

Alliance Entertainment Holding

Oct 06, 2025

Delivering Music To Our Ears: Cash Flow And Earnings Growth

Media

AENT

NASDAQ

Rating

Outperform

Initiation

Current Price

\$6.73

Target Price

\$11.00

Market Capitalization

342.94m

Shares Outstanding

50.96m

Float

11.41m

Institutional Holdings

47.08%

12-Month Low/High

\$2.21/\$11.57

Average 90-Day Volume

59640

Fiscal Year End

06/30/2026

Initiating coverage with Outperform rating. Alliance Entertainment is a leading distributor of physical products, including vinyl records, music CDs, Blu-ray and 4K Movies, Video Games and Electronics, and Collectibles. While some of its business lines are mature, there are attractive growth opportunities in developing revenue streams that carry higher margins. As such, we believe that the company is on the cusp of generating significant cash flow and earnings growth.

Expanding margin outlook. In spite of anticipated modest revenue growth of 2.4% in fiscal 2026, we anticipate a nearly 140 basis point improvement in adj. EBITDA margins in fiscal 2026, given our expectation of higher margin, developing revenue streams and the company's focus on efficiencies. We expect an acceleration in revenue in fiscal 2027 to 3.1% with another 60 basis point improvement in margins.

Favorable cash flow and earnings outlook. We expect adj. EBITDA to increase a strong 69% to \$51.5 million in fiscal 2026. Earnings per share is expected to more than double from \$0.25 in fiscal 2025 to \$0.55 per share in fiscal 2026, with another 20% increase to \$0.68 in fiscal 2027. Our estimates may be conservative should the introduction of new products gain traction faster than expected.

Poised for acquisition fueled growth. As of June 30, 2025, the company had \$1.2 million in cash and virtually no long-term debt. Notably, the company recently refinanced its line of credit facility at favorable rates, lowering interest costs from SOFR plus 450-475 bps to SOFR plus 150 bps. We believe that the company has a capable balance sheet to support revenue growth investment and acquisition fueled growth opportunities.

Attractive stock valuation. Near current levels, the AENT shares trade at 7.5 times Enterprise Value to our 2026 Adj. EBITDA estimate, well below that of its peer set trading near 11 times. We believe that the valuation gap should narrow as the company demonstrates its strong cash flow growth potential and expanding margins. Our price target is \$11, which implies a multiple in line with its peer group.

Equity Research

Michael Kupinski, Director of Research, Equity Research Analyst, Digital, Media & Technology (561) 994-5734, mkupinski@noblefinancialgroup.com,  Connect on LinkedIn

Patrick McCann, CFA, Research Analyst - pmccann@noblecapitalmarkets.com

Noble Capital Markets, Inc.

Trading: (561) 998-5489 Sales: (561) 998-5491

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Revenues (\$ MIL)

Period	2025	2026	2027
Q1	229.0	244.1E	
Q2	393.7	394.9E	
Q3	213.0	217.4E	
Q4	227.8	223.5E	
	1063.5	1089.0E	1123.0E

EPS (\$)

Period	2025A	2026	2027
Q1	0.01	0.08E	
Q2	0.14	0.30E	
Q3	0.04	0.08E	
Q4	0.11	0.09E	
	0.30	0.55E	0.68E

Investment Appraisal

Alliance Entertainment Holding Corp. (NASDAQ: AENT) is a leading global distributor and wholesaler of physical media and entertainment products, with a catalog spanning vinyl records, CDs, gaming, physical video, and collectibles. The company serves over 200 online retailers and 35,000 brick-and-mortar stores, while also reaching consumers directly through owned e-commerce brands and major marketplaces such as Amazon, TikTok, eBay, and Temu. Exclusive distribution agreements with more than 100 music labels, as well as the recent Paramount Pictures partnership, anchor Alliance's differentiated content access. The company has grown through more than 13 acquisitions, supported by a scalable, capital-light model and nationwide logistics capabilities, positioning it as a key intermediary between content owners and retailers.

Over the past decade, Alliance has expanded beyond music into gaming and collectibles, establishing a diversified platform across multiple entertainment verticals. Management has consistently demonstrated integration expertise, with tuck-in acquisitions helping to expand category breadth and customer relationships, leveraging its distribution platform. Recent initiatives such as Alliance Authentic and Handmade by Robots highlight the company's push into higher-margin categories, particularly licensed merchandise and premium collectibles, where growth potential is strongest. These efforts reflect a broader shift toward optimizing mix and improving profitability rather than pursuing pure top-line revenue expansion.

The broader industry backdrop is characterized by resilient growth in vinyl, premium physical video, gaming, and collectibles. Vinyl continues to expand as a mainstream collectible, with U.S. sales rising for the 17th consecutive year, while premium editions of physical video titles sustain demand among collectors. Gaming remains one of the fastest-growing global entertainment markets, projected to double in size by 2030, while licensed merchandise and toy collectibles add incremental tailwinds. Alliance's role as a distributor and licensor allows it to participate in each of these categories without requiring heavy content development risk.

Financial performance in fiscal 2025 underscored Alliance's ability to drive margin improvement even as revenue contracted modestly. Revenue for the year was \$1.06 billion, down 3.6% year-over-year, but adj. EBITDA rose 51% to \$36.5 million, with margins expanding to 3.4% from 2.2% in fiscal 2024. Margin progress accelerated into fiscal Q4 2025, with adj. EBITDA margin reaching 5.4%, up from just 0.9% in the prior-year period. Looking forward, we forecast fiscal Q1 2026 revenue of \$244.1 million and adj. EBITDA of \$9.5 million (3.9% margin). For the full fiscal year, we estimate \$1.089 billion in revenue and \$51.5 million in adj. EBITDA, followed by fiscal 2027 revenue of \$1.123 billion and \$59.3 million in adj. EBITDA. These projections reflect steady margin expansion, driven by licensing revenue, collectibles, and operational efficiencies.

The balance sheet has also improved meaningfully. As of June 30, the company had \$1.2 million in cash and virtually no long-term debt. The company has a credit facility, which is used to invest in inventory. Notably, the company recently bolstered its finances. In October 2025, Alliance replaced its prior ABL facility with a new \$120 million senior secured revolving credit facility led by Bank of America. The facility reduces borrowing costs by up to 250 basis points, extends maturity to 2030, and introduces more conventional terms better suited to growth funding. As of June 30, \$68.5 million was outstanding, leaving \$51.5 million in availability. The new structure enhances liquidity for operations and tuck-in acquisitions, while lowering interest expense and signaling increased confidence from a top-tier banking partner. Importantly, the facility is secured by a first-priority lien on substantially all company assets, providing lenders with visibility into receivables and inventory, which align with Alliance's asset-heavy working capital model.

Near current levels, AENT trades at just 7.5x 2026 adj. EBITDA, a material discount to its distribution peers, which average around 11x. We believe this gap undervalues Alliance's improving fundamentals, particularly its mix shift toward higher-margin revenue categories and increased adj. EBITDA generation. We are initiating coverage with an Outperform rating and \$11 price target. Our price target implies multiple expansion toward peer averages, supported by anticipated steady margin improvement, enhanced liquidity, and potential upside from accretive M&A.

In our view, Alliance presents a compelling risk/reward opportunity. Despite near-term investor concerns tied to tariffs and consumer spending trends, the company's proven ability to integrate acquisitions, strengthen supplier partnerships, and expand into high-growth niches, all support a constructive outlook. Margin expansion, a more favorable capital structure, and valuation rerating potential combine to make AENT an attractive investment near current levels.

Risks to achieving our price target include potential shifts in consumer demand away from physical media, supply chain or logistics disruptions, loss of key supplier or customer relationships, execution risk around acquisitions, and broader macroeconomic pressures such as tariffs, inflation, or rising interest rates.

Investment Highlights

Niche market expertise. Alliance serves a unique base of collectors and physical media enthusiasts, positioning itself as the leading distributor of entertainment and pop culture products at a time when physical formats retain strong collector demand.

Exclusive content and partnerships. The company distributes licensed products and exclusive content not available elsewhere, including agreements with more than 100 labels such as Better Noise, Empire, Epitaph, FUGA, Hopeless, Nuclear Blast, Sub Pop, and Vydia. Its recent exclusive Paramount Pictures license adds one of the industry's largest film and television catalogs to its platform.

Omni-channel distribution reach. Alliance's platform spans over 200 online retailers and more than 35,000 physical storefronts. In addition, through Alliance Entertainment Retail Group, the company sells directly across leading global marketplaces, including Amazon, TikTok, eBay, Temu, and Shein.

Trusted and established brand. With decades of category leadership, Alliance is known for reliable distribution, broad assortment, and consistent service quality, which has solidified long-standing relationships with retailers, labels, and studios.

Efficient, scalable operations. The company operates a capital-light model supported by advanced warehousing, automation, and logistics capabilities. This infrastructure enables both cost efficiency and the ability to absorb incremental scale with limited capital outlay.

Proven acquisition track record. Alliance has completed more than 13 acquisitions to date, integrating tuck-in distributors and labels efficiently. Backed by an asset-based financing structure, the company maintains the ability to pursue further consolidation within its fragmented sector.

Margin expansion opportunity. We forecast adj. EBITDA margin improvement in both fiscal 2026 and fiscal 2027, driven by higher-margin licensing revenues, growth in collectibles, and continued efficiency gains.

