

# LIVEDEAL, INC.

## Transforming the Online Marketplace

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### LIVEDEAL, INC. (NASDAQ - LIVE - \$5.74)

Price Target: \$12

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. LiveDeal continues to actively develop, revise, and evaluate these products and services and its marketing strategies and procedures.

#### KEY STATISTICS

Price as of 2/11/14	\$5.74
52 Week High – Low (post-split)	\$8.58 – \$0.66
Est. Shares Outstanding	12.0M
Market Capitalization	\$68.9M
3 Mo Avg Vol (pre-split)	414,000
Exchange	NASDAQ

#### COMPANY INFORMATION

LiveDeal, Inc.  
325 E. Warm Springs Rd, Suite 102  
Las Vegas NV 89119  
[www.LiveDeal.com](http://www.LiveDeal.com)

IR : Scott Arnold  
CorProminence LLC  
310- 497-8817

#### INVESTMENT HIGHLIGHTS

**By transforming the way merchants and consumers operate in the online deal marketplace, LiveDeal has proven to be a disruptive 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.

**In a matter of months, LiveDeal has already penetrated 20% of the San Diego restaurant market whereas competitor Groupon (NASDAQ – GRPN) promotes deals for about 30 restaurants.** LIVE now operates in Los Angeles and San Francisco and has enjoyed a huge 153% rise in online traffic in January 2014 compared with December 2013.

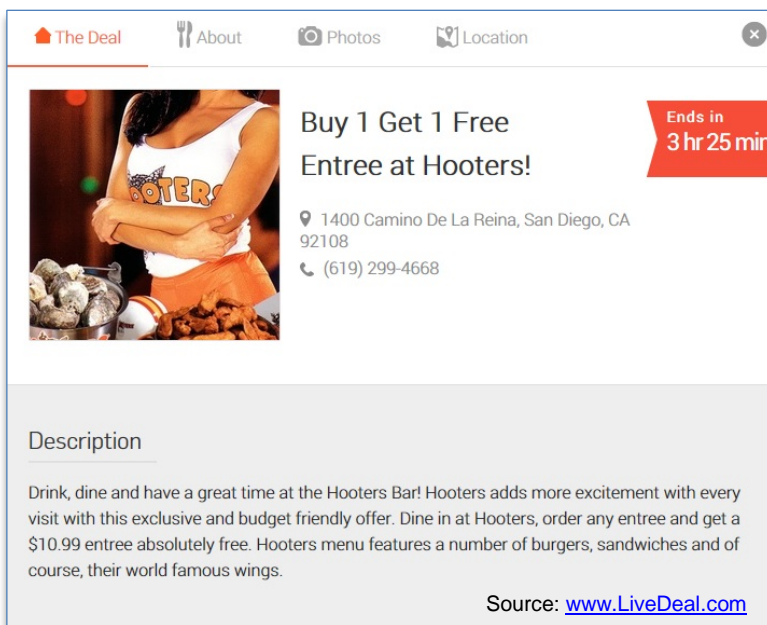
**With \$5M in cash on hand from recent financing and a clever business model, LiveDeal is poised to migrate to markets across the U.S.** LIVE's strategy is replicable into other verticals thus enabling it to become a force in web and mobile marketing.

**As LIVE penetrates each market and enters new ones, these events will drive the stock higher.** Plus, as penetration occurs, the current favorable and quantifiable online metrics should translate into major revenue growth. Our price target of \$12 remains less than 2% of deal leader Groupon but we believe that LIVE could reach \$24 in 2015 as the financials catch up with the online metrics. In the near term, investors can enjoy the typical gains that accompany stocks that have recently executed a stock split. We rate these shares Speculative Buy.

## LIVEDEAL, INC. (NASDAQ - LIVE)

### 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 is targeting the multi-billion dollar U.S. dining industry first, where deals on certain local restaurant dishes can be published and disseminated to potential customers, instantly.



**Image I. Sample Hooters Live Offer**

Local food establishments comprise LiveDeal's current 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 in three critical California markets known for fine dining – San Diego, Los Angeles and San Francisco – 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

