

LIVEDEAL, INC.

Generating Big Revenue Growth

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LIVEDEAL, INC. (NASDAQ - LIVE - \$3.03)

Price Target: \$8.00

Rating: Speculative Buy

COMPANY SNAPSHOT

LiveDeal Inc. provides marketing solutions that boost customer awareness and merchant visibility on the Internet. LiveDeal operates a deal engine, which is a service that connects merchants and consumers via an innovative platform that uses geo-location, enabling businesses to communicate real-time and instant offers to nearby consumers. In November 2012, LiveDeal commenced the sale of marketing tools that help local businesses manage their online presence under the Company's Velocity Local™ brand. In late 3Q14, LiveDeal acquired leading online retailer ModernEveryday.com, which is generating nearly \$10 million in sales annually.

KEY STATISTICS

Price as of 10/31/14	\$3.03
52 Week High – Low	\$11.94 – \$0.94
Est. Shares Outstanding	14.4M
Market Capitalization	\$44M
3 Mo Avg Vol	533,000
Exchange	NASDAQ

COMPANY INFORMATION

LiveDeal, Inc.
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Las Vegas NV 89119
www.LiveDeal.com

Phone : 702.853.4641
support@livedeal.com

INVESTMENT HIGHLIGHTS

LiveDeal has proven to be a disruptive and transformative force in the multi-billion online deal industry. Unlike other deal sites, LiveDeal eliminates the middleman and puts control of the deals in its clients' hands, thus providing them with substantially greater profitability per deal.

LiveDeal's unique real-time deal engine allows restaurants to create and control the publication timing and duration of its offers. Plus, with a powerful geo-location feature, nearby customers can download and redeem attractive and convenient "live" offers on livedeal.com based on their location.

The LiveDeal model has resulted in hockey stick-type revenue growth and the Company is well-positioned to continue on this path. For the June 2014 quarter, revenue leaped over 300% from \$606,000 to nearly \$2.7 million.

The August 2014 acquisition of ModernEveryday.com, a \$10M in annual sales online retailer, diversifies LiveDeal's customer base and products, dramatically increases the revenue base, and is a great brand-building move.

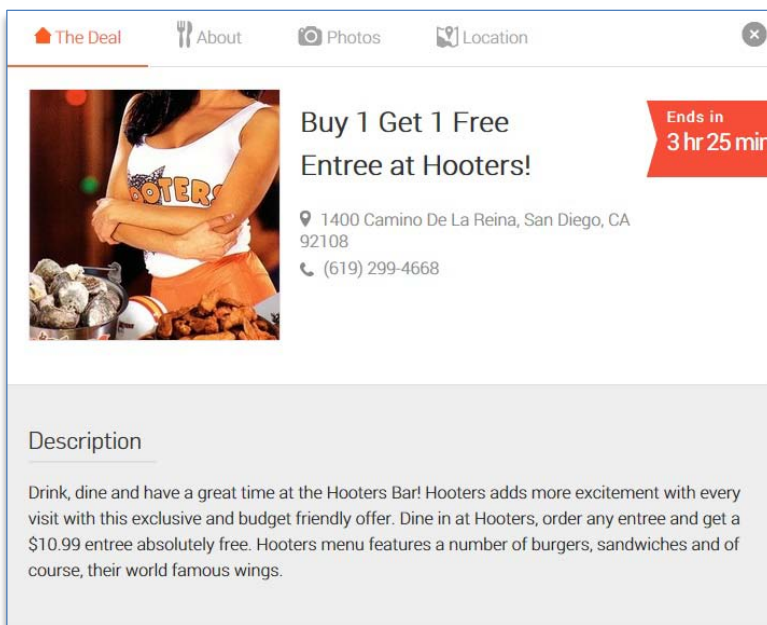
Recent insider buying is a bullish signal and illustrates management's belief in LiveDeal's value at current levels. The CEO just purchased 100,000 shares and may continue to buy more.

By leveraging online deal penetration of current and new markets with the ModernEveryday.com brand, LiveDeal is well-positioned to record a strong December quarter and a solid 2015, which should drive the shares higher. Plus, LIVE's stock may benefit from the strong 3Q14 performance of online deal leader Groupon (NASDAQ – GRPN). We rate these shares Speculative Buy with a price target of \$8.00, which reflects a price/revenue multiple of 5-6x on a potential \$20M annual revenue run rate.

