



LiveHire Ltd (LVH.ASX)

TCC growth slows again

Event:

- June quarterly; Earnings and price target change.

Investment Highlights:

- **LVH reported its June quarter, with the key positive being that receipts of \$0.567M were in-line with our forecast and up 27% on the prior quarter (March).** This reversed the trend of March when receipts fell 16% QoQ. We expect transitioning of the pricing model and timing were factors.
- **The key area of concern was that TCCs grew only 8% over the March quarter to 671k, well below our forecast of 15% growth to 717k.** This signified another step down in the growth rate, given that LVH achieved 15% QoQ growth in March and >20% for each of the other prior quarters since its IPO in 2016.
- **The company is experiencing longer than anticipated lead times in securing enterprise clients, and acknowledged the slowdown in velocity of sales leads.** We expect some of this may be due to changes LVH experienced internally such as change in management; modifying the pricing model; and adjusting its channel mix (RPO/direct).
- **We think the appointment of Christy Forest as CEO, who replaced Antonluigi Gozzi, is contributing to the rethink of LVH's strategic approach to marketing its product.** Her value add lies in having experience interacting and advising large enterprises in her prior role at CEB (now Gartner).
- **The other factor that would have retarded sales activity was the security breach experienced by clients of PageUp.** No doubt this alerted enterprises to be more discerning of HR systems, likely resulting in more testing/due diligence.
- **LVH noted that TCCs are no longer a pricing mechanism, albeit still a critical metric.** We believe the company is moving pricing to other factors such as company size and hires, and including more recurring service/support type revenues. We expect disclosures of some of these metrics at a later stage.
- **Gross cash burn was -\$2.9M for the quarter, in-line with our forecast of -\$3.0M.** Cash at end of the period was \$30.6M. The company received a \$0.984M R&D grant during the quarter.

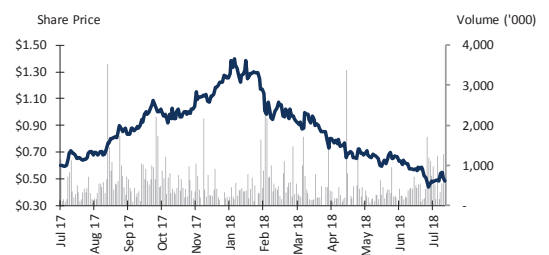
Valuation and Earnings:

- **We have downgraded our forecast TCCs by -6%, -20%, and -30% for FY18e, FY19e, and FY20e to 671k, 946k, and 1,316k (previously 717k, 1,187k, and 1,867k), on the back of longer lead times and lower assumed TCC growth.** We now expect 32% TCC growth in FY19e, in-line with the annualised growth rate of the 4QFY18e. Previously we assumed 66% growth in FY19e. Our earnings have changed slightly in the short-term but more significantly in the long-term.
- **We believe company is still fully funded to net free cash flow break-even which we expect in FY23e.**
- **Our DCF valuation has reduced to \$0.50/share (previously \$0.70/share) on lower growth of TCCs and market share.**

Recommendation:

- **We maintain our Hold recommendation and reduce our 12-month price target to \$0.50/share from \$0.70/share, in-line with our revised valuation.**

Recommendation	Hold			
Previous	Hold			
Risk	High			
Price Target	\$0.50			
Previous	\$ 0.70			
Share Price (A\$)	0.455			
ASX Code	LVH			
52 week low - high (A\$)	0.415-1.50			
Valuation	\$0.50/share			
Methodology	Risked DCF			
Capital structure				
Shares on Issue (M)	262.3			
Options (M)	23.6			
Performance rights	1.9			
Market Cap (A\$M)	119.3			
Net Cash (Debt) (A\$M)	30.6			
EV (A\$M)	88.7			
12mth Av Daily Volume ('000)	511			
Y/e Jun earnings A\$M	2017a	2018e	2019e	2020e
Sales	0.8	1.9	3.2	4.7
EBITDA adj.	-4.8	-8.8	-8.0	-7.2
EBIT adj.	-5.4	-9.3	-8.7	-7.9
NPAT adj.	-5.1	-8.8	-8.1	-7.4
NPAT rep.	-4.7	-7.5	-8.1	-7.4
EPS adj c	-2.2	-3.2	-2.8	-2.6
PER x	nm	nm	nm	nm
EV/sales	51.9	21.6	12.7	8.5
Board				
Christy Forest	CEO & Exec Director			
Antonluigi Gozzi	Executive 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			
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 1,800,000 LVH options with \$0.25 exercise price expiring June 2020. Cranport Pty Ltd does not own LVH securities. Refer details at end of report.