Strengthened credit facility. In October 2025, Alliance replaced its prior ABL with a new \$120 million senior secured revolver led by Bank of America, reducing borrowing costs by up to 250 bps and extending maturity to 2030. The facility enhances financial flexibility for both operations and future acquisitions.

Experienced management team. Alliance is led by a seasoned team with deep roots in distribution and entertainment, including a founder-led executive group with a demonstrated ability to scale businesses and drive consolidation.

Investment Risks

Dependence on key suppliers and customers. Alliance's business is heavily tied to exclusive distribution agreements with major studios, labels, and retail partners. The loss of key partners or adverse changes in terms could materially reduce revenue. In addition, revenue is concentrated among several large customers, increasing exposure to shifts in their purchasing behavior.

Shifts in consumer demand. The broader transition toward digital media consumption poses a structural headwind for Alliance's physical media categories. While collectibles and licensing provide growth opportunities, slower-than-expected adoption of these segments could limit margin expansion.

Risks related to acquisitions. Alliance has a history of growth through acquisitions and intends to continue sector consolidation. There is inherent risk in identifying targets, structuring financing, and integrating operations. Failure to achieve expected synergies or missteps in execution could weigh on profitability.

Macroeconomic and trade risks. Alliance's operations are exposed to broader economic factors, including inflation, interest rates, and consumer spending trends. The company also faces risks from international trade policies and tariffs, which could impact product costs or demand.

Supply chain and logistics disruptions. Given its role as a large-scale distributor, Alliance is exposed to risks from supply chain interruptions, increased shipping costs, or disruptions in global logistics networks. Prolonged disruption could impair revenue and margin performance.

Talent retention and leadership. Continued success depends on retaining key executives and operational personnel with deep distribution and licensing expertise. Loss of critical talent could hinder strategic execution and growth.

Industry Overview

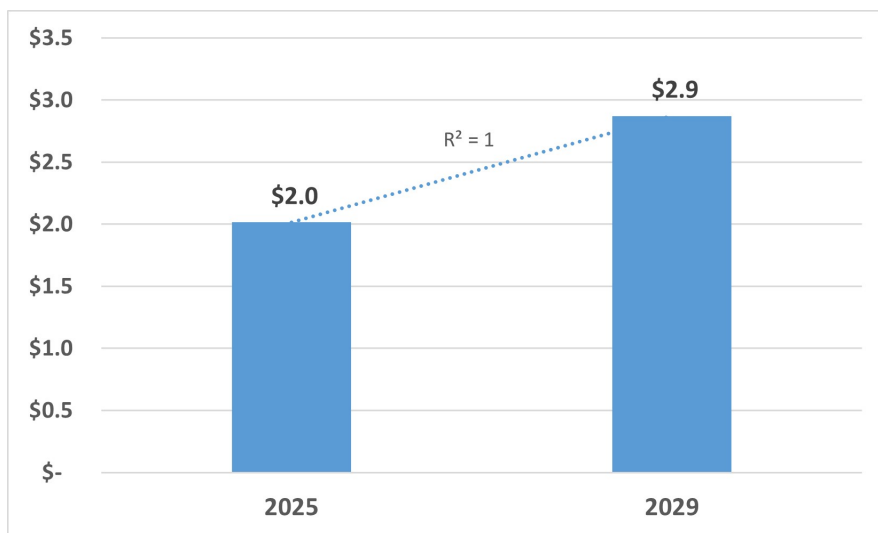
The physical entertainment industry remains a diverse but evolving landscape, where legacy formats coexist with high-growth niches. Vinyl records and compact discs anchor the music segment, with vinyl driving a resurgence in collector demand. In home entertainment, physical video continues to decline overall, but sustains value in premium editions and exclusive releases. Meanwhile, gaming and licensed merchandise are expanding rapidly, creating growth opportunities across hardware, software, and collectibles. Together, these verticals illustrate a market in transition: mature categories are stabilizing into niche collector bases, while interactive entertainment and collectible merchandise increasingly drive long-term industry growth.

Music: Vinyl and Compact Discs

Vinyl records have emerged as the clear growth driver in physical music, transforming from a niche format into a mainstream collectible. Collectors, audiophiles, and DJs value vinyl for its tactile experience, analog sound quality, and visual presentation, while younger demographics increasingly embrace the format as a lifestyle product. Record labels have leaned into this trend, releasing exclusive editions, deluxe packaging, and Record Store Day specials that fuel repeat purchases and cultural relevance. Innovations in production, such as smart turntables and enhanced materials, further support vinyl's durability and appeal. Omnichannel retail strategies are helping record shops reach both in-store buyers and online collectors, reinforcing the category's accessibility.

This momentum is clearly reflected in market data. According to the Recording Industry Association of America (RIAA), U.S. vinyl sales grew 10% in 2023, marking the 17th consecutive year of expansion. Vinyl generated \$1.4 billion in revenue in 2024, accounting for more than 70% of U.S. physical music revenue. In unit terms, vinyl albums outsold CDs for the third consecutive year, with 44 million units sold versus 33 million CDs. While CDs remain in secular decline, they showed slight stability in 2024 with 1% growth. Globally, Technavio projects the vinyl market to grow from \$2.0 billion in 2025 to \$2.9 billion in 2029, representing a CAGR of 9.3%, illustrated in Figure #1 Global Vinyl Market. Together, these dynamics suggest vinyl will remain a long-term growth category while CDs provide steady but niche contribution.

Figure #1 Global Vinyl Market



Source: Technavio

Home Entertainment: Physical Video

The home entertainment industry has been reshaped by the dominance of streaming, which has led to a structural decline in DVDs and Blu-rays. However, physical video continues to serve a dedicated base of collectors and fans who value tangible media, particularly premium formats such as SteelBooks®, director's cuts, and 4K Ultra HD editions. These products provide exclusive artwork, collectible packaging, and perceived superior audiovisual quality, ensuring they retain cultural and commercial relevance despite the broader shift to digital. Collectors increasingly view these products as limited-edition merchandise rather than simply functional media, which could allow the category to stabilize at a smaller but loyal demand base.

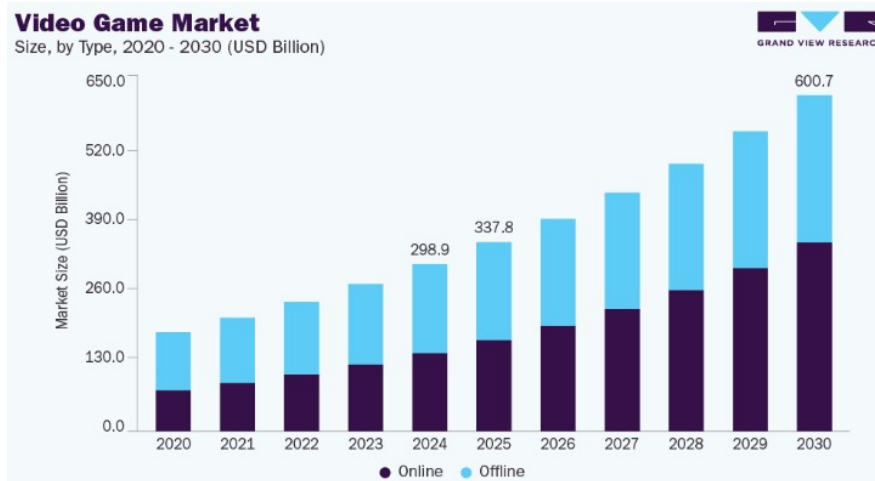
Market data illustrates this dual trend of contraction and niche resilience. Diverse Tech Geek reported that U.S. physical media revenue fell 23.4% in 2024, dropping below \$1 billion overall. Yet, demand for premium editions has helped to cushion the category. Partnerships between studios and distributors have become central to sustaining this market, as studios seek efficient routes to market for both blockbuster releases and legacy catalog titles. Alliance Entertainment's exclusive U.S. and Canada distribution agreement with Paramount Home Entertainment, effective January 2025, is an example of such a partnership.

Interactive Entertainment and Collectibles: Gaming and Licensed Merchandise

Gaming is one of the largest and fastest-growing global entertainment industries, underpinned by regular console refresh cycles, expanding mobile and PC gaming segments, and more immersive content. Hardware distribution, including consoles and accessories from Nintendo, Microsoft, and Sony, provides recurring sales cycles that support stable demand. Software launches and third-party publisher content further deepen consumer engagement, sustaining category momentum. With console upgrades expected later in the decade, this vertical is positioned for long-term growth, offering distributors a recurring flow of product turnover.

