

The background features abstract, overlapping green geometric shapes in various shades, primarily on the left and right sides, framing a central white area. The shapes include triangles and polygons, creating a modern, layered effect.

# Wayne Sanderson

Introducing our Sequoia Head of Research

17<sup>th</sup> February 2021

# My Background - 40 Years Experience

Role	Companies
Chartered Accountant	Arthur Andersen & Co
Financial Accountant	HPEP (Roach Brisbane)
Management Accountant	Smith New Court (London)
Investment Analyst - Hotels/Leisure/Gaming	Smith New Court / became Merrill Lynch (London)
Investment Analyst - Small Coys / Tech	Merrill Lynch (Melbourne)
Investment Manager	Thorney Investment Group
Investment Advisor	Morgans Financial
Head of Research	Phillip Capital Australia
Head of Research	Sequoia Financial Group

# Key Responsibilities & Objectives

## Head of Investment Committee

- Chair of the Committee
- Providing one-off approvals for products outside the Sequoia APL
- IPO's / Pre-IPO
- S708 Placements

## Index/Sector/Thematic Reports

- ASX200 Stocks (XJO)
- ASX Small Ordinaries (XSO)
- ASX All Tech Stocks (XTX)
- NASDAQ 100 Stocks (NDX)
- S & P 500 Stocks (SP500)

## Direct Equity Research

- Selected small cap & microcap stocks
- Industrial companies only
- Selected LIC's e.g. Hearts & Minds Investment Ltd (HM1)



# Best ASX sectors over 10 years

10-Yr TSR Rank	ASX 200 Sector	Index Ticker	Index Values					-1 Qtr TSR	-1 Yr TSR	-5 Yrs TSR	-10 Yrs TSR
			31-12-10 -10 Yrs	31-12-15 -5 Yrs	31-12-19 -1 Yr	31/09/20 -1 Qtr	31/12/20				
1	Healthcare	XHJAI	51,821	129,716	285,700	300,837	297,462	-1.1%	4.1%	18.1%	19.1%
2	Information Technology	XJAI	3,791	5,615	10,584	13,385	16,699	24.8%	57.8%	24.4%	16.0%
3	Property Trusts	XPJAI	19,354	39,446	57,967	48,801	55,294	13.3%	-4.6%	7.0%	11.1%
4	Consumer Discretionary	XDJAI	9,782	15,891	24,699	24,747	27,499	11.1%	11.3%	11.6%	10.9%
5	Utilities	XUJAI	38,457	79,988	114,760	101,113	95,640	-5.4%	-16.7%	3.6%	9.5%
6	Consumer Staples	XSJAI	53,798	76,692	122,329	122,094	129,879	6.4%	6.2%	11.1%	9.2%
7	Telecommunication Services	XTJAI	8,975	26,215	20,026	18,657	20,950	12.3%	4.6%	-4.4%	8.8%
8	Industrials	XNJAI	27,560	43,188	71,729	59,940	62,903	4.9%	-12.3%	7.8%	8.6%
9	Financials ex Prop Trusts	XXJAI	40,141	76,201	88,044	67,211	82,508	22.8%	-6.3%	1.6%	7.5%
10	Materials	XMJAI	89,211	52,173	118,606	121,532	140,188	15.4%	18.2%	21.9%	4.6%
11	Energy	XEJAI	105,093	61,331	98,449	56,436	71,253	26.3%	-27.6%	3.0%	-3.8%
	ASX 200 Accumulation Index	XJOAI	34,519	48,346	72,445	64,608	73,460	13.7%	1.4%	8.7%	7.8%
	ASX 300 Accumulation Index	XKOA1	34,560	47,727	71,659	64,066	72,901	13.8%	1.7%	8.8%	7.7%
	All Ords Accumulation Index	XAOAI	34,813	47,788	71,814	65,040	74,425	14.4%	3.6%	9.3%	7.9%
	ASX Small Ords Accum Index	XSOAI	6,502	5,725	8,620	8,270	9,414	13.8%	9.2%	10.5%	3.8%

Source: Iress for data; Sequoia calculations

	S&P 500 price index (not Accum)	SP500	1,258	2,044	3,231	3,363	3,756	11.7%	16.3%	12.9%	11.6%
	Nasdaq price index (not Accum)	NASDAQ	2,653	5,007	8,973	11,168	12,888	15.4%	43.6%	20.8%	17.1%