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COMPANY OVERVIEW

From its beginnings as the first company to transform paper-based yellow pages to the Internet, LiveDeal, Inc. is swiftly developing into an online marketing force, offering an affordable way for local small-to-medium sized businesses (SMBs) to reach consumers. After a merger in 2007, the company created a new digital marketplace that operates from the Internet and through mobile applications, providing a practical platform for other future services. LiveDeal's platform currently targets the multi-billion dollar U.S. dining industry, where deals on certain local restaurant dishes can be published and disseminated to potential customers, instantly.



Source: www.LiveDeal.com

Image I. Sample Hooters Live Offer

Over 10,000 local food establishments in over 50 cities comprise LiveDeal's primary customer base where online tools help them reach more people by providing marketing prowess that would not otherwise be available. Merchants are excited because it allows them to show consumers real-time food deals. The alternative is either clip-out ads from local advertisements or promotions from competitors that have a variety of drawbacks.

LiveDeal.com, the engine behind the connection among suppliers and buyers and launched across the country, gives restaurants control over special offers in the timeline of their choice. Restaurants create deals, usually with duration of several hours, using the LiveDeal.com dashboard when promotion is desired to draw diners. These establishments range from small local businesses to popular

brands such as Hooters, Denny's, TCBY and others.

Consumers view these promotions via their computers or mobile devices as they are posted and have the opportunity to lock in specials on the spot. Transactions occur directly with the restaurant as opposed to a voucher or coupon, as is the case with competitors. When a restaurant fulfills its traffic needs, it can easily end the promotion.

Flexibility and customizing is key with LiveDeal.com's service, valuable to owners because diners can be enticed to visit the restaurant during slow periods, minimizing food inventory waste and boosting profit. Traffic at chain restaurants is managed by limiting or increasing the number of deals at different locations to avoid wait times at busier sites. All live deal offers are simple to browse, download and redeem on either desktop or smartphone. The company offers mobile apps of LiveDeal.com on the widely-used Apple iOS and Android

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devices, keeping up with a user base that is more likely to access the site from phone than computer, and take quicker action on a deal.

COMPANY OVERVIEW (cont.)

Because LiveDeal.com is completely scalable, expansion into other cities does not drain the company of resources and thus far, adoption into new locations has run smoothly. Another attraction for restaurant owners is access to LiveDeal's account managers to organize and present which dishes to post, always with the option to make independent decisions.

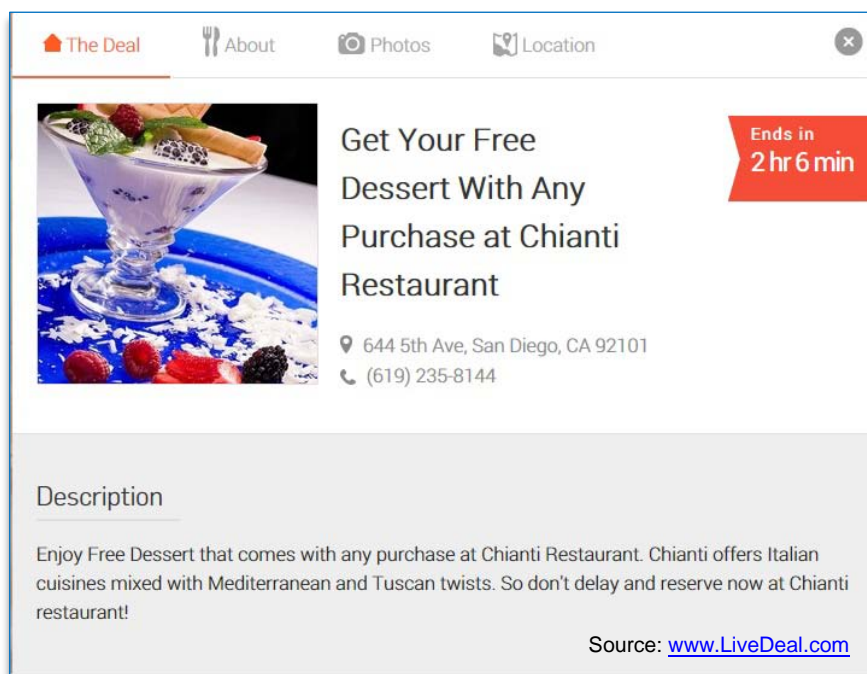


Image II. Sample Local Restaurant Live Offer

Clients prefer LiveDeal over competitors like online product deal merchant Groupon, Inc., (NASDAQ – GRPN) currently boasting a \$4.9 billion market capitalization, or community deal provider LivingSocial.com because of the flexibility over customer visits through instantaneous and customized offers, at the time desired, without constant emails that may not concur with the timing of the customer's needs. Restaurants can access the LiveDeal online dashboard anytime to create, publish, modify or delete a deal via DealCentral, the first online deal portal allowing restaurants to instantly create, modify, pause and play and publish offers and deals to nearby potential consumers all in one central online place.

