



LiveHire Limited (LVH)

FY20 Result: Strong Result; US Launch – Evidence of Early Traction

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Recommendation Buy (High Risk)

Risk Rating	High
12-mth Target Price (AUD)	\$0.82 (was \$0.69)
Share Price (AUD)	\$0.315
12-mth Price Range	\$0.068 - \$0.42
Forecast 12-mth Capital Growth	160%
Forecast 12-mth Dividend Yield	0.0%
12-mth Total Shareholder Return	160%
Market cap (\$m)	95.4
Net debt (net cash) (\$m)(Jun 20e)	(20.0)
Enterprise Value (\$m)	75.4
Gearing (Net Debt/ Equity)	N/a – Net Cash
Shares on Issue (m)	302.9
Options / Perf rights on Issue (m)	8.5
Sector	Software & Services
Average Daily Value Traded (\$)	\$60,000
ASX 300 Weight	n/a

Financial Forecasts & Valuation Metrics

Years ending June \$m	19(A)	20(A)	21(e)	22(e)	23(e)	24(e)
Sales revenue	2.6	3.5	5.4	12.0	23.6	38.3
Sales growth	59%	32%	57%	122%	96%	62%
Operating costs (inc SBP)	-16.3	-16.3	-13.5	-14.0	-14.5	-15.1
EBITDA	-13.6	-12.8	-8.0	-2.0	9.1	23.2
NPAT (reported)	-13.8	-14.6	-9.4	-3.4	7.5	21.5
NPAT (adjusted)	-13.8	-14.1	-9.4	-3.4	7.5	21.5
EPS (adjusted)	-5.0	-4.7	-3.1	-1.1	2.4	6.9
EPS growth	nm	nm	nm	nm	large	187%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
OCF /share	-3.6	-3.7	-1.6	0.4	4.0	8.5
Valuation						
P/E	-6.3x	-6.7x	-10.3x	-28.2x	13.0x	4.5x
P/ OCF	-8.8x	-8.6x	-19.6x	87.1x	7.8x	3.7x
P / Book	2.6x	4.0x	5.5x	5.7x	3.5x	1.9x
EV / Sales	22.7x	21.8x	15.0x	6.8x	3.0x	1.2x
EV / Ebitda	-4.4x	-5.9x	-10.1x	-41.5x	7.7x	1.9x
Cash from Operations	-9.9	-11.0	-5.0	1.1	12.5	26.4
Net Cash (Net Debt)	34.0	20.0	14.1	14.2	25.7	51.1
Enterprise Value	59.5	75.4	81.4	81.2	69.7	44.3

Source: Sequoia estimates

LVH SHARE PRICE PERFORMANCE



Summary

Founded in 2011 and launched in 2014, LiveHire Limited (LVH) has developed an infinitely scalable, A-I enabled, candidate-centric, cloud-based platform for enterprises to manage all movements of employees into, around, and out of their organisations on-demand. Communicating via 2-way SMS messaging with candidates, LVH enables organisations to curate private talent clouds/communities of people potentially interested in advance of a job vacancy arising, recruiters can typically source 40-90% of their hires directly from the talent community without needing to incur expensive advertising or external recruitment fees. Speed to hire, significant cost and efficiency savings and a superior candidate experience (translating into quality of hire) are the key benefits. LVH currently has 112 enterprise clients (105 ANZ & 7 US / Canada). LVH entered the US market in July 2019 targeting the US\$80bn pa Contingent Workforce / contractor market via a growing list of strategic channel partnerships with specialist Managed Service Providers (MSP's) adopting the LVH platform for their portfolio of end clients. The LVH ecosystem of candidates grows organically as companies grow their own private clouds. Candidate profiles (resumes) currently stand at 2.2m, up 97% in the last 12-mths.

FY20 Result

Operating revenue \$3.5m +32%; Ebitda loss \$12.8m (v \$13.6m loss pcp) 6% better; Recurring revenue (SaaS fees) \$2.9m +47%; ARR (Annualised Recurring Revenue) at 30/6/20 \$3.5m +38% (this excludes US direct sourcing revenue of \$840k annualised from the first two customers alone); Recurring revenue 84% of total revenue (Vs 75% pcp); Cash receipts \$4.5m +43%.

43 new customer wins (33 net, +42%) with 70% of these multi-year contracts (1-3 years); 10 departing clients (13% churn on 79 starting number, but 22% churn by value). Churn explainable by transition, and expected to settle much lower.

US Market Entry a potential game-changer

LVH entered the US Contingent Workforce / Contractor market in June 2019 with Workforce Logiq. Since then, it has signed 5 other partnership deals which are in various stages of early launch. In addition, LVH has signed important channel partnerships with SAP Success Factors (leading global HR system) and 2 leading SAP systems installation firms – Rizing and Cognitus aimed at both the permanent hire and the US\$80bn Contractor hire segments.

Recommendation & Opinion

We trimmed our revenue forecasts by 10-13%, but costs are also lower. Minor ebitda downgrades of -\$0.9m, -\$1.2m and -\$3.2m for FY21/22/23 do not affect the big growth story we have identified. Our base case DCF valuation is \$1.02 (was \$0.86) with a revised range of \$0.51 to \$1.52 based on conservative and optimistic scenarios. We reiterate our STRONG BUY recommendation and a 12-mth price target of \$0.82 (being a 20% discount to our base case DCF). This represents a 160% 12-month TSR.

We think the market is not factoring in any option value for just how successful and significant the US opportunity could be for LVH. We have evidence of good early traction plus confidence from the calibre of LVH's 9 US partners.

Company Description

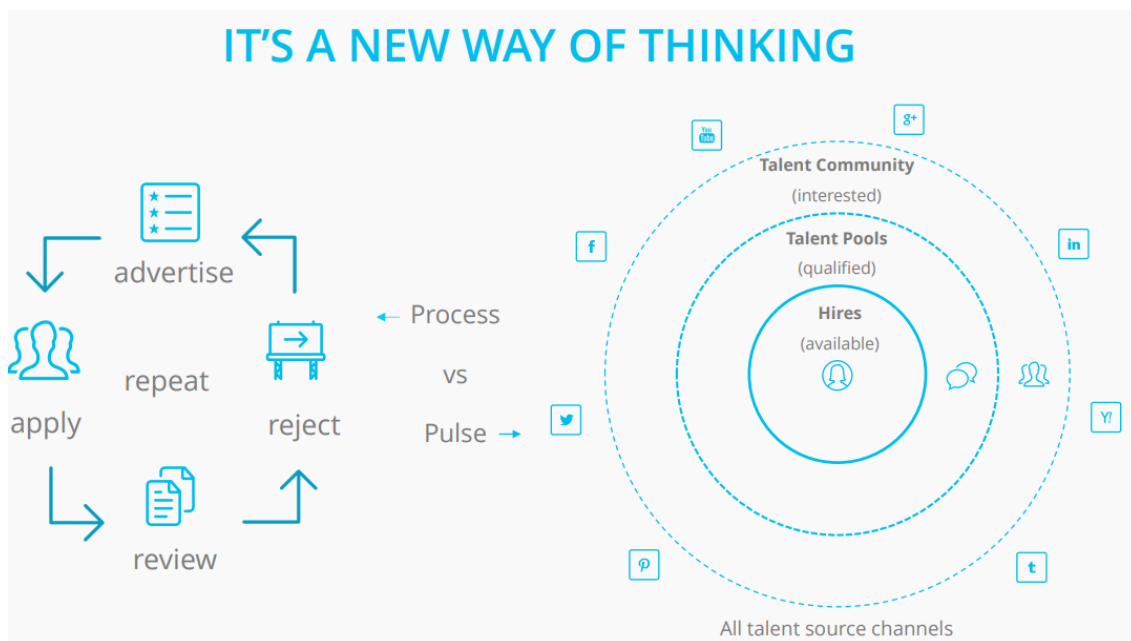
LiveHire Limited (LVH) was founded in Melbourne in 2011 by two engineers – Gigi Gozzi and Dr Mike Haywood. After 3 years developing the product, it was launched in 2014 with Ertech Engineering as a foundation client.

The business is a proprietary cloud-based platform for Human Resources (HR) and Procurement divisions of corporations to manage staff (talent) movements on demand by pro-actively building private talent clouds/communities, curated into talent pools, of potentially interested candidates ahead of the actual hiring or re-deployment need arising. When a vacancy or other hiring need arises, the hiring manager can recruit from within the talent pool, using Artificial Intelligence (AI) assistance and 2-way SMS quickly and at almost zero cost.

The uniqueness and benefits of the system to the employer are: Faster time to hire; cheaper cost to hire as a large proportion of job advertising and recruitment agency fees can be avoided; and better understanding of the worker pool.

The main benefits to the job candidates are: Create a single (federated) profile to use for infinite organisations across the ecosystem; 2-way communication with the hiring manager via SMS; faster response; faster decisions; candidate can stay in the database even if not hired for the current role. This all adds up to an award-winning experience for the candidate. Other systems are mostly awful in this regard, with greater rejections and drop-outs during the hiring process potentially negatively impacting the corporations’ brand and ability to attract and retain the best talent.

Live Talent Communities



Source: LVH presentations

The platform enables clients to leverage their brand, talent database, other networks and digital assets to invite and uniquely curate all talent into a single destination – a private “LVH Live Talent Community/Cloud”.

All suitable current, past or future candidates for employment are invited to become part of the Talent Community by creating a private LVH profile (digital CV), or simply connecting to a Talent Community if they already have an existing LVH profile. The candidate can manage their relationship with each employer directly from their LVH profile and mobile phone, while employers can search, screen, pool, interview and hire up to 100% of their future staff and contractors from their private Talent Community.

LVH has positioned its platform uniquely as the “destination for all talent” that is routinely attracted to an organisation, as opposed to just another single source of job applicants. LVH merges all sources of candidates (called channels) into one Talent Community where candidates can privately manage their own profile.

Designed to be complimentary

LVH does not compete with hosted HCM (Human Capital Management) / HRIS (Human Resource Information Systems) HR systems. Rather, it has been fully integrated with SAP Success Factors, one of the 3 major HR systems used by large corporations globally. Integrations with the other 2 major systems - WorkDay and Oracle Taleo are equally feasible.

Web Demonstrations

- There is an excellent product demo on www.livehire.com or <https://youtube/Th6p8wGC8UE>
- Below is the instruction video for new candidates to create an LVH job profile. Very easy.

<https://www.youtube.com/watch?v=XGro6JKLrwM>

LVH has 65 staff on LinkedIn (we understand 48.4 full-time equivalents). This includes just 2 people in the USA, plus co-founder Dr Mike Haywood focussing on strategic development in the USA. This small team has created a world-class system which for various reasons including time, in our opinion has not even come close to its full potential in Australia.

The opportunity in front of LVH in the US Contingent Workforce / Contractor market looks significant. LVH has the opportunity to become a major technology partner in this segment which appears ripe for disruption and unlike traditional HR, has little technology competition.

What has changed? –

- **FY20 Results** – Operating revenue \$3.5m +32%; Ebitda loss \$12.8m (v \$13.6m loss pcp) 6% better; Recurring revenue (SaaS fees) \$2.9m +47%; ARR (Annualised Recurring Revenue) at 30/6/20 \$3.5m +38% (this excludes US direct sourcing revenue estimated to ramp up to \$840k annualised from the first two customers alone; Recurring revenue 84% of total revenue (Vs 75% pcp); Cash receipts \$4.5m +43%. 43 new customer wins (33 net) with 70% of these multi-year contracts (1-3 years); 10 departing clients (13% churn on 79 starting base); Number of enterprise clients 112 (v 79) +33 +42% net; Talent Community Connections (candidate resumes on system) 2.2m (v 1.1m) +97%; Entered the North American “Direct Sourcing” contractor market (US\$80bn spend p.a.) with 2 initial wholesale clients (Ian Martin Group and SASR, estimated contract value A\$400k and A\$440k respectively) and 7 other partnerships agreed and at various stages of launching; Net cash \$21m. We discuss the results in more detail overleaf.
- **Existing Vodafone Australia account now expanded to include TPG Telecoms.** This was revealed in a shareholder newsletter released today (no ASX announcement required suggesting increase to contract value not material – But we think this is still very important for market sentiment). LVH previously held a contract with Vodafone Australia (since December quarter 2018). This has now been expanded to include the TPG component as well. In June TPG Telecom Limited merged with Vodafone Hutchison Australia Pty Ltd. According to the Vodafone customer case study on LVH’s website (<https://www.livehire.com/resources/how-livehire-helped-optimize-the-vodafone-talent-acquisition-process/>) Vodafone Australia had 2,500 employees, 120 stores in Australia and 900 annual hires per annum (implies ~36% staff turnover pre-Covid). It has now won the TPG component which we expect would approximately

double the contract size based on TPG’s July 2019 TPG head-count of approximately 5,300 employees.

- **LVH has also signed a direct labour sourcing contract with global super yacht management company – “MYachts.Club”** based in Hong Kong, Sydney and Palma Majorca (Spain). Refer: www.myachts.life – According to LVH, the super yacht industry has annual turnover of A\$39bn and employs 150,000 staff across 8,500 superyachts (implies 18 people per yacht). I counted 268 separate yachts listed on their website, which would be a 3.2% market share of the 8,500 vessels. Pro-rating this would imply MYachts.Club might employ about 4,700 staff per year if all its vessels had at least one booking.
- **Grill’d – Customer webinar** – We listened in to a HR webinar by FlareHR, LVH and customer Grill’d last week. There were apparently 70 persons on the call, presumably mostly HR industry people interested to learn from the real life customer experience that was discussed by the 3 companies involved.

Grill’d has been a client of LVH since the March quarter of 2019 (~1.5 years). The business has 3,500 employees across 150 Australian locations. It promotes 500 of these employees per annum. There are nearly 80,000 persons in the LVH talent community. The fact that the LVH system was built for talent pooling and talent communities, and not necessarily specific job vacancies was seen as important.

All new employees come through the LVH system, with hires seamlessly pushed into the FlareHR HRIS system. Unsuccessful candidates can stay in the system, and potentially be hired by other neighbouring Grill’d restaurants. Grill’d recognises that many of its staff and job applicants will be its customers down the track, so having a positive candidate experience was considered very important. Grill’d commented that the artificial intelligence in the LVH platform had advanced in leaps and bounds since it commenced, and that Grill’d was super excited to be tapping into the candidates suggested by the system.

Our comment – It was very evident to us from the discussion that the combination of LVH and the FlareHR HRIS systems were achieving strong benefits for Grill’d.

It was also interesting that FlareHR has over 1,000 customers, about 10 of which are also clients of LVH suggesting to us that there is a lot more potential for LVH to grow its customer base in Australia, possibly in conjunction with FlareHR. (LVH was first integrated with FlareHR in the September quarter of 2016).

