2.5%	-14.0%	-5.5%	-7.3%	-16.3%	-10.7%	-20.6%	12.7%	27.5%	-8.7%	2.5%	-10.9%	15.6%	32.4%	-4.0%	8.2%
Purchase/sales of investments, net	\$2,000	(\$215,626)	(\$45,563)	(\$6,454)	(\$39,823)	\$6,556	(\$85,284)	\$15,000	\$15,000	\$15,000	\$15,000	\$60,000	\$0	\$0	\$0	\$0	\$0
Capital expenditures	(\$1,030)	(\$3,564)	(\$984)	(\$690)	(\$726)	(\$1,297)	(\$3,697)	(\$1,200)	(\$1,200)	(\$1,200)	(\$1,200)	(\$4,800)	(\$1,300)	(\$1,300)	(\$1,300)	(\$1,300)	(\$5,200)
Net cash used by investing activities	\$970	(\$219,190)	(\$46,547)	(\$7,144)	(\$40,549)	\$5,259	(\$88,981)	\$13,800	\$13,800	\$13,800	\$13,800	\$55,200	(\$1,300)	(\$1,300)	(\$1,300)	(\$1,300)	(\$5,200)
Proceeds from public offering		\$351,631	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Proceeds on line of credit, long-term debt	\$202	(\$22,597)	(\$66)	(\$67)	(\$68)	(\$69)	(\$270)	(\$1,554)	\$0	\$0	\$0	(\$1,554)	\$0	\$0	\$0	\$0	\$0
Changes in other liabilities	\$602	(\$8,520)	(\$14,090)	(\$7,875)	\$302	(\$6,685)	(\$28,348)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$60,000)	\$0	\$0	\$0	\$0	\$0
Net cash used in financing activities	\$804	\$320,514	(\$14,156)	(\$7,942)	\$234	(\$6,754)	(\$28,618)	(\$16,554)	(\$15,000)	(\$15,000)	(\$15,000)	(\$61,554)	\$0	\$0	\$0	\$0	\$0
Effect of exchange rate changes	\$96	\$185	\$27	\$249	\$211	(\$301)	\$186					\$0					\$0
Net increase (decrease) in Cash	\$39,412	\$106,698	(\$67,446)	(\$17,505)	(\$43,559)	(\$9,364)	(\$137,874)	(\$11,486)	\$4,161	\$10,085	(\$4,870)	(\$2,110)	(\$5,991)	\$5,502	\$12,574	(\$3,089)	\$8,996
Cash at Beginning of Period	\$18,933	\$58,345	\$165,043	\$97,597	\$80,092	\$36,533	\$165,043	\$27,169	\$15,683	\$19,844	\$29,928	\$27,169	\$25,059	\$19,068	\$24,570	\$37,144	\$25,059
Cash at End of Period	\$58,345	\$165,043	\$97,597	\$80,092	\$36,533	\$27,169	\$27,169	\$15,683	\$19,844	\$29,928	\$25,059	\$25,059	\$19,068	\$24,570	\$37,144	\$34,055	\$34,055
Free Cash Flow	\$36,512	\$1,625	(\$7,754)	(\$3,358)	(\$4,181)	(\$8,865)	(\$24,158)	(\$9,932)	\$4,161	\$10,085	(\$4,870)	(\$556)	(\$5,991)	\$5,502	\$12,574	(\$3,089)	\$8,996
% FCF margin	23.3%	0.8%	-16.0%	-7.0%	-8.8%	-19.0%	-12.7%	-23.4%	9.9%	24.6%	-11.6%	-0.3%	-14.0%	12.7%	29.4%	-6.9%	5.2%

Source: Piper Sandler Estimates, Company Filings
(figures in \$ thousands)

IMPORTANT RESEARCH DISCLOSURES



Notes: The boxes on the Rating and Price Target History chart above indicate the date of the fundamental Equity Research Note, the rating and the price target. Each box represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first Note written during the past three years.

Legend:

I: Initiating Coverage
R: Resuming Coverage
T: Transferring Coverage
D: Discontinuing Coverage
S: Suspending Coverage
OW: Overweight
N: Neutral
UW: Underweight
NA: Not Available
UR: Under Review

Distribution of Ratings/IB Services Piper Sandler				
Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	590	59.24	185	31.36
HOLD [N]	358	35.94	68	18.99
SELL [UW]	48	4.82	1	2.08

Note: Distribution of Ratings/IB Services shows the number of companies currently covered by fundamental equity research in each rating category from which Piper Sandler and its affiliates received compensation for investment banking services within the past 12 months. FINRA rules require disclosure of which ratings most closely correspond with "buy," "hold," and "sell" recommendations. Piper Sandler ratings are not the equivalent of buy, hold or sell, but instead represent recommended relative weightings. Nevertheless, Overweight corresponds most closely with buy, Neutral with hold and Underweight with sell. See Stock Rating definitions below.

