

US Equity Research

10 May 2023

ON24 Software - Applications

Estimates Revised

Rating Price Target US\$10.00 **HOLD** unchanged unchanged ONTF-NYSE US\$8.60

Market Data

52-Week Range (US\$):	6.95 - 13.14
Avg Daily Vol (000s) :	304
Market Cap (US\$M):	457.6
Shares Out. (M) :	53.2
Enterprise Value (US\$M):	247
Net Cash (US\$M):	356.0

FYE Dec	2022A	2023E	2024E
Sales (US\$M)	190.9	164.0↓	157.0↓
Previous	-	165.0	163.5
EV/Sales(x)	0.7	0.9	0.9
Free Cash Flow (US\$M)	(24.2)	(12.2)	(0.8)
EV/FCF (x)	NA	NA	NA
EPS Non-GAAP (US\$)	(0.37)	(0.02)↑	0.14
Previous	-	(0.03)	-

Quarterly Sales	Q1	Q2	QЗ	Q4
2022A	48.5	48.2	47.6	46.6
2023E	43.1A	41.5	40.3	39.1
2024E	38.8	38.7	39.4	40.2
Quarterly	Q1	Q2	Q3	Q4
EPS Non- GAAP		_	-	-
	(0.13)	(0.14)	(0.07)	(0.04)
GAAP	(0.13) (0.04)A	(0.14)	(0.07)	(0.04)



Priced as of close of business 9 May 2023

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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Down-sell pressures persist; another negative growth revision takes away from cost-cutting execution

Investment recommendation

The March quarter unfortunately brought more of the same for On24 as marketing headcount reductions and budget scrutiny continued to put down-sell pressure on the base, particularly among the firm's largest customers. There's no question that it remains a challenging environment for much of MarTech, and On24 faces the unique challenge of less-capable, lower-priced (and at times free/bundled) alternatives that are at least temporarily eating away at its share. It's frankly hard to know when these pressures might abate, and given we're again faced with another round of negative growth revisions, we'd suggest that management is scratching its head as well. We probably need to see how On24 can execute in a more normalized environment to better know whether the current headwinds are transient or something more structural.

On the positive side, management is controlling what it can in a tough environment as the firm has executed what it believes to be roughly \$40M in annualized cost reductions and the pulled-forward goal remains EBITDA breakeven by Q4/23. In addition, by will or by force, the firm is being equally aggressive with the return of its \$300M+ cash war chest, which is coming in the form of a \$50M special dividend and \$75M of planned share repurchases. These are shareholder-friendly moves reserved for tough times, but the tough truth is that you can't cut your way to a sustainably higher stock price, so we're going to need to see some fundamental improvements before getting more constructive on this stock. Yes, ONTF shares look cheap at ~1.0x EV/R on C2023, but with a lack of near-term catalysts and a still challenged margin profile, we continue to believe the correct rating here is HOLD.

Highlights from the print

Key commentary. We'd highlight the following points of commentary: (1) the demand environment remains challenged, with On24 experiencing incremental hesitancy from customers in Q1; (2) new business in the technology and manufacturing verticals, which accounts for over half of core ARR, is particularly challenging; (3) On24 remains on track to achieve its goal of reaching breakeven EPS by Q2'23, EBITDA breakeven by Q4'23, and ongoing profitability in 2024 and beyond; and (4) after having returned \$41M under its prior share repurchase program through February 2023, On24 is initiating an additional \$125M capital return program which it announced in March, which it's committed to completing by Q1'24.

Key metrics from the quarter. Year-over-year, core platform revenue of \$41M declined 7%, total revenue, inclusive of its now de-emphasized Virtual Conference product, declined 11% to \$43M, and core ARR of \$149M declined 4%, representing a sequential decline of \$3.3M, in line with expectations. On the bottom line, operating margin of -10% showed 200bps of improvement from last year's -12%, largely due to cost savings measures implemented in Q1.

- \$100K+ ARR customer count now totals 333, down 12 from 345 last quarter, primarily due to customers reducing their spend below the \$100K threshold, rather than churning.
- Total customer count now totals 1,916, down 74 from 1,990 last quarter with churn from SMB customers totaling more than half of net logo reductions.
- ARR per customer marked a new high at \$78K.
- Following cost reductions, headcount is now 13% lower than December 2022.

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The updated CY23 outlook. On24 now expects core revenue to decline by 10-12%, down from the 7-10% previously expected decline. On the bottom line, the company expects losses consistent with prior expectations, implying margins of \sim (6%). In terms of ARR, the company expects a sequential decline of 4.5-5.0% in Q2, with its Virtual Conference product contributing \$1.5M of that decline. For core platform ARR, which excludes its Virtual Conference product, it expects a slightly more modest decline of 3.5-4.0%. It also expects to see better ARR performance starting in Q3 with improved renewal cohort dynamics. Finally, On24 continues to believe it can achieve profitable growth in 2024 and beyond.