- **US-based research company – Staffing Industry Analysts – forecasts a 17% decline for the US staffing industry in CY20, and a +11% rebound in CY21. (article dated 7/7/20):**

US Staffing Industry Revenue Growth, July 2020 Forecast (Base Case Scenario)

	2019	2020P	2021P
Temporary Staffing	3%	-14%	11%
Place & Search	3%	-36%	19%
Total Staffing	3%	-17%	11%

Source: <https://www2.staffingindustry.com/About/Media-Center/Press-Releases/SIA-Updates-US-Staffing-Forecasts-in-Recovering-Economy2>

Changes in Estimates

We have made a number of changes and refinements to our modelling since our 12 August initiation report, and the FY20 result.

- **Revenue forecasts lowered by -10% for FY21, -11% for FY22 and -13% for FY23**, reflecting (A) a slightly lower starting base, (B) the removal of Customer installation fees / integration fees from the US business (we now expect customers like Ian Martin Group and SASR will use their own IT staff to deploy the LVH system), and (C) Slightly more conservative assumptions on the new US contractor business, following a new “top-down” recheck (please see our discussion on page 20). We now assume a 4.5% market penetration by LVH's US partners, and that LVH fills 50% of those job vacancies.
- **Cash operating costs approximately \$1.7m lower than before.** LVH has stated that it has reduced headcount (FTEs) by 29 (-37%) from 77 to 48.4 at end-June, and with the completion of the major development phase, this translates to a \$7.0m reduction in annualised costs. We note that Q4FY20 cash operating costs were \$3.8m (\$3.3m excluding \$0.5m of redundancy costs) which annualises at \$13.2m, demonstrating the cost cuts were starting to come through in Q4. We have decided to book only 50% of the expected \$7m cost reduction to be conservative. (large cost reductions like this often prove unsustainable, and costs creep back on). We will revise costs lower again if justified by LVH's quarterly reports going forward.
- We have rolled forward our valuation to now include specific FY25 forecasts. Our discounted cash flow valuation is increased by 18% from \$0.86 per share to \$1.02 per share primarily as a result of the 1-year DCF roll-forward and cost reductions.

LiveHire Ltd (LVH)	FY18A	FY19A	FY20A	FY21e			FY22e			FY23e		
Changes in Forecasts				Old	New	Change	Old	New	Change	Old	New	Change
Years ending June \$m												
Revenue - ANZ	1.7	2.6	3.5	4.8	4.3	-10.1%	6.4	5.7	-10.9%	8.3	7.2	-13.3%
Revenue - N. America	0.0	0.0	0.006	1.5	1.1	-25.8%	8.6	6.3	-26.5%	20.5	16.4	-20.0%
Group revenue	1.7	2.6	3.5	6.3	5.4	-13.9%	15.0	12.0	-19.8%	28.8	23.6	-18.1%
Revenue growth %	113%	59%	32%	52%	57%		137%	122%		92%	96%	
Other income (Govt. grants)	0.5	0.0	0.05	0.0	0.0		0.0	0.0		0.0	0.0	
Cash operating expenses	-9.3	-13.8	-14.0	-12.2	-10.5	-14.3%	-12.8	-11.0	-14.2%	-13.5	-11.5	-14.6%
Ebitda before share based payments	-7.2	-11.2	-10.5	-5.9	-5.0	-14.7%	2.2	1.0	-52.6%	15.3	12.1	-21.1%
Share-based payments	-2.9	-2.5	-2.3	-3.0	-3.0	0.0%	-3.0	-3.0	0.0%	-3.0	-3.0	0.0%
EBITDA	-10.0	-13.6	-12.8	-8.9	-8.0	-9.7%	-0.8	-2.0	144.6%	12.3	9.1	-26.3%
Depreciation & Amortisation	-0.6	-0.8	-1.6	-1.6	-1.7	6.6%	-1.7	-1.8	5.3%	-1.7	-1.9	10.6%
EBIT	-10.7	-14.5	-14.4	-10.5	-9.7	-7.3%	-2.5	-3.7	49.9%	10.6	7.2	-32.2%
Interest income (expense)	0.6	0.7	0.2	0.3	0.3	0.0%	0.3	0.3	0.0%	0.3	0.3	0.0%
Pretax profit (loss)	-10.1	-13.8	-14.1	-10.2	-9.4	-7.5%	-2.2	-3.4	56.7%	10.9	7.5	-31.3%
Tax credit (expense)	0.0	0.0	0.0	0.0	0.0			0.0			0.0	
Abnormals - restructure costs			-0.5	0.0	0.0			0.0		0.0	0.0	
NPAT (reported)	-10.1	-13.8	-14.1	-10.2	-9.4	-7.5%	-2.2	-3.4	56.7%	10.9	7.5	-31.3%
Abnormals - restructure costs			-0.5	0.0	0.0			0.0		0.0	0.0	
NPAT (norm)	-10.1	-13.8	-14.6	-10.2	-9.4	-7.5%	-2.2	-3.4	56.7%	10.9	7.5	-31.3%
EPS (norm)	-4.1	-5.0	-4.9	-3.3	-3.1	-4.6%	-0.7	-1.1	64.2%	3.5	2.5	-28.7%
DPS	0.0	0.0	0.0	0.0	0.0	n/a	0.0	0.0	n/a	0.0	0.0	n/a
Cash Flow:												
Cash from Operations	-5.8	-9.9	-11.0	-5.5	-5.0	-10%	2.5	1.1	-55%	16.3	12.5	-23%
Balance Sheet:												
Net cash (debt)	30.1	34.0	20.0	15.2	14.1	-7.5%	17.7	14.2	-19.9%	32.0	25.7	-19.8%
Deferred revenue	-0.4	-1.0	-1.6	-1.6	-1.6	0.0%	-1.6	-1.6	0.0%	-1.6	-1.6	0.0%
Deferred revenue growth %		157%	53%	0%	0%							
Shares on issue (weighted avge)(m)	249.0	274.4	299.9	307.9	307.9	0.0%	308.9	308.9	0.0%	309.9	309.9	0.0%
Valuation:												
DCF valuation (F/D)				\$ 0.86	\$ 1.02	18.1%						

Source: Sequoia estimates

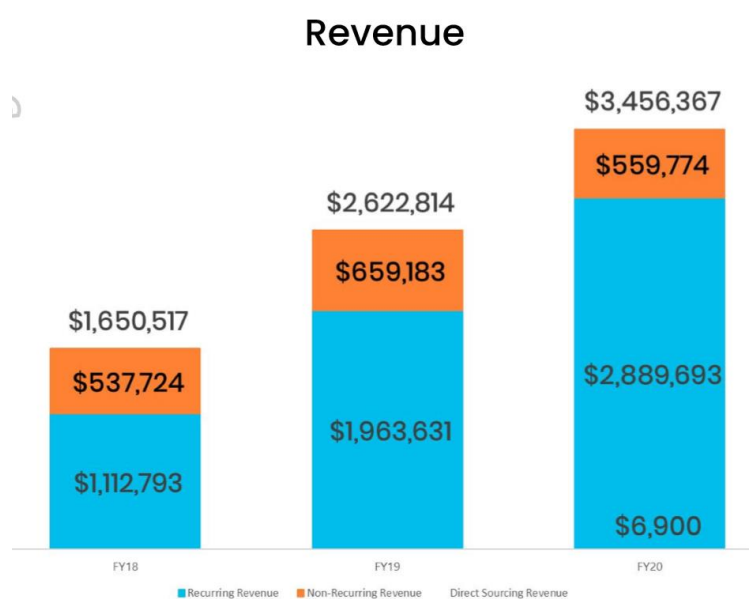
FY20 Results and Milestones

FY20 was a watershed year for LVH. We think the company's "Mojo" has well and truly been restored. We discuss the financial results and then the key milestones achieved in the year which we think have largely gone un-noticed by the market.

LiveHire (LVH) Years ending June \$m	FY18A	FY19A	FY20A	Change YoY	Our Est	Diff \$m	Diff %	Our Comments
Recurring revenue (SaaS licence fees)	1.1	2.0	2.9	47%	3.5	-0.6	-17%	Below our forecast, but Deferred revenue explains the difference
Direct sourcing revenue (N.America)			0.006		0.0	0.006		We expect this will be a significant new item in FY21
Implementation fees etc	0.5	0.7	0.6	-14%	0.7	-0.1	-13%	Only one large SAPSF integration in FY20
Group revenue	1.7	2.6	3.5	32%	4.2	-0.7	-17%	Below our forecast, but Deferred revenue explains the difference
Revenue growth %	113%	59%	32%		58%			We think 32% revenue growth is still excellent
Other income (Govt. grants)	0.5	0.0	0.05		0.00	0.05		
Cash operating expenses	-9.3	-13.8	-14.0	1%	-15.7	1.7	0%	Operating expenses up 5%, but have since been reduced by \$7m pa
Ebitda before share based payments	-7.2	-11.2	-11.0	-2%	-11.5	0.6	-5%	
Share-based payments	-2.9	-2.5	-1.8	-26%	-4.0	2.2	-42%	Lower than forecast share-based payments
EBITDA	-10.0	-13.6	-12.8	-6%	-15.5	2.8	-15%	Ebitda loss \$12.8m, \$2.8m or 15% better than our forecast
Depreciation & Amortisation	-0.6	-0.8	-1.6	93%	-1.5	-0.1	1%	Amortisation now 82% of the amount capitalised, so nearly in steady state
EBIT	-10.7	-14.5	-14.4	-1%	-17.1	2.7	0%	
Interest income (expense)	0.6	0.7	0.2	-64%	0.3	-0.1	0%	
Pretax profit (loss)	-10.1	-13.8	-14.1	3%	-16.8	2.7	0%	Pretax loss if \$14.6m was \$2.2m better than we expected
Tax credit (expenses)	0.0	0.0	0.0		0.0	0.0	nm	
Abnormals - restructure costs			-0.5		-0.5		nm	
NPAT (reported)	-10.1	-13.8	-14.6	6%	-17.3	2.6	0%	Pretax loss if \$14.6m was \$2.6m better than we expected
Abnormals - restructure costs			0.5		0.5	0.0	nm	Staff termination costs per June 4C p8
NPAT (norm)	-10.1	-13.8	-14.1	3%	-16.8	2.6	3%	
EPS (norm)	-4.1	-5.0	-4.7	-6%	-5.6	0.8	3%	EPS loss of -4.9 cents slightly better than our forecast
DPS	0.0	0.0	0.0		0.0	0.0	0%	
Cash Flow:								
Cash from Operations	-5.8	-9.9	-11.0	12%	-13.0	2.0	-15%	Cash burn \$11.0m. But costs reduced by \$7m for FY21 and beyond
Capitalised R&D	-1.4	-2.1	-2.0	-5%	0.0	-2.0	-15%	
True Burn	-7.2	-12.0	-13.0	9%	-13.0	0.0	-15%	True burn in line with our forecasts
Balance Sheet:								
Net cash (debt)	30.1	34.0	21.0	-38%	20.7	0.3	1%	\$21.0m net cash balance as expected (includes AASB16 Lease liabilities)
Deferred revenue	-0.4	-1.0	-1.6	53%	-1.0	-0.6	60%	Revenue received in advance is 46% of FY20 reported group revenue
Deferred revenue growth %		157%	53%					
Shares on issue (weighted avge)(m)	249.0	274.4	299.9	9%	301.4	-1.5	-1%	

Source: Sequoia estimates

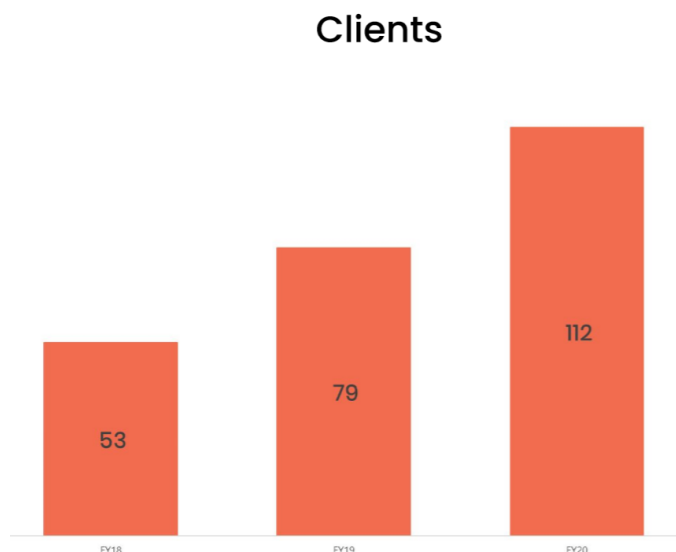
1. Revenue increased by \$0.9m to \$3.5m, being growth of 32%. Within this growth rate, recurring revenue (being software fees) was up 47%, whilst implementation / integration fees were \$0.6m down -14% as only one large SAPSuccessFactors integration was done.



- 2. **ARR up 37% (Annualised Recurring Revenue** – Australia & NZ; US not yet contributing much) – This is the sort of 30-40% pa growth investors are looking for from emerging SaaS and Tech companies.



- 3. **Client Churn** – Refer table on page 10. LVH commenced FY20 with 79 customers and added 43 new customers (+54%) whilst 10 customers departed (-13%). Churn was higher by value (-22%) because of the departure of a couple of larger customers in FY19 and FY20 (exact dates not known). A large healthcare insurer decided to standardise on WorkDay as its system for the UK and all other regions, so LVH was dropped despite the system performing strongly according to the ex-manager we spoke to. And a large mining customer decided to drop LVH and simply use the basic generic SAP SuccessFactors front-end as the large hiring phase for the mine ramp-up had largely been completed. We understand the LVH system performed extremely well for the client achieving close to 100% of hires through the LVH Talent Community with significant savings in job advertising and agency fees. LVH believes the churn will reduce significantly going forward. Having investigated this issue quite thoroughly in the preparation of our recent initiation report, we believe the market is incorrectly over-emphasising this issue. We are not concerned by this issue, and see it as a buying opportunity – the underlying trends are very strong on every other metric we can think of. As long as LVH is adding significantly more new business (customer number as dollars) than is departing, the strong growth can continue. Further, we see LVH as a COVID beneficiary, with metrics set to ACCELERATE not deteriorate.
- 4. **Clients - Client numbers increased to 112 (v 79) +43 (+42%)**. New clients in Australia included Hugo Boss, Lycopodium, Zenitas Healthcare, Perth Airport, APT Travel Group, Aruma, Berry Street, Greengate, Aftercare, Anglicare SA, PowerCo and others.



