



Reservoir Media Inc. (RSVR)

Recent 2Q:F22 Results Indicate RSVR Is Executing On Growth Initiatives, While Potential Funding Events May Weigh On Shares, We Think Valuation Is Compelling: Maintain \$14 Target

	F2021		F2022E		F2023E		F2024E	
		OLD	NEW	OLD	NEW	OLD	NEW	
June	(\$0.01)	(\$0.02)A		\$0.00	(\$0.01)	\$0.01	\$0.00	
Sep.	N/A	0.09	0.08A	0.11	0.10	0.13	0.12	
Dec.	N/A	0.04	0.02	0.04	0.03	0.05		
Mar.	<u>0.09</u>	<u>0.09</u>	<u>0.10</u>	<u>0.10</u>	<u>0.14</u>	<u>0.12</u>	<u>0.17</u>	
EPS (FY)	\$0.16	\$0.21	\$0.17	\$0.25	\$0.26	\$0.31	\$0.34	
EPS (Cal.)	\$0.20	\$0.23	\$0.22	\$0.29	\$0.31			
P/E (FY)			45.8x		30.0x		22.9x	
P/E (Cal.)			35.4		25.1x			
EBITDA (mil)		\$40.30	\$39.94	\$48.70	\$47.0	\$57.40	\$55.3	
EV / EBITDA			16.3x		13.8x		11.8x	

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. * F2021 EPS estimate based on a pro forma share count of 64 million ** EBITDA is based on company-adjusted metrics that includes \$4 million in public company costs. ***EV / EBITDA multiple is based on a projected post deal enterprise value of \$788 million. * F2022-F2024E include \$0.11 per year of respective stock-based compensation expense. Sum of quarterly EPS may not equal full year total due to rounding and/or change in share count. NC=Not covered by Sidoti & Company, LLC.

Year	F2015	F2016	F2017	F2018	F2019	F2020	F2021	F2022E	F2023E	F2024E
Rev.(Mil.)	N/A	N/A	N/A	N/A	\$45.0	\$63.2	\$81.8	\$103.6	\$119.0	\$137.0
GAAP EPS*	N/A	N/A	N/A	N/A	N/A	\$0.14	\$0.16	\$0.17	\$0.25	\$0.31

Description: Reservoir Media, Inc. ([www.https://www.reservoir-media.com](https://www.reservoir-media.com)) was founded in 2007 and is a global independent music company controlling over 130,000 song copyrights and 26,000 master recordings. Headquarters are in New York City, NY.

- **With this note, we transition coverage of Reservoir Media, Inc. (RSVR) to Christopher McGinnis. We change the risk rating to Moderate (from High) as we think the valuation discount to peers presents greater risk/reward than previously forecasted.**
- **Our unchanged price target of \$14 is now based on a similar multiple of 22x applied to our F2024 EBITDA forecast of \$55.3 million. (Previously, the target was based on applying 22x to the previous F2024 EBITDA forecast of \$57 million.)**
- **RSVR recently reported its 2Q:F22 revenue growth of 45% (15% organic) and EBITDA of \$12.9 million, up 40% versus the prior year's \$9.2 million, while also executing on catalog acquisitions and publishing and recording deals.**
- **Guidance for F2022 calls for revenue of \$100-\$104 million, up 22%-27% and for EBITDA of \$37-\$40 million, up 9%-18% on an annual basis.**
- **We model revenue of \$103.6 million in F2022, \$118.4 million in F2023 and \$136.0 million in F2024 and forecast EBITDA of \$39.9 million in F2022, \$47.1 million in F2023, and \$55.3 million in F2024.**
- **In our view, the 2Q:F22 results indicate that RSVR is executing well on its growth objectives and organic growth is outpacing marketplace growth, with guidance indicating strong 2H:22 performance.**
- **RSVR exited 2Q:F22 with net debt of \$191 million and total liquidity of \$52 million, consisting of \$13 million in cash and \$39 million on its revolver; we model a cash outflow of \$2.03 per share in F2022 and FCF per share of \$0.33 in F2023 and \$0.70 in F2024.**
- **To meet its acquisition target spend of \$200 million in F2022 and about \$100 million thereafter, RSVR will likely need a funding event either through equity or debt, while this may be weighing on shares currently, we think current valuation is compelling.**
- **Competitors trade at a mean of 23x 2022 EBITDA forecasts and private**