DealCentral is easy to use and is available 24 hours a day and gives restaurants the full capability to change their deal 'on the fly,' based upon real time business conditions. Restaurants are able to create deals and publish them either instantly or on a preset and recurring schedule so that a deal runs automatically. DealCentral also enables restaurants to specify the maximum number of vouchers that can be issued for any deal, which helps better manage traffic based on the deal for any particular day.

Competing firms operate on a pre-paid bulk voucher system detrimental to restaurants if deep-discount coupons are presented on busy nights when top prices would normally be paid. Customers do not have to give credit or debit card information because dealings are done directly with merchants. LiveDeal's method is proving successful – especially when compared to other “deal sites” that do not have the depth or breadth of restaurant offers in most markets. Given its success and enviable penetration in major U.S. markets, we expect a swift expansion of the deal platform in current and new markets, going forward.

LIVEDEAL, INC. (NASDAQ - LIVE)**COMPANY OVERVIEW** (cont.)

Unlike competing firms that split revenue generated via promoted deals, LiveDeal's business model aims to return control to the customer with respect to publication of offers and revenue generation is largely garnered via clicks, web traffic and similar features to placement on the site akin to sponsored promotions used by search engines, like Google (NASDAQ – GOOG). Thus, customers pay more for higher ranking on the deal website.

LiveDeal conducts an outreach sales program through its own telemarketing team or from leads generated via the Internet. Marketing by phone allows campaigns to be immediately effective and has been essential to the company's current success. High-quality lead lists are used so that the appropriate demographic audience is targeted. Online marketing is geared toward restaurants but should be expanded in the future to service companies and professional firms, like legal and accounting outfits, where gaining customer acquisition can best be accomplished through the economical methods that LiveDeal provides.

The rights to intellectual property are maintained through a mixture of copyright and trademark laws, which have been utilized for its two integral businesses. LiveDeal's publishing system that provides its tools for website design is proprietary as well, as is its mobile app software.

Acquisitions and Initiatives

To help promote the LiveDeal brand and engage in cross-sale opportunities to new customers via a diversified offering, the Company has engaged in a series of acquisitions and major initiatives in recent months. In May 2014, LiveDeal acquired DealTicker, an online platform company that offers discounted products and services in the U.S. and Canada. This transaction gave the Company its first foray into a broad range of traditional retail goods and helped lead into the ModernEveryday.com acquisition. Clearly, these deals provide LiveDeal with customer and product diversity and tremendous cross-sale opportunities.

Last week, management announced that it plans to re-launch its advertising and promotion program. Unlike the Company's initial campaign, this national initiative will extend well beyond the scope of the Company's 50-city initiative conducted over the summer. Based on the growth experienced under previous programs, the Company anticipates a dramatic increase in both its user base, app downloads, and its restaurant partners.

Separately, LiveDeal's CEO has recently engaged in insider buying of LiveDeal stock (100,000 shares were purchased) and according to a recent press release, may continue to do so in the future. C-level buying is always viewed as a bullish signal and this move illustrates management's belief in LiveDeal's value at current levels.

LIVEDEAL, INC. (NASDAQ - LIVE)**MARKET/INDUSTRY OVERVIEW**

Small-to-medium sized businesses, coined as SMBs, have an extensive presence in the U.S. where our Census Bureau counts their numbers at 27 million. Restaurants, included in this number, comprise an industry that is widely dispersed and fiercely competitive, with little means of cohesive and economically-viable marketing. A great majority of operators, while maintaining a website, do not know how to readily adopt other ways of connecting with potential customers, and business generation suffers. Another aspect that thwarts forward progress is the lack of time owners can commit to website upgrades to increase marketing reach, or explore other Internet-based channels to enhance revenue. Partnering with those experienced in services designed to gain a large audience in an affordable and efficient manner becomes essential.

Online selling and promotion commands much time and resources with distinct technological language that requires expertise above that of the typical SMB owner. Their efforts are better spent on building the business, often a monumental task. SMBs recognize that online channels and social media get more attention than traditional paper advertising and have turned toward the Internet to accomplish bigger sales. Social media advertising is a huge draw for them – it is projected to grow to \$8.2 billion next year, according to marketing consultant BIA/Kelsey. The same firm expects that local searches for goods and services will represent 35% of all of those done online by 2016.

