



LiveHire Ltd (LVH.ASX)

Singapore crucial stepping stone for offshore ambitions

Event:

- **Randstad Singapore update; September quarterly; Recommendation change.**

Investment Highlights:

- **LiveHire (LVH) has announced that its pilot Talent Community for Randstad Staffing Services in Singapore went live**, comprising 30k candidates and targeting Accounting and Finance roles. This is LVH's first implementation of a Talent Community for a recruiting agency. We expect the pilot to be completed by end CY2017/early CY2018. A key productivity metric monitored will be placements per month by those recruiters using LiveHire vs that of the control group.
- **Should the pilot be successful, we expect Randstad Singapore will roll out to other industry segments**, including for roles encompassing engineering, IT, pharma, retail, legal, and manufacturing.
- **Singapore market can expand LVH's market by 27%**. We estimate employees with at least an upper secondary education in Singapore number 2.3M, representing a 27% increase to the equivalent pool of 8.4M in Australia.
- **LVH reported a positive September quarter, with Talent Community Connections (TCCs) and receipts exceeding our forecasts**. TCCs were 448k up 23% QoQ (our estimate 436k) and receipts \$0.444M up 35% (ours \$0.395M). Gross cash burn was \$2.0M, less than our forecast of \$2.2M and net cash of \$16.2M end September.

Valuation and Earnings:

- **We have only made slight changes to our forecasts**, with underlying NPAT for FY18e now -\$6.4M (previous -\$6.7M) and FY19e unchanged at -\$4.4M.
- **Importantly we do not include Singapore in our earnings projections**, preferring to wait for the outcome of the Randstad pilot.
- **We have revised our approach to valuing LVH's offshore opportunity following the Randstad pilot in Singapore**. As a starting point we have examined offshore markets where Randstad has presence, and estimated the numbers of educated employees. We then have applied a discount risk factors to account for entry, timing, and execution risk.
- **As a result of accounting for the offshore potential in, our valuation of LVH has increased to \$0.94/share from \$0.73/share previously**.

Recommendation:

- **We downgrade our recommendation to Hold from Buy and raise our 12-month price target to \$0.94/share from \$0.73/share, in-line with our revised valuation**. While no doubt LVH's partnering with Randstad and the pilot in Singapore are crucial positives in teasing out the potential of global expansion, we believe that some of this is now being factored in the share price already.
- **Catalysts required for the share price to re-rate further include:** Continuing increase in TCCs and sales; announcement of implementation for major new clients; expansion of talent communities for existing clients; and new technology and channel partner integrations.

Recommendation	Hold			
Previous	Buy			
Risk	High			
Price Target	\$0.94			
Previous	\$ 0.73			
Share Price (A\$)	1.02			
ASX Code	LVH			
52 week low - high (A\$)	0.20-1.13			
Valuation	\$0.94/share			
Methodology	Risked DCF			
Capital structure				
Shares on Issue (M)	234.1			
Options (M)	25.6			
Performance rights	1.7			
Market Cap (A\$M)	238.8			
Net Cash (Debt) (A\$M)	16.2			
EV (A\$M)	222.6			
12mth Av Daily Volume ('000)	479			
Y/e Jun earnings A\$M	2017a	2018e	2019e	2020e
Sales	0.8	2.2	5.2	9.5
EBITDA	-4.3	-5.2	-4.0	-0.2
EBIT	-4.9	-5.7	-4.7	-1.1
NPAT rep.	-4.7	-5.3	-4.4	-0.9
NPAT adj.	-5.1	-6.4	-4.4	-0.9
EPS adj c	-2.0	-2.0	-1.7	-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
Christy Forest	Non Executive Director

Share Price Graph



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The analyst owns 50,000 LVH shares.

Foster Stockbroking acted as Co-Manager to the March 2017 placement of 28.5M shares at \$0.44/share to raise \$12.5M. Foster Stockbroking received fees for the service.