NR

Price Target: \$14

Price: \$7.79

Risk Rating: M

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Key Statistics

Analysts Covering	2
Market Cap (Mil)	\$500
Enterprise Value	\$691
52-Week Range (NASDAQ)	12-7
5-Year EPS CAGR	NM
Avg. Daily Trading Volume	195,000
Shares Out (Mil)	64.069
Float Shares (Mil)	31.547
Insider Ownership	50%
Institutional Holdings	39%
Annualized Dividend	Nil
Dividend Yield	N/A
FCF Per Share (F2024E)	\$0.70
FCF Yield (F2024E)	9%
Net Cash Per Share (F2024E)	(\$2.14)
Price to Book Value	1.5x
Return on Equity (F2024E)	4.6%
Total Debt to Capital	38%
Interest Coverage Ratio	2.9x
Short Interest %	3.5%
Short Interest Days To Cover	11.2
Russell 2000	2,246
Russell 2000 – Last 12 Months	21.7%
RSVR – Last 12 Months	N/A



Source: FactSet Prices

transactions are in the mid 20x EBITDA range, with shares trading at 16x, 14x and 12x our F2022, F2023 and F2024, respectively, all discounts to peer and transaction valuations.

RSVR reported 2Q:F22 EBITDA of \$12.9 million, up 40% year-over-year. Revenue in 2Q:F22 was \$30.4 million, up 45% (15% organic) versus the prior year period's \$21.0 million. On a segment basis Music Publishing revenue grew 26% to \$22.1 million and Recorded Music revenue increased 149% versus the prior year's \$17.6 million. Growth in Music Publishing was driven by strength in digital and synchronization sources, up 44% and 48%, respectively. With growth aided by new platforms such as Peloton (NASDAQ: PTON, NC) and other streaming and download services, offset by the impact of Covid-19 on performance-based revenue. Within Recorded Music revenue growth was largely driven by the recent Tommy Boy acquisition, but also organic growth in both physical and digital sources. The company noted a 207% increase in vinyl products in the period. EBITDA in 2Q:F22 was \$12.9 million (42.3% margin rate), up 40% versus the prior year period's \$9.2 million (43.9% rate), with growth driven by the strong sales growth and the margin compression related to acquisition costs and public company costs. Net income in 2Q:F22 was \$4.6 million, up 41% versus the \$3.2 million posted a year earlier, leading to EPS of \$0.08, versus the \$0.05 posted in 2Q:F21. Guidance for F2022 calls for revenue of \$100-\$104, up 25% at the mid-point and EBITDA of \$37-\$40 million, up 14% at the mid-point. Ultimately, we think the strong 2Q:F22 results indicate that RSVR is executing on operating objectives, which include, with organic growth at mid-teen levels, expanding and investing to support future growth through the June acquisition of Tommy Boy, a well-known US record label and music publishing company, investments in Outdustry and Audio Up, while also acquiring multiple catalogs, and signing of a number of publishing and recording deals.

	<u>2Q:F21A</u>	<u>2Q:F22A</u>	<u>Y/Y Variance</u>
Revenue	\$20,985	\$30,435	45.0%
Operating Income	\$5,318	\$7,911	48.8%
Operating Margin	25.3%	26.0%	
EBITDA	\$9,203	\$12,881	40.0%
EBITDA Margin	43.9%	42.3%	
Net Income	\$3,235	\$4,556	40.8%
Profit Margin	15.4%	15.0%	
EPS	\$0.05	\$0.08	52.9%

Source: Company reports and Sidoti & Company, LLC. estimates

While likely funding event to achieve acquisition targets may weigh on shares, valuation is compelling, in our view. RSVR exited 2Q:F22 with net debt of \$191 million, and total liquidity of \$52 million, which consists of \$13 million in cash and \$39 million available on the company's revolver. We note that outside of acquisition spend, RSVR generates solid cash flow, which we expect will be used to support growth through the investment of publishing and recorded music catalogs. We forecast free cash flow of \$0.33 per share in F2023 and \$0.70 in F2024. In June 2021, RSVR acquired Tommy Boy for about \$100 million and the April 2020 acquisition of Shapiro and Bernstein. We expect that RSVR will continue its acquisition initiative, targeting \$200 million in F2022 and \$100 million thereafter. While meeting these targets may lead to a funding event, we highlight RSVR's ability to drive significant operating leverage from acquisitions and they have resulted in a recurring revenue stream; in our view, the likely near-term pressure on shares is discounting a strong operator with positive market dynamics.

