

Growing a global footprint in smart HR solutions

intelliHR Ltd is a SaaS, enterprise-grade, cloud-based platform that delivers human resources tools and analytics to corporates in any sector. Commencing operations in 2014, the company listed on the ASX in January 2018 after raising \$4.5m at \$0.30/share. At that time, intelliHR had 10 corporate clients covering 500 subscriptions, predominantly all Australia-based, and annualised recurring revenues of \$0.22m. As at 30 June 2020, the company had 109 customers on the platform covering more than 14,500 subscriptions. This is an increase respectively of 162% and 91% year-on-year. Annualised recurring revenues in FY20 were \$1.96m with around 25% of subscriptions offshore. Its operations have expanded to New Zealand and North America, with a team recently established in Toronto, Canada, to service clients there. A key aspect of the company's growth can be attributed to its focus on building and penetrating a global market from the outset, high levels of customer satisfaction and retention with Customer Net Promoter Score (NPS) being measured at above 70, and 113% annual revenue retention. The company is in the process of completing a 1-for-5 fully-underwritten, non-renounceable share entitlement offer to raise up to \$3m. The offer follows the recent 33.3m share placement at \$0.075/share to tech investor Bevan Slattery's Slattery Family Trust. The Slattery Family Trust, together with intelliHR's largest shareholder, Colinton Capital Partners, have underwritten the entitlements offer.

Business model

intelliHR operates on a Software as a Service (SaaS) basis, with customers paying recurring monthly operating fees per staff member to access the platform. intelliHR also generates revenue through professional services for implementation, system training and on-demand HR consulting support services. Sales growth is both direct and through a partner strategy which was launched in March 2018 and now has a bank of more than 40 technology and referral partners generating customer leads. Key integration partners include Xero, Greenhouse, GO1, Job Adder, and Zapier.

Recent company commentary

The company has recently secured two key new investors – private equity firm Colinton Capital Partners which took a 19.9% stake by way of share placement in December 2019 at \$0.075/share, and more recently tech entrepreneur Bevan Slattery whose family interests have invested \$2.5m at \$0.075/share. Colinton Capital Partners and the Slattery Family Trust have jointly underwritten the \$3m non-renounceable share entitlement offer currently underway. Shareholders are due to vote on the issue of shares to both these investors on September 10. The company has reported FY20 sales revenues of \$1.25m, an increase of 161% on the previous corresponding period, total revenue of \$1.51m, up 167% on prior. Annual recurring revenue rose 62% to \$1.96m. The company has subsequently announced that contracted annual recurring revenue had increased to \$2.32m and that Q1 FY21 was on track to be a record new business quarter with 73% year-on-year ARR growth.

Delivering higher sales growth than peer

intelliHR is growing its revenue base at a faster rate than the three Australian listed peers that we have identified – Damstra Holdings (ASX:DTC), Elmo Software (ELO), and Limeade (ASX:LME), albeit off a lower base. Historically IHR has traded at a EV/Revenue discount to its peers but recent share price strength has it on a 48x multiple, a premium to its peers.

Historical earnings and ratios

Year end	Revenue (A\$m)	EBITDA Adj.* (A\$m)	NPAT Adj.* (A\$m)	NPAT Rep.	EPS Adj.*(c)	EPS Rep.	EV/Sales^ (x)
06/17a	0.08	(1.8)	(2.3)	(2.3)	(0.02)	(0.02)	nm
06/18a	0.31	(3.6)	(4.5)	(4.7)	(0.05)	(0.05)	77.3
06/19a	0.56	(3.8)	(5.4)	(5.4)	(5.1)	(5.1)	15.5
06//20a	1.51	(2.8)	(4.8)	(4.8)	(2.8)	(2.8)	4.6

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items ^calculated at year end share price

Software services

4 September 2020

Share details

ASX Code	IHR
Share price (3-Sep)	\$0.275
Market Capitalisation (post entitlements offer)	\$76.2M
Shares on issue (post entitlements offer)	277.0M
Net cash at 30/06/2020	\$2.8M
Free float	38.1%

Share performance (12 months)



Upside Case

- Very high revenue retention rate >113%
- Strong board/committed major shareholders
- Scalable business model

Downside Case

- Longer sales cycles for enterprise customers
- Competing with internationals such as Cornerstone, Workday, SAP
- Additional capital may be required to expand product and footprint

Catalysts/upcoming events

- EGM (10 September 2020)
- Confirmation of shift to profitability

Comparable companies (Aust/NZ)

Damstra Holdings Ltd (ASX:DTC), Elmo Software (ASX:ELO), Limeade (ASX:LME)

Top 3 shareholders (pre entitlements offer)

Colinton Capital Partners	17.88%
Robert Bromage (Founder/CEO)	11.06%
Immanuel Developments	2.53%

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FINANCIAL SERVICES GUIDE

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