# Small cap research example



## LiveHire 2.0 (LVH) – Initiation

Markets Expanding; US Launch; The Time is Finally Right

11 August 2020

Wayne Sanderson – Head of Research  
[wayne.sanderson@sequoia.com.au](mailto:wayne.sanderson@sequoia.com.au)  
 +61 3 8548 0214

Recommendation	Buy (High Risk)
<b>Risk Rating</b>	High
<b>12-mth Target Price (AUD)</b>	\$0.69
<b>Share Price (AUD)</b>	\$0.37
<b>12-mth Price Range</b>	\$0.068 - \$0.42
<b>Forecast 12-mth Capital Growth</b>	86%
<b>Forecast 12-mth Dividend Yield</b>	0.0%
<b>12-mth Total Shareholder Return</b>	86%
<b>Market cap (\$m)</b>	112.1
<b>Net debt (net cash) (\$m)(Jun 20e)</b>	(20.7)
<b>Enterprise Value (\$m)</b>	91.4
<b>Gearing (Net Debt/ Equity)</b>	N/a – Net Cash
<b>Shares on Issue (m)</b>	302.9
<b>Options / Perf rights on Issue (m)</b>	8.5
<b>Sector</b>	Software & Services
<b>Average Daily Value Traded (\$)</b>	\$60,000
<b>ASX 300 Weight</b>	n/a

### 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, with candidates owning a single federated (though private) profile to engage all organisations. Candidate profiles currently stand at 2.2m, up 97% in the last 12-mths.

### LiveHire – constantly evolving

LVH continues to evolve its business model, expand its markets, and recruit experienced senior management. These seem to be working with client numbers +33 (+42%) in FY20, 12-mth cash receipts +43% and Annualised Recurring Revenue +38%.

### Break-through State Government Contracts in Australia

In April LVH entered the internal mobility market for the first time, being awarded an innovative staff redeployment contract by the Queensland State Government across 48 different departments. In May LVH was awarded a similar contract by the Victorian State Government. These two contracts arose out of the accelerated need for internal mobility software during the COVID-19 crisis, and represents a major milestone for the company which could lead to similar contracts with other States and Territories, and could lead to further on-going government and large private organisation adoption in this market.

### 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 3 leading SAP systems installation firms also aimed at the same US\$80 billion opportunity.

### Recommendation & Opinion

We think the market is not factoring in any option value for just how successful and significant the US could be for LVH. Our base case DCF valuation is \$0.86 with a range of \$0.40 to \$1.32 based on conservative and optimistic scenarios. We initiate coverage with a STRONG BUY recommendation and a 12-mth price target of \$0.69 (being a 20% discount to our base case DCF).

## LiveHire Limited (LVH)

- ▶ Market cap \$99m; Net cash \$17.4m
- ▶ Current price \$0.33
- ▶ 12-month Price Target \$0.78 +136%
- ▶ Unique recruitment software platform established 7 years
- ▶ 1.5 years into US market entry and starting to gain traction + 11 staffing firms signed up + 8 US clients signed
- ▶ US clients are 10x Aust avge of \$30k pa
- ▶ SAP, Rizing & Cognitus preferred

### Financial Forecasts & Valuation Metrics

Years ending June \$m	19(A)	20(e)	21(e)	22(e)	23(e)	24(e)
Sales revenue	2.6	4.2	8.3	15.0	28.9	46.7
Sales growth	59%	58%	51%	139%	91%	62%
Operating costs (ex D&A)	-16.3	-19.7	-15.2	-15.8	-16.5	-17.1
EBITDA	-13.6	-15.5	-8.9	-0.8	12.3	29.6
NPAT (reported)	-13.8	-17.3	-10.2	-2.2	10.9	28.0
NPAT (adjusted)	-13.8	-16.8	-10.2	-2.2	10.9	28.0
EPS (adjusted)	-5.0	-5.6	-3.3	-0.7	3.5	9.0
EPS growth	nm	nm	nm	nm	large	157%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
OCF /share	-3.6	-4.3	-1.8	0.9	5.2	10.9
<b>Valuation:</b>						
P/E	-7.4x	-6.7x	-11.2x	-53.0x	10.6x	4.1x
P/OCF	-10.3x	-8.6x	-20.4x	45.0x	7.1x	3.4x
P/Book	3.0x	4.9x	7.2x	6.9x	3.8x	1.9x
EV / Sales	28.8x	22.0x	15.4x	6.3x	2.8x	1.0x
EV / Ebitda	-5.6x	-5.9x	-10.9x	-119.4x	8.5x	1.6x
Cash from Operations	-9.9	-13.0	-5.6	2.5	16.3	33.5
Net Cash (Net Debt)	34.0	20.7	15.1	17.7	31.9	63.4
Enterprise Value	75.8	91.4	97.0	94.4	80.2	48.6