Valuation and price target

We are maintaining our price target at \$10. This price target is based on a \sim 2x EV/revenue multiple applied to our C2023 revenue estimate of \$164M and assumes \sim \$220M of net cash and \sim 47M fully diluted shares outstanding.

Quarterly results

The table below details ON24's March quarter (Q1/23) results compared to our published estimates and the year ago quarter's results.

Figure 1: ONTF March 2023 (Q1/23)

\$ Millions	<u>Mar-22</u>	<u>Mar-23</u>	<u>Mar-23E</u>	<u>Actual -</u> <u>Estimate</u>	<u>Percent</u> <u>Difference</u>
Annual Recurring Revenue (ARR)	\$167.7	\$155.6	\$154.0	\$1.6	1%
Growth	3%	-7%	-8%		
Sequential Dollar Change in ARR	(\$3.7)	(\$4.0)	(\$5.6)	\$1.6	-29%
Core Platform ARR Growth	\$155.4 	\$149.2 -4%			
Sequential Dollar Change in ARR	(\$2.2)	(\$3.4)			
Core Subscription Revenue	43.5	37.8	36.7	1.1	3%
Core Service Revenue	5.0	<u>3.4</u>	3.8	(0.4)	<u>-11%</u>
Core Revenue	48.5	41.2	40.5	0.7	2%
Non-Core Revenue (Virtual)	0.0	<u>1.9</u>	<u>1.7</u>	0.2	<u>n/a</u>
Total Revenue	48.5	43.1	42.2	0.9	2%
Cost of Platform	(8.7)	(8.3)	(8.1)	(0.2)	-3%
Cost of Service	(3.2)	(3.1)	(2.7)	(0.5)	-17%
Cost of Legacy	0.0	0.0	(1.7)	<u>1.7</u>	<u>n/a</u>
non-GAAP Gross Profit	36.6	31.6	29.8	1.9	6%
Sales & Marketing	(25.5)	(20.1)	(19.5)	(0.6)	-3%
Research & Development	(8.7)	(8.2)	(8.2)	0.1	1%
General & Administrative	(8.1)	(7.5)	(7.0)	(0.5)	<u>-7%</u>
Cost of Operations	(42.2)	(35.8)	(34.7)	(1.1)	-3%
non-GAAP Operating Income	(5.7)	(4.2)	(5.0)	0.8	-16%
Stock Based Compensation	(9.5)	(10.1)	(8.4)	(1.7)	-20%
Amortization & Other	0.0	(5.6)	(4.0)	(1.6)	41%
GAAP Operating Income	(15.2)	(19.9)	(17.4)	(2.5)	14%
Interest Income	0.0	0.0	0.0	0.0	n/a
Interest Expense	(0.1)	(0.0)	2.3	(2.3)	n/a
Other Income (Expense)	(0.2)	2.6	0.0	2.6	n/a
GAAP Pre-Tax Income	(15.4)	(17.4)	(15.1)	(2.3)	15%
Tax Rate	-1%	-1%	0%	-1%	n/a
Income Tax Benefit (Expense)	(0.1)	(0.2)	0.0	(0.2)	n/a
GAAP Net Income	(15.5)	(17.6)	(15.1)	(2.5)	16%
Reversal of SBC, Amort, & Other	9.5	15.8	12.4	3.3	27%
Tax Effect of Add-Backs	0.0	0.0	0.0	0.0	<u>n/a</u>
non-GAAP Net Income	(6.0)	(1.8)	(2.7)	0.8	-32%
Basic Shares Outstanding	47.6	47.3	47.5	(0.2)	0%
Pro Forma/Diluted Shares Outstanding	56.2	53.2	57.5	(4.3)	-7%
GAAP EPS	(\$0.32)	(\$0.37)	(\$0.32)	(\$0.05)	17%
non-GAAP EPS	(\$0.13)	(\$0.04)	(\$0.06)	\$0.02	-31%
Free Cash Flow	(7.8)	(4.3)	(8.5)	4.2	-49%
Customer Count	2,145	1,916	1,940	(24)	-1%
Growth	4%	-11%	-10%		
Net New Customer Additions	23	(74)	(50)	(24)	48%
Customers with ARR >\$100K	367	333	345	(12)	-3%
Growth	13%	-9%	-6%		
% of Total	17%	17%	18%		
Net New >\$100K ARR Additions	1	(12)	0	(12)	n/a
ARR per Customer	78,603	79,672	78,372	1,301	2%
Growth	-2%	1%	0%		
Calculated Billings (Revenue + △ Deferred)	44.4	43.1	38.0	5.1	13%
Growth	-17%	-3%	-14%		
				ć0.70	13%
Net Cash & ST Investments per Share	\$6.33	\$5.91	\$5.21	\$0.70	13%