Analyst Certification

The analyst Brent A. Bracelin, primarily responsible for the preparation of this research report, attests to the following:

The views expressed in this report accurately reflect my personal views about the subject company and the subject security. In addition, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Piper Sandler research analysts receive compensation that is based, in part, on overall firm revenues, which include investment banking revenues.

Time of dissemination: 1 March 2023 05:02EST.

Research Disclosures

Piper Sandler will buy and sell the securities of ON24, Inc. on a principal basis.

Affiliate disclosures: Piper Sandler is the trade name and registered trademark under which the corporate and investment banking products and services of Piper Sandler Companies and its subsidiaries Piper Sandler & Co. and Piper Sandler Ltd. are marketed. This report has been prepared by Piper Sandler & Co. and/or its affiliate Piper Sandler Ltd. Piper Sandler & Co. is regulated by FINRA, NYSE and the United States Securities and Exchange Commission, and its headquarters are located at 800 Nicollet Mall, Minneapolis, MN 55402. Piper Sandler Ltd. is authorised and regulated by the Financial Conduct Authority, and is located at 6th Floor, 2 Gresham Street, London EC2V 7AD. Disclosures in this section and in the Other Important Information section referencing Piper Sandler include all affiliated entities unless otherwise specified.

Rating Definitions

Stock Ratings: Piper Sandler fundamental research ratings are indicators of expected total return (price appreciation plus dividend) within the next 12 months. At times analysts may specify a different investment horizon or may include additional investment time horizons for specific stocks. Stock performance is measured relative to the group of stocks covered by each analyst. Lists of the stocks covered by each are available at www.pipersandler.com/researchdisclosures. Stock ratings and/or stock coverage may be suspended from time to time in the event that there is no active analyst opinion or analyst coverage, but the opinion or coverage is expected to resume. Research reports and ratings should not be relied upon as individual investment advice. As always, an investor's decision to buy or sell a security must depend on individual circumstances, including existing holdings, time horizons and risk tolerance. Piper Sandler sales and trading personnel may provide written or oral commentary, trade ideas, or other information about a particular stock to clients or internal trading desks reflecting different opinions than those expressed by the research analyst. In addition, Piper Sandler offers technical research products that are based on different methodologies, may contradict the opinions contained in fundamental research reports, and could impact the price of the subject security. Recommendations based on technical analysis are intended for the professional trader, while fundamental opinions are typically suited for the longer-term institutional investor.

Overweight (OW): Anticipated to outperform relative to the median of the group of stocks covered by the analyst.

Neutral (N): Anticipated to perform in line relative to the median of the group of stocks covered by the analyst.

Underweight (UW): Anticipated to underperform relative to the median of the group of stocks covered by the analyst.

Other Important Information

The material regarding the subject company is based on data obtained from sources we deem to be reliable; it is not guaranteed as to accuracy and does not purport to be complete. This report is solely for informational purposes and is not intended to be used as the primary basis of investment decisions. Piper Sandler has not assessed the suitability of the subject company for any person. Because of individual client requirements, it is not, and it should not be construed as, advice designed to meet the particular investment needs of any investor. This report is not an offer or the solicitation of an offer to sell or buy any security. Unless otherwise noted, the price of a security mentioned in this report is the most recently available closing market price. Piper Sandler does not maintain a predetermined schedule for publication of research and will not necessarily update this report. Piper Sandler policy generally prohibits research analysts from sending draft research reports to subject companies; however, it should be presumed that the fundamental equity analyst(s) who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication, and has had assistance from the company in conducting diligence, including visits to company sites and meetings with company management and other representatives. Notice to customers: This material is not directed to, or intended for distribution to or use by, any person or entity if Piper Sandler is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to such person or entity. Customers in any of the jurisdictions where Piper Sandler and its affiliates do business who wish to effect a transaction in the securities discussed in this report should contact their local Piper Sandler representative, or as otherwise noted below. Canada: Piper Sandler & Co. is not registered as a dealer in Canada and relies on the "international dealer exemption" set forth in National Instrument 31-103 – Registration Requirements, Exemptions and Ongoing Registrant Obligations of the Canadian Securities Administrators. This research report has not been prepared in accordance with the disclosure requirements of Dealer Member Rule 3400 – Research Restrictions and Disclosure Requirements of the Investment Industry Regulatory Organization of Canada. Europe: This material is for the use of intended recipients only and only for distribution to professional and institutional investors, i.e., persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom, or persons who have been categorised by Piper Sandler Ltd. as professional clients under the rules of the Financial Conduct Authority. United States: This report is distributed in the United States by Piper Sandler & Co., member SIPC, FINRA and NYSE, Inc., which accepts responsibility for its contents. The securities described in this report may not have been registered under the U.S. Securities Act of 1933 and, in such case, may not be offered or sold in the United States or to U.S. persons unless they have been so registered, or an exemption from the registration requirements is available. This report is produced for the use of Piper Sandler customers and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose without the prior consent of Piper Sandler & Co. Additional information is available upon request. Copyright 2023 Piper Sandler. All rights reserved.