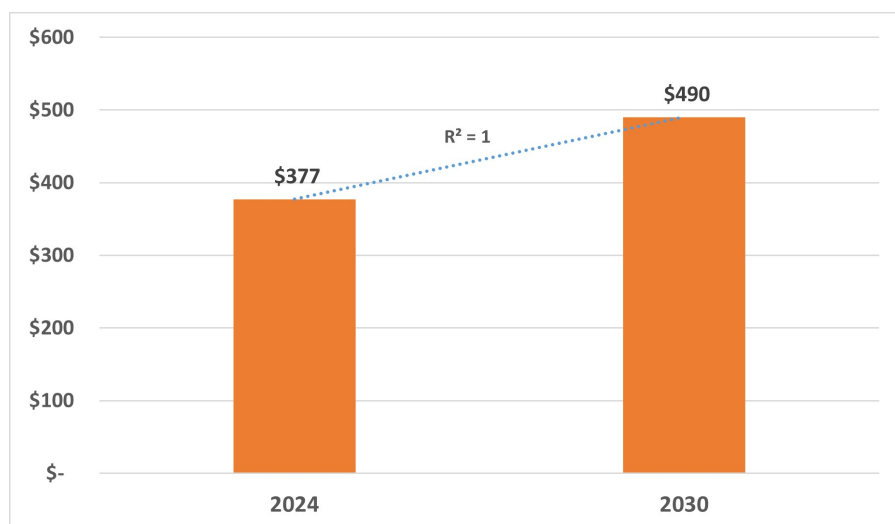
According to Grand View Research, the global video game market was valued at \$299 billion in 2024 and is projected to grow at a 12.2% CAGR, doubling to \$601 billion by 2030. Figure #2 Global Video Game Market illustrates this forecast. This growth provides a robust foundation for related categories such as collectibles and licensed merchandise, which leverage gaming IP to extend engagement beyond the console.

Figure #2 Global Video Game Market



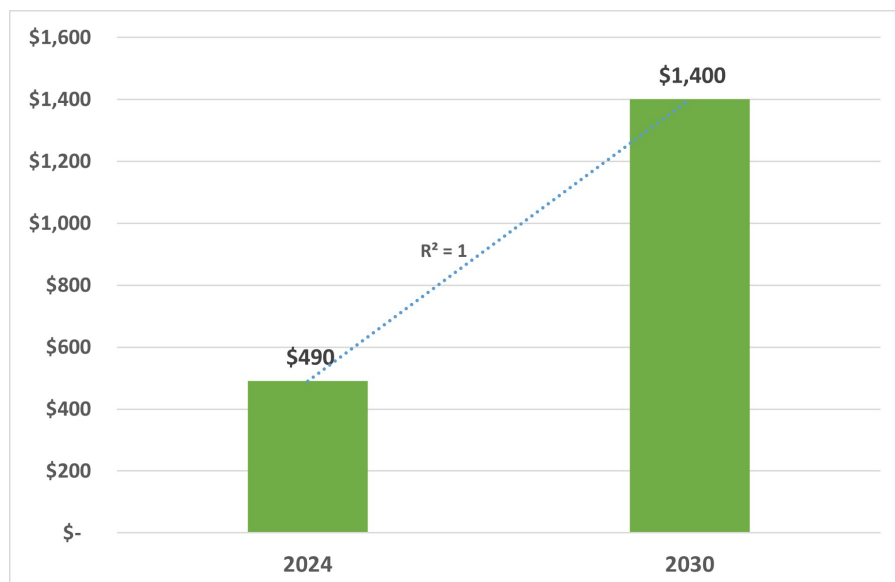
Source: Grand View Research

The global licensed merchandise market reached \$377 billion in 2024 and is forecast to expand to \$490 billion by 2030, a CAGR of 4.5% (according to Market Research). Figure #3 Global Licensed Merchandise Market highlights this expectation.

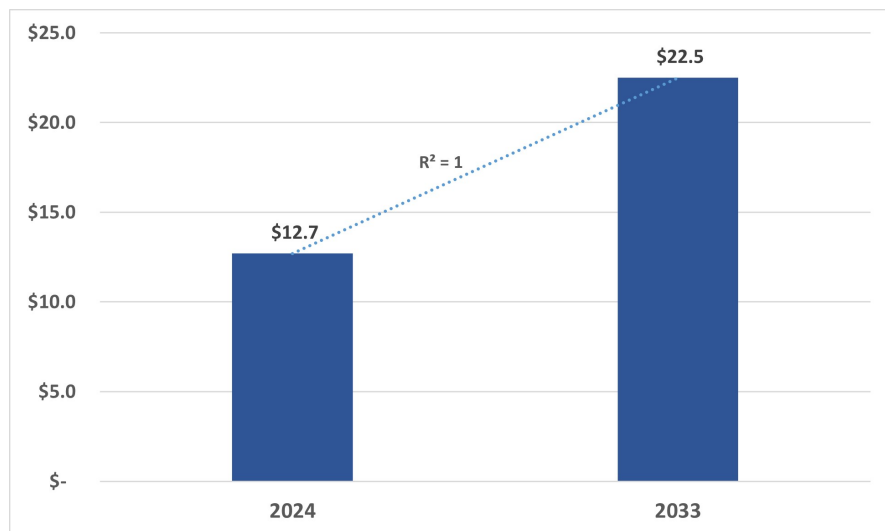
Figure #3 Global Licensed Merchandise Market

Source: Market Research

Within this, licensed gaming merchandise is expected to grow at a much faster 19.4% CAGR, from approximately \$490 million in 2024 to \$1.4 billion by 2030, illustrated in Figure #4 Global Licensed Gaming Merchandise Market. Toy collectibles, another adjacent category, are also scaling quickly, with revenue forecast to rise from \$12.7 billion in 2024 to \$22.5 billion by 2033, a 6.6% CAGR (per Verified Market Reports), illustrated in Figure #5 Toy Collectibles Market. These products benefit from rising fandoms, esports-driven merchandising, and the growing appetite for limited editions tied to franchise launches. Together, gaming and collectibles represent a compelling growth engine for distributors that can bridge entertainment content with consumer merchandise demand.

Figure #4 Global Licensed Gaming Merchandise Market

Source: Market Research

Figure #5 Global Toy Collectibles Market

Source: Verified Market Reports

Company Overview

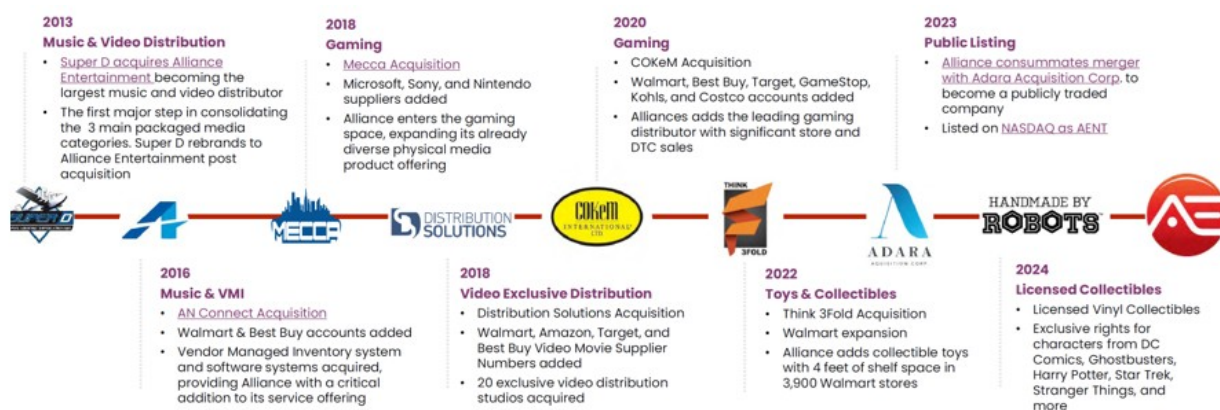
Alliance Entertainment Holding Corp. (NASDAQ: AENT) is a leading global distributor and wholesaler of physical media and entertainment products. Headquartered in Plantation, Florida, the company offers more than 325,000 SKUs across vinyl, video games, DVDs, Blu-Rays, CDs, and collectibles. Alliance connects leading content owners such as Universal, Disney, Sony, Microsoft, and Paramount with retail partners including Amazon, Walmart, Target, Best Buy, and Costco, distributing products to more than 70 countries. Its multi-channel strategy includes wholesale, direct-to-consumer e-commerce, and exclusive studio partnerships, while its owned brands (DeepDiscount, PopMarket, ImportCDs, Critics' Choice Video, Collectors' Choice Music, Movies Unlimited, and WowHD) extend reach into collector-focused markets. Figure #6 Distribution and Licensing highlights some examples of the company's distribution verticals.

Figure #6 Distribution and Licensing

Source: company presentation

Alliance traces its roots to a music store founded in 1990, expanding into wholesale distribution in 1995. The company grew through a series of acquisitions, culminating in its 2013 purchase of Alliance Entertainment, which was then generating approximately \$700 million in annual revenue versus the acquirer's \$200 million. The combined business adopted the Alliance name and relocated operations to Kentucky. The Shepherdsville, Kentucky facility has since become the company's primary logistics hub, anchoring its large-scale distribution network. In 2018, Alliance expanded into gaming distribution through the acquisition of Mecca, followed by the addition of toys and collectibles with the acquisition of Think 3Fold in 2022, which strengthened its Walmart partnership. In 2023, Alliance completed a reverse recapitalization with Adara Acquisition Corp. and became a public company under its current structure. Figure #7 Alliance Timeline illustrates several key acquisitions in recent years.