### LVH SHARE PRICE PERFORMANCE



# Why Micro-Caps / Emerging Companies?

- ▶ Good pool of interesting opportunities & innovation
- ▶ Little or no research (ASX200: avge 10 analysts; Small Ords: 6; All Tech: 5)
- ▶ Opportunities for outsized gains
- ▶ Growth companies -> ongoing capital needs
- ▶ Australian training/development ground for future NASDAQ listings (especially junior tech)
- ▶ Turnarounds
- ▶ Established network of contacts

# Track Record

## Previous firm - Small Cap Stock Coverage & Performance

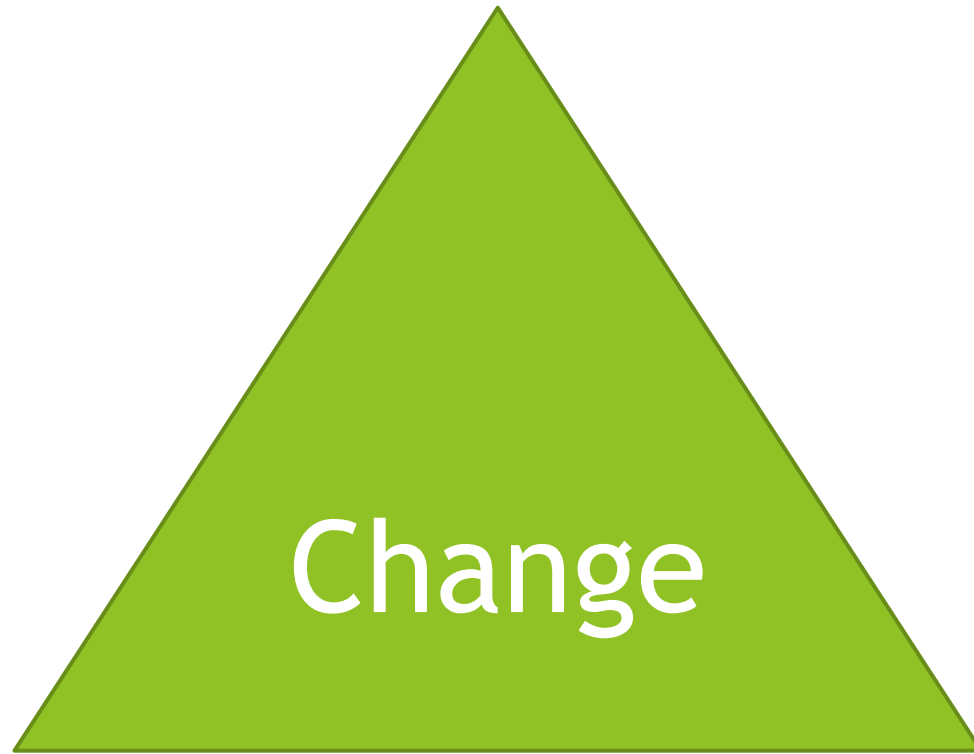
Market Cap \$m	Code	Stock	Sector	Initiation Date	Initiation Price \$	Current Price \$ 16/02/21	Gain (Loss) since initiating
327	PPE	People Infrastructure	Industrials (Bus. Services)	24/01/2019	1.850	3.500	89%
150	AGH	Althea Group	Healthcare (Biotechnology)	28/02/2020	0.290	0.535	84%
456	BTH	Bigtincan Holdings	IT (Software)	20/12/2019	0.640	1.085	70%
93	ZLD	Zelira Therapeutics	Pharmaceuticals & Biotech	21/07/2020	0.053	0.080	51%
168	BID	Bill Identity	IT (Software)	30/04/2019	0.680	1.055	55%
1041	HM1	Hearts & Minds Investments	Listed Investment Company	19/11/2019	3.070	4.670	52%
448	MVP	Medical Developments	Healthcare	30/11/2018	4.320	6.310	46%
242	CLV	Clover Corp	Materials (Chemicals)	8/01/2019	1.290	1.345	4%
181	EGN	Engenco	Industrials (Capital Goods)	20/12/2019	0.530	0.580	9%
82	LVH	LiveHire	IT (Software)	5/08/2020	0.260	0.330	27%
136	BSA	BSA Limited	Industrials (Bus. Services)	30/12/2019	0.380	0.315	-17%
59	BFC	Beston Global Foods	Consumer Staples	17/12/2018	0.155	0.069	-55%
<b>282</b>	<b>12</b>	<b>Average</b>					<b>35%</b>