Valuation	We maintain a \$14 price target and a Moderately Risky rating (previously Highly Risky) on RSVR shares. We arrive at our \$14 target by applying a multiple of 22x to our F2024 EBITDA forecast of \$55.3 million. (Previously, the shares were valued at 22x the prior F2024 EBITDA forecast of \$57.0 million.) Given the lack of trading history, we look to both public and private comps in valuing shares of RSVR. On the public side, Warner Music Group Corp. (NASDAQ: WMG, NC) and Universal Music Group (foreign) trade at 21x and 24x, respectively, on 2022 EBITDA projects and private transactions have recently been in the mid-to-high 20x EBITDA range. In our view, shares of RSVR should trade in similar ranges, given its recurring revenue model, organic growth consistency, M&A opportunities and strength of management. While we do expect a funding event to execute on growth initiatives, and largely believe this is currently weighing on shares and we think this is well known in the investment community already. We now have a Moderate Risk rating on shares of RSVR (from High Risk).		
Key Risks	Intellectual property protection.	The ability to sign and retain artists.	Changes in terms of digital royalty fees.

RESERVOIR MEDIA INC.

Table 1: Reservoir Media Inc. Income Statement

(Dollars in thousands except per share data)

	Jun A	Sept A	F2021 A	Jun A	Sep A	Dec E	Mar E	F2022 E	Jun E	Sep E	Dec E	Mar E	F2023 E	F2024 E
Publishing revenue	11,342	17,584	67,091	12,265	22,148	15,000	28,000	77,414	14,596	26,357	17,850	33,320	92,123	109,165
Recorded music	2,184	3,245	13,595	4,232	8,073	6,292	7,191	25,787	4,316	8,234	6,418	7,335	26,303	26,829
Other	119	157	1,092	221	214	0	0	435	0	0	0	0	(0)	0
Total revenues	\$ 13,644	\$ 20,985	\$ 81,778	\$ 16,718	\$ 30,435	\$ 21,292	\$ 35,191	\$ 103,637	\$ 18,912	\$ 34,591	\$ 24,268	\$ 40,655	\$ 118,426	\$ 135,995
Writer royalties and other publishing costs	5,246	7642	29,129	6,019	9,723	7,305	13,440	36,487	6,977	12,388	8,568	15,660	43,593	52,945
Artist royalties and other recorded costs	658	587	3,863	1,673	2,369	1,447	1,582	7,071	1,101	2,059	1,604	1,834	6,597	5,768
Total cost of revenue	5,903	8,229	32,992	7,692	12,092	8,752	15,022	43,559	8,077	14,446	10,172	17,494	50,190	58,713
Net publisher share (NPS)	6,096	9,942	NA	6,246	12,425	7,695	14,560	40,927	7,619	13,969	9,282	17,660	48,530	56,220
Net label share and other (NLS)	1,526	2,658	NA	2,559	5,704	4,845	5,609	18,716	3,216	6,176	4,813	5,501	19,706	21,061
Gross profit	7,741	12,756	48,786	9,026	18,129	12,540	20,169	59,864	10,835	20,145	14,095	23,161	68,235	77,281
Amortization and depreciation	3,430	3,859	14,129	4,079	4,778	4,000	4,000	16,000	4,000	4,000	4,000	4,000	16,000	17,300
Administration expenses	3,005	3,579	14,986	4,665	5,655	4,471	5,560	20,351	4,851	5,881	4,650	5,783	21,165	22,012
Operating Income	1,306	5,318	19,671	503	7,911	4,069	10,609	23,091	1,983	10,264	5,445	13,378	31,070	37,969
