

CV Check Ltd

Company Update

Some FY22 figures, OnCite app launch and peer M&A

CV Check Ltd (ASX:CV1) is a RegTech company providing workforce compliance monitoring and management technology and services (i.e. 'Know Your People' services). Following the April 2021 strategic acquisition of Bright People Technologies with its SaaS workforce compliance platform ('Cited'), CV1's key focus is to substantially grow SaaS revenues. We highlight three recent developments: (1) Disclosure of FY22 unaudited figures for revenue (\$26.4m), operating cashflow (\$3.1m), capitalised product development spend (\$2.6m) and cash balance (\$12.2m); (2) Launch of the OnCite app ('Digital Credential Passport' for workers) which is a key feature of CV1's SaaS offering; and (3) Recent M&A activity and interest in CV1's ASX-listed peer group with: (a) Proposed acquisitions of Paygroup (ASX:PYG) by Deel Inc at 2.9x ARR and KYCKR (ASX:KYK) by Richard White at est 10x FY22 EV/Revenue; and (b) Takeover approaches from Accel-KKR for both ELMO Software (ASX:ELO) and Damstra (ASX:DTC). The recent developments reinforce our view that CV1 is well placed for potential M&A given it operates in fragmented industries (RegTech, HR tech, screening and verification) and is trading at 1.4x FY22 EV/Revenue - a substantial discount to its listed peers and recent M&A implied multiples. Also see [CV Check RaaS Initiation Report 15 June 2022](#).

Business model

CV1 has two core offerings: (1) Screening and verification (SaV) services via its CVCheck platform (91% FY22 revenue); and (2) A Software-as-a-Service (SaaS) real-time workforce compliance monitoring and management platform (9% FY22 revenue). SaV services generate transactional revenue with fees charged per check on a PAYG basis. They are targeted at business, skewed to police checks, and somewhat leveraged to the employment market. For SaaS, customers (employers) pay a fixed monthly fee plus transactional fees for SaV and other services. CV1 is now moving its SaaS pricing to a simple monthly all-in fee per worker of \$15-\$30 (inclusive of transactional services, minimum 12-month subscription term). There is no charge to workers for download and use of the OnCite app.

Recent news: 'Flash' results, OnCite app launch, peer M&A

We highlight three recent developments: (1) Disclosure of FY22 unaudited figures for revenue (\$26.4m), operating cashflow (\$3.1m), capitalised product development spend (\$2.6m) and cash balance (\$12.2m). These are essentially in line with our expectations; (2) Launch of the OnCite app which is a key feature and selling point of CV1's SaaS offering as it enables workers to directly capture, store and access their information/data via their mobile devices and supply it to their employer(s) more efficiently via the Cited platform (vs. manual data entry); and (3) Recent M&A activity and interest in CV1's ASX-listed peer group with: (a) Proposed acquisitions of PYG by Deel Inc at 2.9x ARR and KYK by Richard White at est 10x FY22 EV/Revenue; and (b) Takeover approaches from Accel-KKR for both ELO and DTC (neither of which advanced). This reinforces our view that CV1 is well placed for potential M&A.

DCF valuation of \$0.26/share or \$112m market cap

Our CV1 DCF-based valuation is \$0.26 per share. This implies EV/Revenue multiples of 3.8x for FY22 and 3.3x for FY23. As a cross-reference, CV1 is currently trading at a 61% discount to its ASX-listed peers on FY22f EV/Revenue (1.4x vs. 3.7x) with discounts of 58% and 53% respectively to its closest peers [Xref Ltd (ASX:XF1) at 3.4x and IntelliHR Ltd (ASX:IHR) at 3.0x]. Relative to the US-listed SaV pure-plays (First Advantage, Sterling and HireRight), CV1 is trading at a 43% discount to their average 2.5x CY22f EV/Revenue. Further, applying the FY22 EV/Revenue multiples implied by the PYG acquisition and indicative ELO offer to CV1 gives an EV range of \$77m-\$148m and equity values of \$0.20-\$0.37 per share.