Source: Company Reports, Canaccord Genuity estimates



Figure 2: Income statement

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	On24																											
	(ONTF/NYSE)																											
	5/9/2023	*Reclassified	Virtual Event l	ousiness to non-c	ore starting in					Quarte					Quarte					Quarte					Quarte			
	Income Statement				Quarte	erty	\rightarrow			Quarte	ny				Quarte	riy				Quarte	erty				Quarte	rly		
	\$ Millions	CY-2018	CY-2019	Mar-20	Jun-20	Sep-20	Dec-20	CY-2020	Mar-21	Jun-21	Sep-21	Dec-21	CY-2021	Mar-22	Jun-22	Sep-22	Dec-22	CY-2022	Mar-23	lun-23E	Sept-23E	Dec-23E	CY-2023E	Mar-24E	Jun-24E	Sept-24E	Dec-24E	CY-2024E
	Annual Recurring Revenue (ARR)	61.2	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	\$159.6	159.6	\$155.6	\$148.0	\$143.0	\$141.0	141.0	\$140.0	\$140.0	\$141.0	\$143.0	143.0
	Growth Sequential Dollar Change in ARR	n/a n/a	25% \$15.6	35% \$9.0	70% \$28.3	98% \$24.7	100% \$14.5	100% \$76.5	90%	44% \$1.0	20% \$3.1	12% \$4.2	12% \$18.0	3% (\$3.7)	2% \$0.1	-1% (\$2.2)	-7% (\$6.0)	-7% -\$11.8	-7% (\$4.0)	-12% (\$7.6)	-14% (\$5.0)	-12% (\$2.0)	-12% -\$18.6	-10% (\$1.0)	-5% \$0.0	-1% \$1.0	1% \$2.0	1% \$2.0
	Core Platform ARR		71.9	33.0	, , , , , , , , , , , , , , , , , , ,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	\$137.8	137.8	,,,,,	51.0	-	\$157.6	157.6	\$155.4	JO.1	(92.2)	\$152.6	152.6	\$149.2	\$143.0	\$140.0	\$138.0	138.0	\$138.0	\$139.0	\$141.0	\$143.0	143.0
	Growth		26%			-		92%	-		-	14%	14%	-	-		-3%	-3%	-4%	-		-10%	-10%	-8%	-3%	1%	4%	4%
	Sequential Dollar Change in ARR	-	-		-	-	-	\$65.9	-	-	-		\$19.8	(\$2.2)	-	-	-	-\$5.0	(\$3.4)	(\$6.2)	(\$3.0)	(\$2.0)	-\$14.6	\$0.0	\$1.0	\$2.0	\$2.0	\$5.0
	Core Subscription Revenue Core Service Revenue	57.8 11.1	66.3 14.4	19.3 4.4	26.4 9.1	34.3 8.2	41.2 11.9	121.2 33.6	42.9 7.2	44.4 7.7	43.6 5.8	45.0 7.0	175.8 27.7	43.5 5.0	43.1 5.2	43.3 4.3	40.0 4.2	169.8 18.7	37.8 3.4	36.5 3.6	35.5 3.6	34.5 3.6	144.3 14.2	34.5 3.5	34.5 3.5	35.0 3.8	36.0 3.8	140.0 14.5
	Core Revenue	68.8	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	44.2	188.5	41.2	40.1	39.1	38.1	158.5	38.0	38.0	38.8	39.8	154.5
	Non-Core Revenue (Virtual) Total Revenue	13.8 82.6	8.4 89.1	1.0 24.7	0.8 36.3	0.1 42.6	0.2 53.3	2.1 156.9	0.1 50.1	0.0 52.1	0.0 49.4	<u>0.0</u> 52.0	0.1 203.7	0.0 48.5	0.0 48.2	0.0 47.6	2.4 46.6	2.4 190.9	1.9 43.1	1.4 41.5	1.2 40.3	1.0 39.1	5.5 164.0	0.8 38.8	0.7 38.7	0.6 39.4	0.4 40.2	2.5 157.0
	Cost of Platform	(11.7)	(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)	(8.7)	(35.5)	(8.3)	(8.0)	(7.8)	(7.6)	(31.7)	(7.6)	(7.6)	(7.7)	(7.9)	(30.8)
	Cost of Service	(6.4)	(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)	(3.5)	(12.8)	(3.1)	(3.1)	(3.1)	(3.1)	(12.3)	(3.0)	(3.0)	(3.2)	(3.2)	(12.3)
	Cost of Legacy non-GAAP Gross Profit	(6.7) 57.8	(3.6) 62.1	(0.6) 18.1	(0.3) 28.4	(0.2) 34.0	0.0 43.3	(1.0) 123.8	<u>0.0</u> 39.7	0.0 40.7	0.0 38.0	0.0 40.1	0.0 158.6	0.0 36.6	0.0 35.9	0.0 35.7	0.0 34,3	0.0 142.5	0.0 31.6	0.0 30.4	0.0 29.4	0.0 28.5	0.0 119.9	0.0 28.2	0.0 28.1	0.0 28.5	0.0 29.0	0.0 113.9