## Sequoia - Small Cap Stock Coverage & Performance

93	ZLD	Zelira Therapeutics	Pharmaceuticals & Biotech	19/08/2020	0.052	0.080	54%
63	LNU	Linus Technologies	IT (Software)	3/12/2020	0.039	0.046	18%
136	BSA	BSA Limited	Industrials (Bus. Services)	12/11/2020	0.275	0.315	15%
456	BTH	Bigtincan Holdings	IT (Software)	17/12/2020	1.100	1.085	-1%
168	BID	Bill Identity	IT (Software)	23/10/2020	1.140	1.055	-7%
82	LVH	LiveHire	IT (Software)	11/08/2020	0.370	0.330	-11%
<b>166</b>	<b>6</b>	<b>Average</b>					<b>11%</b>



# Approach



Change ▲ = Opportunity \$\$\$

## New/Better Service/Product

- A2 Milk (A2M)
- Magellan Financial Group (MFG)
- Afterpay (APT) & ZipPay (Z1P) (new way to lay-buy)
- NearMap (aerial imaging) (NEA)
- Marley Spoon (meal kits) (MMM)

## Structural Growth

- ARB Corporation
- Netwealth & HUB24
- Lifestyle communities (LIC)

## New Business Models

- Next DC (data centres)(NXT)
- REA Group (Realestate.com)(REA)
- Kogan (online marketplace)(KGN)

## Drought/Cyclical Opportunities

- Costa Food Group (CGC)

Change ▲ = Opportunity \$\$\$

## Reduced Competition

- Baby Bunting (BBN)

## New Management

- Elders (ELD)