Historical earnings and RaaS estimates (in A\$m unless otherwise stated)

Year end	Revenue	EBITDA reported	NPATA**	NPAT reported	EPS (c)	P/E (x)	EV/Sales (x)
06/21a	17.5	0.2	(0.7)	(1.0)	(0.3)	nm	2.1
06/22f	26.2*	1.0	(0.3)	(1.5)	(0.3)	nm	1.4
06/23f	30.5	2.4	0.8	(0.4)	(0.1)	nm	1.2
06/24f	37.1	5.2	3.4	2.2	0.5	23.4	0.9

Source: Company data; RaaS estimates for FY22f, FY23f and FY24f; *Unaudited FY22 revenue is \$26.4m; **Excludes Bright acquisition amortisation

Software & Services

20 July 2022

Share Details

ASX code	CV1
Share price (19-Jul-22)	\$0.115
Market capitalisation	\$49.9M
Shares on issue	434.2M
Net cash at 30-Jun-22	\$12.2M
Free float	~64% / ~79% (excluding founders)

Share Performance (12 months)



Upside Case

- Uptake of industry agnostic, high-margin RegTech SaaS offering exceeds expectations
- International opportunities for SaaS offering
- Well positioned for potential M&A

Downside Case

- Lower-than-expected SaaS uptake rate
- Economic downturn leads to reduced demand for pre-employment screening
- Changes to consumer data availability

Catalysts

- Material new contracts for SaaS offering
- M&A interest/activity (acquirer or target)
- Evidence of further margin improvements and operating leverage

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Update – Recent Developments

In this report, we review some recent developments for CV1, namely:

- Disclosure of some FY22 unaudited financial figures (essentially in line with our forecasts);
- Launch of the OnCite app (timing as expected);
- Latest Australian employment and jobs market data (for some insight into demand for SaV services); and
- Recent M&A activity and interest in CV1's ASX-listed peer group and implied valuation metrics.

Our recent Initiation Report is also available at [CV Check RaaS Initiation Report 15 June 2022](#).

Some FY22 Unaudited Figures – Revenue, Operating Cashflow, Cash Balance

CV1 disclosed some FY22 unaudited financial figures and other metrics in its 'Flash Result' announcement on 11 July 2022 and in its investor presentations released on 21 June and 7 July 2022:

- **FY22 revenues:** \$26.4m which is slightly higher than our \$24.2m forecast.

The unaudited result represents an increase of 51% on the pc. We estimate this was relatively evenly split between organic growth at 28% and acquisition growth at 23% [reflecting a nine-month incremental contribution from the Bright People Technologies ('Bright') acquisition].

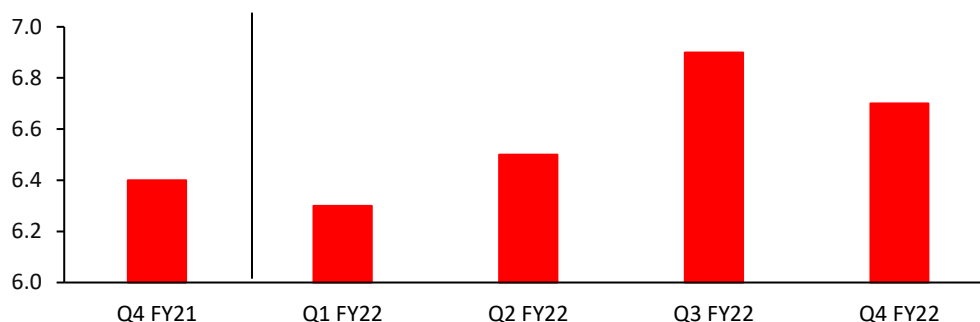
In turn, **H2 FY22 revenue** amounted to \$13.6m, up 29% on the pc. On our estimates, H2 organic and acquisition growth (reflecting a three-month incremental contribution from the Bright acquisition) were 17% and 12% respectively.

- **SaV vs SaaS revenue:** FY22 SaV revenue was \$24.0m (91% of the total) while SaaS revenue accounted for the other \$2.4m (9% of total).
- **Q4 FY22 revenue:** \$6.7m (up 6% on the pc) which is slightly higher than our \$6.5m forecast.