	Sales & Marketing	(46.3)	(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)	(21.1)	(94.1)	(20.1)	(18.1)	(18.3)	(15.6)	(72.2)	(15.8)	(15.9)	(16.0)	(16.1)	(63.7)
	Research & Development	(14.1)	(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)	(9.0)	(35.8)	(8.2)	(7.3)	(7.5)	(6.5)	(29.3)	(6.6)	(6.6)	(6.7)	(6.8)	(26.7)
	General & Administrative Cost of Operations	(12.8) (73.3)	(13.9) (76.2)	(3.3) (19.2)	(4.0) (21.0)	(<u>6.4)</u> (26.5)	(6.9) (32.2)	(20.5) (99.0)	(7.5) (36.9)	(38.2)	(7.3) (39.4)	(8.9) (41.9)	(30.8) (156.5)	(8.1) (42.2)	(7.9) (42.1)	(7.9) (39.3)	(7.7) (37.8)	(31.6) (161.5)	(7.5) (35.8)	(7.1) (32.4)	(7.1) (32.8)	(5.9) (27.9)	(27.5) (129.0)	(5.9) (28.4)	(5.8) (28.3)	(5.8) (28.5)	(5.9) (28.7)	(23.4) (113.9)
	non-GAAP Operating Income	(15.5)	(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)	(3.5)	(18.9)	(4.2)	(2.0)	(3.4)	0.5	(9.0)	(0.2)	(0.2)	0.0	0.3	(0.0)
	Stock Based Compensation	(1.5)	(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)	(9.4)	(38.5)	(10.1)	(8.3)	(8.1)	(7.8)	(34.3)	(7.8)	(7.7)	(7.9)	(8.0)	(31.4)
	Amortization & Other GAAP Operating Income	0.0 (16.9)	0.0 (16.1)	0.0 (1.5)	0.0 6.9	0.0 6.8	0.0 9.6	0.0 21.8	0.0 (2.2)	(2.5)	0.0 (9.2)	0.0 (9.6)	0.0 (23.6)	0.0 (15.2)	(0.1) (16.0)	(1.2) (14.8)	(0.7) (13.6)	(2.1) (59.6)	(5.6) (19.9)	(3.5)	0.0 (11.5)	0.0 (7.3)	(9.1) (52.5)	0.0 (7.9)	0.0 (7.9)	0.0 (7.9)	0.0 (7.7)	0.0 (31.4)
	GAAP Operating Income Interest Income	(16.9)	(16.1)	0.1	0.0	0.0	(0.2)	(0.1)	0.0	0.0	0.0	(9.6)	(23.6)	(15.2)	(16.0)	(14.8)	(0.0)	(0.0)	(19.9)	(13.8)	(11.5)	0.0	(52.5)	(7.9)	0.0	0.0	0.0	0.0
	Interest Expense	(1.2)	(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)	2.3	2.2	(0.0)	2.2	1.8	1.6	5.6	1.5	1.5	1.5	1.5	6.0
	Other Income (Expense)	0.6	(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	2.6	0.0	0.0	0.0	2.6	0.0	0.0	0.0	0.0	0.0
	GAAP Pre-Tax Income Tax Rate	(17.4) -1%	(17.2) -2%	(2.0)	6.7 1%	6.6 0%	9.7 2%	21.1 1%	(2.6) -10%	(2.8) 10%	(9.4) 0%	(9.7) 2%	(24.5)	(15.4) -1%	(16.2) 0%	(14.3) 0%	(11.3) -7%	(57.3) -2%	(17.4) -1%	(11.6) 0%	(9.7) 0%	(5.7) 0%	(44.3) 0%	(6.4) 0%	(6.4) 0%	(6.4) 0%	(6.2) 0%	(25.4) 0%
	Income Tax Benefit (Expense)	(0.2)	(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)	(0.8)	(1.0)	(0.2)	0.0	0.0	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0
	GAAP Net Income	(17.6)	(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)	(12.1)	(58.2)	(17.6)	(11.6)	(9.7)	(5.7)	(44.5)	(6.4)	(6.4)	(6.4)	(6.2)	(25.4)
	Reversal of SBC, Amort, & Other	1.5	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	10.2	40.6	15.8	11.8	8.1	7.8	43.4	7.8	7.7	7.9	8.0	31.4
	Tax Effect of Add-Backs non-GAAP Net Income	0.0 (16.1)	0.0 (15.5)	0.0 (1.7)	7.1	7.2	0.0 11.0	0.0 23.7	2.2	2.5	0.0 (1.5)	0.0 (1.7)	0.0 1.4	0.0 (6.0)	0.0 (6.4)	(3.3)	(2.0)	0.0 (17.6)	0.0 (1.8)	0.0	0.0 (1.6)	0.0 2.1	0.0 (1.1)	1.3	1.3	1.5	0.0 1.8	0.0 6.0
	Basic Shares Outstanding		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	48.0	47.6	47.3	46.0	44.2	43.0	45.1	43.0	43.0	43.0	43.0	43.0
