

LPSN LIVEPERSON INC

Current Price \$6.51

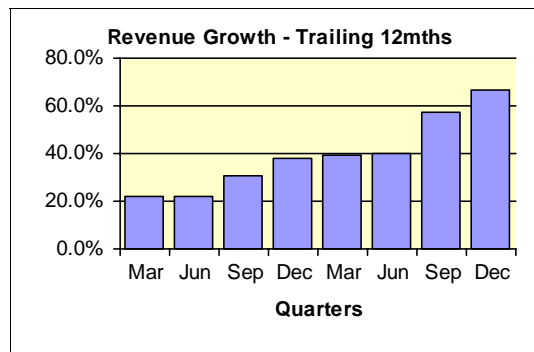
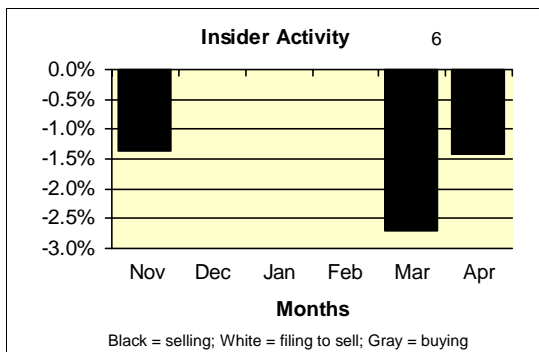
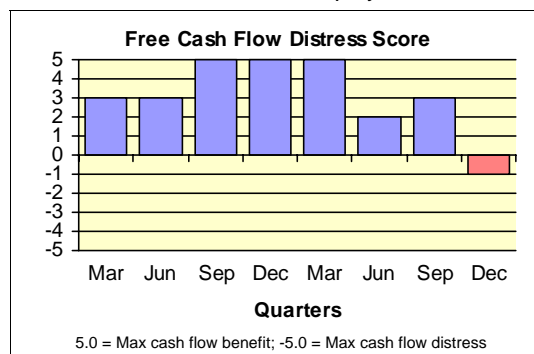
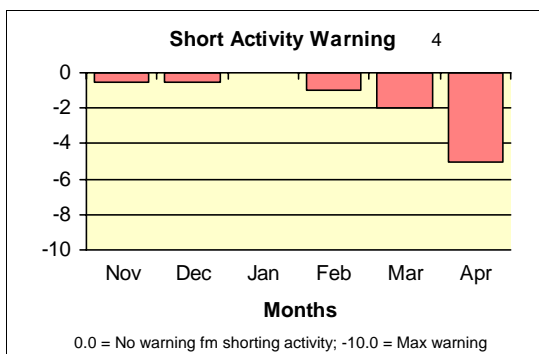
Market cap \$267

Price, 52-wk Hi/Lo \$7.92 / \$3.70

LivePerson Inc. provides hosted software that enables customers to assist their online visitors. It offers Timpani an integrated multi-channel communications platform which facilitates sales marketing and customer services.



Options?	No	Recent convertible	No	Convertible debts and pfd ¹	\$0
PE TTM	130.2x	Insider ownership	16 %	Next earnings due:	8/3/2007
Estimated PE	NEG x	Potential dilution ²	3 %	Bankruptcy Z-Score ³	26.1



RED FLAGS

<p><i>Ability to meet expectations</i></p> <p>High P/S ratio TTM ⁷ <input checked="" type="checkbox"/></p> <p>Negative free cash flow ⁸ <input type="checkbox"/></p> <p>Sales growth slowdown ⁹ <input type="checkbox"/></p> <p><i>Accounting issues</i></p> <p>Change in actg principles ¹⁰ <input type="checkbox"/></p> <p>Qualified audit language ¹¹ <input type="checkbox"/></p>	<p><i>Early balance sheet warnings</i></p> <p>Rising inventory to sales ¹² <input type="checkbox"/></p> <p>Rising accounts receivable ¹³ <input type="checkbox"/></p> <p>High long-term debt to capital ¹⁴ <input type="checkbox"/></p> <p><i>Stock and debt ratings</i></p> <p>Recent downward earns ests ¹⁵ <input type="checkbox"/></p> <p>S+P Debt Downgrade ¹⁶ <input type="checkbox"/></p>	<p><i>Stock selling signals</i></p> <p>High insider selling ¹⁷ <input type="checkbox"/></p> <p>Large institutional ownership ¹⁸ <input type="checkbox"/></p> <p>Co sales of common stock ¹⁹ <input type="checkbox"/></p>
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INVESTMENT CONCERNS

With new customer additions grinding to a halt, LivePerson met its 1Q07 guidance by slashing its tax rate to zero. Unfortunately, gross margins fell 2.4% sequentially, and the company cut its operating guidance for the year. With low technology barriers to chat and other online communication, the company faces new competition from domestic and overseas services which are pushing prices lower. Days receivable are rising and free cash flow turned negative.