



LiveHire Ltd (LVH.ASX)

New RPOs and funding lay foundations for expansion

Event:

- New RPO partnerships; Equity raising; Price target change.

Investment Highlights:

- **LiveHire Ltd (LVH) recently announced two client wins which were each won by partnering with a new RPO, being Manpower and Korn Ferry Futurestep.** These together with Randstad now make three of top ten global RPOs that LVH has launched Talent Communities with.
- **Widening the net.** The addition of two further global RPOs strengthens this channel to market for LVH. While the clients were in Australia, we expect over time that the new RPOs will facilitate LVH's ability to land clients in offshore markets – particularly in Asia. We believe LVH can partner with further major RPOs.
- **New verticals diversify industry spread.** Recent launches of Talent Communities were announced in the utilities, finance, and real estate sectors. Each of these can be viewed as cornerstone, “seeding” LiveHire in its respective sector. The clients included a major state government corporation (utilities) and an ASX100 listed company (finance). We estimate Talent Community Connections of at least 30k (assuming growing to 7.5x employees).
- **Randstad launches LiveHire for global IT firm.** Randstad this month won a tender to launch LiveHire for a NYSE global IT firm for all its hires in Australia. LiveHire will also be rolled out to the client's Singapore and New Zealand hires.
- **Equity raising to accelerate rollout.** LVH raised \$20M at \$1.05/share with funds to support the RPO channel in both marketing and technology. We believe LVH will accelerate its integration of LiveHire with other major human resource management systems such as Oracle, and Workday, thereby facilitating winning future large enterprise contracts.
- **Bid for Aconex puts spotlight on techs with competitive advantages.** The recent bid by Oracle for Aconex highlights the corporate appeal of Australian tech plays with key attributes. We believe that LVH possesses many of these including: **Scalability** (LiveHire platform); **Globally broad customer market** with breadth in size (SMEs to Large Enterprises) and sectors (multiple industry verticals); and **Access to global distribution** (RPOs).

Valuation and Earnings:

- **We have made only slight changes to earnings forecasts.**
- **We have revised our valuation to \$1.17/share from \$0.94/share,** principally due to derisking LVH's Asian market opportunity. We now apply a risk factor of 70% vs 90% previously. We believe the funds secured from the equity raising, as well as partnering with two new global top ten RPOs, has increased our confidence in LVH being able to successfully execute expansion into offshore markets.

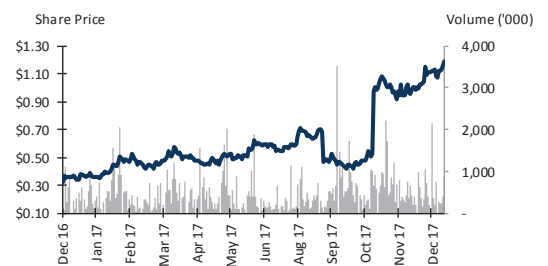
Recommendation:

- **We maintain our Hold recommendation and raise our 12-month price target to \$1.17/share from \$0.94/share, in-line with our revised valuation.** Share price catalysts include increase in TCCs and revenues; winning new large enterprise clients; and partnering with new RPOs.

Recommendation	Hold			
Previous	Hold			
Risk	High			
Price Target	\$1.17			
Previous	\$ 0.94			
Share Price (A\$)	1.185			
ASX Code	LVH			
52 week low - high (A\$)	0.32-1.27			
Valuation	\$1.17/share			
Methodology	Risked DCF			
Capital structure				
Shares on Issue (M)	253.2			
Options (M)	25.6			
Performance rights	1.7			
Market Cap (A\$M)	300.0			
Net Cash (Debt) (A\$M)	35.0			
EV (A\$M)	261.4			
12mth Av Daily Volume ('000)	486			
Y/e Jun earnings A\$M	2017a	2018e	2019e	2020e
Sales	0.8	2.2	5.7	10.5
EBITDA adj.	-4.8	-5.2	-5.1	-1.4
EBIT adj.	-5.4	-5.7	-5.8	-2.1
NPAT adj.	-5.1	-5.2	-5.2	-1.5
NPAT rep.	-4.7	-5.5	-5.2	-1.5
EPS adj c	-2.2	-1.9	-1.8	-0.6
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



Analyst: Mark Fichera +61 2 9993 8162

mark.fichera@fostock.com.au

The analyst owns 50,000 LVH shares.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 50,000 LVH shares and 2,000,000 LVH options with \$0.25 exercise price expiring June 2020. Cranport Pty Ltd does not own LVH securities.

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.