5. **Two break-through “top down” State Government contracts awarded** – 6x & 8x LVH’s normal customer contract size of \$30k (implies \$180k & \$240k pa). In March 2020 LVH was awarded a Queensland State Government contract to deploy staff into critical areas of need in the wake of COVID-19. **LVH will serve 48 Queensland Government agencies** to profile staff and re-deploy over 15,000 public sector employees volunteering to be re-deployed. In May, a similar 1-year contract was awarded by the Victorian State Government.
- Normally winning a single Government department contract would involve a lengthy 12-18 month period of tendering, meetings, demonstrations, discussions, and contract drafting before a final decision. Given the urgency of the crisis at the time, the whole process was condensed into just 2-3 weeks, **with LVH deploying the platform live and operating within 1 week. Astonishing.** The COVID crisis has highlighted several very important features of the LVH platform which we think made it the obvious choice – Ultra quick to deploy, flexible and intuitive to use, ultra-quick to gain amazing insights of skills and capabilities in the existing departments’ workforces, fabulous reporting to HR and managers, and ultra-quick to communicate rapidly via SMS to candidates volunteering to move to areas of maximum need. If this were a corporate setting, significant cost benefits would also be an important driver.
 - Although these contracts were born out of a crisis and might not continue beyond the initial term, they offer LVH a fabulous opportunity to demonstrate its technology to we estimate around 100 different government agencies, supported by top-down instructions from the very top level of these two State Governments. What an incredible opportunity. With a second wave now upon us, we think there is a high probability of other State governments or the Federal Government seeking LVH’s urgent assistance. NSW, Tas, SA, WA, NT and Canberra – are possibilities.
6. **New Zealand market entry** – LVH entered the NZ market during the year with 2 new customers by June year-end, and a further customer win since year-end.
7. **Entry #1 into US Contingent Hires / Contractor segment – Workforce Logiq** - In March 2019 LVH announced its entry into the US Contingent Hire market with an agreement with Florida-based Workforce Logiq, a managed services provider (MSP).

LVH has now been deployed at 5 Workforce Logiq customers including **Keysight Technologies** which we understand is willing to become an **LVH’s first US case study / reference customer** to assist LVH in its future marketing endeavours.

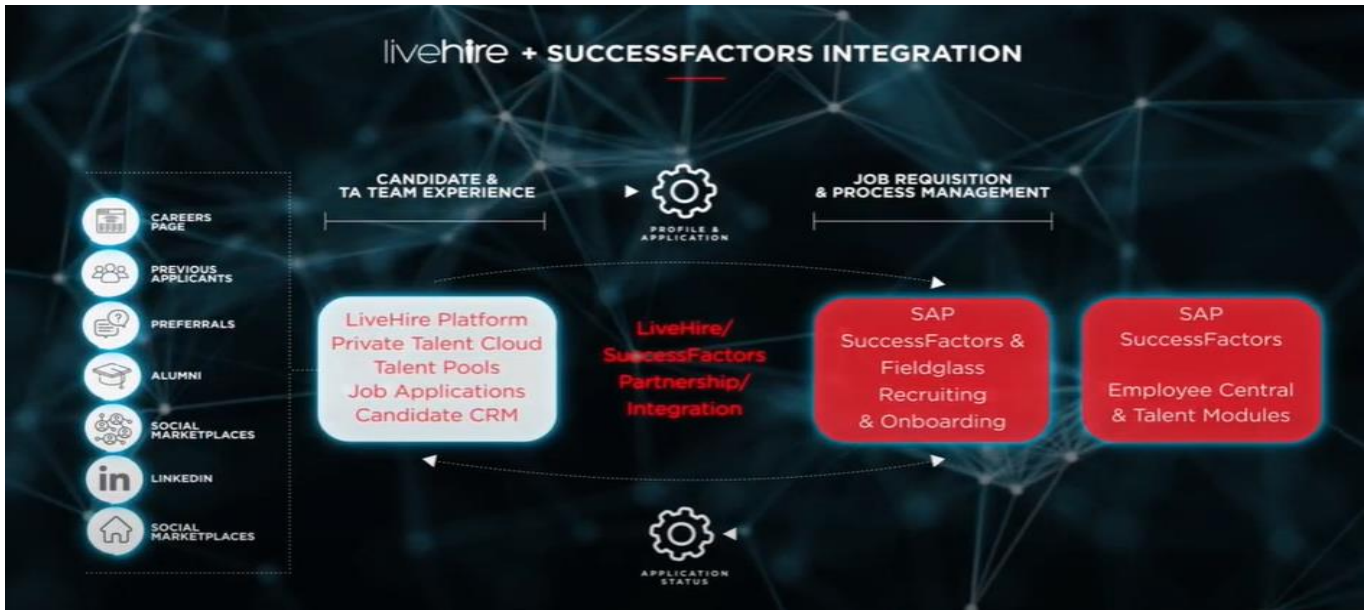
This deployment is now just over 1 year old so this case study should have meaningful data on the cost savings realised and be very helpful for LVH’s US marketing.

8. **US / Canadian market entry #2 – Ian Martin Group** - In April 2020 LVH announced a similar agreement with Ontario Canada-based recruitment and staffing firm Ian Martin Group Inc (IMG). Estimated contract value A\$400k in year one, with an opportunity to expand that further; 3-year initial term. IMG has commenced using the LVH platform for its own needs (good early test), and intends to offer the LVH solution bid to ALL of its 100 existing customers. **IMG has sent over 700,000 invitations out, and received back over 300,000 confirmations. This has refreshed the job candidate profiles (resumes) on IMG’s data-base, and also converted this data from “static” to “dynamic” in that workers can now automatically update their own profile / resume with changes to their availability directly into to the LVH system. LVH marketing material is now prominent on the Ian Martin Group website (makes interesting reading for potential LVH investors).**
9. **US Market entry #3 – SASR** - In June 2020 LVH announced a large direct sourcing contract with SASR (Set and Service Resources) to provide high volumes of contractors for a major US retail group. Estimated annual revenue A\$440k based on LVH achieving 50% of SASR’s hiring needs via the LVH platform for this one large end-customer. Other SASR customers are also expected to join the platform.
10. **Strong endorsement from SAP systems integrators Rizing and US-based Cognitus Consulting.** Rizing Australia (partnership announced July 2019) performed a large systems integration of LVH with SAPSuccessFactors in the June quarter with a large property group /REIT. On 30/9/19, LVH announced a new partnership with Cognitus, a leading SAP Success Factors systems implementer with over 500 IT consultants. **On 28/11/19, Cognitus became the first global SAP systems integrator to receive SAP certification** to market the SAP “Intelligent Enterprise Package” which consists of **best of breed from**

LVH, SAP, AWS (Amazon Web Services), Azure, Amazon Alexa, Egnyte and others.

The Cognitus' package is called the "Gallop Intelligent Enterprise" package. Cognitus is a certified "conversion factory" in North America, helping customers to move from SAP's legacy "ECC platform" to the next-generation SAP S/4 running on the HANA database (instead of using Oracle or Microsoft SQL databases) and move to the cloud.

We understand that the LVH platform is an automatic inclusion in the Cognitus SAP enterprise solution (clients can delete it if they don't want it, but it is now a standard inclusion in Cognitus' bundle). Cognitus call it their "Dynamic Talent Intelligence platform".

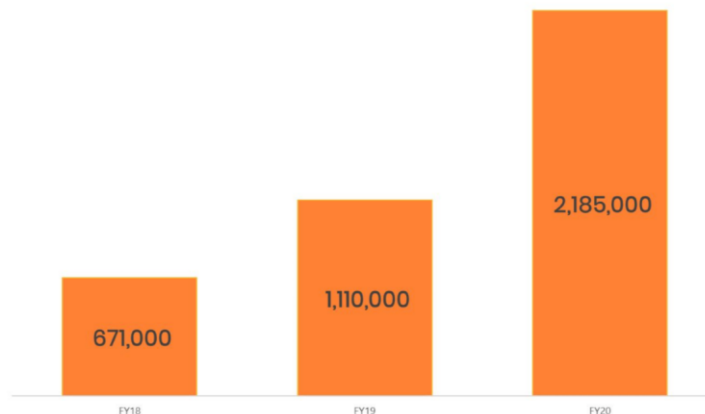


<https://www.youtube.com/watch?v=2a28ar1OzFw>

Cognitus will promote the bundle including LiveHire to its existing and prospective clients. **SAPSF's sales team will also sell the bundle.**

11. **TCCs double to 2.2m candidates.** The LVH platform is now holding 2.2m candidate profiles (resumes) up 97% on a year ago. Candidates can update their details and availability directly themselves as their circumstances change, so the LVH data is "live" and "dynamic". Traditional HR databases are static and soon go horribly out of date. Generally LVH suggests clients nurture and build their Talent Communities to approximately 8-10x their annual hiring need. So a 2.2m database implies perhaps 220,000 candidate placements per annum.

TCCs¹



12. **US Contractor database already > 700,000 TCC's** (2 clients – Ian Martin Group and SASR, both in North America).

13. **Awards** – Long-standing LVH client KJR won a “Candie” award in January 2020 from the US-based Talent Boards Candidate Experience Awards.

<https://www.livehire.com/resources/improving-the-candidate-experience-at-kjr/>

14. **Costs** – have been reduced by A\$7m annualised. Full-time-equivalents were reduced from 77 to 48.4 by -29 (-37%) in the year (mainly towards year-end). These were aggressive cost reductions on a \$14.0m FY20 cash operating cost base so we are a little cautious. We have factored in approximately 50% of this cost reduction into our revised forecasts. We will revise our cost forecasts down further if the quarterly cash reports confirm the cost reductions can be maintained.

Review of Quarterly Reports & Performance metrics

Item No.	LVH: Performance Metrics Years ended June (\$m)	FY16	FY17	FY18	FY19	FY20	Growth FY20	Our Comments
1A	Opening ARR		n/a	0.723	1.347	2.533	n/a	
1B	New Business ARR			0.611	1.450	1.466		
1C	Net Upsell ARR			0.092	0.079	0.065		
1D	ARR Churn			-0.079	-0.343	-0.568		
1E	Closing ARR	n/a	0.723	1.347	2.533	3.496	38%	Strong growth in Annualised Recurring Revenue
1F	New Business % (g on opening)			85%	108%	58%		
1G	Net Upsell % (g on opening)			13%	6%	3%		
1H	ARR Churn %			-11%	-25%	-22%		22% churn by value is high, but looks to be improving
1I	Closing growth % (on Opening)	n/a	n/a	86%	88%	38%		Strong growth in ARR (Annualised Recurring Revenue)
2A	No. of Clients - at Start	9	49	44	53	79		
2B	Additions	n/a	n/a	20	45	43		Strong growth continues with 43 new clients in FY20
2C	Departures (churn)	n/a	n/a	-11	-19	-10		10 departures in FY20, a significant improvement by number
2D	No. of Clients - at End	49	44	53	79	112	42%	Strong growth continues with 33 net new clients in FY20 +42%
2E	Client numbers - Additions %	n/a	n/a	45%	85%	54%		
2F	Client numbers - Departures (churn) %	n/a	n/a	-25%	-36%	-13%		
2G	Closing growth % (on Opening)	n/a	-10%	20%	49%	42%		
3A	ARRPC (\$)	n/a	\$ 16,432	\$ 25,415	\$ 32,063	\$ 31,214	-3%	Annualised Recurring Revenue Per Client flat (COVID impact ??).
3B	Growth %	n/a	n/a	55%	26%	-3%		
4A	TCCs (Talent Community Connections)(m) (potential job candidates on system)(m)	0.135	0.362	0.671	1.110	2.185	97%	Exceptional growth in TCCs. NB Includes 0.7m N.America
4B	Growth %	n/a	n/a	85%	65%	97%		
4C	Candidates per Client (avge)	2,760	8,230	12,665	14,051	19,511	39%	Talent communities and/ or clients getting larger
5	LVH - Actual Hires		17,000			75,797		Only disclosed once - In 2QFY17 run rate was 17k annualised (Our est)
6A	LVH FTEs	n/a	38	54	77	48.4	-37%	Big reduction towards FY20 year-end
6B	Growth %	n/a	n/a	42%	43%	-37%		
Financials - Snapshot								
7A	Recurring revenue (SaaS fees)	0.24	0.46	1.12	1.96	2.89	47%	
7B	Non-recurring (implementation fees etc)	0.07	0.31	0.53	0.66	0.56	-15%	
7C	Direct sourcing revenue (N.America)					0.01	n/a	
7D	Total Operating Revenue	0.31	0.78	1.65	2.62	3.46	32%	
8A	Ebitda before Share-based-payments	-1.8	-2.6	-7.2	-11.2	-10.5	-7%	
	Share-based-payments	-1.4	-1.7	-2.9	-2.5	-2.3	-6%	
	Ebitda	-3.2	-4.3	-10.0	-13.6	-12.8	-6%	
9A	Cash Receipts from Customers (incl prepayments)	1.0	0.9	2.0	3.1	4.5	43%	
9B	Operating Cash Flow (Cash burn)	-1.5	-2.4	-5.8	-9.9	-11.0	12%	
9C	Free Cash Flow (True burn)	-2.8	-4.6	-6.4	-11.0	-13.0	18%	

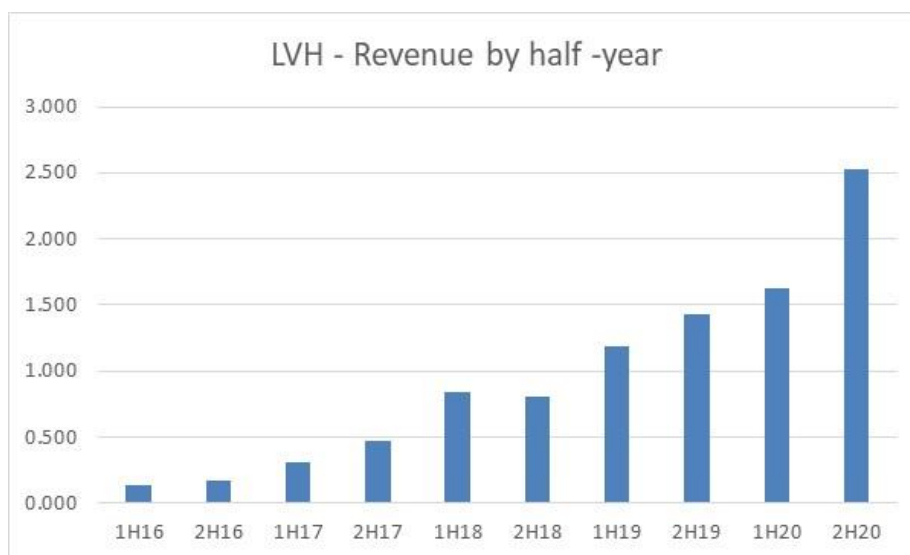
Source: LVH Quarterly reports; Discussions with company; Sequoia estimates

Positive Factors / Reasons to Buy (from our 12/8/20 initiation)

1. **LiveHire version 2.0 – Significant improvements driving accelerated traction in Australia and NZ.** LVH's product has been refined, the unpopular pricing model changed, customers now pay a year in advance (like Bigtincan Holdings BTH) with 3 year contracts instead of annual, the direct sales force has been revamped and expanded, and re-focussed towards larger, better suited clients. The March and June quarterlies provide clear evidence that these changes are revitalising the growth.

On our estimates, LVH has just had its 2nd strongest quarter, and its strongest half-year on record.