Pro I	Forma/Diluted Shares Outstanding		13.4	13.4	13.4	13.4	19.1	14.8	42.2	55.0	55.6	56.4	52.3	56.2	55.7	56.3	56.5	56.2	53.2	50.5	48.3	46.8	49.7	46.8	46.8	46.8	46.8	46.8
	GAAP EPS non-GAAP EPS		(\$1.93) (\$1.71)	(\$0.23)	\$0.50 \$0.53	\$0.49	\$0.17 \$0.57	\$0.94 \$1.46	(\$0.09)	(\$0.05) \$0.04	(\$0.20) (\$0.03)	(\$0.20)	(\$0.54) \$0.03	(\$0.32)	(\$0.34)	(\$0.30)	(\$0.25)	(\$1.22) (\$0.37)	(\$0.37)	(\$0.25)	(\$0.22) (\$0.04)	(\$0.13) \$0.05	(\$0.97) (\$0.02)	(\$0.15) \$0.03	(\$0.15) \$0.03	(\$0.15) \$0.04	(\$0.14) \$0.04	(\$0.59) \$0.14
	non-GAAP EPS Free Cash Flow	(12.1)	(\$1.71)	(\$0.18) 1.2	13.8	\$0.54 11.1	10.3	\$1.46 36.5	\$0.05 3.2	50.04		(\$0.03)	\$0.03	(\$0.13) (7.8)	(\$0.14)	(\$0.07)	(\$0.04) (8.9)	(\$0.37)	(\$0.04)	\$0.01			(\$0.02)	(0.5)	(0.0)	(0.1)		
	Customer Count	1,241	1.401	1.503	1,769	1.918	1.994	1,994	2.062	2.078	(1.6) 2.054	2.122	2.122	2.145	2.101	(4.2) 2.053	1.990	1,990	1.916	(5.6) 1.841	(2.2) 1.791	(0.1) 1.761	1.761	1.741	1,741	1.766	(0.2) 1,791	(0.8) 1,791
	Growth	1,241	13%	18%	35%	43%	42%	42%	37%	17%	7%	6%	6%	4%	1%	0%	-6%	-6%	-11%	-12%	-13%	-12%	-12%	-9%	-5%	-1%	2%	2%
	Net New Customer Additions		160	102	266	149	76	593	68	16	(24)	68	128	23	(44)	(48)	(63)	(132)	(74)	(75)	(50)	(30)	(229)	(20)	0	25	25	30
	Customers with ARR >\$100K Growth	116	144 24%	161 35%	229 85%	271 110%	302 110%	302 110%	325 102%	345 51%	359 32%	366 21%	366 21%	367 13%	349 1%	351 -2%	345 -6%	345 -6%	333 -9%	323 -7%	318 -9%	318 -8%	318 -8%	318 -5%	321 -1%	324 2%	329 3%	329 3%
	% of Total	9%	10%	11%	13%	14%	15%	15%	16%	17%	17%	17%	17%	17%	17%	17%	17%	17%	17%	18%	-9% 18%	18%	18%	18%	18%	18%	18%	18%
	Net New >\$100K ARR Additions		28	17	68	42	31	158	23	20	14	7	64	1	(18)	2	(6)	(21)	(12)	(10)	(5)	0	(27)	0	3	3	5	11
	ARR per Customer		56,035	59,143 17%	69,794 34%	75,331 43%	78,425 40%	78,425 40%	80,424 36%	79,275 14%	80,929 7%	82,088 5%	82,088 5%	78,603 -2%	79,039 0%	79,730 -1%	78,951 -4%	78,951 -4%	79,672 1%	78,786 0%	78,744 -1%	79,392 1%	79,392	79,954 0%	80,414 2%	80,411 2%	80,405 1%	80,405 1%
Colondon.	ed Billings (Revenue + Δ Deferred)		97.7	36.0	58.1	53.3	56.2	203.6	53.4	50.5	46.7	57.1	207.6	44.4	46.9	37.8	49.0	178.1	43.1	39.0	35.0	41.9	159.0	40.0	39.5	37.0	42.0	158.5
Calculate	Growth		97.7	42%	149%	172%	91%	108%	48%	-13%	-12%	1%	207.6	-17%	-7%	-19%	-14%	-14%	-3%	-17%	-7%	-14%	-11%	-7%	1%	57.U 6%	0%	0%
Net	Cash & ST Investments per Share	\$0.00	\$0.10	\$0.22	\$1.35	\$2.25	\$1.85	\$1.85	\$9.15	\$7.11	\$7.10	\$6.71	\$6.71	\$6.33	\$6.14	\$6.04	\$5.77	\$5.77	\$5.91	\$5.13	\$4.94	\$4.70	\$4.70	\$4.69	\$4.68	\$4.68	\$4.67	\$4.67
	Annual Pct. Change																										_	
	Annual Pct. Change Platform Revenue	n/a	15%	30%	64%	99%	129%	83%	122%	68%	27%	9%	45%	1%	-3%	-1%	-4%	0%	n/a	n/a	n/a	-14%	-10%	-9%	-5%	-1%	4%	-3%
	Service Revenue Core Revenue	n/a n/a	30% 17%	37% 31%	136% 78%	172% 110%	174% 137%	133% 92%	63% 111%	-15% 47%	-30% 16%	-41% -2%	-18% 31%	-30% -3%	-33% -7%	-25% -4%	-30% - 7 %	-27% -3%	n/a n/a	n/a n/a	n/a n/a	-15% -14%	-17% -11%	<u>3%</u> -8%	-3% -5%	4% -1%	4%	2% -3%