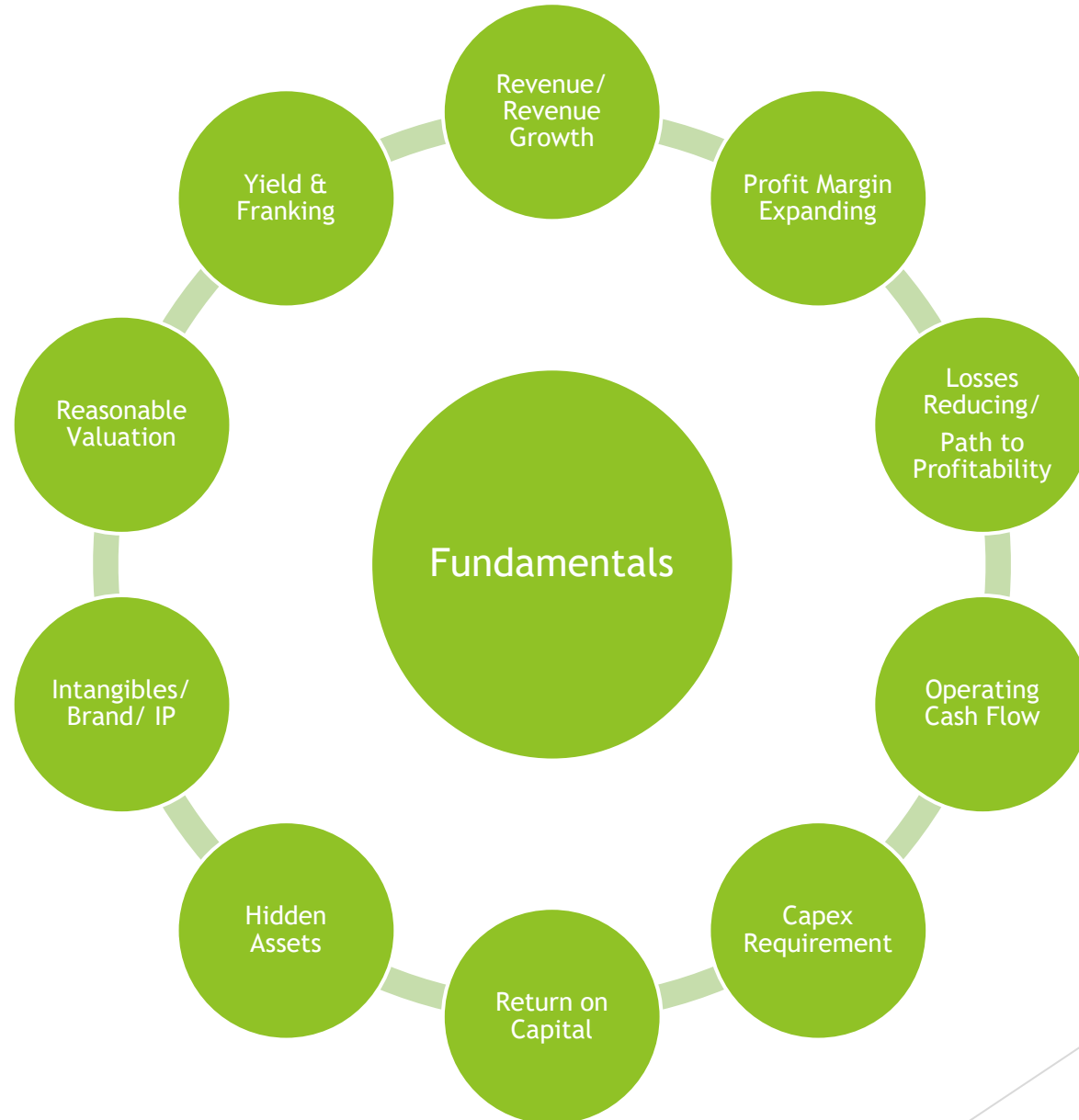
## Changed Regulations

- Cannabis Stocks (ZLD and AGH)

## Balance Sheet Repair

- Emeco (EHL)
- Elders (ELD)

# Fundamentals vs. X Factors



# Fundamentals vs. X Factors



# Site visits

Beston Foods (BFC) cheese factory, nr Murray Bridge, SA



Calix (CXL) magnesium kiln, Bacchus Marsh, Vic



# More site visits

Engenco (EGN) locomotive workshop, Dynon Road



NextDC (NXT), Tullamarine data centre (stage 1)