For FY20 we are forecasting 58% sales growth with a minor \$0.1m of start-up revenue in the USA / Canada. We are forecasting acceleration to 87% growth for FY21.



2. **Covid Beneficiary** – Two Break-through “top-down” government contracts with the Queensland and Victorian governments highlight some key features of LVH system – Ultra-quick to deploy, rapid response time from candidates via 2-way sms messaging, mobility (candidates can stay in the system even after multiple job moves), and fabulous intuitive dashboard and reporting.

We think there is a good chance of LVH securing further Government work, and the credibility and increased awareness of LVH from these high profile emergency deployments should drive an acceleration in the corporate and enterprise markets.

3. **Major new opportunity in the USA – Contingent Workforce Management Solutions – US\$80bn spend pa** - According to industry consultant Ardent Partners, some 40% of today's global workforce is comprised of non-employee (non-payroll) talent – including independent contractors, freelancers, professional services, and temporary workers. According to Ardent (2017) this non-employee workforce has doubled in just over seven years. Contingent workforce programs that utilise these workers have been a prime enabler of corporate operational agility. The ability of an organisation to bring “agile talent” into and out of an organisation when needed is a key factor in performance. Talent is the top differentiator for the contemporary enterprise.

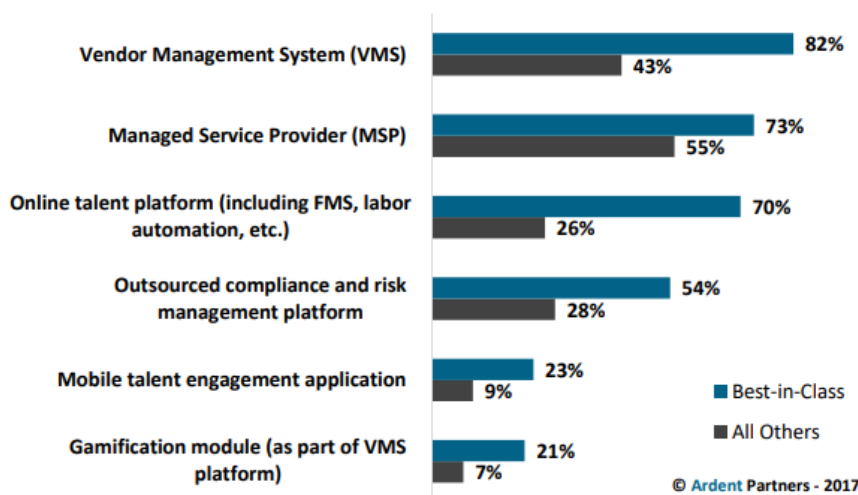
A booming industry of “Vendor Management Systems” (VMS's) and “Managed Service Providers” (MSPs) has evolved. These firms are typically engaged by the Procurement Departments of companies, not HR (Human Resources). So a

parallel industry of Contingent Workforce Management providers is open for LVH to tackle. This industry is huge in the USA and is starting to come here.

Ardent says that 56% of organisations are leveraging these on-line talent platforms. 43% of companies are using VMSs (and 82% of the “best-in-class coys”), 55% are using MSP’s (73% of best coys), and 26% are using other on-line talent platforms.

LVH believe this is a US\$140bn global market, and US\$80bn for the US alone.

Figure 12: Contingent Workforce Management Solution Utilization



- 4. Convincing Cognitus Consulting endorsement should secure a strong US Market entry** – Cognitus Consulting is a “Value Added Reseller” and one of around 10 top systems integrators in the USA installing SAP and SAP SuccessFactors, in competition with Accenture, Deloitte, Cap Gemini, IBM and a few others. Cognitus was looking for some market differentiation and selected LVH as a standard, value-added inclusion in its SAPSF bundle for FY20 and beyond. **Cognitus call it the “Dynamic Talent Intelligence Platform”**. Cognitus is already selling the bundle (20 sales people in US) and expects to have multiple sales in coming quarters (says Covid is causing some delays). In addition, SAPSF’s own sales team commenced selling the bundle from 27 July (100+ sales people).

The LVH technology has been tested and validated by Cognitus. It was qualified by SAP in November 2019. Cognitus told us LVH is like AMG is to Mercedes. A high-performance add-in approved by the manufacturer (i.e. SAP). The AMG version is clearly the better performing version to the basic model.

Cognitus has 13 offices globally with 835 employees. Cognitus normally do ~ 30 big SAPSF installations pa in the US. Typical clients are big customers with 5,000+ employees and US\$3-10bn of revenue. www.cognitusconsulting.com

SAP S/4HANA MOVEMENT PARTNER OF THE YEAR

COGNITUS Cognitus Consulting
 Information Technology & Services · Dallas, Texas · 6,527 followers

Beyond consulting. From digital transformation to financial compliance, we connect people and technology

Source: <https://www.linkedin.com/company/cognitus-consulting/>

5. **Rizing LLC partnership for US and Australia** – In June 2019 LVH announced a partnership with Rizing, the world’s 2nd largest implementer of SAP Success Factors (SAPSF) head-quartered in Sandford Connecticut. Rizing has 850 professional IT staff serving approx. 40% of SAPSF’s 6,700 global customers. In June 2020 LVH announced its first LVH/ SAPSF installation in Australia with a large owner / manager of commercial real estate in Australia. This will provide a valuable reference case for Rizing to use with its other 2,700+ customers worldwide.

6. **Multiple shots on US Goals** - Other US partners signed means the LVH system will be taken to market and shown to a myriad of their existing and prospective customers. This “one sale to many” strategy has the potential to deliver significant customer numbers and revenues to LVH.
 - √ Workforce Logiq USA (announced 8/3/19) – 5 initial clients now > 1 yr, should produce first US Customer Case Study soon
 - √ Rizing (ANZ & USA)(announced 7/6/19) – Has 2,700+ customers
 - √ Coupa USA (announced 21/1/20)
 - √ Ian Martin Group – Canada / USA (announced 28/4/20)
 - √ CXC Global – ANZ / USA (announced 24/7/19)
 - √ Bayard - USA (announced 26/7/19)
 - √ Proactive Talent – USA (announced 30/9/19)
 - √ Cognitus Consulting – USA & Australasia (announced 30/9/19)
 - √ Discovery Consulting – USA (announced 24/10/19)
 - √ Strategic Talent Solutions – USA (announced 24/10/19)
 - √ SAP itself – LVH is now included in SAP’s App Store, meaning SAP’s own sales force can now earn commission on selling the LVH platform into clients (from 27/7/20). This is ALL NEW and if it wasn’t for COVID, we are pretty sure we would be seeing a string of LVH USA new client announcements.

7. **Revenue per customer expected to be significantly higher in USA** – Average revenue per customer in ANZ is around A\$32,000 pa (including one-off installation revenue). For the US Contingent Hires market, LVH’s revenue will be calculated as a percentage of the annual hiring spend. Early deals suggest this will be in the region of ~1-2% of total spend with early customer wins suggesting annual revenue per customer of around A\$200-500k pa (US \$150-400k). This is 6x to 15x larger than in Australia, suggesting a much more profitable business opportunity.

8. **US to become profitable in Year 1** – With staff of 48 worldwide, including just 2 in the USA (plus Dr Mike Haywood in Australia but 100% allocated to the US expansion opportunity), we expect LVH’s US operation to be profitable in year 1, and very profitable thereafter. On our forecasts, the US business could be contributing A\$0.1m in FY21, A\$4.8m in FY22 and A\$40.9m in FY25. In our opinion, the current stock-market valuation of LVH is factoring in nothing for the significant upside potential we can see.

2. Base Case - USA	FY19	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e
No. of clients (at yr-end)	1	7	30	63	110	161	216
Net new clients	1	6	23	33	47	51	55
Average No. of clients	1.0	5.0	18.5	46.5	86.5	135.5	188.5
USA Revenue (\$Am)	0.0	0.1	1.1	6.3	16.4	29.5	46.0
Estimated US cost base (A\$m)		-0.5	-1.0	-1.5	-2.3	-3.4	-5.1
USA Ebitda (A\$m)		-0.4	0.1	4.8	14.2	26.1	40.9
USA Ebitda margin %		-368%	10%	76%	86%	89%	89%
LVH DCF valuation per share (whole company)	\$ 1.02						

9. **Australian competition** – In researching this report and doing competitor analysis, we came across several old historic competitors whose websites we found just dreadful. The author has considerable recent experience on using these job sites prior to him starting his current role at Sequoia. User experience on some of these we would rate as “awful to dreadful, to frustrating to annoying as hell” and wasting a huge amount of the candidate’s time (numerous personal experiences).

We were surprised to see how extensive the client list was for some of these horrible looking, old-fashioned products. We can only conclude that price, and old habits, and unwillingness to change to try something new and better, are the only thing keeping those customers there.

We wonder if these customers realise the negative perception they are delivering to both successful and unsuccessful candidates, and their organisations' brands.

We see a huge untapped opportunity for LVH to take market share from these awful players. As soon as these organisations wake up to their poor user experience results (presumably they don't even understand the concept, or aren't tracking it), we think LVH will see a significant increase in market share.

10. **USA optionality** – In our opinion, the current share price does not factor in anything for possible upside from the US. Even if LVH only gets it partially right in the US, there could be significant upside. Another interesting aspect is that execution is delivered through LVH's partners and customers like Cognitus Consulting and Rizing, and disruptors / early adopters like Workforce Logiq, Ian Martin Group and SASR, who have extensive North American experience and reputation. LVH has just 2 employees in the USA, plus Dr Mike Haywood dedicated to achieving growth and success in the USA. Channel partner support can be run remotely. We expect Ebitda margins to be >90% in the US.
11. **LVH "eco-system" - Valuable new intangible asset under development** - LVH's rapidly growing eco-system of TCCs (Talent Community Connections) is effectively building a potentially valuable new intangible asset for the company. **Currently at 2.2m potential candidates (v 1.11m a year ago) and we project could rise to 12m candidates by 2025.** Many technology and media companies command high valuations based on the presence of intangible attributes such as this.
12. **Net cash of \$21.0m** – We believe that LVH has enough cash to see it through to profitability and positive cash flow, and to become self-sustaining.

Risks / Negative Factors (from our 12/8/20 initiation report)

1. **Lots of legacy competitors (in the perm hiring/ HR space)** – Staff costs is the biggest cost of most companies globally, so it is no surprise that there are numerous IT software companies and solutions fighting for market share and customers in the USA, Australia and global markets. Standing out from the crowd is difficult, and there is a proliferation of technologies (software products) including products that are cheaper than LVH which might be adequate. Further, HR budgets are notoriously under-funded and many organisations make do with poor and out-dated systems.

In contrast, the Contingent Workforce / Contractor market in the USA is generally well funded, with budgets controlled by Procurement Departments rather than HR. There are few specialist software products in this large market, which LVH's candidate –centric system appears to be ideally-suited and many years advanced in development. LVH has been somewhat "rushed" by leading MSPs and VMS players looking to gain a competitive advantage and market share by utilising the LVH system. LVH signed 9 deals in the last 12-mths all aimed at this opportunity, and all in various stages of early launch.

2. **Revenue just \$3.5m (our FY20 estimate) after 6 years of operating.** That does not sound like a blockbuster new technology to us. However, Australia is a fairly small market, and the outlook for LVH's technology in the USA – where it has already been adopted by Workforce Logiq (5 pilot customers) and embraced by Ian Martin Group (perhaps the strongest workforce customer endorsement to date), Set and Service Resources (SASR), Cognitus Consulting (perhaps the strongest IT endorsement to date), Rizing, SAP itself and others suggests that revenue is about to enjoy a serious step-change on current.
3. **LVH systems requires a change in customers' internal way of operating, to extract the most benefits** – To get the most benefit out of the LVH system, clients need to pro-actively nurture and build their companies' talent community ahead of the hiring need. This involves a slight change to the normal reactive, raise a new job requisition and advertise historical approach that most HR managers and recruiters have done forever. Organisations such as Roy Hill, Alfred Health and General Pants have high volumes of recruitment, and have embraced the LVH system and achieved impressive results with > 90% of hires coming through the LVH talent community and platform (speed to hire, cost savings on advertising and recruitment agency fees, and quality of hire). These companies have been very enthusiastic public advocates of how good the LVH system is, and the benefits they achieved.

Yet we found another organisation where the system was allowed to wither on the vine after the key manager embracing it left. The organisation drifted back to their old ways, using their HRIS instead despite superior performance and cost efficiencies being achieved when they embraced the LVH system. Old habits die hard. Partly for this reason, LiveHire seems to be accelerating a whole new market for third party staffing agencies to step in and offer "managed direct sourcing" solutions to clients unable to quickly adopt this new and improved technique. This is driving growth for these staffing firms that have been in an industry typically slow to change, and in turn creating an exciting channel growth strategy for LiveHire.

4. **Still loss-making** – After 3 years of initial development and 6 years of operation, LVH is still loss-making (we forecast a loss of \$9.4m in FY21 and a loss of \$3.4m in FY22 before a profit of \$7.5m in FY23. However, we think that LiveHire Version 2.0 has rectified the problems of the past including the old pricing model, and that recent new customer wins including the two new Qld and Vic State Government contracts show that **the business still has significant growth potential in the domestic market**. The New Zealand market entry in Q3 2020 also bodes well. And as discussed above, the outlook for the US business looks extremely strong, and should secure decent traction, given the quality and calibre of the marketing partners who have agreed to market LVH to their existing customers.
5. **LVH is taking on bigger, better funded competitors in the US**. Although not a direct competitor, WorkDay is spending 29% of revenue on R&D. LVH is spending approximately 35% of sales on R&D. We think that LVH has a strong competitive advantage now, and a structural advantage in that its whole system is structured around the candidate, and delivering a positive candidate experience. But this competitive advantage may not last indefinitely. Others spending more may catch up. And competitors are already adopting LVH's terminology – e.g. Talent Communities is now frequently mentioned by competitors. It wasn't just a few years ago.
6. **LVH integrated with SAP Success Factors, but not yet integrated with the other two major HRIS systems – WorkDay and Taleo (Oracle)**. We understand that a WorkDay integration is on the development road map. But so far, LVH has its hands full trying to establish and get the most out of the SAP integration, and the US market entry. So we don't particularly care, and it might be a distraction from maximising the exciting opportunity LVH has before it with SAP / SAPSF right now.
7. **Persistent client churn in Australia** – LVH's development and revenue growth to date has been partly held back by a persistent churn in its customer base as it tested different sales approaches in the early adoption period. In FY20 LVH gained 43 new customers (+54%) but lost 10 (-13% "churn") for a net gain of 33 (+42%). Churn by value (ARR) was higher at 22% as there were a few larger departures such as BUPA and Roy Hill. LVH management says that customers taking its end-to-end offering (which is the only approach it allows customers to now buy) are approaching 100% stickiness. LVH management believes there is only a small amount of churn likely to remain in the future. We attribute the historical fairly high churn to the following factors, many of which have now been resolved under LiveHire 2.0:
 - Old pricing model based on 50c per TCC connection. Larger customers found it difficult to get budget approval for this.
 - LVH system is very quick to deploy and to generate almost instant benefits. We think this may have led to companies jumping on LVH to test the talent community features without moving off their other legacy hiring systems. LVH now only allows customers to buy and operate their system end-to-end.
 - LVH is not (yet) a global system (eg only available for APAC and North America, not EMEA) – BUPA removed LVH and moved to WorkDay following direction from their UK parent. (We understand the LVH system was performing very well and achieving significant benefits for BUPA prior to this directive).
 - For clients with a large HRS, LVH is an "optional" high-performance, very user-friendly recruitment front-end. SAPSuccessFactors and WorkDay have basic / generic recruitment front-ends which although inferior to a specialist product like LVH, may suffice for some customers.