Adjusted EBITDA	4,144	9,203	29,800	4,386	12,881	8,069	14,609	39,944	5,983	14,264	9,445	17,378	47,070	55,269
Interest expense	(2,208)	(2,304)	(8,972)	(2,779)	(2,729)	(2,729)	(2,729)	(10,966)	(2,729)	(2,729)	(2,729)	(2,729)	(10,915)	(10,915)
(Loss) Gain on foreign exchange	(116)	(361)	(911)	(18)	193	-	-	175	-	-	-	-	-	-
Gain (Loss) on fair value of swaps	(254)	1,729	2,988	547	678	-	-	1,225	-	-	-	-	-	-
Interest and other income	5	7	13	68	0	-	-	68	-	-	-	-	-	-
Gain on retirement of RMM Issuer debt	0	-	-	-	-	-	-	-	-	-	-	-	-	-
Income before income taxes	(1,267)	4,388	12,790	(1,968)	6,053	1,340	7,880	13,305	(746)	7,535	2,716	10,649	20,155	27,054
Income tax expense	(322)	1,118	2,454	(511)	(1,575)	322	1,891	127	(179)	1,808	652	2,556	4,837	6,493
Net income	(945)	3,270	10,336	(1,457)	4,478	1,018	5,989	10,028	(567)	5,726	2,064	8,093	15,318	20,561
Net loss attributable to noncontrolling interests	59	(35)	(47)	54	78	-	-	131	-	-	-	-	-	-
Net income attributable to Reservoir Holdings Inc.	(886)	3,235	10,289	(1,404)	4,556	1,018	5,989	10,159	(567)	5,726	2,064	8,093	15,318	20,561
Earnings per shar	(\$0.01)	\$0.05	\$0.16	(\$0.02)	\$0.08	\$0.02	\$0.10	\$0.17	(\$0.01)	\$0.10	\$0.03	\$0.14	\$0.26	\$0.34
Total shares	64,069	64,069	64,069	64,069	58,993	59,111	59,228	60,350	59,346	59,464	59,581	59,699	59,522	59,993
Margin analysis:														
Writer royalties and other (% of Publishing revenue)	46.3%	NA	43.4%	49.1%	43.9%	48.7%	48.0%	47.1%	47.8%	47.0%	48.0%	47.0%	47.3%	48.5%
Artist royalties and other (% of Recording revenue)	30.1%	NA	28.4%	39.5%	29.3%	23.0%	22.0%	27.4%	25.5%	25.0%	25.0%	25.0%	25.1%	21.5%
Total cost of revenue	43.3%	39.2%	40.3%	46.0%	39.7%	41.1%	42.7%	42.0%	42.7%	41.8%	41.9%	43.0%	42.4%	43.2%
Gross profit	56.7%	NA	59.7%	54.0%	59.6%	58.9%	57.3%	57.8%	57.3%	58.2%	58.1%	57.0%	57.6%	56.8%
Administration expenses	22.0%	17.1%	18.3%	27.9%	18.6%	21.0%	15.8%	19.6%	25.7%	17.0%	19.2%	14.2%	17.9%	16.2%
Operating Income	9.6%	NA	24.1%	3.0%	26.0%	19.1%	30.1%	22.3%	10.5%	29.7%	22.4%	32.9%	26.2%	27.9%
Adjusted EBITDA	30.4%	43.9%	36.4%	26.2%	42.3%	37.9%	41.5%	38.5%	31.6%	41.2%	38.9%	42.7%	39.7%	40.6%
Net income	-6.9%	NA	12.6%	-8.7%	14.7%	4.8%	17.0%	9.7%	-3.0%	16.6%	8.5%	19.9%	12.9%	15.1%
Growth analysis (year over year):														
Publishing revenue	NA	NA	24.4%	8.1%	26.0%	NA	NA	15.4%	19.0%	19.0%	19.0%	19.0%	19.0%	18.5%
Recorded music	NA	NA	50.6%	93.8%	148.8%	NA	NA	89.7%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Total revenues	NA	NA	29.3%	22.5%	45.0%	NA	NA	26.7%	13.1%	13.7%	14.0%	15.5%	14.3%	14.8%
Gross profit	NA	NA	35.8%	16.6%	42.1%	NA	NA	22.7%	20.0%	11.1%	12.4%	14.8%	14.0%	13.3%
Adjusted EBITDA	NA	NA	41.8%	5.8%	40.0%	NA	NA	34.0%	36.4%	10.7%	17.1%	19.0%	17.8%	17.4%
Operating Income	NA	NA	27.1%	-61.5%	48.8%	NA	NA	17.4%	NA	29.7%	33.8%	26.1%	34.6%	22.2%
Net income	NA	NA	3.2%	-8.2%	40.8%	NA	NA	NA	NA	27.9%	102.8%	35.1%	52.8%	34.2%