This more modest Q4 increase reflects organic growth in both the SaV and Bright/Cited operations (given Bright made a full Q4 FY21 contribution). However, it is lower than Q3 FY22 revenue of \$6.9m (CV1's highest quarterly revenue result to date) attributable to the increasingly demanding SaV comparables and some softening in SaV orders coinciding with the federal election in May. We understand that order volumes returned during June (feeding into modest single digit year-on-year growth) and that this trend has continued in the initial days of July.

See **Australian Employment And Jobs Market – Latest** below for some insight into demand for CV1's SaV services.

Exhibit 1: Quarterly revenue (unaudited in A\$m) – Q4 FY21 to Q4 FY22



Source: CV1 announcements

We note that our **FY23 forecasts** incorporate SaV revenue of \$24.8m (up \$0.8m or 3% on FY22) reflecting the tougher year-on-year comparables for the CVCheck platform and our adoption of a cautious view of the employment market reflecting heightened uncertainty regarding the economic outlook, together with the loss of some SaV revenue as existing Cited customers transition to the new SaaS-only pricing model and some CVCheck platform customers migrate to the SaaS offering. Meanwhile, our forecasts contain a \$5.7m revenue contribution for the Cited SaaS platform (up \$3.3m or 138% on FY22).

- **FY22 and Q4 operating cashflow:** CV1 reported a solid FY22 operating cashflow result of \$3.1m (up from \$1.0m in FY21). Within this, Q4 operating cashflow was \$1.0m (compared to \$855k in Q3 and \$1.19m in Q2). This marked CV1's eighth consecutive operating cashflow positive quarter.

The FY22 operating cashflow result is \$0.5m higher than our \$2.6m forecast, which reflects the capitalisation of a higher proportion of product development costs (\$2.6m unaudited vs. \$2.3m RaaS forecast) and the slightly higher revenue.

- **Capitalised product development payments (intangible assets):** CV1 has capitalised \$2.6m of product development payments in FY22 (up from \$0.9m in FY21). This includes spend for the OnCite app ('Digital Credential Passport') development and platform functionality enhancements (including Cited's real-time monitoring functionality). As abovementioned, this is higher than our forecast of \$2.3m.
- **FY22 free cashflow (estimated):** Based on CV1's disclosure and our \$0.2m capital expenditure forecast, we estimate that free cashflow was \$0.3m for FY22 (vs. \$0.1m in FY21 and our \$0.1m FY22 forecast).
- **Cash balance:** CV1's cash (and net cash) balance at 30 June 2022 was \$12.2m which was down marginally from \$12.3m at 31 March 2022 and in line with the \$12.2m position at 31 December 2021. In turn, the **total net cash outflow** for FY22 was ~\$0.7m. This reflects: (1) Free cashflow of ~\$0.3m; (2) \$0.7m of deferred payments to the Bright vendors (per Q3 FY22 Appendix 4C); and (3) ~\$0.3m of other net investing and financing outflows.

The \$1.0m payment to finalise the Bright acquisition includes the abovementioned \$0.7m for the Bright vendors plus \$350k for accrued salaries assumed as part of the acquisition (and included in operating cashflow).

- **Existing base of >10k business customers and >650k individuals.** We understand that these figures represent all business and individual customer accounts that have been registered and utilised at some juncture over the past ~eight years. Based on previous disclosure (February 2021), there are ~500 returning large corporate customers (i.e. placed repeat orders during FY21) and ~5,650 returning SME customers within the business customers figure. In FY22, >80% of business customers were repeat customers.
- **>7m cumulative credential checks.** We understand that this represents credential checks that have been undertaken over the past ~eight years and is roughly evenly split between the CVCheck platform and Bright (Enable and Cited platforms).

OnCite App ('Digital Credential Passport' For Workers) Launch

CV1 officially launched its 'Digital Credential Passport' app for workers in late June 2022 and released an announcement on 7 July 2022 revealing the app's 'OnCite' branding and reiterating the current key features of both the app and CV1's 'Cited' branded SaaS platform for real-time workforce compliance monitoring and management services.

The OnCite app was soft released into the Apple (iOS) and GooglePlay (Android) app stores on 22 June 2022 per the previously flagged end of June 2022 release date target. We understand that several Cited customers undertook pre-release testing and trials of the app and they are now rolling it out to their workforces.