	Legacy Revenue		-39%	-60%	-67%	-94%			-93%	-99%	16% -66%	-2% -95%		-3% n/a	-7% n/a	-4% n/a	-7% -47%	-3% -34%	n/a n/a	n/a n/a	n/a n/a	-14% -58%	-11% -58%	-8% -57%	-5% -50%	-1% -50%	-60%	
	Total Revenue	n/a n/a	8%	20%	62%	92%	-87% 123%	-75% 76 %	102%	43%	16%	-2%	-94% 30%	-3%	-7%	-4%	-11%	-6%	-11%	-14%	-15%	-16%	-14%	-10%	-7%	-2%	3%	-54% -4%
	non-GAAP Gross Profit	n/a	8%	31%	81%	117%	154%	99%	120%	43%	12%	-7%	28%	-8%	-12%	-6%	-14%	-10%	-14%	-15%	-18%	-17%	-16%	-11%	-7%	-3%	2%	-5%
	Sales & Marketing	n/a n/a	1% 10%	-7% 5%	10%	44% 14%	65% 45%	27%	87% 77%	90% 64%	55% 72%	27% 39%	60%	15%	5% 24%	-8% 15%	-15%	-1%	-21% -6%	-28% -20%	-18% -18%	-26% -28%	-23% -18%	-21%	-12% -9%	-13%	3% 5%	-12%
	Research & Development General & Administrative	n/a n/a	10%	-9%	22% 17%	93%	45% 96%	22% 48%	131%	74%	15%	39%	61% 50%	21% 7%	24% 14%	15% 7%	11% -14%	18% 3%	-6% -7%	-20% -11%	-18% -10%	-28% -24%	-18% -13%	-19% -21%	-9% -18%	-10% -18%	1%	-9% -15%
	non-GAAP Operating Income	n/a	9%	83%	n/a	n/a	n/a	n/a	347%	n/a	n/a	n/a	n/a	305%	349%	n/a	n/a	n/a	26%	68%	n/a	-115%	n/a	96%	92%	100%	42%	n/a
	GAAP EPS	n/a	n/a	71%	n/a	n/a	n/a	n/a	62%	n/a	n/a	n/a	n/a	-275%	-536%	-52%	-27%	-127%	-14%	27%	28%	47%	20%	60%	41%	32%	-9%	39%
	non-GAAP EPS	n/a	n/a	76%	n/a	n/a	n/a	n/a	128%	n/a	n/a	n/a	n/a	344%	403%	n/a	n/a	1386%	69%	104%	47%	221%	94%	180%	-500%	196%	15%	769%
	Free Cash Flow	n/a	-4%	n/a	n/a	n/a	n/a	n/a	n/a	-59%	n/a	n/a	n/a	344%	-159%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Margin	s, Expense Ratios & Other Metrics Non-GAAP Gross Margin	69.9%	69.7%	73.0%	78.2%	79.8%	81.3%	78.9%	79.3%	78.0%	77.0%	77.1%	77.9%	75.5%	74.5%	75.0%	73,7%	74.7%	73.5%	73.3%	73.0%	72.8%	73.1%	72.8%	72.7%	72.3%	72.3%	72,5%
Percent o		56%	53%	48%	35%	37%	37%	38%	79.3% 44%	46%	49%	48%	47%	75.5% 53%	74.5% 52%	47%	45%	49%	47%	44%	46%	40%	73.1% 44%	72.8% 41%	41%	41%	40%	41%
. creciil b	Research & Development	17%	17%	16%	12%	11%	11%	12%	14%	14%	16%	16%	15%	18%	19%	19%	19%	19%	19%	18%	19%	17%	18%	17%	17%	17%	17%	17%
	General & Administrative	15%	16%	13%	11%	15%	13%	13%	15%	13%	15%	17%	15%	17%	16%	17%	17%	17%	17%	17%	18%	15%	17%	15%	15%	15%	15%	15%
	non-GAAP Operating Margin	-18.7%	-15.8%	-4.5%	20.2%	17.5%	20.8%	15.8%	5.5%	4.8%	-2.8%	-3.4%	1.0%	-11.7%	-12.8%	-7.7%	-7.4%	-9.9%	-9.7%	-4.7%	-8.5%	1.3%	-5.5%	-0.4%	-0.4%	0.0%	0.7%	0.0%
	FCF Margin TTM FCF Margin	-14.6% -14.6%	-14.0% -14.0%	5.0% -10.3%	38.1% 7.9%	26.0% 17.1%	19.4% 23.3%	23.3%	6.4% 21.1%	10.9% 15.3%	-3.2% 8.6%	-10.8% 0.8%	0.8%	-16.0% -4.6%	-7.0% -9.2%	-8.8% -10.6%	-19.0% -12.7%	-12.7% -12.7%	-10.1% -11.2%	-13.4% -12.8%	-5.5% -12.2%	-0.3% -7.5%	-7.5% -7.5%	-1.3% -11.0%	-0.1% -8.1%	-0.2% -0.5%	-0.4% -0.5%	-0.5% -0.5%
	Sequential Pct. Change																- 1											
	Annual Recurring Revenue (ARR)			12%	33%	22%	10%		6%	1%	2%	3%		-2%	0%	-1%	-4%		-3%	-5%	-3%	-1%		-1%	0%	1%	1%	
	Total Revenue			3%	47%	17%	25%		-6%	4%	-5%	5%		-7%	-1%	-1%	-2%		-8%	-4%	-3%	-3%		-1%	0%	2%	2%	

