FOSTER STOCKBROKING

TALKING POINT

Technology

31 October 2019

CV Check Limited (CV1.ASX)

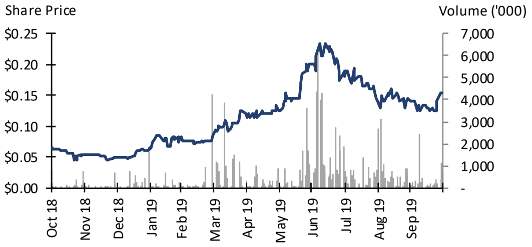
Growing Enterprise Revenue and Reach

Disclosures

The analyst does not own CV1 securities.
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) do not own CV1 securities.
Cranport Pty Ltd owns 1,529,375 shares in CV1.
Refer to disclosures at end of report for details.
Foster Stockbroking acted as Joint Lead Manager to the placement of 19.1M CV1 shares at $0.16 per share to raise $3.1M in August 2019. Foster Stockbroking received fees for this service.

Recommendation	**Spec Buy**
Previous	Spec Buy
Risk	Very High
Price Target (A$)	**N/A**
Previous (A$)	N/A
Share Price (A$)	**$ 0.16**
ASX Code	CV1
52 week low - high (A$)	0.044-0.235
Valuation (A$)	**N/A**
Valuation Methodology	N/A
Capital structure	
Shares on Issue (M)	292.2
Options (M)	14.2
Undiluted Market Cap, A$M	**46.8**
Net Cash/(Debt), A$M, est.	5.8
EV (A$m)	**41.0**
12mth Av Daily Volume ('000)	460
Shareholders	
Beverley Carolan and Steven Carolan	16.2%
Bernard Stephens	6.5%
Board	
Ivan Gustavino	Chairman
Rod Sherwood	Chief Executive Officer
Steve Carolan	Non-Executive Director
George Cameron-Dow	Non-Executive Director

Share Price Graph



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Talking Point mostly discusses stocks for which Foster Stockbroking does not provide formal research coverage. It combines both a market view and basic research analysis. The aim is to offer clients additional investment ideas that lie outside the firm's universe of formally covered stocks.

Event:

- **FY20Q1a report; SmartRecruiters platform integration.**

Analysis:

- **CV1 reported its FY20Q1a result on 30 October,** and delivered a record revenue quarter, strong B2B revenue growth, and received first orders from a suite of new customers.
- **Record revenue quarter, continued shift to B2B revenue:** FY20Q1a revenue was a record $3.5M, and +13% vs pcp. This is especially pleasing given the September quarter is typically affected by seasonality.
- **Good growth in, and continued pivot to, enterprise revenue:** B2B revenue was $2.6M for the quarter and grew 24% on pcp and 16% QoQ, and also made up 74% of revenue for the quarter. B2C revenue declined 15% vs pcp as the company deliberately continued to shift its focus to an enterprise customer base.
- **Continued client wins, booked first orders:** new customers won during the quarter included clients in the Care, Construction, Education, Financial Recruitment, Technology, Telecommunications, and Utilities sectors. The companies also booked orders from the rollout of CV1's white label platform.
- **Recent successful integration with SmartRecruiters to grow CV1's reach.** SmartRecruiters is a global enterprise recruiting software provider with over 4,000 clients, including Twitter, LinkedIn, Visa, Ikea, Bosch, and Avery Dennison. CV1 has already implemented integrations with HR information systems and applicant tracking systems including WorkDay, SAP, PageUp, and Springboard.
- **Increased ARR to $9.6M, metrics heading in the right direction.** The company also noted an increase in the number of enterprise accounts, increased average revenue per account (ARPA), and very high retention rates, although the company did not disclose quantitative data.
- **Cash of $5.8M at 30 September 2019 and no debt.** The company recently completed a placement of 19.1M shares to raise $3.1M. Operating cash burn for the quarter was $0.2M, a $0.5M improvement vs pcp.

Earnings and Valuation:

- **We do not forecast earnings or derive a valuation for CV1 at this stage**. We await progress on its enterprise focus and product bundling strategy, as well as customary metrics such as users, ARPU, and churn rate.

Recommendation:

- We continue to recommend CV1 as a **Speculative Buy.** We hold the view that should CV1 continue to show traction in the enterprise market and expand ARPU and margin, its equity valuation could significantly exceed its current market capitalisation.
- **Catalysts for the stock** include: 1) continued client wins in the enterprise and SME space, with a focus on increasing enterprise customer numbers and recurring revenue; 2) higher LCV driven by higher ARPU from increased product suite; 3) margin expansion through product bundling to enterprise customers; and 4) inorganic growth.