Potential Share Price Catalysts

1. First new “Contingent Workforce” clients being won by Ian Martin Group in Canada / USA and SASR in USA. **Timing: next few months. Importance: \$\$\$\$\$** (5 “\$”s = important for stock-market confidence and / or potentially material in revenue terms)
2. First few SAPSF bundle integrations being won by Cognitus Consulting in the USA (or Australia). **Timing: 9- 12 months away as part of large bundle decisions. Importance: \$\$\$\$\$**
3. Other US customer wins from LVH’s numerous new alliances / partnerships: Coupa, SASR, CXC Global, Bayard, Proactive Talent, Discovery Consulting. With this many partners LVH would appear to have multiple shots on US goals. **Timing: Coming quarters. Significance: \$\$\$\$\$**
4. Further government contract wins in Australia. **Timing: Now / Soon.** We would think highly likely whilst the COVID crisis persists, and also in preparation for the “Return to work” phase, before it begins in earnest. **Importance: \$\$\$\$**
5. Further Aust & NZ new client wins. **Timing: Anytime.** LVH Version 2.0 has regained strong momentum. **Importance: \$\$\$**
6. **USA Client Case Study** – We understand that one of the Workforce Logiq clients has had a positive experience with its first year of the LVH system, and is willing to release details for LVH to create a Case Study for marketing and investor relations purposes. This could be a very important document given the optionality and size potential of US market. **Timing: Soon. Importance: \$\$**
7. **Recognition** - We believe that LVH has built an outstanding “best of breed” system that achieves the recruitment holy grail: **Recruits candidates Faster, Cheaper and Better Quality.** And a great dashboard and management reporting too. In our opinion, the LVH system has been under-utilised in Australia to date compared to its true potential because of an incorrect pricing model, and no integration with the leading HRIS systems (SAPSF, WorkDay and Oracle / Taleo) until recently for SAPSF only. Apart from WorkDay, all known issues have now been resolved by LVH 2.0. **Timing: Anytime. Importance: \$\$\$\$\$.**

With a market cap of just \$95m (Net cash of \$21m), Enterprise value of \$74m we think LVH is an absolute bargain – on the assumption that it achieves modest customer acceptance and utilisation in the USA.

8. **Quarterly reports** – next one due end October.
9. **AGM** – October / November (\$\$\$\$ - if confirms traction with the new US Contractor market opportunity, and traction by resellers / systems integrators Cognitus, Rizing and Bayard in the US enterprise / corporate market).
10. **Increased analyst coverage** and market understanding (\$\$\$). Hopefully this comprehensive report will assist in that regard.

Sequoia Financial Group – Detailed Forecasts

- We show below our revised forecasts for LVH for Australia & NZ.
- We show our forecasts for LVH for USA & Canada on the next page.

LVH: Revenue model - ANZ Years ended June (A\$m)	FY20	FY21e	FY22e	FY23e	FY24e	NEW FY25e	Comments
1. Direct Clients (Permanents & Part-timers)							
• Australia - No. of clients (at yr-end)	94	102	110	118	126	134	FY20 per March 4C +5 new; FY21 onwards assume 8 net new clients pa 3 new clients in Q3/Q4; FY21 onwards assume 4 new clients pa fm Jan
• New Zealand (from 12/2/20) - No. of clients	3	5	9	13	17	21	
No. of clients - ANZ	97	107	119	131	143	155	
Net new clients	21	10	12	12	12	12	
Average No. of clients - ANZ	86.5	102.0	113.0	125.0	137.0	149.0	
Revenue per client assumed - ANZ	\$ 29,359	\$ 32,295	\$ 35,525	\$ 39,077	\$ 42,985	\$ 47,284	Additional modules and larger clients should drive this up, assume +10% pa
Implementation fees per client (can be lumpy)	\$ 15,761	\$ 16,549	\$ 17,376	\$ 18,245	\$ 19,157	\$ 20,115	One-off implementation & other fees, assume 5% increase pa
a. Forecast SaaS revenue (A\$m)	2,540	3,294	4,014	4,885	5,889	7,045	
b. Forecast implementation fees (A\$m)	0.410	0.165	0.209	0.219	0.230	0.241	FY19 & FY20 include an extra allowance for client churn
c. Total revenue (A\$m)	2.949	3.460	4.223	5.104	6.119	7.287	
2. RPO Clients (re: Permanents)							
• Randstad Sourceright	1	1	1	1	1	1	Modest growth in this segment
• Korn Ferry	1	1	1	1	1	1	
• Manpower (announced 30/9/19)	1	1	1	1	1	1	
No. of RPO Partners	3	3	3	3	3	3	
No. of clients - ANZ (at yr-end)	5	8	11	14	17	20	Assume 1 new deal per partner pa (ie +3 pa)
Average No. of clients - ANZ	3.5	6.5	9.5	12.5	15.5	18.5	
Revenue per client assumed - ANZ	\$ 50,000	\$ 52,500	\$ 55,125	\$ 57,881	\$ 60,775	\$ 63,814	Assume MSP clients are \$50k pa, slightly larger than direct clients fees
Implementation fees per client	\$ 25,000	\$ 26,250	\$ 27,563	\$ 28,941	\$ 30,388	\$ 31,907	Assume MSP clients are \$25k, slightly larger than direct clients
a. Forecast SaaS revenue (A\$m)	0.175	0.341	0.524	0.724	0.942	1.181	
b. Forecast implementation fees (A\$m)	0.075	0.079	0.083	0.087	0.091	0.096	
c. Total revenue (A\$m)	0.250	0.420	0.606	0.810	1.033	1.276	
3. MSP Clients (Contingent / Contractors)							
• via CXC Global (announced 24/7/19)	2	2	2	2	2	2	Assume no change in numbers (just to be conservative)
• via Chandler Macleod (announced 21/11/20)	1	3	5	7	9	11	
No. of clients - ANZ	3	5	7	9	11	13	Assume 2 new clients pa
Average No. of clients - ANZ	1.5	4.0	6.0	8.0	10.0	12.0	
Revenue per client assumed - ANZ	\$ 50,000	\$ 52,500	\$ 55,125	\$ 57,881	\$ 60,775	\$ 63,814	Assume MSP clients are \$50k pa, slightly larger than direct clients fees
Implementation fees per client	\$ 25,000	\$ 26,250	\$ 27,563	\$ 28,941	\$ 30,388	\$ 31,907	Assume MSP clients are \$25k, slightly larger than direct clients
a. Forecast SaaS revenue (A\$m)	0.075	0.210	0.331	0.463	0.608	0.766	
b. Forecast implementation fees (A\$m)	0.075	0.053	0.055	0.058	0.061	0.064	
c. Total revenue (A\$m)	0.150	0.263	0.386	0.521	0.669	0.830	
4. Systems Integrators / Resellers							
• Rizing (partnership announced 7/6/19) - No. of clients	1	3	7	11	15	19	Assume 1 new client per quarter for Rizing Aust from Jan 2021
• Discovery Consulting (announced 24/10/19)		1	1	1	1	1	
• HR Consulting Melbourne (announced 24/10/19)			1	1	1	1	Assume 1 new customer only to be conservative
• Deloitte MOU (extended 30/9/19)							Assume Nil
• Strategic Talent Solutions (announced 24/10/19)			1	1	1	1	Assume 1 new customer to be conservative
No. of clients	0	4	10	14	18	22	None yet, but looks promising once COVID abates
Average No. of clients	0	2	7.0	12.0	16.0	20.0	
Revenue per client	\$	\$ 52,500	\$ 55,125	\$ 57,881	\$ 60,775	\$ 63,814	Assume same \$ as MSP clients
Implementation fees per client	\$	\$ 16,549	\$ 16,549	\$ 16,549	\$ 16,549	\$ 16,549	One-off implementation fees
a. Forecast SaaS revenue (A\$m)		0.105	0.386	0.695	0.972	1.276	
b. Forecast implementation fees (A\$m)		0.066	0.099	0.066	0.066	0.066	
c. Total revenue (A\$m)		0.171	0.485	0.761	1.039	1.342	
5. Total Revenue - ANZ							
No. of clients (at yr-end)	105	124	147	168	189	210	Client numbers forecast to double in 5 years
Net new clients	27	19	23	21	21	21	Our forecasts look conservative Vs FY19 and FY20 net new clients
Average No. of clients	92	115	136	158	179	200	
a. Forecast SaaS revenue (A\$m)	2.8	4.0	5.3	6.8	8.4	10.3	
b. Forecast implementation fees (A\$m)	0.6	0.4	0.4	0.4	0.4	0.5	
c. Total revenue (A\$m)	3.3	4.3	5.7	7.2	8.9	10.7	We forecast ANZ to double in ~3 years
Revenue growth %	28%	29%	32%	26%	23%	21%	
SaaS revenue per average client	\$ 30,487	\$ 34,501	\$ 38,780	\$ 42,958	\$ 47,121	\$ 51,468	Average value per customer gradually rises
Implementation fees per new client added (can be lumpy)	\$ 20,732	\$ 19,102	\$ 19,375	\$ 20,468	\$ 21,334	\$ 22,243	
Implementation fees as % of total revenue	17%	8%	8%	6%	5%	4%	One off revenues become less important. Quality of revenues improves
Talent Community Connections (candidates)(m)	1.49	1.76	2.09	2.39	2.69	2.99	
TCCs (candidates) per client	14,231	14,231	14,231	14,231	14,231	14,231	

Source: Sequoia estimates

Key Assumptions – Aust & NZ

- Direct client channel: We assume LVH wins 8 new clients pa in Aust (net) and 4 in NZ. LVH just entered NZ during FY20 so there should be significant opportunities there from a low base.
- We assume the average revenue per client increases from \$30k in FY19 to \$37k in FY20 to \$54k in 5 years' time (FY24).
- RPO channel (Recruitment Process Outsourcing – for permanents) – We assume no new customers. And the same progression in average revenue per client as in direct clients.
- MSP channel (Managed Service Providers) – We assume 2 new clients p.a. at double the revenue per client of Direct clients (i.e. \$50k in FY20 Vs \$30k).
- Systems Integrators channel – We assume 1 new client per quarter for Rizing. We assume 1 deal only for each of Discovery, HR Consulting & STS.