* Adjusted EBITDA includes \$4 million in public company costs on a pro forma basis starting F2022

Sources: Company reports and Sidoti & Company, LLC estimates

RESERVOIR MEDIA INC.

Table 2: Reservoir Media Inc. Cash Flow Statement

(Dollars in thousands except per share data)

	Jun A	Sep	F2021 A	Jun A	Sep A	F2022 E	F2023 E	F2024 E
Cash flows from operating activities								
Net income	\$ (945)	\$ 2,787	\$ 10,336	\$ (1,457)	\$ 4,478	\$ 10,028	\$ 15,318	\$ 20,561
Amortization of intangible assets	3,374	3,802.8	13,906	4,048	4,732	16,780	16,000	17,300
Depreciation of property, plant and equipment	56	56.4	222	31	46	76.78	-	-
Share-based compensation	26	25.7	103	26	191	4,217	8,000	8,000
Gain on retirement of RMM Issuer debt	-	-	-	-	-	-	-	-
Non-cash interest charges	184	196.9	795	218	373	-	-	-
(Gain) loss on fair value of derivative instruments	254	(661.6)	(2,988)	(547)	(678)	-	-	-
Share of earnings of equity affiliates, net of tax	10	15.1	(7)	8	16	-	-	-
Deferred income tax	405	-	2,081	37	798	-	-	-
<u>Changes in operating assets and liabilities:</u>								
Accounts receivable	876	(755)	(6,068)	1,823	(5,339)	(1,805)	(1,922)	(859)
Inventory and prepaid expenses	(652)	175	(975)	(2,383)	(617)	370	(148)	(176)
Royalty advances	(1,638)	(2,857)	(1,319)	(3,869)	(3,647)	(25,782)	(30,929)	(24,102)
Other assets	71	0	139	-	-	-	-	-
Accounts payable and accrued expenses	5,572	(4,045)	(213)	5,892	(2,425)	2,063	13,591	21,563
Income tax payable	(49)	501	236	0	(43)	-	-	-
Net cash provided by operating activities	7,544	(758)	16,247	3,827	(2,114)	5,948	19,909	42,288
Cash flows from investing activities:								
Purchases of music catalogs	(72,759)	(13,163)	(119,967)	(112,308)	(13,593.6)	(125,902)	-	-
Business combination and investment in equity affiliate	-	-	(13)	(500)	(1,964.5)	(2,464)	-	-
Increase (decrease) in deferred music composition acquisition costs	-	-	(86)	44	(44.5)	-	-	-
Purchase of property, plant and equipment	(26)	(10.34)	(80)	(21)	(7.4)	(29)	-	-
Net cash used for investing activities	(72,785)	(13,173)	(120,147)	(112,785)	(15,610)	(128,395)	-	-
Cash flows from financing activities:								
ROCC Trust and PIPE	-	-	-	-	141,147	142,500	-	-
Common stock dividend paid	-	-	-	-	-	-	-	-
Issuance of preferred shares, net of issuance costs	-	-	-	-	-	(4,000)	-	-
Issuance of common shares, net of issuance costs	7,973	-	7,973	-	-	-	-	-
Repayment of secured notes	-	-	-	-	-	-	-	-
Proceeds from secured line of credit	11,000	9,800	40,600	32,900	34,655	67,555	-	-
Repayment of secured line of credit	(250)	(250.00)	-	(250)	(73,250)	(83,000)	-	-
Proceeds from secured loans	-	-	-	-	-	-	-	-
Repayments of secured loans	-	-	(1,000)	-	-	-	-	-
Deferred financing costs paid	(326)	-	(649)	-	(3,241)	(3,241)	-	-
Repayments of related party loans	-	-	-	-	-	-	-	-
Draw on related party loans	175	117.05	296	80,914	(81,103)	(190)	-	-
Net cash provided by financing activities	18,572	9,667	47,220	113,564	18,207	119,624	-	-
Foreign exchange impact on cash	1997.236	4.338	7,649	209	(1,735.65)	-	-	-
(Decrease) increase in cash, cash equivalents and restricted cash	(44,671)	(4,260)	(49,030)	4,815	(1,253)	(2,823)	19,909	42,288
Cash, cash equivalents and restricted cash beginning of year	58,240	13,569	58,240	9,210	14,025	9,210	6,387	26,296
Cash and cash equivalents end of year	13,569	9,309	9,210	14,025	12,772	6,387	26,296	68,584
Cash flow from operations	7,544	(758)	16,247	3,827	(2,114)	5,948	19,909	42,288
Cash flow from operations per share	\$0.12	(\$0.01)	\$0.25	\$0.06	(\$0.04)	\$0.10	\$0.33	\$0.70
Free cash flow	(65,241)	(13,931)	(103,900)	(108,958)	(17,724)	(122,447)	19,909	42,288
Free cash flow per share	(1.02)	(0.24)	(1.62)	(1.70)	(0.30)	(2.03)	0.33	0.70