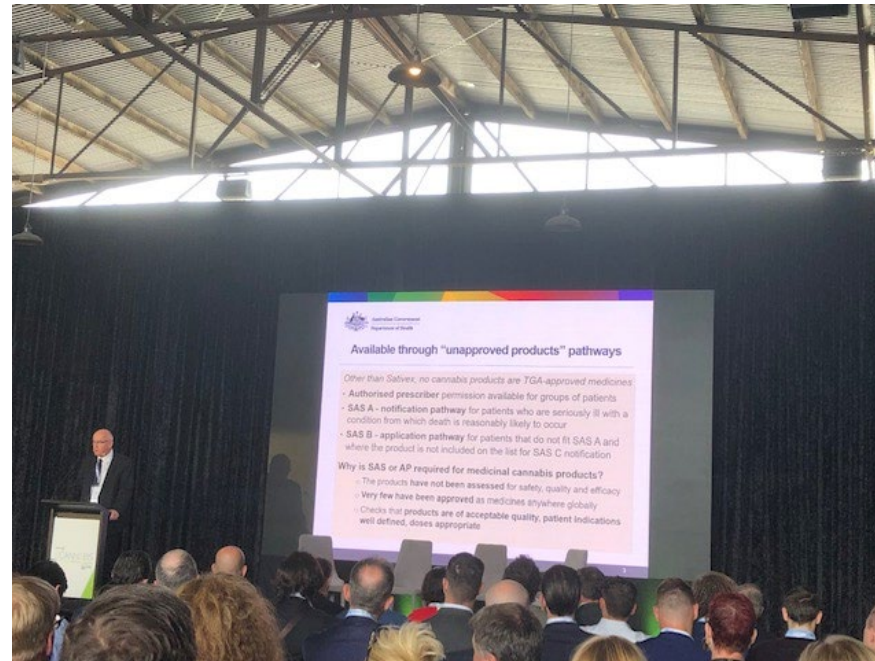


# Fund Manager conferences, Industry conferences etc.

Magellan Financial Group,  
Melbourne Exhibition Centre



TGA, Cannabis industry  
conference, Port Melbourne





# Vigilance required

## Continually seek out independent confirmation

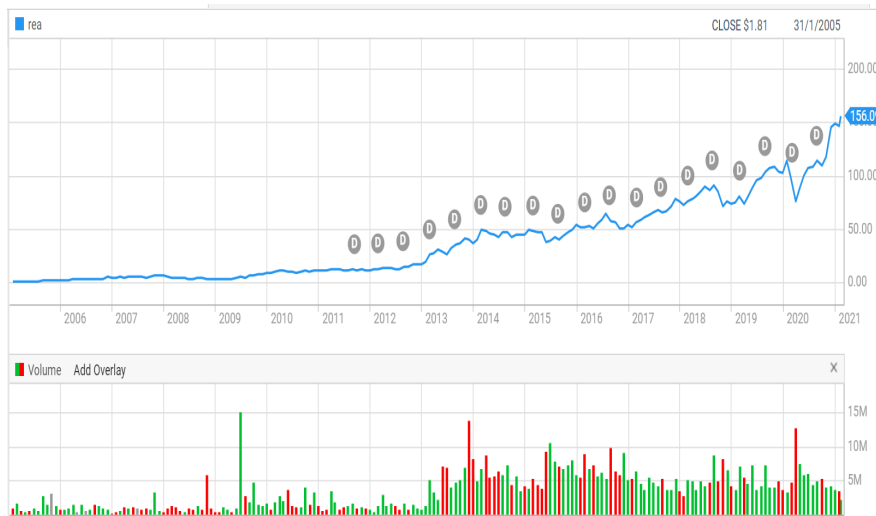
- ▶ Analyst Vs Journalist - don't just take the company's word
- ▶ Meet with competitors, retired CEOs and NEDs, consultants
- ▶ Government data, Industry stats to corroborate
- ▶ LinkedIn a treasure trove of contacts and information
- ▶ Look at the executive car park, Head Office fit-out, CFO's desk
- ▶ Ferraris, corporate jets and helicopters - Beware

## Challenges

- ▶ S\_ \_t happens. How a company responds to problems is important
- ▶ Companies can change over time, lose their moral compass
- ▶ Companies / CEOs sometimes lie, especially if under pressure
- ▶ Corporate culture / good governance more important than ever
- ▶ Director selling
- ▶ Complacency

# Case Study 1 – Realestate.com.au (REA) a turnaround / “Tech-wreck” at \$0.80 May 2004

Now \$154 +19,222% in 17 yrs



## Attractions then

- ▶ Market leader - Had > 2-3x views of nearest rival Domain
- ▶ Small coy, but backed by the power of Newscorp (NWS) at ~ 44%
- ▶ Ray White Group owned ~15% / ~ Agents on side
- ▶ John McGrath was Chairman ~ Agents on side
- ▶ News bid for 100% in Aug 2005 at \$2.50 per share (increased to 51%)

REA Group (REA) - Ray White sells 3m at \$4.50 / share; 13.5m at \$5.75 (\$91m) - But that now worth \$2.55bn

## News Corp Increases Stake in REA Group



SIMON BAKER  
October 28, 2008



News Limited, the Australian subsidiary of News Corp, has increased its stake in realestate.com.au Ltd to 60.7%.

News Limited purchased 3m shares in realestate.com.au Ltd (known as the REA Group) at \$4.50 per share from the second largest shareholder, the White family (owners of Ray White Real Estate – Australia’s largest real estate group). The White family’s stake has now reduced to 10.8%.