USA / Canada revenue model

LVH: Revenue model - USA Years ended June (A\$m)	FY19	FY20e (Year 1)	FY21e (Year 2)	FY22e (Year 3)	FY23e (Year 4)	FY24e (Year 5)	FY25e (Year 6)	Comments
Channel 1: Direct - Not a focus		0	0	0	0	0	0	
Channel 2: RPOs - Not a focus		0	0	0	0	0	0	
3A. MSPs - Pilot / Foundation client								
Workforce Logic (announced 8/3/19)								
No. of clients	1	5	5	5	5	5	5	
Revenue per client	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	Pricing model has since changed. No growth expected here.
Implementation fees per client	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Assume it takes 1 year to achieve expected A\$32k pa run rate; Then fixed. One-off implementation fees
Implied no. of contractors (US\$47k salary - A\$64k)			625	625	625	625	625	Implied no. of contractors assuming LVH receives equiv of 0.25% of payroll
a. Forecast SaaS revenue (A\$m)		0.100	0.100	0.100	0.100	0.100	0.100	
b. Forecast implementation fees (A\$m)		0.000	0.000	0.000	0.000	0.000	0.000	
c. Total revenue (A\$m)		0.100	0.100	0.100	0.100	0.100	0.100	WE REMOVE THIS ITEM (IMG, SASR IT staff will do this work)
3B. MSP clients under new pricing model:								
2. Coupa VMS (announced 21/1/20)		nm	2	4	6	8	10	Assume 2 deals pa (LVH estimated each MSP could have 40-60 clients)
3. Ian Martin Group (IMG)(ann 28/4/20)		1	10	20	40	60	80	IMG itself = 1; Assume 10-20 new deals pa. IMG are fully embracing (100 a/cs)
4. Set and Services Resources (SASR)(ann 16/6/20)		1	5	9	13	17	21	large retail cust already @ \$440k; Assume 4 new deals pa
5. A.N. Other in FY21			4	8	12	16	20	Assume 4 deals pa (each MSP could have 40-60 clients)
6. A.N. Other in FY22				4	8	12	16	Assume 4 deals pa (each MSP could have 40-60 clients)
7. A.N. Other in FY23					4	8	12	Assume 4 deals pa (each MSP could have 40-60 clients)
8. A.N. Other in FY24						4	8	Assume 4 deals pa (each MSP could have 40-60 clients)
9. A.N. Other in FY25							4	Assume 4 deals pa (each MSP could have 40-60 clients)
No. of clients	0	2	21	45	83	125	171	Our base scenario is that LVH achieves ~170 clients by end-year 5
Average No. of clients	0	0	11.5	33	64	104	148	
Revenue per client	\$ 75,000	\$ 150,000	\$ 200,000	\$ 225,000	\$ 250,000	\$ 250,000	\$ 250,000	IMG est A\$400k. SASR \$440k (1st major client only). Others \$200-500k each
Implementation fees per client	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	WE REMOVE THIS ITEM (IMG, SASR, etc IT staff will do this work)
Implied no. of contractors (US\$47k salary - A\$64k)			898	5,156	13,333	24,375	38,542	Implied no. of contractors assuming LVH receives 1.5% of payroll
a. Forecast SaaS revenue (A\$m)		0.007	0.863	4.950	12.800	23.400	37.000	
b. Forecast implementation fees (A\$m)		0.000	0.000	0.000	0.000	0.000	0.000	
c. Total revenue (A\$m)		0.007	0.863	4.950	12.800	23.400	37.000	
4. Systems Integrators / Resellers								
• Rizing (partnership announced 7/6/19) - No. of clients			2	6	10	14	18	Assume 1 client per quarter from Jan (COVID delay in ERP /HCMs)
• Bayard (announced 26/6/19)								No progress yet
• Proactive Talent (announced 30/9/19)								No progress yet
• Cognitus Consulting (announced 30/9/19)			2	6	10	14	18	Assume 1 client per quarter from Jan (COVID delay in ERP /HCMs)
• SAP IT itself (added to SAP app store)			0	1	2	3	4	Nothing yet, but this could be a sleeper; We put in a nominal 1 pa
No. of clients	0	0	4	13	22	31	40	None yet, but looks promising once COVID abates
Average No. of clients	0	0	2	8.5	17.5	26.5	35.5	
Revenue per client	\$ 75,000	\$ 150,000	\$ 200,000	\$ 225,000	\$ 250,000	\$ 250,000	\$ 250,000	LVH expects these could build up to \$200-500k each
Implementation fees per client	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	WE REMOVE THIS ITEM (Cognitus & Rizing will do this work)
a. Forecast SaaS revenue (A\$m)		0.150	1.275	3.500	5.963	8.875	8.875	
b. Forecast implementation fees (A\$m)		0.000	0.000	0.000	0.000	0.000	0.000	
c. Total revenue (A\$m)		0.150	1.275	3.500	5.963	8.875	8.875	WE REMOVE THIS ITEM (Cognitus & Rizing will do this work)
D. Total USA								
No. of clients (at yr-end)	1	7	30	63	110	161	216	Current proof of concept is WF Logiq (5), IMG (1 @ \$400k) + SASR (1) = 7
Net new clients	1	6	23	33	47	51	55	+ SASR (1 @ \$440k); Plus p/ship deals signed with Coupa, Rizing, Cognitus, SAP, Bayard, & Proactive.
Average No. of clients	1.0	5.0	18.5	46.5	86.5	135.5	188.5	
a. Forecast SaaS revenue (A\$m)		0.107	1.1	6.3	16.4	29.5	46.0	We forecast A\$46m of revenue in 5 years, at negligible cost & zero capital.
b. Forecast implementation fees (A\$m)		0.000	0.0	0.0	0.0	0.0	0.0	
c. Total revenue (A\$m)	0.000	0.107	1.1	6.3	16.4	29.5	46.0	We forecast A\$46m of revenue in 5 yrs at negligible cost & zero capital.
Revenue growth %	n/a	n/a	941%	469%	159%	80%	56%	
Implementation fees as % of total	0%	0%	0%	0%	0%	0%	0%	
SaaS revenue per average client	\$ 21,380	\$ 30,015	\$ 60,135	\$ 136,022	\$ 189,595	\$ 217,435	\$ 243,899	
Talent Community Connections (candidates)(m)	0.00	0.70	1.50	3.15	5.50	8.05	10.80	
TCCs (candidates) per client	-	99,396	50,000	50,000	50,000	50,000	50,000	Assume 50,000 TCCs per US client (Vs Aust 14,000)
Balancing item - SaaS		-0.027						
Balancing item - implementation & other		0.014						
D. Total Worldwide								
No. of clients (at yr-end)	79	112	154	210	278	350	426	
Net new clients	26	33	42	56	68	72	76	We expect to see an acceleration in client additions
Average No. of clients	67.5	96.5	133	182	244	314	388	
a. Forecast SaaS revenue (A\$m)	1.94	2.896	5.1	11.6	23.2	37.9	56.2	
b. Forecast implementation fees (A\$m)	0.67	0.560	0.4	0.4	0.4	0.4	0.5	
c. Total revenue (A\$m)	2.61	3.456	5.4	12.0	23.6	38.3	56.7	Group revenue could rise 16x by FY25
Revenue growth %	113%	32%	57%	122%	96%	62%	48%	
Implementation fees as % of total	26%	16%	7%	4%	2%	1%	1%	
SaaS revenue per average client	\$ 28,691	\$ 30,015	\$ 38,067	\$ 63,624	\$ 94,942	\$ 120,617	\$ 144,956	
Talent Community Connections (candidates) - ANZ (m)	1.11	1.49	1.76	2.09	2.39	2.69	2.99	ANZ average is 14,200 candidates per Client
Talent Community Connections (candidates) - USA (m)	0.00	0.70	1.50	3.15	5.50	8.05	10.80	We assume US clients are ~4x ANZ at 50,000 candidates each
Talent Community Connections (candidates) - WW (m)	1.11	2.19	3.26	5.24	7.89	10.74	13.79	We expect 14 million TCCs on the LVH platform by 2025
TCCs (candidates) per client - WW	14,051	19,554	21,199	24,962	28,384	30,685	32,367	We expect 32,000 candidates per client by 2025 (1.7x current)

Source: Sequoia estimates

Key Assumptions - USA & Canada

- Direct client channel: Not a focus at this stage in the US.
- RPO channel (Recruitment Process Outsourcing) – Not a focus.
- MSP channel (Managed Service Providers) – We assume Coupa 2 new clients pa; Ian Martin Group we assume +10 clients in FY21 & FY22, and +20 in FY23, FY24 and FY25; SASR +4 clients pa; AN Other client pa assume +4 new end-clients pa each.
- Systems Integrators channel – We assume 1 new client per quarter from Jan 2021 (to allow for COVID delays); Rizing and Cognitus Consulting - we assume 1 new client per quarter from Jan 2021 (allow a delay for Covid). Bayard and Proactive – assume nothing won; SAP itself – assume 1 client per annum won.
- Pricing – We assume annual revenue per client starts at A\$75k in year 1 (A\$150k full year equivalent, but we need to allow time for installation and then a gradual ramp up) for MSP’s and A\$75k for Systems Integrators. These should then build rapidly to A\$250k pa each (we assume net of commissions to Rizing and Cognitus and SAP).

New "Reasonableness" Cross-check

We have cross-checked the reasonableness of our US forecasts for the MSP / Contractor segment described above, as follows.

- According the leading industry data firm, SIA, the US Contractor market was a US\$79 billion spend in CY2018 (US\$141 billion worldwide). This was based on an extrapolation of its surveys of 26 global providers, who managed a spend of US\$101bn across over 2,800 separate managed services contracts. The MSP / Contractor segment is big business in the USA.
- Assuming the average US basic salary of US\$47k pa (FTE), this implies about 1.7 million contractor persons being managed (refer the pink row below).
- We assume various levels of market penetration by LVH’s wholesale partners, from 2.0% through to 6.0%. Our base case is approximately 4.5% by FY25.
- We assume that the LVH system will be able to fill at least 50% of the vacancies internally from the cultivated Talent Communities for each client (management objective is 40%, which we think is conservative).
- A 4.5% market penetration by LVH’s partners in FY25 would imply about 38,000 FTE contractor positions filled by LVH, with revenue of ~A\$36.5m. See the boxed figures highlighted in orange below. This is approximately our FY25 forecast (38,500 contractors, \$37m revenue).
- Readers can see how sensitive these forecasts are to changes in market penetration assumptions, in a very big market. Obviously there are a wide range of outcomes possible. We will refine our forecasts as actual data and new customer announcements come through.

LiveHire (LVH) - US Direct Sourcing Model												
	US\$	A\$										
US Contractor Market (\$Bn)(Total Addressable market)	79.0	108.2										
Source: LVH, Staffing Industry Analysts, 2019 MSP Landscape & Differentiators (6/9/19)												
AUD / USD	\$ 0.73											
Average salary in USA (US 47,060 pa = A\$64k) (Source: Bureau of Labour studies)	\$ 47,060	\$ 64,466										
LVH - Partner market penetration scenarios												
Assumed Market Penetration of Partners	100%	100%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%	
Implied no. of persons (FTEs) filled by partners												
LVH penetration - Assume 30% of hires (persons)	503,612	503,612	10,072	12,590	15,108	17,626	20,144	22,663	25,181	27,699	30,217	
LVH penetration - Assume 40% of hires (persons)	671,483	671,483	13,430	16,787	20,144	23,502	26,859	30,217	33,574	36,932	40,289	
LVH penetration - Assume 50% of hires (persons)	839,354	839,354	16,787	20,984	25,181	29,377	33,574	37,771	41,968	46,164	50,361	
LVH penetration - Assume 60% of hires (persons)	1,007,225	1,007,225	20,144	25,181	30,217	35,253	40,289	45,325	50,361	55,397	60,433	
LVH penetration - Assume 70% of hires (persons)	1,175,096	1,175,096	23,502	29,377	35,253	41,128	47,004	52,879	58,755	64,630	70,506	
LVH penetration - Assume 80% of hires (persons)	1,342,966	1,342,966	26,859	33,574	40,289	47,004	53,719	60,433	67,148	73,863	80,578	
LVH penetration - Assume 90% of hires (persons)	1,510,837	1,510,837	30,217	37,771	45,325	52,879	60,433	67,988	75,542	83,096	90,650	
LVH penetration - Assume 100% of hires (persons)	1,678,708	1,678,708	33,574	41,968	50,361	58,755	67,148	75,542	83,935	92,329	100,722	
LVH potential revenue at 40% fulfillment rate (A\$m)												
LVH market opportunity (at 1.0% commission) \$m	\$ 316	\$ 433	\$ 8.7	\$ 10.8	\$ 13.0	\$ 15.2	\$ 17.3	\$ 19.5	\$ 21.6	\$ 23.8	\$ 26.0	
LVH market opportunity (at 1.5% commission) \$m	\$ 474	\$ 649	\$ 13.0	\$ 16.2	\$ 19.5	\$ 22.7	\$ 26.0	\$ 29.2	\$ 32.5	\$ 35.7	\$ 39.0	
LVH market opportunity (at 2.0% commission) \$m	\$ 632	\$ 866	\$ 17.3	\$ 21.6	\$ 26.0	\$ 30.3	\$ 34.6	\$ 39.0	\$ 43.3	\$ 47.6	\$ 51.9	
LVH potential revenue at 50% fulfillment rate (A\$m)												
LVH market opportunity (at 1.0% commission) \$m	\$ 395	\$ 541	\$ 10.8	\$ 13.5	\$ 16.2	\$ 18.9	\$ 21.6	\$ 24.3	\$ 27.1	\$ 29.8	\$ 32.5	
LVH market opportunity (at 1.5% commission) \$m	\$ 593	\$ 812	\$ 16.2	\$ 20.3	\$ 24.3	\$ 28.4	\$ 32.5	\$ 36.5	\$ 40.6	\$ 44.6	\$ 48.7	
LVH market opportunity (at 2.0% commission) \$m	\$ 790	\$ 1,082	\$ 21.6	\$ 27.1	\$ 32.5	\$ 37.9	\$ 43.3	\$ 48.7	\$ 54.1	\$ 59.5	\$ 64.9	

Sequoia estimates - We model ~ 38,500 contractors which is a 4.5% market share in 5 years

LiveHire Ecosystem

We have a quite startling vision of what LVH could become in 5 years, if it achieves modest traction in the USA. Revenue could increase by 16x in just 5 years. In our opinion, the stock-market is not giving any recognition to this potential, which we think has created a significant buying opportunity. Even if we are only half-right there is significant upside. We have found early evidence of traction. The market has not (yet).

The LVH Ecosystem - No. of potential Job Candidates (TCCs)								
Years ended June	FY19A	FY20A	FY21e	FY22e	FY23e	FY24e	FY25e	Comments
Talent Community Connections (candidates) - ANZ (m)	1.11	1.49	1.76	2.09	2.39	2.69	2.99	We forecast 420 clients by 2025 (4x current)
Talent Community Connections (candidates) - USA (m)	0.00	0.70	1.50	3.15	5.50	8.05	10.80	We assume US clients are ~4x ANZ at 50,000 each
Talent Community Connections (candidates) - WW (m)	1.11	2.19	3.26	5.24	7.89	10.74	13.79	14 million candidates on platform by 2025
No. of clients (at yr-end)	79	112	154	210	278	350	426	ANZ average is 14,200 candidates per Client
TCCs (candidates) per client - WW	14,051	19,554	21,199	24,962	28,384	30,685	32,367	We expect 32,000 candidates per client by 2025 (1.7x current)
Revenue Summary (A\$m)								
ANZ	2.6	3.3	4.3	5.7	7.2	8.9	10.7	Aust expected to increase 3x in 5 years
USA	-	0.1	1.1	6.3	16.4	29.5	46.0	Significant revenue potential, on minimal cost base and zero capital base.
Total Revenue - Worldwide	2.6	3.46	5.4	12.0	23.6	38.3	56.7	Revenue could increase 16x in 5 years

Source: FY20 year-end actual data for TCCs, revenue; Sequoia estimates for FY21 to FY25.

Valuation and Recommendation

We value LVH on a discounted cash flow basis, because we are forecasting establishment losses for the next 2 years (FY21 & FY22) before becoming profitable and cash flow positive (so self-sustaining) in FY23 and thereafter.

Our model is highly sensitive to various assumptions we have made including the number of new customers achieved in each market (ANZ & USA), and revenue per customer. We think we have been conservative on each and every line item of our model. Our model assumes that LVH achieves modest level of customer acceptance in the USA.

Our base case valuation is \$1.02 per share (was \$0.86). This assumes LVH achieves 216 US customers over the next 5 years via the MSP (Managed Service Provider) and IT Systems Integrators / Reseller channels. This does not seem unreasonable given that LVH has 105 enterprise customers in ANZ after 6 years of operation.

To demonstrate the sensitivities, we show “Low case” and “High case” scenarios based on LVH signing + or – 50% more new customers in the USA compared with our Base case scenario. This produces a valuation range of \$0.51 per share (low case: 114 US customers in 5 years) to \$1.52 (high case, 319 US customers in 5 years).

LVH - Scenario Analysis							
1. Low Case - USA							
No. of clients (at yr-end)	FY19	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e
Net new clients	1	7	19	35	59	84	114
Average No. of clients	1.0	5.0	12.8	26.8	46.8	71.3	98.8
USA Revenue (\$Am)	0.0	0.1	0.7	3.4	8.5	15.0	23.5
Estimated US cost base (A\$m)		-0.5	-1.0	-1.5	-2.3	-3.4	-5.1
USA Ebitda (A\$m)		-0.4	-0.3	1.9	6.2	11.6	18.5
USA Ebitda margin %		-368%	-47%	55%	73%	78%	78%
LVH DCF valuation per share (whole company)	\$ 0.51						
2. Base Case - USA							
No. of clients (at yr-end)	FY19	FY20e	FY21e	FY22e	FY23e	FY24e	FY25e
Net new clients	1	7	30	63	110	161	216
Average No. of clients	1.0	5.0	18.5	46.5	86.5	135.5	188.5
USA Revenue (\$Am)	0.0	0.1	1.1	6.3	16.4	29.5	46.0
Estimated US cost base (A\$m)		-0.5	-1.0	-1.5	-2.3	-3.4	-5.1
USA Ebitda (A\$m)		-0.4	0.1	4.8	14.2	26.1	40.9
USA Ebitda margin %		-368%	10%	76%	86%	89%	89%
LVH DCF valuation per share (whole company)	\$ 1.02						
3. High Case - USA							
No. of clients (at yr-end)	FY19	FY20e	FY21e	FY22e	FY23e	FY24e	FY24e
Net new clients	1	7	42	91	162	238	319
Average No. of clients	1.0	5.0	24.3	66.3	126.3	199.8	278.3
USA Revenue (\$Am)	0.0	0.1	1.5	9.3	24.4	43.9	68.4
Estimated US cost base (A\$m)		-0.5	-1.0	-1.5	-2.3	-3.4	-5.1
USA Ebitda (A\$m)		-0.4	0.5	7.8	22.1	40.5	63.4
USA Ebitda margin %		-368%	35%	84%	91%	92%	93%
LVH DCF valuation per share (whole company)	\$ 1.52						

Source: Sequoia scenario estimates

Our DCF valuation is based on the following assumptions:

- 5 years of specific forecasts – for two markets – ANZ and North America (USA / Canada). We have modelled the potential rate of new customers acquisitions based on discussions with management, and our perception of the level of engagement of LVH’s wholesale partners so far.