Internet research firm ComScore reports that spending for ads online have recently topped \$30 billion and that mobile commerce from smartphones and tablets racked up over \$300 million alone on November 2013's Black Friday, 21% of the \$1.5 billion in total digital commerce that day.

Local online ad revenues are soaring as searches for geographically-desirable merchandise become a large part of the online marketing industry, according to PricewaterhouseCoopers and the Interactive Advertising Bureau. Analysts project the worldwide online advertising market to reach \$70 billion in 2015 as growth is fueled by pervasive Internet penetration within established markets and as merchants turn away from more costly newspaper medium. Due to demand, IBISWorld predicts high price increases for digital advertising among companies choosing the Internet over other traditional methods.

Affordability of attracting customers through Internet and mobile means will continually draw SMBs to sources that accomplish this. Predicted soon is that most online searches, including local ones, will be done by phone, benefiting mobile marketing. The business of mobile advertising in the U.S. as reported by eMarketer has been exploding, reaching almost \$10 billion in 2013, up 120% over last year and propelled by Facebook and Google, Inc.

Restaurants face marketing challenges; the greatest is how to reach customers. Print advertising produces sporadic results and word of mouth takes time. Groupon, LivingSocial and Restaurant.com are established daily deal companies but offer terms include discount amounts and when redemption can occur. Patron traffic is more difficult to control and profits to restaurants suffer. Owners lose the power to negotiate with these "group brokers" and may be forced to relinquish a 50% discount in order to register with them, and then suffer another 25% cut when coupons are used. Far worse, customer behavior is such that almost no one goes back to the original restaurant after redeeming the coupon.

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Instantaneous arrangements on meal offerings give both restaurants and diners a quick and flexible choice, changing the daily deal market from one of volume based on the number of vouchers sold, to an immediate purchase approach. The U.S. dining industry is upwards of \$660 billion and subject to recessionary pressures so restaurateurs are happy to find better and more efficient marketing help. Deals posted on an online, real-time site that is easily controllable by clients and able to quickly attract customers point to a future trend where businesses keep a greater profit margin and gain clientele.

THE LIVEDEAL TEAM**Jon Isaac, President, CEO, Director**

Mr. Jon Isaac is President, Chief Executive Officer, Director of LiveDeal, Inc. Mr. Jon Isaac has served as a director of the Company since December 2011 and became President and Chief Executive Officer in January 2012. He is the founder of Isaac Organization, a privately held investment company. At Isaac Organization, Mr. Isaac has closed a variety of multi-faceted real estate deals and has experience in aiding public companies to implement turnarounds and in raising capital. Mr. Isaac studied Economics and Finance at the University of Ottawa, Canada.

Mr. Tony Isaac, Director

Mr. Isaac is the Chairman and Co-Founder of Isaac Organization, a privately held investment company. Mr. Isaac has invested in various companies, both private and public from 1980 to present. Mr. Isaac's specialty is negotiation and problem-solving of complex real estate and business transactions. Mr. Isaac graduated from Ottawa University in 1981, in Commerce and Business Administration.

Richard D. Butler, Jr., Director

Mr. Butler is Chairman of the Corporate Governance and Nominating Committee and member of the Audit Committee of the Company since August 2006 (including YP.com from 2006-2007). He is a veteran savings and loan and mortgage banking executive, co-founder and shareholder of Aspen Healthcare, Inc. and Ref-Razzer Corporation, former Chief Executive Officer of Mt. Whitney Savings Bank, Chief Executive Officer of First Federal Mortgage Bank, Chief Executive Officer of Trafalgar Mortgage, and Executive Officer & Member of the President's Advisory Committee at State Savings & Loan Association and American Savings & Loan Association. Mr. Butler attended Bowling Green University in Ohio, San Joaquin Delta College in California and Southern Oregon State College.

Dennis Gao, Director

In July 2010, Mr. Gao co-founded and became the CFO at Oxstones Capital Management, a privately held company and a social and philanthropic enterprise, serving as an idea exchange for the global community. Prior to establishing Oxstones Capital Management, from June 2008 until July 2010, Mr. Gao was a product



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owner at Procter and Gamble for its consolidation system and was responsible for the Procter and Gamble's financial report consolidation process. From May 2007 to May 2008, Mr. Gao was a financial analyst at the Internal Revenue Service's CFO division. Mr. Gao has a dual major Bachelor of Science degree in Computer Science and Economics from University of Maryland, and an M.B.A. specializing in finance and accounting from Georgetown University's McDonough School of Business.