Sources: Company reports and Sidoti & Company, LLC estimates

RESERVOIR MEDIA INC.

Table 3: Reservoir Media Inc. Balance Sheet
(Dollars in thousands except per share data)

	F2020 A	F2021 A	Jun A	Sep A	F2022 E	F2023 E	F2024 E
Assets:							
Cash and cash equivalents	\$ 58,240	\$ 9,210	\$ 14,025	\$ 12,772	\$ 6,387	\$ 26,296	\$ 68,584
Accounts receivable	9,745	15,813	13,990	19329.1	17,618	19,540	20,399
Amounts due from related parties	6	-	-	0.0	-	-	-
Current portion of royalty advances	13,845	12,841	13,245	12772.4	20,727	23,685	27,199
Inventory and prepaid expenses	431	1,406	3,789	4406.1	1,036	1,184	1,360
Total current assets	82,267	39,271	45,049	\$ 49,280	45,769	70,706	117,542
Intangible assets, net	285,109	393,238	500,591	511091.3	502,360	486,360	469,060
Investment in equity affiliates	1,498	1,591	2,089	3994.0	1,591	1,591	1,591
Royalty advances, net of current portion	26,418	28,741	32,205	36324.9	46,636	74,608	95,196
Property, plant and equipment, net	603	322	312	273.7	322	322	322
Other assets	695	782	737	740.9	782	782	782
Total assets	396,591	463,944	580,984	\$ 601,704	597,460	634,368	684,493
Liabilities:							
Accounts payable and accrued liabilities	876	3,317	4,220	5,327	4,791	6,023	8,220
Royalties payable	1,532	14,657	19,963	17,448	15,245	27,605	46,971
Accrued payroll	1,532	1,635	809	627	1,635	1,635	1,635
Deferred revenue	473	1,338	1,844	1,310	1,338	1,338	1,338
Other current liabilities	7,090	2,615	7,322	8,626	2,615	2,615	2,615
Amounts due to related parties (Note 11)	-	290	81,204	101	290	290	290
Current portion of loans and secured notes payable	1,000	1,000	1,000	-	1,000	1,000	1,000
Income taxes payable	297	533	534	491	533	533	533
Total current liabilities	23,437	25,385	116,896	33,929	27,449	41,039	62,603
Loans and secured notes payable	171,785	211,532	244,400	203,937	196,087	196,087	196,087
Deferred income taxes	16,415	19,736	19,772	20,570	19,736	19,736	19,736
Fair value of swaps	7,555	4,567	4,019	3,341	4,567	4,567	4,567
Other liabilities	6,306	6,740	1,127	1,121	6,740	6,740	6,740
Total liabilities	225,499	267,959	386,215	262,899	254,578	268,168	289,731
Shareholders' Equity							
Preferred stock	81,633	81,633	81,633	-	81,633	81,633	81,633
Common	0	0	0	6	0	0	0
Additional paid-in capital	102,423	110,499	110,525	333,489	253,216	261,216	269,216
Retained earnings (accumulated deficit)	(9,537)	751	(652)	3,904	10,779	26,097	46,658
Accumulated other comprehensive income (loss)	(4,386)	2,096	2,312	532	2,096	2,096	2,096
Total Reservoir Holdings Inc. shareholders' equity	170,133	194,980	193,817	337,931	347,724	371,042	399,603
Noncontrolling interest	959	1,006	952	874	1,006	1,006	1,006
Total shareholders' equity	171,092	195,985	194,769	338,806	342,883	366,201	394,762
Total liabilities and shareholders' equity	396,591	463,944	580,984	601,704	597,461	634,369	684,493
Balance sheet analysis							
Ending cash	58,240	9,210	14,025	12,772	6,387	26,296	68,584
Ending debt	172,785	212,532	245,400	203,937	197,087	197,087	197,087
Net debt	114,545	203,322	231,376	191,165	190,700	170,791	128,503
Net cash (debt) per share	(\$1.79)	(\$3.17)			(\$3.16)	(\$2.87)	(\$2.14)
Return on equity	5.9%	5.3%	-0.7%	1.3%	2.9%	4.2%	5.2%
Total debt to capital	43.6%	45.8%	42.2%	33.9%	33.0%	31.1%	28.8%