Figure #7 Alliance Timeline



Source: company presentation

The Shepherdsville facility has been continually expanded and modernized to accommodate Alliance's growth into a diversified entertainment distributor. A centerpiece of these efforts is the company's state-of-the-art AutoStore system (depicted in Figure #8 AutoStore), announced in January 2023, which includes over 52,000 bins and 57 Black Line robots. The system was engineered with larger bins to allow vinyl records to be stored vertically, reducing damage risk while enabling efficient handling. This investment has allowed Alliance to consolidate inventory by moving video games, consoles, and controllers into Shepherdsville. Alongside OPEX Sure Sort X® technology, AutoStore has boosted speed, accuracy, and scalability while reducing labor costs. Today, the site is capable of processing more than 50 million units annually and can scale to 261,000 daily units during peak demand. These upgrades have not only lowered fulfillment costs and improved operational efficiency but also enhanced product integrity, sustainability, and flexibility for future expansion, cementing Shepherdsville as the cornerstone of Alliance's distribution platform.

Figure #8 AutoStore

Source: company presentation

Today, Alliance distributes across five primary categories: vinyl, CDs, physical video (DVDs, Blu-ray, UltraHD), gaming products, and collectibles. Its customer base spans more than 4,000 accounts and 35,000 storefronts, with its top three customers representing approximately 40% of consolidated FY2025 revenue. Figure #9 B2B Customers illustrates some of the large retailers that use Alliance. On the supply side, Alliance sources from more than 600 partners, of which, some of the larger suppliers are highlighted in Figure #10 Suppliers. In FY2025, five suppliers represented 59% of product receipt value, with the largest contributing 23%. Agreements are typically nonexclusive and short-term, but supplier partnerships are supported by repurchase options or resale assistance. While Alliance primarily purchases finished goods, it works with manufacturing partners such as Sonopress for Paramount titles and oversees design approvals for collectible products like Handmade by Robots.

Figure #9 B2B Customers



Source: company presentation

Figure #10 Suppliers



Source: company presentation

The company has five revenue segments, each with a different revenue and cash flow contribution growth profile. The revenue contribution from each segment is illustrated in Figure #11 FY 2025 Revenue Breakdown and discussed below.

Vinyl Records (34% of FY2025 revenue)

Vinyl is Alliance's largest revenue category, driven by strong collector demand, limited editions, and events like Record Store Day. Partnerships with major labels including Universal Music Group, Sony Music, and Warner Music Group ensure access to new releases and deep catalog content. Alliance serves both mass retailers and more than 2,500 independent music stores, positioning it as the leading supplier of vinyl worldwide. We view this segment as a mature business, although management is exploring opportunities to launch vinyl collectibles, which could enhance revenue growth.

Gaming Products (25% of FY2025 revenue)

Alliance distributes consoles, accessories, and software from Nintendo, Microsoft, Sony, Arcade1Up, and leading third-party publishers. Entry into this space came through the 2018 acquisition of Mecca, which gave Alliance scale in gaming hardware and software distribution. Gaming remains a core contributor to revenue, though category share declined from 31% in FY2024 to 24% in FY2025. Some gaming manufacturers have shifted away from consoles and toward digital/streaming, creating the downcast revenue outlook. Other manufacturers have taken advantage of the larger players de-emphasizing consoles and have ramped consoles. As such, we believe a period of stabilization of this revenue stream is possible, but not yet within our projections.

Physical Video (24% of FY2025 revenue)

The DVD, Blu-ray, and UltraHD segment was strengthened in FY2025 by Alliance's exclusive U.S. and Canada distribution agreement with Paramount Home Entertainment. This partnership expands Alliance's offering of blockbuster titles and collectible SteelBook® editions, enhancing its role as a key distributor in home entertainment. Demand for titles with new digital tech features such as 4K and Ultra HD continue to be growth drivers. In addition, the Paramount deal adds a meaningful growth driver to what has been a challenged but resilient category. Given the recent Paramount agreement, we believe that other studios may follow, providing another layer of revenue growth opportunities.

Compact Discs (12% of FY2025 revenue)

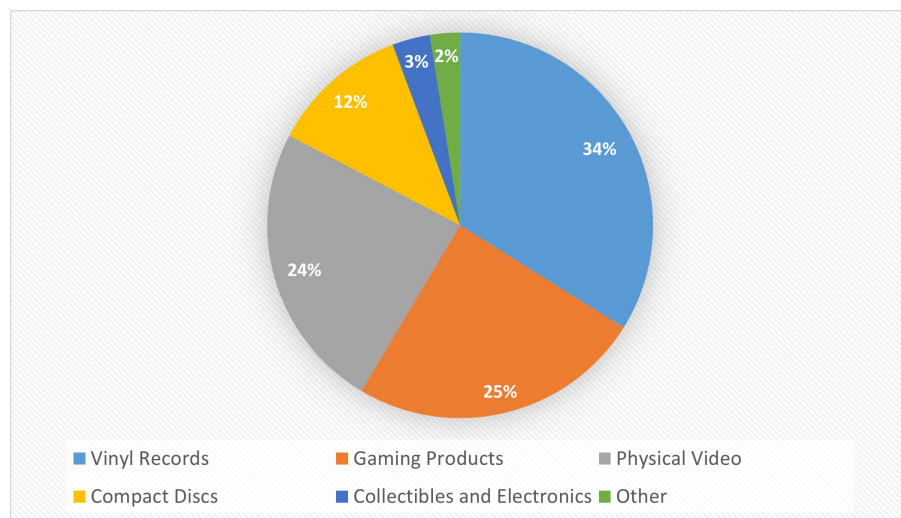
Despite secular decline, CDs continue to provide a stable revenue stream, supported by demand in international markets and trends such as the global popularity of K-pop. Alliance sustains its position by leveraging a deep catalog and offering exclusive editions that appeal to collectors and specialty retailers, allowing the format to remain profitable even as the broader market contracts. Revenue drivers include major contemporary artists like Taylor Swift and leading K-pop groups, while catalog acts in classic rock also contribute meaningfully. Additional shelf space at large retailers such as Walmart and Target further supports growth potential in the segment.

Collectibles and Electronics (3% of FY2025 revenue)

Collectibles include licensed merchandise, consumer electronics, and pop culture items. The 2022 acquisition of Think 3Fold expanded this category, particularly with its partnership with Walmart. In 2025, Alliance launched Alliance Authentic, focused on premium licensed merchandise from top entertainment brands. Growth initiatives include Handmade by Robots, which manufactures through three partners in China, as well as high-value collectibles such as autographed items. We believe that this is a favorable area of revenue growth for the company and expect that it will be a target-rich sector for M&A.

Opportunities for Growth

Growth opportunities for Alliance are concentrated in collectibles, which though currently small, offer the highest percentage growth potential, particularly through Handmade by Robots and Alliance Authentic. The Paramount distribution deal provides upside for physical video, while vinyl and CDs continue to benefit from collector-driven demand.

Figure #11 FY 2025 Revenue Breakdown

Source: company filings

Recent Results and Outlook

On September 10, 2025, the company reported fiscal 2025 Q4 results for the period ended June 30. Revenue for the quarter was \$227.8 million, compared with \$236.9 million in the prior year period. Adj. EBITDA was \$12.2 million, representing a 5.4% margin, a sharp improvement from 0.9% in Q4 FY24 and up sequentially from Q3 FY25 (2.6%). In our view, this demonstrated the company's ability to improve profitability despite a modest top-line decline. *Figure #12 AENT FY4Q25 Results* compares the most recent quarter with the prior year period.

For the full fiscal year 2025, the company generated \$1.06 billion of revenue versus \$1.10 billion in fiscal 2024. Adj. EBITDA increased 51% year-over-year to \$36.5 million, with margins improving to 3.4%, compared to 2.2% in fiscal 2024. The expansion reflected a stronger mix of higher-margin revenue streams, particularly licensing and collectibles, as well as disciplined cost management.

Looking ahead, we forecast fiscal Q1 2026 revenue of \$244.1 million and adj. EBITDA of \$9.5 million, implying a margin near 3.9%. This would represent year-over-year improvement relative to Q1 FY25 (1.5%) and is consistent with our expectation that higher-margin channels, such as licensing revenue and collectibles, will increasingly shape the company's profitability profile. We believe that our revenue estimate may prove to be conservative, especially given that the quarter will represent an easy comp with the year earlier quarter. The Paramount licensing deal was just gearing up in the year earlier quarter. As such, our first quarter Movie Sales estimate of \$74.8 million may prove to be conservative. We estimate that the Paramount revenue could be as much as \$25 million plus in the first quarter. In addition, we believe that much of the company's collectibles were early in the development and should gain traction in the quarter. As such, we believe that our Consumer Products revenue of \$10.5 million may prove conservative as well. We believe that these revenue growth drivers carry higher than average corporate margins and, as such, should drive fiscal first quarter 2026 margins higher. We anticipate adj. EBITDA margins of 3.9%, up from 1.5% a year earlier, to generate \$9.5 million in adj. EBITDA.