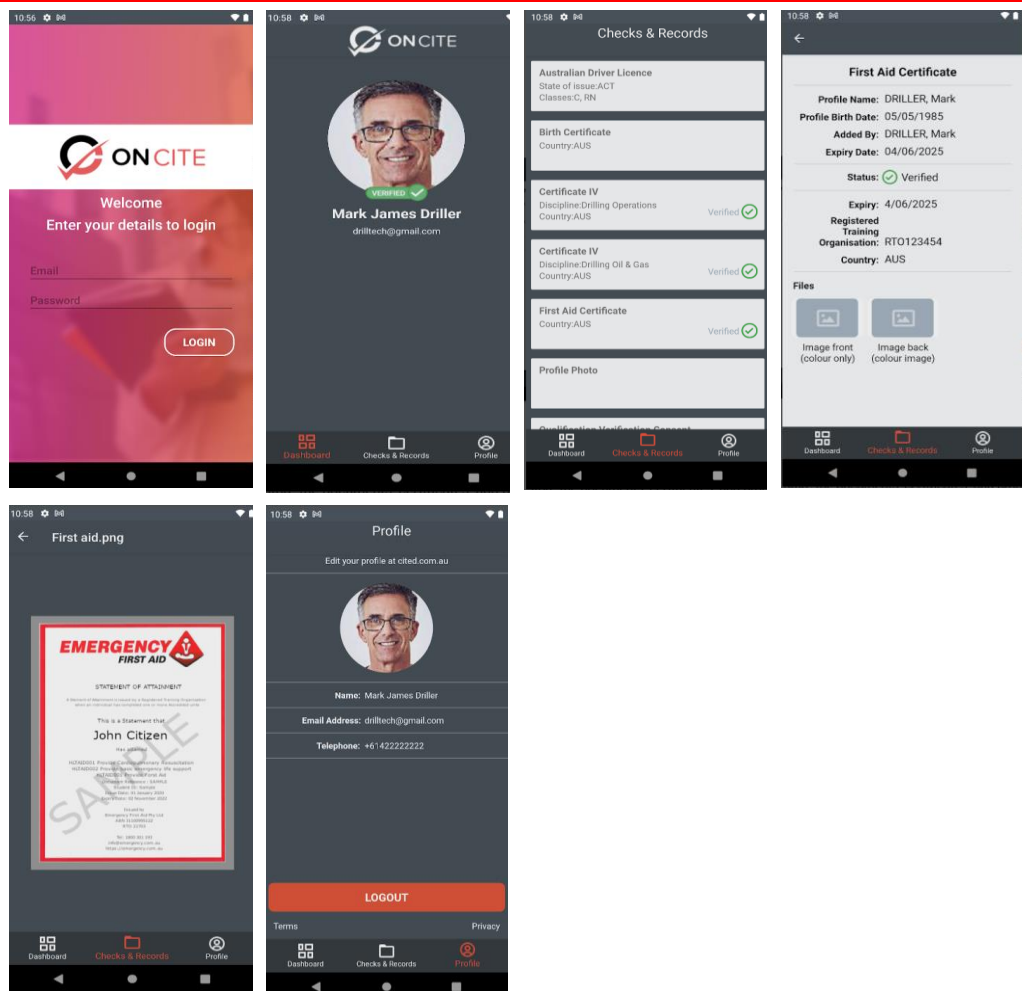
There is no charge to workers for download and use of the OnCite app (as CV1 generates revenue via SaaS fees charged to employers for their use of the broader Cited platform).

CV1 views the OnCite app as a key feature and selling point of its Cited SaaS platform. The app enables workers to directly capture and securely store and access their information and data (including a validated government-recognised digital identity¹) using their mobile devices and supply it to their employer(s) more efficiently via the app into the Cited platform (vs. manual data entry of information and data into the Cited platform by administrative/HR staff currently or use of the mobile-optimised website and non-portable information).

Information and documentation supplied via the OnCite app is immediately verified with the credential issuer/supplier via direct data feeds when it is uploaded into the Cited platform and is then monitored on an ongoing real-time basis for currency and validity.

Some sample OnCite screenshots are set out below, while our more detailed overview of the Cited SaaS platform including its key features and advantages is provided in **Annexure A: RegTech SaaS Platform – Cited**.