Source: Company Reports, Canaccord Genuity estimates. A more detailed financial model, including balance sheet, income statement, and cash flow projections, if available, may be obtained by contacting your Canaccord Genuity Sales Person or the Authoring Analyst, whose contact information appears on the front page of this report.



Figure 3: Balance sheet and SOCF

On24 (ONTF/NYSE)

5/9/2023 Statement of Cash Flows Fiscal Year \$ Millions Dec-20A Dec-21A Dec-22A Dec-23E Dec-24E **Operating Activities** Net Income (24.3)(44.5)(25.4)20.8 (58.2)20.0 Depreciation & other 19.3 23.9 20.0 8.4 Stock-Based Compensation 2.9 29.7 38.5 34.3 31.4 Changes in Assets & Liabilities: Accounts Receivable (27.7)0.5 (1.5)(0.4)2.0 Prepaid Expenses & Other (21.7)(19.0)(11.5)(10.4)(17.8)Accounts Payable 2.0 (1.2)1.5 1.3 (2.1)Accrued & Other Liabilities 5.1 (2.7)(2.4)(7.5)(3.7)Deferred Revenue 47.8 4.0 (12.8)(5.0)1.5 **Net Cash Flow from Operating Activities** 37.6 5.2 (20.5)(9.7)2.4 **Investing Activities** (3.6)(3.7)(2.6)(3.2)Capital Expenditures (1.0)0.0 0.0 Cash Paid for Acquisitions, net of acquired 0.0 (2.5)0.0 Other Investing Activities (215.6)(82.8)88.9 0.0 2.0 **Net Cash Flow from Investing Activities** 1.0 (219.2)(89.0) 86.4 (3.2)**Financing Activities** 349.0 (27.1)1.0 1.0 Proceeds from Borrowing and Issuance 13.6 Changes in Debt and Other Liabilities (12.6)(28.5)(1.6)(98.7)(1.6)Cash Flow from Financing 1.0 320.5 (28.6)(97.7)(0.6)Effect of Exchange Rate (0.1)0.2 0.1 0.0 Change In Cash 39.4 106.7 (137.9) (20.9)(1.4)**Cash Balance Beginning** 23.9 63.3 170.0 32.2 11.3 **Cash Ending** 63.3 170.0 32.2 11.3 9.9 Free Cash Flow 36.5 1.6 (24.2)(12.2)(0.8)FCF/Share (\$0.25) (\$0.02) \$2.46 \$0.03 (\$0.43) FCF Margin 23.3% 0.8% -12.7% -7.5% -0.5% **On24** (ONTF/NYSE) 5/9/2023