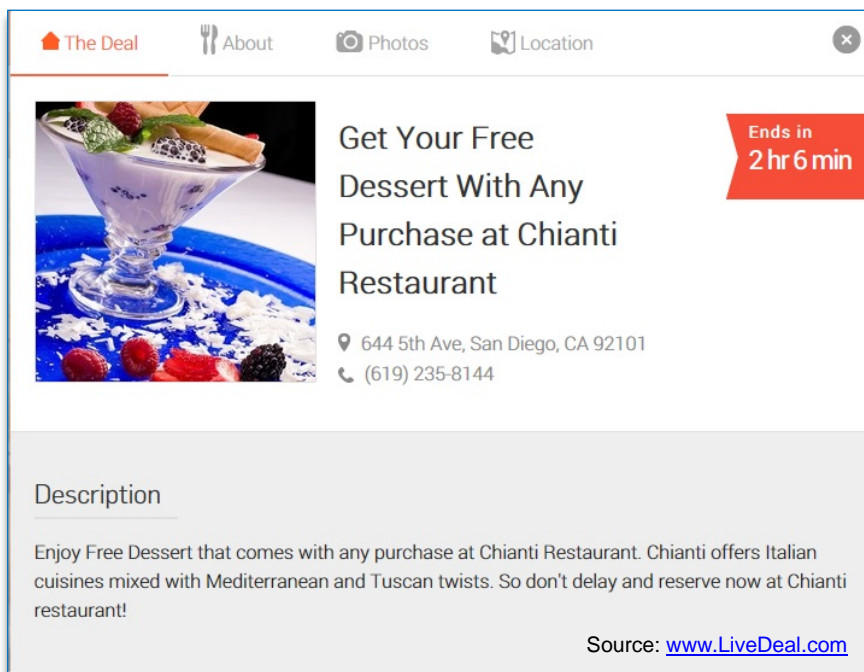
desired to draw diners. Consumers view these promotions via their computers or mobile devices as they are posted and have the opportunity to lock in specials on the spot. Transactions occur directly with the restaurant as opposed to a voucher or coupon, as is the case with competitors. When a restaurant 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 will soon release mobile apps of LiveDeal.com on widely-used Apple iOS and Android 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.

## LIVEDEAL, INC. (NASDAQ - LIVE)

### COMPANY OVERVIEW (cont.)

Because LiveDeal.com is completely scalable, expansion into other cities will not drain the company of resources and with California viewed by the rest of the nation as a tough proving ground, adoption into other locations should 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., currently boasting a \$7 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 – it now collaborates with 1,000 restaurants in the San Diego area (20% of the total) whereas Groupon promotes deals for a mere 30 eating establishments in the same market. Given its early success in San Diego, Los Angeles, and San Francisco, we expect a swift expansion of the deal platform to key markets across the country in the first half of 2014.

**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. The company is based in Las Vegas, Nevada with approximately 21 employees.

**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.

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

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.

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.

**LIVEDEAL, INC. (NASDAQ - LIVE)****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 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.

**LIVEDEAL, INC. (NASDAQ - LIVE)****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 other markets. In addition, meaningful revenue generation per customer may take time as customers become accustomed to using the platform's features. While it is expected that the early technology adopters and younger users would dominate the ranks in the weeks following the launch, consistent market penetration may prove to be limited. Still, this is not a relevant risk in our view as we proffer that any management team would pay huge dollars to develop and operate a platform that has 50% of the penetration rates of the LiveDeal engine. Since the Company has a history of losses, access to capital remains a risk. However since management recently closed on a financing, 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. 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**

We should note that the company just changed its fiscal year to a December calendar year. In the interim, the Company recently filed its 10-K for the year ended September 20, 2013. Revenue for the year was \$2.35 million with a loss of \$4.7 million. We should note that these figures do not reflect any material revenue generated by the Company's deal engine as it was launched around the time of the fiscal year end. Figures for the quarter ended December 31 will be more representative of the initiative's launch with the March quarter truly representative of the growth enjoyed by the LiveDeal platform. One these quarterly financials are released we plan to design and publish an accurate financial model for this deal pioneer.

It should be noted that the Company raised \$5M via the sale of convertible notes in January 2014 and via a shelf registration, has an opportunity to raise funds as it sees fit in order to carry out its expansion plans.

## LIVEDEAL, INC. (NASDAQ - LIVE)

### CONCLUSION

By transforming the way merchants and consumers operate in the online deal marketplace, LiveDeal has proven to be a disruptive force in the multi-billion online deal industry. There is a simple explanation as to why LiveDeal has been so successful so quickly. The bottom line is that it is a no-brainer for any type of SMB or even chain-based company to utilize the LiveDeal platform versus competing models since it offers the most important features related to promotion: publication flexibility and control to the customer related to timing and potential costs, and the ability to attract nearby customers via the geo-location feature.

Clearly, the Company has the wind at its back and enviable growing penetration of its target markets. With 27 SMBs in the U.S. and restaurants seeking affordable and effective promotion efforts to increase efficiency and profitability, LiveDeal serves as the only real alternative to the current deal marketplace as well as web and mobile marketing initiatives.

As LIVE penetrates each market and enters new ones, these events will drive the stock higher. Plus, as penetration occurs, the current favorable and quantifiable online metrics should translate into major revenue growth. Our price target of \$12 remains less than 2% of deal leader Groupon but we believe that the shares could reach north of \$24 in 2015 as the financials catch up with the online metrics. In the near term, investors can enjoy the typical gains that accompany stocks that have recently executed a stock split. We rate these shares Speculative Buy.

### Pre-Stock Split (3:1) Trading History For LIVE

(Source: Stockta.com)





## LIVEDEAL, INC. (NASDAQ - LIVE)

### 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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