Exhibit 2: OnCite app – sample mobile screenshots



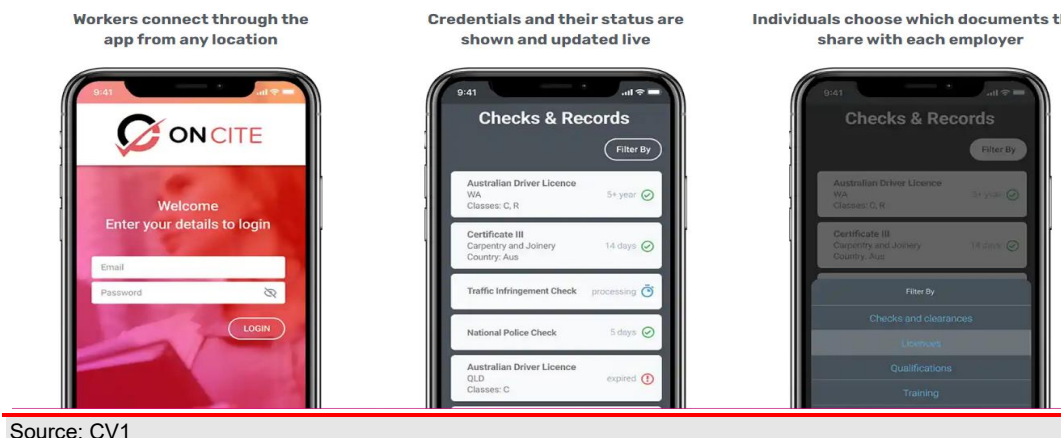
Source: CV1

¹ Bright is an authorised gateway service provider to the federal government's Document Verification System (DVS) which checks whether the biographic information on an identity document matches the original record. This allows Bright to provide verification of a number of types of identity documents via the Cited platform.

In addition, CV1 is in the process of applying for accreditation as an identity provider under the Trusted Digital Identity Framework (TDIF) administered by the federal government's Digital Transformation Agency (see <https://www.digitalidentity.gov.au/tdif>). An identity provider can create, maintain or manage information about a person's identity, and offer identity-based services. CV1 is targeting accreditation by the end of 2022 (calendar year).

Exhibit 3: OnCite app – more sample mobile screenshots

How the Oncite App Works



SaaS sales growth focus including cross-selling

Having onboarded a new Global Sales Director with international SaaS sales experience in April 2022, CV1's key strategic and operational focus is to substantially grow the SaaS platform's subscriber base over the next three years. The pricing model is a simple monthly all-in fee per worker of \$15-\$30 (inclusive of transactional services, minimum 12-month subscription term).

The SaaS platform already has some traction as reflected in the \$2.4m of FY22 revenue (unaudited) which includes several large WA resources company customers, and the recent addition of Hireup (a platform for disability support workers and clients) which went live in mid-June.

CV1 will actively pursue those of its ~500 large corporate SaV customers in 'compliance heavy' sectors (e.g. healthcare, education/training, mining/resources, construction, manufacturing). There is also a broader opportunity with 3.6m Australian workers with recurring compliance monitoring requirements in its target markets.

Our **FY23 forecasts** assume that employers with a total of 23,000 workers subscribe to Cited over the course of FY23 (with a skew to H2 FY23) at an average \$15 monthly fee per worker. In turn, this generates forecast SaaS revenue of \$5.7m (including ~\$350k from the Hireup contract and ~\$2.5m from the existing SaaS revenue base via renewals/upsell).

Additional opportunities for SaaS platform - international and data

Given CV1 now has an industry and jurisdictional agnostic SaaS offering, it is currently assessing appropriate international roll-out opportunities for 2023/2024. CV1 re-iterated this in its investor presentations released on 21 June and 7 July 2022, and also noted the potential for workforce data insights monetisation.

Notwithstanding these overseas expansion references, we expect CV1's core focus will lie in growing the SaaS platform in the Australasian market, especially given new sales opportunities are only starting to be pursued in earnest (following the new Global Sales Director's onboarding and the release of the real-time compliance monitoring functionality and OnCite app in H2 FY22).