We highlight that IMG’s level of engagement is very high and that company (based in Ontario Canada) aims to aggressively compete on price / costs savings because of the LVH system. We also highlight the decision of Cognitus Consulting to include LVH in its standard value-added software bundle which will be backed by its 20 person sales team, and SAPSF’s 200 sales persons.

- We assume a perpetual growth rate of 4.0% pa from FY25 onwards.
- Zero tax charge FY20-FY24. Normal 30% tax rate from FY25 and onwards

(although we note the US corporate tax rate is now 21%).

- No further capital raisings required in the next 5 years.
- Our fully diluted DCF valuation is \$1.02 per share (with a range of \$0.51 to \$1.52 per share based on low case and high case assumptions concerning the number of US customers signed).
- We discount our base valuation of \$1.02 by 20% (to \$0.82) for the uncertainty of taking an existing product to a new market with new distribution partners. We will progressively un-wind that discount as evidence of traction and customer acceptance comes through.

12-mth Price Target and Recommendation

We set our 12-month price target at \$0.82 per share (was \$0.69).

We have researched the US market opportunity and spoken to a number of LVH's new partners. We believe the opportunity is real, and significant. Several of these partners are embracing the LVH system as a new way to disrupt the Contingent Labour Force market and gain market share. Demonstrating customer adoption will be a key value-driver for the LVH share price. We think the market is not factoring in any option value for just how successful and significant this could be for LVH. Our base case DCF valuation is \$1.02 with a range of \$0.51 to \$1.52 based on conservative and optimistic scenarios. We reiterate our BUY recommendation and a 12-mth price target of \$0.82 (being a 20% discount to our base case DCF).

LVH is still an early stage, and modest-loss making company in Australia but with a lot of opportunity still to be realised.

In the USA LVH is in early-launch mode with a handful of high quality wholesale channel partners (Workforce Logiq, Coupa, Ian Martin Group and SASR), and an impressive group of major IT Systems Implementers (e.g. Rizing, Cognitus Consulting, CXC Global) plus several other alliances (Bayard and Proactive Talent). Cognitus in particular needs to be highlighted, as it has included LVH as a standard value-added product in its FY21 SAP Success Factors product bundle. Customers will automatically get LVH unless they specifically delete it. We think the fact that Cognitus and SAP have certified the product, the proportion of customers rejecting the option could be low.

COVID could potentially delay some of the new customer decisions, especially in the SAP / SAP Success Factors big new systems installation space. However, COVID could also drive more government contracts similar to the Qld & Vic government contracts, as well as contract workforce management markets, with a global shift from permanent hires to contract workers as evidenced by Gartner's latest research, indicating 32% of large organisations opting to re-hire staff as contractors post COVID. This contingent workforce growth is on top of the already significant 11.3% CAGR of the contingent workforce market.

We think investors should adopt a 2-3 year time frame when considering investing in this stock, to allow extra time for possible delays, and to give the company sufficient time to demonstrate traction with its various partners in the US Contingent Labour market.

Our price target implies 160% upside from the current \$0.315 share price.

We think that the current share price and market cap significantly under-value the current Australian and NZ business, with no recognition of the potential optionality of low, medium, or high success cases in the USA.

We reiterate our STRONG BUY recommendation.

Appendix 1 - Distribution Channels

LVH has made a number of major break-throughs building out its distribution channels and commencing its US market entry (items shown in red) with Workforce Logiq and Rizing in late FY19. The current position is as follows:

LiveHire: Four Channels to Market					
Period	Channel 1 Direct (Permanent & Part-time)	Channel 2 RPOs (Permanents)	Channel 3 MSPs (Contingent / Contractors)	Channel 4 Resellers (Referrers) (Permanents & Part-time)	Total
1. No. of Partners	Aust only	Randstad Sourceright (ann 7/7/16) Korn Ferry (22/11/18)	Workforce Logiq (ann 8/3/19)(5) CXC Global (ANZ)(24/7/19)(2)	Rizing (ANZ & US)(announced 7/6/19) Leading NZ Systems Integrator (24/7/19)	
At 30/6/19	n/a	2	2	2	6
	Entered NZ from 12/2/20	Manpower (ann 30/9/19)(2)	Coupa (VMS)(21/1/20)(0) Ian Martin Group (28/4/20)(1) SASR (16/6/20)(0 ?) Chandler Macleod (21/1/20)(1)	Bayard (US)(26/7/19) Proactive Talent (US)(30/9/19) Cognitus Consulting (US)(30/9/19) Discovery Consulting (24/10/19) HR Consulting Melbourne (24/10/19) Deloitte MOU (30/9/19) Strategic Talent Solutions (24/10/19)	
At 30/6/20	Aust & NZ	3	6	9	18
change %					200%
2. No. of Enterprise Customers					
At 30/6/19	76	3	0	n/a	79
At 30/6/20	95	8	9	n/a	112
change %	25%	167%	> Large	n/a	42%
3. No. of Talent Community Connections (TCCs)					Million
At 30/6/19					1.11
At 30/6/20					2.19
change %					97%

Source: LVH AGM presentation, updated with recent announcements; USA / Canada progress highlighted in red

Channel 1 – Direct sales (ANZ only)

LVH now has a direct sales force of 7 (5 ANZ + 2 USA) which is achieving strong growth in new customers, to 95 at June 2020 (v 76 at June 2019) +25% yoy, despite some continued customer churn.

Progress in FY20 also includes the first 3 deployments in NZ.

There are no plans for direct sales in the USA at this stage as LVH considers the opportunities with US channel partners to be so large.

Channel 2 – RPOs (Recruitment Process Outsourcers)

LVH now has 8 live deals with 3 of the top 10 RPOs in the world. RPO's manage about 40% of the Australian and international job market, usually run as embedded units inside the client's premises, but managed on an outsourced basis.

LVH's underlying customers here include Nissan, Fuji Xerox, a Big 4 Bank and a large Federal Government client with ~80,000 job applications pa.

Channel 3 – MSPs (Managed Service Providers)

MSPs manage contractors and temporary workers (called a Contingent Workforce in the US). This is a huge area in the US. The SIA (www.staffingindustry.com) estimates that in 2019 there were 54 million contingent workers in the US, representing 34% of all workers, generating US\$1.3 trillion of revenue (US\$25,000 per person).

Example 1 - Ian Martin Group, Ontario Canada (private)

The Ian Martin Group of Companies

We're a family of multiple companies that provide specialized hiring support across a broad range of industries:



Refer: <https://ianmartin.com/about-the-ian-martin-group/>

On 28/4/20 LVH announced a 3-year Direct Staff Sourcing contract in North America with Ian Martin Group Inc (IMG). Founded in 1957, the Ian Martin Group has a long, trusted history of Engineering, IT, and Technical recruitment, contract management, and payroll service excellence. Over the last few years, it has grown into a family of companies that provide specialized hiring support across a broad range of industries, including Financial Services, Power & Energy, Oil & Gas, Mining, Public Sector, Manufacturing, Food & Beverage, and Life Sciences. IMG is headquartered in Ontario Canada. Ian Martin Group (395 employees on LinkedIn; 56,000 followers). Ian Martin Workforce (8 employees on LinkedIn).

IMG will implement the LVH platform in the USA and Canada, with more than 300,000 candidate profiles added to LVH platform initially. IMG will hire mostly IT, Technical and Engineering professionals in this manner. Direct Sourcing is the use of Talent Communities (called a “talent clouds” in North America) for large organisations to directly source and hire contract-based employees without going through a recruitment agency.

Estimated initial contract value is A\$400k pa for a 3-year term, with an opportunity to expand as the client extends the solution further.

IMG told us that LVH will replace their previous ATS system. LVH was selected as because of its focus on Talent Communities and its candidate engagement and other capabilities were considered superior. Price was not the driving factor.

Latest (9/9/20): We noted that all jobs on IMG’s website now seem to be “powered by LiveHire”, with a prominent invitation for candidates to join the IMG Talent Community. IMG appears to be embracing the LVH system.

IMG Further Background

According to IMG, the landscape of contingent labour is rapidly changing, and its Managed Direct Sourcing™ Program (MDS) is the cutting edge of recruitment process improvement. Using proprietary, industry-leading technology to shift its clients’ sourcing from staffing vendors to their own branded Talent Community, its MDS Program allows clients to hire better, faster, and more affordably than ever before while gaining a first-rate candidate and contractor experience.

IMG is the only staffing provider in North America that is a Certified B Corporation – this means we lead with a values-based service approach and meet comprehensive and rigorous third-party standards that measure our impact on employees, clients, community, and the environment.

As a PAR Committed company with the Canadian Council for Aboriginal Business, Ian Martin is committed to Indigenous prosperity and to building meaningful, responsible, and mutually-beneficial relationships with Indigenous communities across Canada.

Ian Martin’s Meaningful Work Volunteer Program offers up to \$10,000 for Ian Martin contractors to take an international volunteer trip of their choice to make the world a better place.

Sequoia Financial Group Comments & Assumptions

IMG is a private company, but it appears to be a quality company and being a Certified B Corporation with obviously strong social values is an added benefit to LVH.

- IMG is using the system currently for its own internal needs.
- We forecast 10 new clients in FY21, 10 more in FY22, 20 more in FY23, FY24 and FY25. So 80 clients by June 2025.
- We understand that IMG has around 100 clients overall.
- We assume revenue per client of A\$150k, building to A\$250,000 by FY25.
- Again we assume costs are minimal. We expect an 80-100% Ebitda margin for LVH.

Further evidence 9/9/20 – Ian Martin Group – Powered by LiveHire

LiveHire system and branding clearly in full use by IMG for hundreds of current jobs:

If you don't see a job you're interested in right now, [create a profile here](#).
We'll send you matching jobs before they're even published.

It looks like you're in the US, so we've only shown you US jobs. See Canadian jobs here.

<https://www.livehire.com/careers/ianmartin/job/AGPPM/08FCQ08V9/cad-technician>

IAN MARTIN

Back to all jobs

CAD Technician

Saint Louis, MO 63103 - United States | Contract/Temp | 1 Position | 4 days ago

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Job no: 20588AEE19P00000895
Categories: Engineering

Who Are You?

You're a skilled CAD Technician with an eagle-eye for detail, and year or two of experience as a CAD Technician. You want a role that will help you build on your knowledge and experience, at a company that will value you and your contribution.

Who's The Employer?

Our client has been providing electric and gas service for more than 100 years, powering quality of life for more than 1.3 million customers in Missouri. They're known for their innovation, commitment to renewable energy, and social impact in their community. They credit their success to their "all-in" culture, where people bring their best, support one another, and win together.

This position is a 6-month contract with a competitive wage, and potential to build a career here beyond your contract. This is the opportunity you've been looking for.

CAD Technician

The primary focus of this role is CAD drafting of the transmission lines that make up the electrical transmission network of our client.

- Draw, update and maintain transmission substation and line drawings (electrical, civil, structural, building and other diagrams associated with transmission designs)
- Change drawings to match marked prints or instructions
- Create, maintain and prepare special posters, signs, charts, maps, and reports
- Take field measurements or sketches to resolve discrepancies on drawings or maps
- Maintain and update information in the electronic drawing management system

Why You'll Love It Here

When you join, you'll be surrounded with a diverse group of committed people. They're committed to making the world a better place by embracing diversity, and investing in the community with time and resources. Their culture has won them awards as a top company among utilities for diversity and inclusion, and the #9 spot in Great Places to Work.

The Details

This is a 6-month contract with potential for extension, working remotely from Missouri. Wage will be competitive and commensurate with experience. You'll work Monday to Friday, 8 hours each day.

Qualifications

Here's what you need:

- 1-2 years of experience in a CAD technician role
- Associate degree, or completed courses in CAD drafting

These would be considered assets:

- Experience using MicroStation, SolidWorks, or Revit
 - Experience reading and analyzing drawings associated with transmission design (electrical, civil, structural)

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Example 2 - SASR (Set and Services Resources)



Refer: <https://www.sasrlink.com/>

On 16/6/20 LVH announced a USA Direct sourcing contract with staffing and recruiting company SASR (Set and Services Resources), to provide high volumes of contractors for a major US retail group. Based in Raleigh, North Carolina, SASR has a database of 8,500 reps nationwide in the US and aspires to employ 100,000 flexible workers per year. 500,000 profiles (resumes) on its system with 25,000 to 30,000 continuous job seekers. (SASR has 751 employees on LinkedIn; 2,851 followers).

Annual revenue of SASR's first end-customer is estimated at A\$440k based on achieving 50% of projected hires for the initial large customer. Further customers are expected to be signed.

Initial contract term 24 months, with rollover for successive 12-mth periods unless terminated earlier.

LVH says the US Contingent Workforce market is expected to dramatically accelerate as a cost saving measure post COVID.

Sequoia Financial Group Comments & Assumptions

SASR is a private company, but it appears to be a quality company.

- Again SASR is using the LVH system already for its own internal purposes.
- We note that SASR has its own system called "Hireflex".
- We forecast 4 additional customers per annum, so 21 customers (including SASR itself) by June 2025.
- We assume revenue per client of A\$150k, building to A\$250,000 by FY25.
- Again we assume costs are minimal. We expect an 80-100% Ebitda margin for LVH.

Further Wholesale Customers expected

- We further assume that LVH signs 1 (A.N Other) similar organisation to IMG and SASR in each of FY21, FY22, FY23, FY24 and FY25.

Channel 4 – Systems Integrators - Resellers / Referrers

We discuss two of LVH's 9 partner relationships with Systems Integration companies which we think can help drive penetration in the US.

Rizing LLC

Refer: <https://rizing.com/>



On 7/6/19 LVH announced a partnership with Rizing LLC - the world's 2nd-largest implementer of SAP Success Factors, founded in 2012. Rizing is headquartered in Stamford Connecticut USA and has 850 professionals serving approximately 40% of SAP Success Factors' 6,700 customers (implies ~ 2,700 customers). In January 2019 Rizing acquired Synchrony Global, an SAP SuccessFactors professional services firm headquartered in Singapore with offices throughout Asia Pacific. Rizing has 20+ years of expertise across all SAP HCM (Human Capital Management) and SAP Success Factors solutions.

