



LiveHire Ltd (LVH.ASX)

Talent communities continuing to build momentum

Event:

- September quarterly; earnings and valuation changes; AHRI and General Pants talent community launches.

Investment Highlights:

- Talent community connection (TCC) growth highlights momentum undeterred.** TCCs at end of quarter were 178k – up 449% YoY, or 32% on the June quarter, which was impressive albeit below our forecast. Client retention rate was reported >90%. The implementation of LiveHire by both General Pants and Telstra Health, announced during the September quarter, were still in the nascent stages and should contribute more TCCs going forward.
- Revenues of \$128k for September quarter, were up 3.2% on June quarter, or 12.9% annualised.** This was lower than our forecast due to both lower TCC numbers and lower yield per TCC than we had anticipated.
- Average monthly TCC fee of \$0.27, as new client fees are capped.** While the long-term monthly fee is \$0.50, LVH's capping of fees is part of the introductory period (usually 6 months) for new clients has a dilutive effect, as the company grows TCC to gain market share.
- Industry body partnership adds another major marketing channel.** LVH has partnered with the Australian Human Resources Institute (AHRI), who will build its own talent community, inviting more than 20k HR professionals representing 11k corporates. The exposure these members will have is invaluable, as users will promote and educate colleagues and employers about the benefits of LiveHire, in effect becoming a new marketing channel.
- General Pants implementation displays immediate significant tangible benefits.** While only a recent client, the major retailer has already achieved 520 hires in six weeks using LiveHire, in contrast to 2015 in which it had 400 hires in 18 weeks – i.e. 30% more hires in 67% less time. Savings in advertising and other HR costs were also achieved including no need to use job boards, process CVs, run in-store trials, run face-to-face interviews, and process rejection letters.
- Adds another cornerstone in retail vertical.** General Pants is the second major retailer to adopt LiveHire, following the jeweler Michael Hill. These two companies should provide LiveHire with further impetus in the vertical, as it likely gains the attention of other retailers via channels such as employees' word of mouth, industry talk, and media.

Valuation and Earnings:

- We revise down our earnings forecasts** due to 1) Lower assumed monthly TCC fee in next few years (although long-term unchanged at \$0.50); 2) Pull back in our short-term TCC forecasts; and 3) Higher operating expenses than previously forecast. Valuation reduces to \$0.43/share (previously \$0.54), due to our downgrade in earnings, partially offset by increased long-term EBIT margin.

Recommendation:

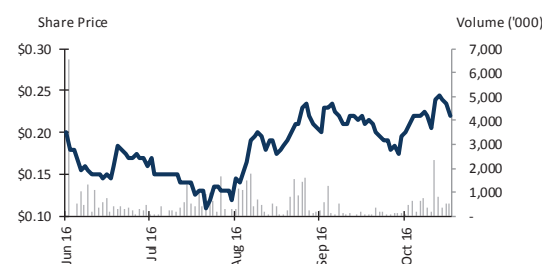
- We maintain our Speculative Buy recommendation and reduce our 12-month price target to \$0.43/share (previous \$0.54), based on our revised valuation which still remains attractive.** While in hindsight we were too bullish in our short-term forecasts, our confidence in the outlook for the LiveHire platform has actually increased as the company continues to sign clients and increase TCCs.

Recommendation	Speculative Buy
Previous	Speculative Buy
Risk	Very High
Price Target	\$0.43
Previous	\$ 0.54
Share Price (A\$)	0.220
ASX Code	LVH
52 week low - high (A\$)	0.10-0.26
Valuation	\$0.43/share
Methodology	Risked DCF
Risk	Very High
Capital structure	
Shares on Issue (M)	203.0
Options (M)	22.1
Performance rights	0.8
Market Cap (A\$m)	44.7
Net (Debt)/Cash (A\$m)	8.9
EV (A\$m)	35.8
12mth Av Daily Volume ('000)	478

Y/e Jun Forecasts	2016a	2017e	2018e	2019e
Revenue A\$m	0.3	0.8	2.1	5.1
Revenue growth	205%	170%	154%	137%
EBITDA A\$m	-3.2	-4.7	-3.6	-1.0
NPAT A\$m	-3.3	-4.6	-3.6	-0.9
EPS c	-2.9	-2.0	-1.6	-0.4
PER X	nm	nm	nm	nm

Board	
Antonluigi Gozzi	Managing Director
Michael Haywood	Executive Director
Patrick Grant Galvin	Executive Director
Adam Zorzi	Non Executive Director
Geoff Morgan AM	Non Executive Chairman

Share Price Graph



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Foster Stockbroking acted as Joint Lead Manager to the IPO of LVH in June 2016 in which 50M shares were offered at \$0.20 to raise \$10M. Foster Stockbroking received fees for this service.