Tyler Sickmeyer, Director

Mr. Sickmeyer brings more than a decade of marketing experience to LiveDeal. As a national concert promoter, Mr. Sickmeyer was the first in his field to leverage text message marketing and among the first in the nation to use Facebook as a promotional tool. Mr. Sickmeyer founded and serves as the CEO of Fidelitas Development, a full-service marketing firm that focuses on producing an improved return on investment rate for its clients. Mr. Sickmeyer has consulted a variety of companies, large and small alike, and specializes in creating efficiencies for developing brands. Mr. Sickmeyer studied Business at Robert Morris University and Lincoln Christian University.

RISK FACTORS

In our view, the biggest potential factors in impeding LIVE's success are slowing adoption rates and prospective delays in the launch of the platform in new markets. In addition, meaningful revenue generation may require consistent advertising and promotion in order to ensure customer loyalty and acquire new ones, which could be a drain on resources. Given the success of previous programs, an estimated \$10M in the bank (as of the June quarter), no long term debt, and access to financing through its current arrangement with Chardan Capital Markets, we expect that access on favorable terms will be available, going forward. Other risks could include a decline in popularity of the Company's platform, or glitches in the systems/features, especially in the integration of critical third-party applications. Separately, meshing disparate and separately managed businesses such as ModernEveryday.com along with the core platform may prove to be a challenge. Risks such as those posed by larger firms or newer entrants with exciting new offerings are typical obstacles facing companies of LIVE's size and status.

FINANCIALS

In our view, the Company's financials are typical for a successful, fast-growing emerging growth company. For example, in the June quarter revenue leaped over 300% from \$606,000 to nearly \$2.7 million and LiveDeal ended the period with no long term debt.

It should be noted that the June quarter reflected only a partial contribution of DealTicker sales due to the mid-quarter acquisition, and full quarter sales should begin to be booked in the September quarter. Similarly, results of the roughly \$10M in annual sales ModernEveryday.com, acquired in August and operated under its own brand, will not demonstrate its full contribution to sales until the December quarter.

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Based upon the current filings, it appears as if the Company is on pace to record revenue at an annual revenue run rate of roughly \$20M. (This includes \$10M from ModernEveryday.com and the recent quarterly top-line performance.) Still, we believe that LiveDeal will exceed these figures going forward and generate hockey stick-type growth. Therefore, we plan to provide projections once the new promotion program is fully underway and we can leverage key metrics and results for use in our estimates.

We should note that LiveDeal has a financial arrangement with Chardan Capital Markets. On May 20, 2014, the Company filed a prospectus supplement, which disclosed that the Company engaged Chardan Capital Markets LLC to act as agent in an at-the-market offering of up to 10,000,000 shares of common stock. This enables the Company to sell, at such times as it deems appropriate, shares of common stock in the open market through Chardan acting as agent. For the quarter ended June 30, 2014, the Company sold 790,236 shares of its common stock under the Second Registration Statement, resulting in gross proceeds of \$3,599,774, in an at-the-market offering, in which Chardan was its agent. The Company received net proceeds of \$3,491,702.

CONCLUSION

LiveDeal has proven to be a disruptive and transformative force in the multi-billion online deal industry. Unlike other deal sites, LiveDeal eliminates the middleman and puts control of the deals in its clients' hands, thus providing them with substantially greater profitability per deal. LiveDeal's unique real-time deal engine allows restaurants to create and control the publication timing and duration of its offers. Plus, with a powerful geo-location feature, nearby customers can download and redeem attractive and convenient "live" offers on livedeal.com based on their location.

The LiveDeal model has resulted in hockey stick-type revenue growth and the Company is well-positioned to continue on this path, aided in part by the August 2014 acquisition of ModernEveryday.com, a \$10M in annual sales online retailer.

Separately, recent insider buying is a bullish signal and illustrates management's belief in LiveDeal's value at current levels. The CEO just purchased 100,000 shares and may continue to buy more.

By leveraging online deal penetration of current and new markets with the ModernEveryday.com brand, LiveDeal is well-positioned to record a strong December quarter and a solid 2015, which should drive the shares higher. Plus, LIVE's stock may benefit from the strong 3Q14 performance of online deal leader Groupon (NASDAQ – GRPN). We rate these shares Speculative Buy with a price target of \$8.00, which reflects a price/revenue multiple of 5-6x on a potential \$20M annual revenue run rate.

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Trading History For LIVE

(Source: Stockta.com)



Senior Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view 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 recommendations or views expressed in this research report.

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