Exhibit 4: Overseas expansion and data monetisation

Phase 3

Overseas expansion & data monetisation

- ✓ Growth into N. America & Europe
- ✓ Leverage cumulative workforce data to monetise insights with 3rd parties (e.g. identifying skills gaps / surplus etc.)
- ✓ Inorganic growth with aggregation of complementary and adjoining Reg Tech solutions

Next Growth Phases

Overseas expansion & data monetisation

- ✓ Growth into N. America & Europe
- ✓ workforce insight analytics
- ✓ Inorganic growth

6 - 24months

Source: CV1 investor presentations released on 21 June and 7 July 2022. See slide 8 of both presentations, and slide 3 and slide 10 of the 21 June and 7 July presentations respectively.

Although the slides refer to “Growth into N. America & Europe”, we suspect that CV1 is more likely to initially focus on assessing opportunities in the UK market (which could also act as a beachhead into European markets), as well as under-served and/or under-penetrated markets for RegTech/workforce software (such as some SE Asian markets and India). We anticipate that the North American market is a secondary opportunity and that an initial assessment of opportunities in Canada (in light of its mining/resources industry) would be more likely than the US.

In order to ensure any new market entry is cost-effective (given the SaV services that feed into the Cited offering would be jurisdiction specific), we anticipate CV1 will focus on exploring licensing/reseller arrangements with local SaV (or similar) providers, or a joint-venture type arrangement with a local SaV provider.

Australian Employment And Jobs Market – Latest Data

The most recent statistics for employed people, filled jobs, job vacancies and job advertisements provide some insight into the current level of demand for CV1’s SaV services given they (together with job mobility²) translate into increased SaV services:

- **Employed people:** There were a record 13,599,300 employed people in Australia at 30 June 2022, up 3.3% (438,000 people) on the pcg and 0.7% month-on-month.³
- **Filled jobs** (reported quarterly): At 31 March 2022, filled jobs totalled 14.6m jobs, up 2.8% (or 403,700) on the pcg. Of note, the proportion of vacant jobs stood at a record high of 2.8%, up 0.8 percentage points on the pcg. The highest proportions of vacant jobs were in the mining industry (4.8%) and financial services (3.8%).
- **Job vacancies** (reported quarterly): ABS reported a record 480,100 job vacancies (seasonally adjusted) in May 2022, up 29.7% on the pcg and up 13.8% on February 2022.⁴ It commented that the “ongoing high level of vacancies reflects the pace of recovery in labour demand from the fall in May 2020, as well as businesses across the economy indicating labour shortages and ongoing disruptions to operations.”
- **Job advertisements:** There are three sources of job advertisements data - ANZ’s job ads series, SEEK’s Employment Index Report and the National Skills Commission’s monthly Internet Vacancy Index:⁵

² Job mobility is only reported annually by the Australian Bureau of Statistics (ABS). As noted in our Initiation Report, 21% of employed persons (2.8m) started their current job in the year ending February 2022 and this figure (2.8m) can be considered to be somewhat of a proxy for the current size of the Australian pre-employment SaV market.

³ Source: ABS. Employed persons is not a measure of the number of jobs because employed persons can have multiple jobs and jobs can exist in the absence of an employed persons (‘vacant jobs’).

⁴ See [Job Vacancies Survey](#). Vacant jobs are defined as positions which are available for immediate filling and for which recruitment action has been undertaken.

⁵ For further details see [Australian and New Zealand Banking Group \(ANZ\) Job Advertisement Series](#), [SEEK Employment Index Report](#) and [Internet Vacancy Index | National Skills Commission](#) respectively.

- The latest ANZ Australian job ads data for June 2022 recorded 243,523 job ads (seasonally adjusted), up 18.4% on the pcg and up 1.4% compared to May 2022. ANZ stated that the “*total number of job ads in June exceeded the recent peak in March signalling continued strength in the labour market*”.⁶
- SEEK reported a 23.3% year-on-year increase in national job ads posted on SEEK in June 2022 and, in contrast to the ANZ job ads series, a 2.1% decrease from May 2022 ads.
- The National Skills Commission’s index for June 2022 reported 303,400 online job ads (seasonally adjusted) representing increases of 29.3% on the pcg and 1.2% on May 2022. It stated that online job advertisement levels have increased for six consecutive months and that June 2022 marked their highest level since April 2008.