Figure #12 AENT FY4Q25 Results

Alliance Entertainment			
Total Consolidated	Q4 24	Q4 25	2025
(In thousands except per share data)	Jun	Jun	
Vinyl Record Sales	86.700	95.000	360.500
% Change	5.7%	9.6%	9.6%
% of Total Revenues	36.6%	41.7%	33.9%
% of Full Year	26.4%	26.4%	100.0%
Music Compact Discs	33.500	29.000	123.400
% Change	-8.0%	-13.4%	-5.1%
% of Total Revenues	14.1%	12.7%	11.6%
% of Full Year	25.8%	23.5%	
Movie Sales	45.200	60.000	256.900
% Change	5.1%	32.7%	25.9%
% of Total Revenues	19.1%	26.3%	24.2%
% of Full Year	22.2%	23.4%	
Consumer Products	7.400	6.500	33.800
Growth	-50.7%	-12.2%	-21.4%
% of Total Revenues	3.1%	2.9%	3.2%
% of Full Year	17.2%	19.2%	
Gaming Products	50.400	36.000	262.100
Growth	-13.1%	-28.6%	-22.5%
% of Revenues	21.3%	15.8%	24.6%
% of Full Year	14.9%	13.7%	100.0%
Other	13.733	1.250	26.757
Growth	7.9%	-90.9%	-52.6%
		226.50	
Total Revenues	236.933	227.750	1,063.457
Growth	-4.1%	-3.9%	-3.4%
% of Fiscal Full Year Revenues	21.5%	21.4%	
Cost of Revenues	210.014	191.784	930.605
Growth	-3.2%	-8.7%	-4.2%
% of Revenues	88.6%	84.2%	87.5%
Gross Profit	26.919	35.966	132.852
Growth	-11.0%	33.6%	3.1%
% of Revenues	11.4%	15.8%	12.5%
Operating Expenses			
Distribution and Fulfillment Expense	10.835	8.949	40.375
Growth	-14.6%	-17.4%	-17.3%
% of Revenues	4.6%	3.9%	3.8%
Selling, General and Administrative Expense	13.983	15.040	56.172
Growth	-3.6%	7.6%	-2.6%
% of Revenues	5.9%	6.6%	5.3%
Stock based compensation		0.058	
Adjusted EBITDA	2.101	12.035	36.363
Growth	-31.2%	472.8%	53.1%
Margin	0.9%	5.3%	3.4%

Source: company filings

For the fiscal year, we believe that the similar revenue growth drivers that should be evident in the fiscal first quarter will drive fiscal full year revenue and cash flow growth. For instance, we anticipate strong 48% revenue growth in the company's Consumer Products division for the fiscal full year 2026, which is expected to be supported by a developing revenue stream for its Handmade by Robot collectible line. Handmade by Robot is expected to generate \$10 million in revenue from less than \$1 million in fiscal 2025. Furthermore, we expect double digit growth in its Funko, Hasbro, and Electronics revenue streams.

In addition, we anticipate that the Paramount agreement, discussed earlier in this report, will add nearly \$50 million in higher margin revenue in fiscal 2026. This agreement is expected to support strong double digit revenue growth in its Movie segment in fiscal 2026, estimated to increase revenue 21.4%. In total, for the full year, we anticipate \$1.089 billion in revenue and \$51.5 million in adj. EBITDA. Our adj. EBITDA estimate is viewed as conservative, given that the developing revenue streams carry significantly higher margins than total company margins (in most cases into the double digits versus total company margins in the low-to-mid single digits). As such, we believe that there is positive upside surprise potential in our estimates.

Beyond fiscal year 2026, we forecast fiscal 2027 revenue of \$1.123 billion and \$59.3 million in adj. EBITDA, representing another step up in profitability with margins expanding further year-over-year. Figure #13 AENT Financial Forecast illustrates our fiscal 2026 and fiscal 2027 expectations. We believe that the company's developing collectibles lines will be the key revenue and cash flow growth driver. We anticipate that Consumer Products will grow 78% to \$89 million, supported by an expected \$30 million increase in revenue from its Handmade By Robot collectibles. Revenue growth in this higher margin segment is expected to support further margin improvement by 60 basis points to 5.3% in fiscal 2027.

Our estimates do not anticipate another studio agreement (similar to the Paramount agreement in fiscal 2025), which we believe is possible. As such, we believe that there are revenue levers (better than expected collectible revenue) and business prospects that support positive upside revenue and cash flow surprise potential in fiscal 2027.

In our view, fiscal 2025 showcased Alliance's ability to improve profitability despite revenue pressure, while fiscal 2026 and 2027 should build upon that foundation with continued margin expansion, supported by licensing growth, Collectibles, and operational efficiency initiatives.

Figure #13 AENT Financial Forecast

Alliance Entertainment						
Total Consolidated	Q1 26E	Q2 26E	Q3 26E	Q4 26E	2026E	2027E
(In thousands except per share data)	Sep	Dec	Mar	Jun		
Vinyl Record Sales	73.689	110.715	86.596	92.202	363.000	365.000
% Change	4.5%	1.6%	0.7%	-2.9%	0.7%	0.6%
% of Total Revenues	30.2%	28.0%	39.8%	41.3%	33.3%	32.5%
% of Full Year	20.3%	30.5%	23.9%	25.4%		100.0%
Music Compact Discs	33.782	41.910	21.463	29.846	127.000	130.000
% Change	-1.8%	7.5%	2.2%	2.9%	2.9%	2.4%
% of Total Revenues	13.8%	10.6%	9.9%	13.4%	11.7%	11.6%
% of Full Year	26.6%	33.0%	16.9%	23.5%	100.0%	100.0%
Movie Sales	74.880	106.080	65.520	56.160	312.000	324.000
% Change	41.6%	23.3%	13.0%	-6.4%	21.4%	3.8%
% of Total Revenues	30.7%	26.9%	30.1%	25.1%	28.7%	28.9%
% of Full Year	24.0%	34.0%	21.0%	18.0%		
Consumer Products	10.500	18.000	11.600	9.900	50.000	89.000
Growth	43.8%	50.0%	45.0%	52.3%	47.9%	78.0%
% of Total Revenues	4.3%	4.6%	5.3%	4.4%	4.6%	7.9%
% of Full Year	21.0%	36.0%	23.2%	19.8%	100.0%	100.0%
Gaming Products	46.200	112.171	23.235	28.350	210.000	188.000
Growth	-19.1%	-19.9%	-19.9%	-21.3%	-19.9%	-10.5%
% of Revenues	18.9%	28.4%	10.7%	12.7%	19.3%	16.7%
% of Full Year	22.0%	53.4%	11.1%	13.5%	100.0%	100.0%
Other	5.000	6.000	9.000	7.000	27.000	27.000
Growth	-26.4%	-21.8%	-18.5%	460.0%	0.9%	0.0%
Total Revenues	244.051	394.876	217.415	223.458	1,089.000	1,123.000
Growth	6.6%	0.3%	2.1%	-1.9%	2.4%	3.1%
% of Fiscal Full Year Revenues	22.1%	38.0%	20.6%	22.7%		
Cost of Revenues	210.372	330.906	187.412	192.621	920.000	945.000
Growth	3.4%	-5.8%	1.9%	0.4%	-1.1%	2.7%
% of Revenues	86.2%	83.8%	86.2%	86.2%	84.5%	84.1%
Gross Profit	33.679	63.970	30.003	30.837	169.000	178.000
Growth	31.9%	51.3%	3.2%	-14.3%	27.2%	5.3%
% of Revenues	13.8%	16.2%	13.8%	13.8%	15.5%	15.9%
Operating Expenses						
Distribution and Fulfillment Expense	9.640	15.598	8.588	8.827	43.016	44.920
Growth	6.9%	25.6%	-14.0%	-1.4%	6.5%	4.4%
% of Revenues	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Selling, General and Administrative Expense	14.643	23.693	13.045	13.407	64.788	67.381
Growth	11.4%	71.7%	-8.1%	-10.9%	15.3%	4.0%
% of Revenues	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Stock based compensation	0.125	0.125	0.125	0.125	0.500	0.500
Adjusted EBITDA	9.521	24.805	8.495	8.728	51.549	59.340
Growth	182.4%	54.3%	73.9%	-27.5%	41.8%	15.1%
Margin	3.9%	6.3%	3.9%	3.9%	4.7%	5.3%

Source: Noble estimates

Financial Overview

As of June 30, 2025, the company had \$1.2 million in cash and approximately \$55.3 million outstanding under its revolving credit facility. Current assets totaled \$218.1 million, consisting primarily of \$97.4 million in receivables and \$102.8 million in inventory. Figure #14 Balance Sheet provides a snapshot of the company's financial position as of quarter-end.