ROE

5/9/2023						Most		
Balance Sheet		Fiscal Year						
\$ Millions						Recent Q		
	Dec-20A	Dec-21A	Dec-22A	<u>Dec-23E</u>	<u>Dec-24E</u>	Mar-23A		
<u>Assets</u>								
Cash and Cash Equivalents	61.2	164.9	27.0	6.3	4.9	100.8		
Marketable Securities	0.0	217.6	301.1	214.9	214.9	214.9		
Accounts Receivable, net	48.6	46.1	43.8	40.8	42.4	33.5		
Deferred Contract Acquisition Costs, current	10.5	11.9	13.1	15.6	26.7	12.6		
Prepaid Expenses & Other Current Assets	<u>7.1</u>	<u>8.5</u>	6.3	<u>10.6</u>	<u>10.8</u>	<u>8.4</u>		
Total Current Assets	127.5	449.1	391.3	288.2	299.7	370.1		
Property and Equipment, net	9.1	8.8	7.2	5.4	4.5	6.0		
Operating Right-of-use Assets	0.0	0.0	5.6	5.1	5.1	5.1		
Deferred Contract Acquisition Costs, non current	18.8	20.9	17.8	17.6	24.1	18.0		
Other Assets	<u>1.4</u>	<u>1.8</u>	3.6	<u>3.2</u>	<u>3.2</u>	<u>3.2</u>		
Total Assets	156.7	480.5	425.5	319.5	336.7	402.4		
Liabilities and Shareholders' Equity								
Accounts Payable	4.7	3.1	4.6	5.9	3.8	3.2		
Accrued Liabilities	17.4	19.0	18.5	11.7	8.0	17.3		
Deferred Revenue	92.2	96.2	83.5	78.5	80.0	81.2		
Debt, current portion	2.4	1.8	1.6	1.2	1.2	1.2		
Operating Lease Liabilities, current	0.0	0.0	2.6	2.6	2.6	2.6		
Other current liabilities	0.0	0.0	0.0	0.0	0.0	<u>0.0</u>		
Total Current Liabilities	116.8	120.1	110.7	100.0	95.7	105.6		
Deferred Rent	0.0	0.0	0.0	0.0	0.0	0.0		
Capital Lease	0.0	0.0	0.0	0.0	0.0	0.0		
Long-Term Debt	25.7	1.6	0.1	0.0	0.0	0.0		
Operating Lease Liabilities, non-current	0.0	0.0	5.0	4.4	4.4	4.4		
Other Long-Term Liabilities	4.0	3.6	1.7	1.5	1.5	1.5		
Total Liabilities	146.5	125.4	117.5	105.9	101.6	111.5		
Total Shareholders' Equity	10.2	355.1	308.0	213.6	235.0	290.9		
Total Liabilities and Shareholders' Equity	156.7	480.5	425.5	319.5	336.7	402.4		
Sales/Assets	1.0x	0.4x	0.4x	0.5x	0.5x			
Assets/Equity	15.4x	1.4x	1.4x	1.5x	1.4x			
NGOI/Sales	15.8%	1.0%	-9.9%	<u>-5.5%</u>	0.0%			

242.8%

0.6%

-4.2%

0.0%

Source: Company Reports, Canaccord Genuity estimates



Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: May 10, 2023, 05:56 ET

Date and time of production: May 10, 2023, 05:56 ET

Target Price / Valuation Methodology:

ON24 - ONTF

Our \$10 price target is based on a ~2x EV/revenue multiple applied to our C2023 revenue estimate of \$164M and assumes \$220M of net cash and ~47M 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 05/10/23)

Rating	Coverag	e Universe	IB Clients
	#	%	%
Buy	602	64.59%	22.43%
Hold	141	15.13%	11.35%
Sell	16	1.72%	0.00%
Speculative Buy	158	16.95%	46.20%
	932*	100.0%	

^{*}Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

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NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

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12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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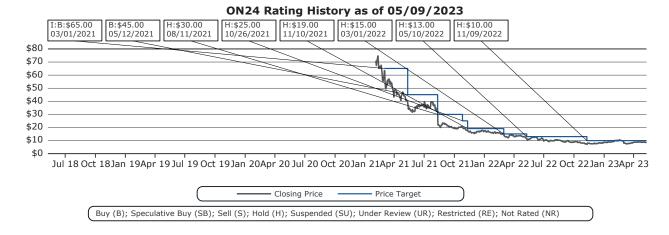


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An analyst has visited the material operations of ON24. No payment was received for the related travel costs.



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