

Company Sponsored Research
Update Note
08/24/2018

Legacy Education Alliance, Inc.

(OTCQB: LEAI)

New Partnerships and Expansion Creates Opportunity for Shareholders

Investment Highlights:

- Legacy Education Alliance reported fiscal second quarter 2018 financial results on August 14th, 2018.** Revenue was \$25.2 million for the period, indicating a decrease of \$1.0 million or 3.8% compared to the same period in 2017. Decreased attendance (i.e. fulfillment) was the main reason for the revenue decline. As the company is expanding to the international markets, they reported strong revenue growth in foreign markets. International sales account for 47.5% of total sales in 2Q 2018, compared to 41.8% in 2Q 2017. The soft sales performance in the U.S. dragged down the total revenue as the U.S. is still the primary revenue driver of the business. Net loss was \$2.4 million or \$0.10 per share for the 2Q 2018, versus net income of \$2.0 million or 0.09 per share for the same quarter in 2017. Total operating costs and expenses were up 16.5% YoY. The company was facing headwinds such as upfront developing expenses, testing costs and marketing new products, as well as the new alliance with kathy ireland® Worldwide. Higher expenses were also accrued by operating costs of UK property development and the purchase of a new ERP/CRM system. As most of these expenses are one-time and are necessary for the company's future growth, we still believe in the longer-term potential of the company's business model and strategy
- Negative Investor Reaction to Quarterly Results, But Long-Term Potential Intact.** The company's 2Q 2018 financial results caused investors to question the company's growth and margin potential, reflected in the recent decline of the stock price. Given higher reinvestment over the short term, we lower our valuation from \$0.78 to \$0.63, still representing substantial upside from current trading levels. We believe the company's new marketing approach, international expansion, and its intact core business give the company opportunities to provide strong shareholder returns over the longer term

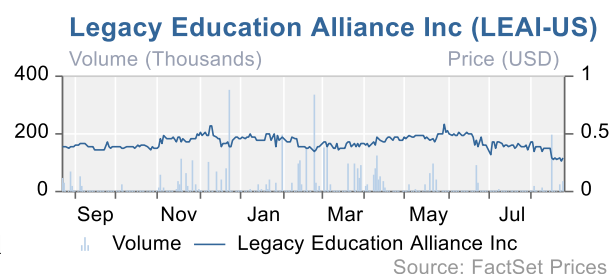
Company Description

Legacy Education Alliance, Inc. provides educational training seminars and comprehensive training services. The company provides conferences, tools and technology to help its customers become financially knowledgeable and elevate the financial well-being of people from all walks of life, primarily through its Rich Dad Education brand. The company was founded in 1992 in Cape Coral, FL.

Educational Services

Hunter Diamond, CFA
Yujia Wang (Equity Research Associate)
research@diamondequityresearch.com
1120 Avenue of Americas, 4th Floor New York, NY

Price- Volume History



Key Statistics

Closing Price (As of 08/23/2018)	\$.30
Valuation	\$ 0.63
52 Week Range	\$.21-\$.60
Average Daily Volume	8,999
Shares Outstanding (M)	23.01
Market Capitalization (M)	\$6.9
Number of Analysts Covering	2
Enterprise Value/Revenue	0.01x

Revenue(\$ in millions)

Dec. FY	2017A	2018E	2019E
1Q	21.97A	25.76A	27.45E
2Q	26.21A	25.22A	29.73E
3Q	25.24A	27.42E	30.35E
4Q	24.32A	29.11E	30.72E
FY	97.73A	107.50E	118.25E

EPS(\$)

Dec. FY	2017A	2018E	2019E
1Q	(.01)A	(.04)A	(.00)E
2Q	.09A	(.10)A	.00E
3Q	.07A	.11E	.10E
4Q	.06A	.22E	.14E
FY	.20A	.19E	.24E

2018 Fiscal First Quarter Result

For the 2018 fiscal second quarter ended June 30th, Legacy Education Alliance reported revenue of \$25.2 million, as compared to \$26.2 million in the second quarter of 2017, a decrease of \$1.0 million or 3.8% YoY. The company generated revenue of \$12 million from their foreign markets segment including the UK in the second quarter of 2018, compared to \$11 million in the same quarter of 2017, an increase of 9.5%. Revenue from the U.S. market slipped to \$13.2 million, a decrease of 14% YoY. The Loss per share – basic and fully diluted, was \$2.4 million or \$0.10 per share for the second quarter of Fiscal 2018. Net loss was mainly due to increasing upfront development expenses and other costs due to recent investments and business development.

Liquidity and Balance Sheet

As of June 30th, 2018, Legacy Education Alliance's cash and cash equivalents decreased from \$6,005,000 to \$2,613,000. Current Assets were also down from \$25,059,000 to \$20,603,000. Net cash provided by operating activities decreased \$5.7 million YoY primarily due to brand development and new ERP/CRM system integration cost.

Competitive Advantage

Legacy Education Alliance competes with other companies within the online and event education training sector. Some of the company's competitors include Fortune Builders, Armando Montelongo, Zurixx, Dean Graziosi, Flipping Formula, Winning the Property War, Nick Vertucci, and Success Resources. Some of these competitors have established brands through media-based relationship and use television or radio programs to promote their brands. For example, the founders of Flipping Formula host a real estate show on A&E called Flipping Boston. At the same time, some large institutional brokerage houses have begun offering financial education to grow their client portfolios, making the training services market more competitive. In our view Legacy's high-profile brands, such as Rich Dad, its reasonable price point, and its experienced management team set it apart in the industry.

Key Risk Factors

- Legacy Education Alliance is heavily dependent on its license agreement to use the Rich Dad brand. The Rich Dad Education offerings generated approximately 72% of the company's revenue for FY 2017. Any decline in the Rich Dad Education revenue would thus materially affect Legacy's business and overall finances
- The company although growing its cash from operations in 2017 and although management believes the company is capitalized sufficiently for 2018, may not have enough capital to pursue all needed opportunities and the company may raise additional capital via equity or debt
- The company is exposed to numerous international risks including but not limited to: currency risk, political instability, complexity of international operations, and cash transfer restrictions
- Legacy also operates in a highly competitive industry. The company's competitors may have substantially greater resources and may have already taken extensive steps to secure market share. If Legacy is unable to successfully compete, its business, financial condition and results of operations will be materially harmed.
- Customers' income and their willingness to purchase the company's courses offerings and products may be affected by uncertain economic conditions including but not limited to: conditions in the securities and the real estate markets, general economic and business conditions, and availability of mortgage financing and other forms of credit and consumer credit.
- The company's operations may be impacted by federal, state, and international laws and regulations. Failure to comply with these regulations could result in legal actions instituted by the jurisdictions and therefore harm the company's reputation.
- Legacy's success depends upon its ability to attract and retain qualified personnel including senior management, high performing sales speakers, and course trainers. If the company fails to retain them or to recruit and retain additional highly skilled personnel, its business would be adversely affected.
- The likely continued sale of equity securities in the future would result in dilution to the company's existing common shareholders and may decrease the price of the common stock
- Limited trading volume in the company's securities may affect investors' ability to sell shares of its common stock and the price received for its common stock, imposing liquidity risk.

For Full List of Risk Factors Please Read Legacy Education Alliance's Latest Prospectus and/or Annual Filings

Disclosures

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