Figure #14 Balance Sheet

(\$ in thousands)	30-Jun-25	30-Jun-24
ASSETS		
<u>Current Assets</u>		
Cash	1,236	1,129
Trade Receivables, Net	97,369	92,357
Inventory, Net	102,848	97,429
Other Current Assets	16,679	5,298
<u>Total Current Assets</u>	<u>218,132</u>	<u>196,213</u>
<u>Non-Current Assets</u>		
Property & Equipment, Net	11,291	12,942
Operating Lease ROU Assets, Net	19,214	22,124
Goodwill	89,116	89,116
Intangibles, Net	18,475	13,381
Other Long-Term Assets	789	503
Deferred Tax Asset, Net	4,211	6,533
<u>Total Non-Current Assets</u>	<u>143,096</u>	<u>144,596</u>
Total Assets	361,228	340,812
LIABILITIES		
<u>Current Liabilities</u>		
Accounts Payable	155,300	133,221
Accrued Expenses	9,548	9,371
Current Portion of Operating Lease Obligations	3,229	1,979
Current Portion of Finance Lease Obligations	3,075	2,838
Contingent Liability	1,577	511
<u>Total Current Liabilities</u>	<u>172,729</u>	<u>147,920</u>
<u>Non-Current Liabilities</u>		
Revolving Credit Facility, Net	55,268	69,587
Finance Lease Obligation, Non-Current	1,931	5,016
Operating Lease Obligations, Non-Current	17,432	20,413
Shareholder Loan (subordinated), Non-Current	10,000	10,000
Warrant Liability	646	247
<u>Total Non-Current Liabilities</u>	<u>85,277</u>	<u>105,263</u>
Total Liabilities	258,006	253,183
STOCKHOLDERS' EQUITY		
Common Stock	5	5
Paid In Capital	48,570	48,058
Accumulated Other Comprehensive Loss	(76)	(79)
Retained Earnings	54,723	39,645
<u>Total Stockholders' Equity</u>	<u>103,222</u>	<u>87,629</u>
Total Liabilities and Stockholders' Equity	361,228	340,812

Source: company filings

Senior Secured Revolving Credit Facility

In October 2025, the company replaced its prior asset-based lending (ABL) facility with a new \$120 million senior secured revolving credit facility led by Bank of America. The agreement matures on October 1, 2030, extending the tenor by five years relative to the prior facility. Borrowings are priced at SOFR plus 150 basis points through March 2026 and SOFR plus 162.5 basis points thereafter. At closing, Alliance had \$68.5 million outstanding under the facility with \$51.5 million of availability. Compared with the prior structure, which bore an effective rate of 9.2% at June 30, 2025, the Bank of America facility reduces borrowing costs by up to 250 basis points and enhances financial flexibility.

The new revolver is secured by a first-priority lien on substantially all company assets and continues to operate with availability determined by borrowing base formulas tied to receivables and inventory. Relative to the prior White Oak facility, the Bank of America structure is more conventional in design, with simpler mechanics and lower cost of capital, making it better suited to funding both working capital and growth initiatives. Covenants remain customary, including a minimum fixed charge coverage ratio, and management has highlighted that the agreement provides ample liquidity to support ongoing operations and long-term initiatives.

M&A Flexibility

Alliance's credit structure continues to provide a practical mechanism to pursue mergers and acquisitions. Because the company primarily acquires distribution-oriented businesses with meaningful inventory and receivables, management has historically been able to finance tuck-in deals by adding acquired assets into the borrowing base. While the new facility is less dependent on daily collateral formulas, Alliance retains the ability to integrate asset-backed acquisitions efficiently, leveraging the revolver to fund transactions without large upfront equity commitments or permanent debt raises. This model has historically allowed the company to consolidate within its sector with relative ease, and the new agreement further supports this strategy by offering a lower cost of capital and expanded flexibility.

In our view, the refinancing marks a meaningful improvement in Alliance's capital structure. The Bank of America facility lowers borrowing costs, removes structural frictions associated with the prior ABL agreement, and signals increased confidence from a top-tier banking partner. Together with disciplined working capital management, the facility provides a more stable foundation for Alliance's operations and potential M&A activity, while reducing pressure from interest expense going forward.

Management Overview

Bruce Ogilvie – Executive Chairman. Mr. Ogilvie founded Abbey Road Distributors in 1980 and successfully sold the business in 1994, earning Ernst & Young's Distribution Entrepreneur of the Year Award for his leadership. In 1996, he was selected by a bank group to turn around the 600-store chain Wherehouse Records, which emerged from bankruptcy under his leadership within nine months and was subsequently sold to Cerberus Capital. Mr. Ogilvie later served as CEO of Super D, and following the 2013 merger of Super D and Alliance Entertainment, he became Chairman of the combined company.

Jeff Walker – Chief Executive Officer. Mr. Walker co-founded CD Listening Bar, a retail music store, in 1990, before transitioning into music wholesaling through the launch of Super D in 1995. In 2001, Super D sold a minority interest to Bruce Ogilvie, after which Mr. Walker and Mr. Ogilvie expanded the company into a leading player in the wholesale distribution market. In 2013, Super D acquired Alliance Entertainment, and Mr. Walker became CEO of the merged business. In 2015, he was awarded Ernst & Young's Distribution Entrepreneur of the Year Award in Orange County. Mr. Walker holds a degree in Economics from the University of California, Irvine.

Robert Black – Chief Operating Officer. Mr. Black has held leadership roles across finance, project management, and compliance at Amazon, United Airlines, Wheels Inc., and Blue Ridge Partners. He holds an M.B.A. from the University of Notre Dame's Mendoza College of Business and a Bachelor of Science in Industrial Relations from Ferris State University.

Amanda Gnecco – Chief Financial Officer. Ms. Gnecco was appointed CFO in 2025, having previously served as Vice President of Finance & Accounting since February 2023 and as Senior Director of Finance & Accounting for three years prior. She earned a Master of Science degree in Accounting from Keller Graduate School of Management, graduating with honors as Valedictorian, and holds a Bachelor of Arts in Accounting from Midwestern State University in Wichita Falls, Texas.

Warwick Goldy – Vice President of Operations. Mr. Goldy joined Alliance Entertainment in November 2016 through the acquisition of ANConnect (Anderson Merchandisers). In 2017, he relocated to Kentucky to lead operations as Director, and in March 2020 he was promoted to Vice President of Operations. Mr. Goldy graduated from the University of KwaZulu-Natal in South Africa with a Bachelor of Commerce degree.

Board of Directors

Bruce Ogilvie – Executive Chairman. Mr. Ogilvie serves as Executive Chairman of Alliance Entertainment, having led the company since the merger of Super D and Alliance in 2013.

Jeff Walker – Director. Mr. Walker serves on the Board of Directors in addition to his role as CEO.

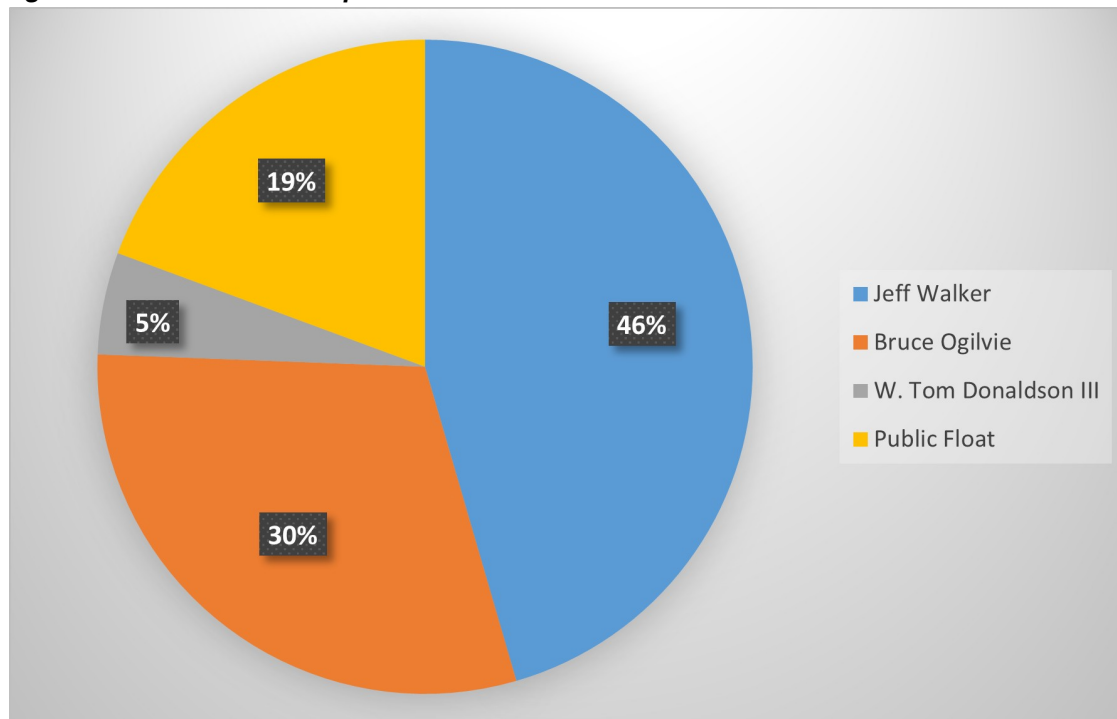
W. Tom Donaldson III – Independent Director. Mr. Donaldson is the Founder and Managing Partner of Blystone & Donaldson, a Charlotte-based investment firm focused on middle-market companies. He previously served as a director of Adara Acquisition Corp. until its business combination with Alliance in 2023. Earlier in his career, he was an executive at Investors Management Corporation (IMC). Mr. Donaldson holds an M.B.A. and J.D. from Villanova University and an undergraduate degree in Political Science from North Carolina State University.

Chris Nagelson – Independent Director. Mr. Nagelson served as Vice President, Divisional Merchandise Manager for Walmart, Inc. in Bentonville, Arkansas. From 1997 to 2005, he was Divisional Merchandise Manager for American Eagle Outfitters, Inc., based in Pittsburgh, Pennsylvania.

Terilea J. Wielenga – Independent Director. Ms. Wielenga is a senior global finance executive, board director, and advisor with more than 30 years of experience at Fortune 500 companies and a Big Four accounting firm. She led global tax policy and strategy at Gilead Sciences (Nasdaq: GILD), and also served as Senior Vice President of Tax at Allergan (NYSE: AGN), where she managed rapid global growth. She currently serves as audit committee chair for the Arc Research Institute.

