



LiveHire Ltd (LVH.ASX)

A resetting of expectations

Event:

- **March quarterly; Earnings and price target change.**

Investment Highlights:

- **Overall, the results of LVH's March quarterly missed our expectations.** Four key negatives were a decline in cash receipts over the prior quarter; QoQ growth in Talent Community Connections (TCCs) slowing down; Loss of a key customer; and fall in average monthly TCC yield to sub \$0.30.
- **Cash receipts down 16% QoQ.** Receipts fell 16% to \$454k vs \$541k in December quarter, and well below our forecast of \$590k. LVH stated reasons for the decline were migration of some customers to 12-month payments and timing. While the company earlier this year did flag the payments change, we were surprised by the magnitude of impact. We expect that the previous uninterrupted QoQ growth will now be volatile over next 12 months, after which a clearer trend should emerge.
- **TCC QoQ growth below 20%.** TCCs ended March at 621k, an increase of 15% over December and under our forecast of 645k. It was the first time QoQ growth dipped below 20%. The company also lost BUPA as a client, which to our knowledge was the first reported loss of a customer.
- **The average monthly TCC yield for the quarter (based on receipts) fell to \$0.26.** This was well below our forecast of \$0.33 and the lowest of the quarterlies reported to date. We believe that changes to timing and client payments impacted yield.
- **Some good news – new client wins and integrations.** LVH did win a number of new clients during the quarter, including St Barbara Mines, MyNetFone, Zinfra, Commonwealth Super Corporation, Kay & Burton, and Macmahon Holdings. We estimate these clients can collectively grow TCCs to > 33kt, assuming TCCs to be 7.5x employees. LVH announced it had partnered with SEEK which should broaden reach for inviting candidates to talent communities. Cash burn of \$2.6M during the quarter was lower than we had expected (\$3.0M). LVH ended March with cash of \$31.5M and nil debt.

Valuation and Earnings:

- **We have downgraded our forecast adj. NPAT in FY18e and FY19e, to -\$9.1M and -\$9.3M (prior -\$7.7M and -\$5.2M) based on forecast lower forecast TCCs, yield, and revenues.** Similarly our forecast longer term earnings have also declined. We still forecast LVH is fully funded to positive NPAT and cash flow, which we now estimate to occur in FY23e (previously FY21e).
- **We have cut our valuation to \$0.70/share from \$1.17/share.** This is due to lower forecast earnings as well as increasing the risk factor for LVH's offshore market opportunities.

Recommendation:

- **We maintain our Hold recommendation and reduce our 12-month price target to \$0.70/share from \$1.17/share, in-line with our revised valuation.** The quarterly today has caused us to reset our expectations for LVH. While the attractiveness of the product and market potential remains, we envisage a slower ramp up to achieve critical scale in TCCs and in profitability than we had assumed before.

Recommendation	Hold			
Previous	Hold			
Risk	High			
Price Target	\$0.70			
Previous	\$ 1.17			
Share Price (A\$)	0.70			
ASX Code	LVH			
52 week low - high (A\$)	0.42-1.50			
Valuation	\$0.70/share			
Methodology	Risked DCF			
Capital structure				
Shares on Issue (M)	261.4			
Options (M)	25.6			
Performance rights	1.5			
Market Cap (A\$M)	183.0			
Net Cash (Debt) (A\$M)	31.5			
EV (A\$M)	151.5			
12mth Av Daily Volume ('000)	507			
Y/e Jun earnings A\$M	2017a	2018e	2019e	2020e
Sales	0.8	1.9	3.8	6.4
EBITDA adj.	-4.8	-8.9	-9.3	-7.4
EBIT adj.	-5.4	-9.4	-9.9	-8.2
NPAT adj.	-5.1	-9.1	-9.3	-7.7
NPAT rep.	-4.7	-8.2	-9.3	-7.7
EPS adj c	-2.2	-3.3	-3.2	-2.7
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
Michael Rennie	Non Executive Director
Christy Forest	Non Executive Director



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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.