Sources: Company reports and Sidoti & Company, LLC estimates

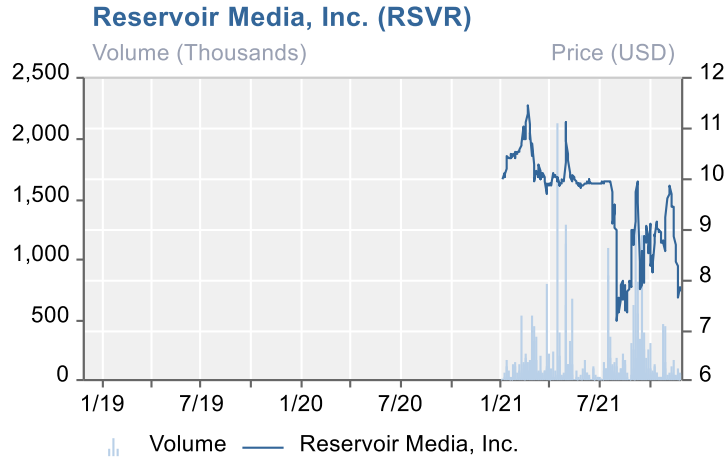
Appendix
Required Disclosures

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Reservoir Media Inc. (RSVR-\$7.79) NR Price Target: \$14 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Initiation	7/20/21	10	NR	14	H
Risk Rating	8/2/21	9			
PT	8/2/21	9		14	
Risk Rating	8/17/21	7.7			H
PT	8/17/21	7.7		14	



Valuation	We maintain a \$14 price target and a Moderately Risky rating (previously Highly Risky) on RSVR shares. We arrive at our \$14 target by applying a multiple of 22x to our F2024 EBITDA forecast of \$55.3 million. (Previously, the shares were valued at 22x the prior F2024 EBITDA forecast of \$57.0 million.) Given the lack of trading history, we look to both public and private comps in valuing shares of RSVR. On the public side, Warner Music Group Corp. (NASDAQ: WMG, NC) and Universal Music Group (foreign) trade at 21x and 24x, respectively, on 2022 EBITDA projects and private transactions have recently been in the mid-to-high 20x EBITDA range. In our view, shares of RSVR should trade in similar ranges, given its recurring revenue model, organic growth consistency, M&A opportunities and strength of management. While we do expect a funding event to execute on growth initiatives, and largely believe this is currently weighing on shares and we think this is well known in the investment community already. We now have a Moderate Risk rating on shares of RSVR (from High Risk).		
Key Risks	Intellectual property protection.	The ability to sign and retain artists.	Changes in terms of digital royalty fees.

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