Stock Overview and Valuation

Alliance Entertainment completed its reverse recapitalization and began trading on the NASDAQ on February 10, 2023, under the symbol “AENT.” The company has approximately 120.9 million fully diluted shares outstanding, comprised of 50.957 million Class A common shares, 60 million conditional Class E shares, and 9.9 million warrants. Of the Class A total, executive leadership and directors collectively own 41.14 million shares, or roughly 81%. Major insider positions include Jeffrey Walker (CEO) with 23.19 million shares and Bruce Ogilvie (Executive Chairman) with 15.34 million shares, illustrated in *Figure #15 AENT Ownership*.

Figure #15 AENT Ownership

Source: company filings

The 60 million Class E shares are also held by insiders and are structured as performance-based equity. They are divided into three tranches: Tranche 1 converts to Class A shares if the stock trades at or above \$20 within five years of the de-SPAC, Tranche 2 converts at \$30 within seven years, and Tranche 3 converts at \$50 within ten years. If the company fails to reach these thresholds in the respective time windows, the related tranches expire worthless. This structure ties long-term insider ownership to the achievement of meaningful share price milestones.

In addition, Alliance has approximately 9.9 million warrants outstanding from the de-SPAC transaction, consisting of 5.75 million public warrants, 4.1 million private placement warrants, and 50 thousand representative warrants. These instruments are exercisable at an \$11.50 strike price and expire in February 2028, with public warrants classified as equity and private/representative warrants recorded as liabilities subject to quarterly remeasurement. The potential exercise of these warrants would generate roughly \$100 million to the company, which would bolster its finances and position it for future M&A activity.

The AENT shares are down approximately 24% year-to-date, which we believe reflects investor concerns around tariff exposure earlier in 2025. Shares have recovered somewhat from May lows, but in our view, sentiment continues to lag the company's operational progress. We believe that improving mix toward higher-margin products and continued growth in the Collectibles segment, alongside enhanced financial flexibility from the new credit facility, could catalyze improved stock performance. *Figure #16 AENT Year-to-Date Stock Performance* illustrates the recent trading trend of the shares.

Figure #16 AENT Year-to-Date Stock Performance**6.73** USD**-2.08 (-23.61%) ↓ year to date**

Oct 3, 4:00 PM EDT • Disclaimer



Source: Google Finance

The company's peer group, illustrated in *Figure #17 AENT Comparables*, consists of distributors across multiple verticals, including food distribution (UNFI, USFD, PFGC), automotive parts distribution (GPC), and specialty distribution (POOL). Near current levels of 7.5x calendar 2026 adj. EBITDA, AENT trades at a meaningful discount to the peer group average of roughly 11x. We believe this gap undervalues the company's ability to generate stronger adj. EBITDA through higher-margin revenue streams.

Figure #17 AENT Comparables

Company	Ticker	Share Price	Shares Outstanding (M)	Market Cap (\$M)	Ent. Value (\$M)	Ent. Value /			
						Revenue		EBITDA	
						2025E	2026E	2025E	2026E
UNITED NATURAL FOODS	UNFI	\$40.47	60.65	\$2,455	\$4,270	1.8x	1.8x	7.2x	6.2x
POOL CORPORATION	POOL	\$309.61	37.32	\$11,554	\$12,683	2.4x	2.3x	19.2x	18.1x
GENUINE PARTS COMPANY	GPC	\$139.76	139.09	\$19,440	\$22,726	0.9x	0.9x	11.1x	10.3x
US FOODS HOLDING CORP.	USFD	\$76.18	225.17	\$17,152	\$21,804	0.6x	0.5x	11.3x	10.2x
PERFORMANCE FOOD GROUP	PFGC	\$102.57	156.52	\$16,053	\$21,364	0.3x	0.3x	11.4x	10.2x
ALLIANCE ENTERTAINMENT	AENT	\$6.73	50.96	\$343	\$407	0.4x	0.4x	9.0x	7.4x
Mean						1.2x	1.2x	12.0x	11.0x
Median						0.9x	0.9x	11.3x	10.2x

Source: Noble estimates and Eikon

In summary, we are initiating coverage with an Outperform rating and a \$11 price target, which reflects a valuation more in line with peer multiples on EV/2026 EBITDA. Importantly, our valuation framework is grounded in what we view as conservative assumptions, leaving room for positive surprises if execution exceeds expectations. We believe that the shares are timely given that the pivot toward faster cash flow and earnings growth appears likely in the very near term.

Looking forward, we anticipate margin improvement driven by increased licensing revenue and expansion of the Collectibles business. Cash flow leverage is expected to follow from this margin mix shift, while further consolidation in the distribution industry presents an additional catalyst. Alliance has a demonstrated history of executing accretive tuck-in acquisitions, and its financing structure provides the flexibility to pursue further M&A that can augment the revenue growth profile.

In our view, the shares present a compelling risk/reward opportunity. AENT is trading below its peer set despite broad distribution scale and improving unit economics. The combination of balance sheet improvements, margin expansion, and potential consolidation should support multiple expansion toward peer averages, with additional upside if industry conditions or M&A opportunities provide incremental tailwinds.

Company Profile

Alliance Entertainment (Nasdaq: AENT) is a premier distributor and fulfillment partner serving the entertainment and collectibles industry. The company provides a broad range of products across music, video, video games, licensed merchandise, and pop culture collectibles, reaching major online marketplaces and tens of thousands of retail storefronts. Alliance's platform is distinguished by its exclusive content partnerships with leading studios and labels, including Paramount Pictures, and its growing presence in higher-margin categories such as collectibles through brands like Handmade by Robots and its partnership with Master Replicas. The company significantly expanded its scale in 2013 through the acquisition of the Alliance Entertainment brand. Since then, it has completed more than a dozen acquisitions and today operates with a capital-light, asset-based model supported by nationwide logistics capabilities. Headquartered in Plantation, Florida, Alliance continues to build on its role as a key intermediary between content owners and retailers.

Fundamental Analysis 3.5/5.0 Checks

We assign a fundamental score of 3.5 out of 5.0, which is above average. The company scores highly on financial leverage following its low-cost revolving credit facility and lack of long-term debt, as well as on competitive position given its exclusive distribution agreements and leadership in physical media and collectibles. Experienced management is another strength, though the potential dilutive impact of equity awards remains a consideration. The lowest scoring attribute is operating leverage, as the business continues to work toward margin expansion through licensing and collectibles. Overall, Alliance's strong positioning and balance sheet flexibility provide a solid foundation, while execution on margin improvement will be key to lifting the fundamental profile further.

Valuation Summary

Near current levels of 7.5x calendar 2026 adj. EBITDA, AENT trades at a meaningful discount to the peer group average of roughly 11x. We believe this gap undervalues the company's ability to generate improved adj. EBITDA through higher-margin revenue streams. We are initiating coverage with an Outperform rating and a \$11 price target, which reflects a valuation more in line with peer multiples on EV/2026 EBITDA. Importantly, our valuation framework is grounded in what we view as conservative assumptions, leaving room for positive surprise if execution exceeds expectations. Looking forward, we anticipate margin improvement driven by increased licensing revenue and expansion of the Collectibles business. Cash flow leverage is expected to follow from this margin mix shift, while further consolidation in the distribution industry presents an additional catalyst. Alliance has a demonstrated history of executing accretive tuck-in acquisitions, and its financing structure provides the flexibility to pursue further M&A that can augment the revenue growth profile.

In our view, the shares present a compelling risk/reward opportunity. AENT is trading below its peer set despite broad distribution scale and improving unit economics. The combination of balance sheet improvements, margin expansion, and potential consolidation should support multiple expansion toward peer averages, with additional upside if industry conditions or M&A opportunities provide incremental tailwinds.

Risks to achieving our price target include potential shifts in consumer demand away from physical media, supply chain or logistics disruptions, loss of key supplier or customer relationships, execution risk around acquisitions, and broader macroeconomic pressures such as tariffs, inflation, or rising interest rates.