Locations: Stamford Connecticut USA, Dubai, Dublin, Kuala Lumpur, London, Manilla, Melbourne, Montreal, Perth, Rotterdam, Singapore, Sydney, Waldorf, Wellington. Rizing Information Technology (826 employees on LinkedIn; 10,088 followers). Rizing HCM (365 employees on LinkedIn).

The announcement says the LVH platform provides an augmentation to SAP Success Factors that enhances organisations' performance and cost efficiency in Talent Acquisition and Candidate Experience.

Rizing will introduce the LVH platform to its clients and be eligible to receive a commission where the introduction converts to a signed and paid client contract for LVH. LVH will work collaboratively with Rizing to undertake staff training, joint public relations and marketing activities. Rizing will also promote LVH to its employees and existing and potential clients as its preferred recruitment and talent pooling platform. Rizing's experts typically attend and/ or deliver keynote presentations at over 50 global industry software and HR events per year (we presume in a normal year).

It is an evergreen agreement that will continue until terminated. The ASX announcement says LVH considers the agreement to be strategically material due to Rizing's brand, market share, extensive reach, and trusted advisory role to LVH's ideal prospect customers globally.

Update

We understand that Rizing recently completed a large SAPSuccessFactors and LiveHire combined implementation for a large Australian property management group.

Rizing continues to bid for new SAPSF integration work which may well also include LVH.

Cognitus Consulting



On 30/9/19 LVH announced a partnership with US-based Cognitus Consulting, a leading SAP Success Factors systems implementer with 500+ consultants. Cognitus was founded in 2002, and has 13 offices across the USA, EMEA, APAC and LATAM. Headquarters are in Miami Florida with offices in Atlanta, Dallas, Detroit, Los Angeles, Nashville, Philadelphia and 6 overseas offices (Europe, India (2), Malaysia, Mexico and Argentina). 97 employees on LinkedIn.

Cognitus will introduce potential clients to LVH and promote LVH accelerating its growth in the USA.

Customers listed on its website include: Celcom, GSK (Glaxo), Mitsubishi Heavy Industries, OfficeMax, ThyssenKrupp, and Telecom of Thailand. We noticed that Cognitus also has an LVH Talent Community for its own recruitment.

Update

We have spoken to a senior Cognitus partner in preparing our recent initiation report. We understand that Cognitus is actively bidding for new SAPSuccessFactors implementations with a number of US clients, and also for on-premise SAP clients looking to move to the Cloud. The LVH platform is now included in Cognitus' s standard go-to-market SAP Cloud bundle, having passed Cognitus's own thorough internal assessment and also having achieved certification from SAP in Germany. Cognitus is what is termed a "value added reseller" of large standard SAP and SAPSuccessFactors systems, and have built a strong point of differentiation by searching the world for high-performance specialist software applications that can be added into its "bundle" to add significant value to the end customer.

Cognitus appeared very positive and enthusiastic to us about LVH's prospects and are effectively putting their brand and seal of approval on the product.

Importantly, Cognitus said it will support the LVH implementations with its 500+ US-based consultants, and that it did not matter that LVH only has 2 staff based in the USA. Cognitus is putting its weight behind the system.

Appendix 2 – Customer Case Studies

LVH is fortunate to have a number of satisfied customers who have been willing to make public their views on the LVH system.

It is good to be researching a company where many of the customers are passionate supporters and advocates for the product. Other companies where we have seen similar enthusiasm include: Realestate.com.au (now REA Group), AfterPay (APT), BidEnergy (BID) and Bigtincan Holdings (BTH). We thank the companies concerned for their honesty and openness.

Case studies on LVH website

- Asics (retail sector)
- oOH! Media (media sector)
- Telstra Health (technology)
- Alfred Health (healthcare)
- Ertech (Engineering – LVH's first major client)
- Vic Chamber of Commerce & industry
- Kay & Burton (Real estate & property management)
- KJR (Technology focussed strategic advisory)
- Amicus Interiors (Commercial Office fit-outs)
- Vodafone (retail & telecommunications, 900 hires pa)(e-Book)

<https://www.livehire.com/resources/asics-leveraged-livehires-technology-to-launch-their-biggest-store-world-wide/>

oOh!Media:

<https://www.youtube.com/watch?v=ihabbQVIlqc&feature=youtu.be>

LiveHire Limited (LVH) \$ 0.315					
Profit & Loss					
Year end June (\$m)	FY19	FY20	FY21e	FY22e	FY23e
SaaS fees (recurring)	2.0	2.9	5.1	11.6	23.2
Implementation & other fees	0.7	0.6	0.4	0.4	0.4
Operating Revenue	2.6	3.5	5.4	12.0	23.6
Revenue growth	58.9%	31.8%	57.0%	121.6%	96.2%
Cost of Goods Sold	0.0	0.0	0.0	0.0	0.0
Gross Profit	2.6	3.5	5.4	12.0	23.6
Gross Profit Margin	100.0%	100.0%	100.0%	100.0%	100.0%
Other Income	0.0	0.1	0.0	0.0	0.0
Cash Operating Expenses	(13.8)	(14.0)	(10.5)	(11.0)	(11.5)
Share based payments (non cash)	(2.5)	(2.3)	(3.0)	(3.0)	(3.0)
EBITDA	(13.6)	(12.8)	(8.0)	(2.0)	9.1
Ebitda Margin	-519.9%	-369.2%	-148.1%	-16.3%	38.4%
Depreciation & Amort	(0.8)	(1.6)	(1.7)	(1.8)	(1.9)
EBIT	(14.5)	(14.4)	(9.7)	(3.7)	7.2
Ebit Margin	-552.0%	-416.2%	-179.5%	-31.2%	30.4%
Net Interest Income (Expense)	0.7	0.2	0.3	0.3	0.3
Share of Assoc NPAT	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	(13.8)	(14.1)	(9.4)	(3.4)	7.5
Income Tax Credit (Expense)	0.0	0.0	0.0	0.0	0.0
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%
Minorities (share of loss)	0.0	0.0	0.0	0.0	0.0
Abnormals	0.0	(0.5)	0.0	0.0	0.0
NPAT (reported)	(13.8)	(14.6)	(9.4)	(3.4)	7.5
Adjustments (Abnormals)	0.0	0.5	0.0	0.0	0.0
NPAT (normalised)	(13.8)	(14.1)	(9.4)	(3.4)	7.5
Balance Sheet					
Cash	34.0	21.0	15.0	15.1	26.6
Receivables	0.8	0.5	0.8	1.8	3.6
Inventories	0.0	0.0	0.0	0.0	0.0
Other	0.3	0.5	0.5	0.5	0.5
Total current assets	35.1	22.0	16.4	17.5	30.7
Property, plant & equipment	0.5	1.2	1.2	1.2	1.2
Investments	0.0	0.0	0.0	0.0	0.0
Intangibles	3.5	4.4	3.7	2.9	2.0
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Other	0.2	0.2	0.2	0.2	0.2
Total non-current assets	4.2	5.8	5.1	4.3	3.5
Total Assets	39.3	27.9	21.5	21.8	34.2
Payables	(1.5)	(0.7)	(0.7)	(1.3)	(2.2)
Interest bearing liabilities - Current	0.0	(0.3)	(0.3)	(0.3)	(0.3)
Provisions	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Deferred Revenue	(1.0)	(1.6)	(1.6)	0.6	0.6
Total Current Liabilities	(3.1)	(3.2)	(3.3)	(1.6)	(2.5)
Interest-bearing liabilities - Non-curr	0.0	(0.6)	(0.6)	(0.6)	(0.6)
Provisions	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Other	(0.1)	0.0	0.0	(2.4)	(3.4)
Total Non-current Liabilities	(0.2)	(0.7)	(0.7)	(3.1)	(4.1)
Total Liabilities	(3.3)	(3.9)	(4.0)	(4.8)	(6.6)
Total Shareholders' Equity	36.0	23.9	17.5	17.0	27.5
Number of Customers - ANZ	79	105	124	147	168
Number of Customers - USA	0	7	30	63	110
Number of Customers - WW	79	112	154	210	278
TCCs (candidates) - ANZ (m)	1.100	1.494	1.765	2.092	2.391
TCCs (candidates) - USA / Can (m)	0.000	0.696	1.500	3.150	5.500
TCCs (c/dates in database) WW (m)	1.100	2.190	3.265	5.242	7.891
Interims					
Year end June	1H19	2H19	1H20A	2H20	
Sales	1.2	1.4	1.6	1.8	
Sales Growth (g)	40.6%	78.1%	36.7%	27.7%	
EBITDA	(5.7)	(7.9)	(8.5)	(4.3)	
EBITDA Margin	-480.3%	-552.7%	-521.9%	-234.0%	
EBIT	(6.1)	(8.4)	(9.2)	(5.2)	
Equity Share of Assocs NPAT	0.0	0.0	0.0	0.0	
NPAT (Reported)	(5.7)	(8.1)	(9.1)	(5.6)	
NPAT (Adjusted)	(5.7)	(8.1)	(9.1)	(5.1)	
EPS (adjusted)(cents)	(2.2)	(2.8)	(3.0)	(1.7)	
EPS Growth	4.8%	44.6%	36.4%	-39.4%	
DPS (cents)	0.0	0.0	0.0	0.0	

Source: Sequoia estimates

Key observations highlighted in yellow.

Per share & Ratio data

Year end June	FY19	FY20	FY21e	FY22e	FY23e
Reported EPS (cents)	(5.0)	(4.9)	(3.1)	(1.1)	2.4
Growth	24.0%	-2.8%	-37.2%	-63.6%	-316.4%
P/E ratio (x)	-6.3x	-6.4x	-10.3x	-28.2x	13.0x
EPS (normalised)(cents)	(5.0)	(4.7)	(3.1)	(1.1)	2.4
Growth	24.0%	-6.2%	-35.0%	-63.6%	-316.4%
P/E ratio (x)	-6.3x	-6.7x	-10.3x	-28.2x	13.0x
DPS (cents)	0.0	0.0	0.0	0.0	0.0
Franking	0%	0%	0%	0%	0%
Yield	0.0%	0.0%	0.0%	0.0%	0.0%
OCF per share (cents)	(3.6)	(3.7)	(1.6)	0.4	4.0
Price/OCF (x)	-8.8x	-8.6x	-19.6x	87.1x	7.8x
Shares on Issue - Wavge (274.4	299.9	307.9	308.9	309.9
Shares on Issue - at year-t	296.7	302.9	307.9	308.9	309.9

Enterprise Value \$m	59.5	75.4	81.4	81.2	69.7
EV/ Sales	22.7x	21.8x	15.0x	6.8x	3.0x
EV/EBITDA	-4.4x	-5.9x	-10.1x	-41.5x	7.7x
EV/EBIT	-4.1x	-5.2x	-8.4x	-21.7x	9.7x

Liquidity & Leverage

Net Cash (Debt) \$m	34.0	20.0	14.1	14.2	25.7
Net Debt / Equity %	-94%	-84%	-80%	-83%	-93%
Net Debt / EBITDA	2.5x	1.6x	1.8x	7.2x	n/a
ROA (EBIT / T.Assets) %	-36.8%	-51.6%	-45.3%	-17.2%	21.0%
ROE (NPAT / T.Equity) %	-38.3%	-59.1%	-53.9%	-20.2%	27.2%
Interest Cover (EBIT)	21.1x	58.7x	32.5x	12.5x	-23.9x
Dividend Payout % (of adj	n/a	n/a	n/a	n/a	n/a

Cash Flow

EBITDA	(13.6)	(12.8)	(8.0)	(2.0)	9.1
Chge in Working Capital	0.7	(0.6)	(0.2)	(0.2)	0.1
Interest Received (Paid)	0.1	0.3	0.3	0.3	0.3
Income taxes paid	0.0	0.0	0.0	0.0	0.0
Other (add: share based p	2.9	2.0	3.0	3.0	3.0
Operating Cash Flow	(9.9)	(11.0)	(5.0)	1.1	12.5
MCApex + Capitalised R&I	(2.1)	(2.0)	(1.0)	(1.0)	(1.0)
Government grants recd	0.9	0.0	0.0	0.0	0.0
Free Cash Flow	(11.0)	(13.0)	(6.0)	0.1	11.5
Acqns & Investments	(0.4)	0.0	0.0	0.0	0.0
Disposals & Other	0.3	0.1	0.0	0.0	0.0
Net investing cash flow:	(1.3)	(1.9)	(1.0)	(1.0)	(1.0)
Equity raised (bought back	15.1	0.2	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Change in Debt	0.0	(0.3)	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Financing cash flow	15.1	(0.1)	0.0	0.0	0.0
Change in Cash	3.9	(13.0)	(6.0)	0.1	11.5

Geographical Revenue

Australia/ NZ	2.6	3.5	4.3	5.7	7.2
USA / Canada	0.0	0.0	1.1	6.3	16.4
Total Op. Revenue	2.6	3.5	5.4	12.0	23.6

Revenue Growth Rates

Australia/ NZ	59%	32%	25%	32%	26%
USA / Canada	n/a	n/a	18442%	469%	159%
Total	59%	32%	57%	122%	96%

Directors Shareholdings

	Shares (m)	% of coy	Opts (m)
Michael Rennie (Exec. Chairman)	4.6	1.5%	1.500
Christy Forest (CEO)	2.7	0.9%	1.500
Adam Zorzi (NED)	4.2	1.3%	0.000
Antonluigi Gozzi (Exec director)	24.9	8.2%	0.000
Reina Nicholls (NED)	0.1	0.0%	0.000

Major Shareholders

	Shares (m)	% of coy
FIL Limited	28.6	9.4%
Michael Haywood (Co-founder, Chief Growth Offic	26.2	8.6%
Antonluigi (Gigi) Gozzi (Co-founder, director)	24.9	8.2%
Patrick Galvin (ex director)	14.9	4.9%
Telstra Super Pty Ltd	13.3	4.4%

Source: Refinitiv, Annual report

SEQUOIA FINANCIAL GROUP (ASX: SEQ) - About Us

Sequoia Financial Group is a boutique investment house known for the quality of its advice, the strength of its relationships and depth of expertise across financial markets. The Group has also expanded into corporate advisory, equity capital markets, institutional dealing and financial planning.

Sequoia Financial Group is listed on the Australian Securities Exchange and trades under the stock code SEQ. We provide:

- Investment and superannuation products
- Wealth management and advisory services
- Corporate advisory and capital markets expertise
- Retail, wholesale and institutional trading platforms
- Market data and financial news services.

With offices in Melbourne, Sydney and Gold Coast, Sequoia Financial Group provides products and services to self-directed retail and wholesale clients and those of third-party professional service firms. Our group includes:

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Our services are designed for individuals and family offices all seeking unbiased financial and strategic structuring advice.

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SSI can also offer a variety of solutions for professional advisers where we can provide white-label solutions for groups that want to retain their own branding.

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Recommendation Criteria

Investment View

The Sequoia Wealth Management (SWM) Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Accumulate	Hold	Reduce	Sell
>20%	10% – 20%	0% – 10%	0% to -10%	>-10%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

SWM has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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