In a statement released to the market today, Sam White of the Ray White Group said “In effect we have sold about 20% of our holdings in the REA Group to raise capital to fund emerging opportunities that exist in a number of market segments in which we operate. Even after the sale we remain a significant shareholder in the REA Group.”

No comment was made by News Limited as to its intentions. In August 2005 News Limited made a failed take over bid for the REA Group.

# Case Study 2 - Afterpay (APY/ APT) IPO 4/5/16 at \$1.00 (Market cap \$165m). Now \$153 (Market cap \$44bn) in just 5yrs !

## Afterpay fintech float closes up 25pc

By [Shaun Drummond](#)

Updated May 4, 2016 –  
5:54pm, first published at  
5:13pm



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The Ron Brierley-backed buy now, pay later fintech Afterpay got a positive response to its \$125 million listing on Wednesday, closing up 25 per cent.

The company – which received \$8 million in private investments before the float from several former members of Mr Brierley's Guinness Peat Group – listed at midday at \$1 and ended the day at \$1.25. The All Ordinaries closed down 1.47 per cent.



Afterpay executive chairman, Anthony Eisen, and Nicholas Molnar, CEO at the ASX IPO ceremony on Wednesday.

The executive chairman and co-founder is Anthony Eisen, former chief investment officer of Guinness Peat Group.

"What we're pioneering in Australia is buy now, pay later online, in real time," said Mr Eisen.

# Case Study 3: Apple Inc

Apple Inc (AAPL)			Share Price	Share Price			
Date	Event	Code	Then	9/2/21	Gain	Years	CAGR
			US\$	US\$			
29/06/2007	iPhone launched	AAPL.O	\$ 4.36	\$ 136.01	3021%	13.6	28.7%
11/07/2008	iPhone 3 launched	AAPL.O	\$ 6.16	\$ 136.01	2107%	12.6	27.9%
19/06/2009	iPhone 3GS launched	AAPL.O	\$ 4.98	\$ 136.01	2630%	11.7	32.8%
24/06/2010	iPhone 4 launched	AAPL.O	\$ 9.61	\$ 136.01	1316%	10.6	28.3%
20/09/2013	iPhone 5 launched	AAPL.O	\$ 16.69	\$ 136.01	715%	7.4	32.8%
19/09/2014	iPhone & 6Plus launched	AAPL.O	\$ 25.24	\$ 136.01	439%	6.4	30.1%
10/09/2015	iPhone 6S & 6SPlus launched	AAPL.O	\$ 28.14	\$ 136.01	383%	5.4	33.7%
31/03/2016	iPhone SE launched	AAPL.O	\$ 27.25	\$ 136.01	399%	4.9	39.2%
16/09/2016	iPhone 7 & 7Plus launched	AAPL.O	\$ 28.73	\$ 136.01	373%	4.4	42.4%
22/09/2017	iPhone 8 & 8Plus launched	AAPL.O	\$ 37.97	\$ 136.01	258%	3.4	45.8%
3/11/2017	iPhone 10 launched	AAPL.O	\$ 43.13	\$ 136.01	215%	3.3	42.1%
21/09/2018	iPhone XS & XSMax launched	AAPL.O	\$ 54.42	\$ 136.01	150%	2.4	46.7%
26/10/2018	iPhone XR launched	AAPL.O	\$ 54.08	\$ 136.01	152%	2.3	49.5%
20/09/2019	iPhone 11Pro & ProMax launched	AAPL.O	\$ 54.43	\$ 136.01	150%	1.4	93.1%
24/04/2020	iPhone SE (Gen 2) launched	AAPL.O	\$ 70.74	\$ 136.01	92%	0.8	127.0%
23/10/2020	iPhone 12 & 12Pro launched	AAPL.O	\$ 115.04	\$ 136.01	18%	0.3	75.2%
Microsoft Corp (MSFT)							
31/08/1995	Windows 95 launched / Rolling Stones "Start Me Up" campaign	MSFT.O	\$ 5.78	\$ 243.77	4117%	25.5	15.8%

# Questions?

Want to sign up to Wayne's reports?

Contact Cozette at [cozette.crimp@interprac.com.au](mailto:cozette.crimp@interprac.com.au)