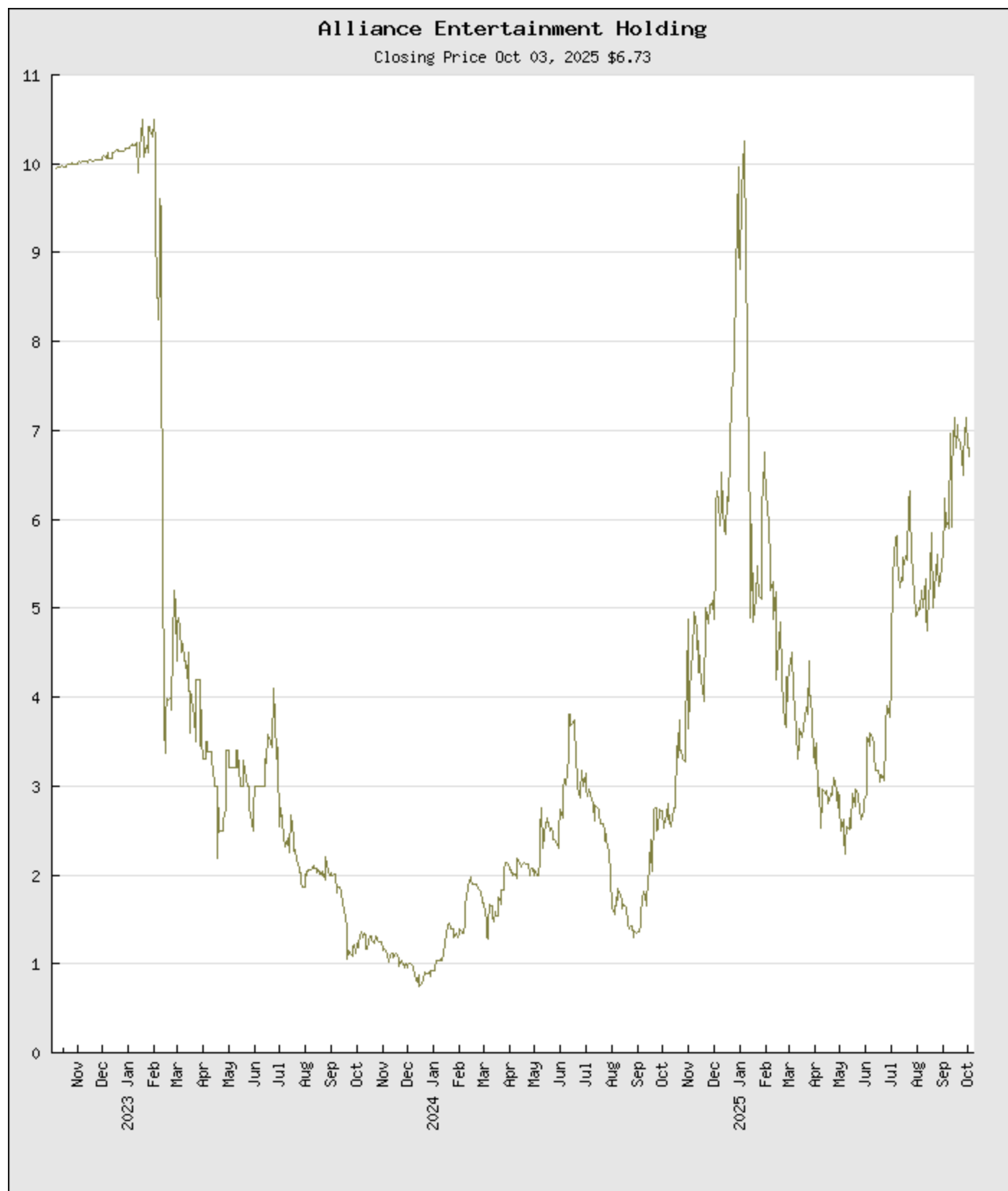
Alliance Entertainment

Total Consolidated

(In thousands except per share data)

	2024	Q1 25	Q2 25	Q3 25	Q4 25	2025	Q1 26E	Q2 26E	Q3 26E	Q4 26E	2026E	2027E
		Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun		
Total Revenues	1,100,483	228,990	393,672	213,045	227,750	1,063,457	244,051	394,876	217,415	223,458	1,089,000	1,123,000
Growth	-5.0%	1.0%	-7.5%	0.9%	-3.9%	-3.4%	6.8%	0.8%	2.1%	-1.9%	2.4%	3.1%
% of Fiscal Full Year Revenues		21.5%	37.0%	20.0%	21.4%		22.1%	38.0%	20.6%	22.7%		
Cost of Revenues	971,594	203,455	351,382	183,984	191,784	930,605	210,372	330,906	187,412	192,621	920,000	945,000
Growth	-7.9%	1.5%	-7.0%	0.4%	-8.7%	-4.2%	3.4%	-5.8%	1.9%	0.4%	-1.1%	2.7%
% of Revenues	88.3%	88.8%	89.3%	86.4%	84.2%	87.5%	86.2%	83.8%	86.2%	86.2%	84.5%	84.1%
Gross Profit	128,889	25,535	42,290	29,061	35,966	132,852	33,679	63,970	30,003	30,837	169,000	178,000
Growth	24.0%	-2.7%	-11.3%	3.7%	33.6%	3.1%	31.9%	51.3%	3.2%	-14.3%	27.2%	5.3%
% of Revenues	11.7%	11.2%	10.7%	13.6%	15.8%	12.5%	13.8%	16.2%	13.8%	13.8%	15.5%	15.9%
Operating Expenses												
Distribution and Fulfillment Expense	48,818	9,018	12,419	9,989	8,949	40,375	9,640	15,598	8,588	8,827	43,016	44,920
Growth	-22.3%	-23.0%	-18.0%	-10.2%	-17.4%	-17.3%	6.9%	25.6%	-14.0%	-1.4%	6.5%	4.4%
% of Revenues	4.4%	3.9%	3.2%	4.7%	3.9%	3.8%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Selling, General and Administrative Expense	57,651	13,145	13,800	14,187	15,040	56,172	14,643	23,693	13,045	13,407	64,788	67,381
Growth	-12.4%	-9.0%	-9.0%	0.8%	7.6%	-2.6%	11.4%	71.7%	-8.1%	-10.9%	15.3%	4.0%
% of Revenues	5.2%	5.7%	3.5%	6.7%	6.6%	5.3%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Stock based compensation	1,328				0,058		0,125	0,125	0,125	0,125	0,500	0,500
Adjusted EBITDA	23,748	3,372	16,071	4,885	12,035	36,363	9,521	24,805	8,495	8,728	51,549	59,340
Growth	-233.8%	136.0%	-7.6%	73.5%	472.8%	53.1%	182.4%	54.3%	73.9%	-27.5%	41.8%	15.1%
Margin	2.2%	1.5%	4.1%	2.3%	5.3%	3.4%	3.9%	6.3%	3.9%	3.9%	4.7%	5.3%
Depreciation & Amortization	5,880	1,258	1,255	1,352	1,289	5,154	1,350	1,350	1,350	1,350	5,400	5,600
Transaction Costs	2,086	-	-	-	0,957	0,957	-	-	-	-	-	-
IC DISC Commissions	-	-	-	-	-	-	-	-	-	-	-	-
Restructuring Costs	0,280	0,050	0,019	0,004	-	0,073	-	-	-	-	-	-
Gain on Disposal of Fixed Assets	0,033	(0,015)	-	-	-	(0,015)	-	-	-	-	-	-
Total Operating Expenses	114,748	23,456	27,493	25,532	26,235	102,716	25,633	40,640	22,983	23,584	112,840	117,902
Growth	-16.0%	-15.8%	-11.3%	-11.4%	-0.8%	-10.5%	9.3%	47.8%	-10.0%	-10.1%	9.3%	4.5%
% of Revenues	10.4%	10.2%	7.0%	12.0%	11.5%	9.7%	10.5%	10.3%	10.6%	10.6%	10.4%	10.5%
Operating income (loss)	14,141	2,079	14,797	3,529	9,731	30,136	8,046	23,330	7,020	7,253	45,649	53,240
Growth	-148.2%	-231.0%	-7.5%	-541.1%	1708.7%	113.1%	287.0%	57.7%	88.9%	-25.5%	51.3%	16.6%
% of Revenues	-1.3%	0.9%	3.8%	1.7%	4.3%	2.8%	3.3%	5.9%	3.2%	3.2%	4.2%	4.7%
Change in fair value of warrants	0,041	-	2,545	(1,676)	(0,016)	0,853	-	-	1,000	0,600	1,600	1,600
Interest expense	12,247	2,839	2,827	2,435	2,474	10,575	2,295	2,950	0,450	0,650	6,345	5,100
Other expenses (income), net	-	-	-	-	-	-	-	-	-	-	-	-
Total other expense	12,288	2,839	5,372	0,759	2,458	11,428	2,295	2,950	1,450	1,250	7,945	6,700
Income before income taxes	1,853	(0,760)	9,425	2,770	7,273	18,708	5,751	20,380	5,570	6,003	37,704	46,540
Provision for income taxes	(2,728)	(1,157)	2,354	0,919	1,514	3,630	1,438	5,095	1,393	1,501	9,426	11,635
Effective Tax Rate	-147.2%	152.2%	25.0%	33.2%	20.8%		25.0%	25.0%	25.0%	25.0%		
Net Income	4,581	0,397	7,071	1,851	5,759	15,078	4,313	15,285	4,178	4,502	28,278	34,905
Net fully diluted income per Share	\$0.09	\$0.01	\$0.14	\$0.04	\$0.11	\$0.30	\$0.08	\$0.30	\$0.08	\$0.09	\$0.55	\$0.68
Net Fully Diluted Shares	50,837	50,966	50,966	50,966	50,966	50,966	51,100	51,100	51,100	51,100	51,100	51,300

Source: Company Reports & Noble Financial



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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclical, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Director of Research. Senior Equity Analyst specializing in Media & Entertainment. 34 years of experience as an analyst. Member of the National Cable Television Society Foundation and the National Association of Broadcasters. BS in Management Science, Computer Science Certificate and MBA specializing in Finance from St. Louis University.

Named WSJ 'Best on the Street' Analyst six times.

FINRA licenses 7, 24, 66, 86, 87.

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Outperform: potential return is >15% above the current price	86%	15%
Market Perform: potential return is -15% to 15% of the current price	14%	5%
Underperform: potential return is >15% below the current price	0%	0%

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Noble Capital Markets, Inc.
150 E Palmetto Park Rd, Suite 110
Boca Raton, FL 33432
561-994-1191

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