Recent M&A Activity And Interest In ASX-Listed Peer Group

We view CV1 as both a potential target and potential acquiror, especially in the medium-term.

It is notable that since our Initiation Report on 15 June 2022, **two acquisitions** have been announced and **two takeover approaches** from private equity firm Accel-KKR have been confirmed in CV1’s ASX-listed peer group:

- **Paygroup Ltd (ASX:PYG):** On 23 June 2022, PYG announced that it had entered into a scheme of arrangement with Deel Inc. PYG is a provider of payroll and human capital management solutions in Asia and Australia, and Deel Inc is a US-based global payroll and compliance software group backed by venture capital/private equity⁷ and seeking to expand its international footprint.

The scheme cash consideration of \$1.00 per share represents a 174% premium to the last pre-scheme announcement price of \$0.365 (22 June 2022). It values PYG at an enterprise value of ~\$113m and an equity value of ~\$119.3m. The scheme has been unanimously recommended by PYG’s board (in the absence of a superior offer and subject to an independent expert’s report).

The implied **EV/Revenue multiples** are:

- **2.9x** based on \$39.1m annualised recurring revenue (ARR) [vs. 1.0x at \$0.365 pre-scheme price]; and
- **4.3x** based on \$26.2m FY22 reported revenue (31 March year-end) [vs. 1.4x at \$0.365 pre-scheme price].

PYG’s FY22 revenue comprised: (1) Payroll services including software-with-a-service (‘SaaS’ - combined solution software with human support) payroll outsourcing services of \$17.9m (68% of total); and (2) SaaS of \$8.3m (32% of total).

For FY22, PYG reported EBITDA of \$1.0m, a net loss of \$358k, net operating cashflow of \$495k, and free cash outflows of \$3.4m (including \$3.6m of capitalised development spend).

- **KYCKR Ltd (ASX:KYK):** On 6 July 2022, KYK announced that it had entered into a scheme of arrangement with RealWise KYK AV Pty Ltd, an entity owned by Mr Richard White [22.8% pre-scheme shareholding in KYK and WiseTech Limited (ASX:WTC) founder]. KYK is a RegTech company providing business data and software solutions for ‘Know Your Business’ purposes (i.e. compliance, regulatory and business-related processes including AML/CTF, modern-day slavery, fraud and tax evasion). Its offering includes real-time

⁶ See [ANZ Australian Job Ads a new high](#).

⁷ Deel Inc. was initially funded via Y-Combinator in 2019. More recently, it completed a Series D financing in October 2021 (see [Deel Raises \\$425M in Series D Funding to Continue Transforming the Future of Work | Business Wire](#)) and another US\$50m round in May 2022 (see [Deel raises funds at \\$12 billion valuation | Axios.com](#)).

company registry information on over 170m businesses globally sourced from 200+ regulatory sources across 120 countries.

The scheme cash consideration of \$0.08 per share represents a 63% premium to the last pre-scheme announcement price of \$0.049 (5 July 2022). It values KYK at an enterprise value of ~\$35.1m and an equity value of ~\$43.5m. The scheme has been unanimously recommended by KYK's board (in the absence of a superior offer and subject to an independent expert's report).

The implied **EV/Revenue multiple** is **10x** based on \$3.5m estimated FY22 revenue (i.e. annualising \$1.76m reported H1 FY22 revenue to provide a proxy for a full-year estimate) [vs. 5.2x at \$0.049 pre-scheme price].

For FY22 to date (nine months to 31 March), KYK reported \$4.2m of net operating cash outflows and free cash outflows (no capitalised development spend and negligible capex).

- **ELMO Software Ltd (ASX:ELO):** On 14 June 2022, ELO confirmed a report in *The Australian Financial Review* ('AFR') that it had recently received a takeover approach at \$6.10 per share (144% higher than its current \$2.50 share price) and that the exploratory discussions had since concluded. The AFR reported the proposal was from Accel-KKR (see [Elmo Software goes a few rounds with PE suitor, talks end | afr.com](#)).

ELO provides cloud HR, payroll and expense management solutions in Australia, New Zealand and the UK. ~98% of its revenue is from subscriptions.

The indicative approach valued ELO at an enterprise value of ~\$532m and an equity value of ~\$550m.

The implied **EV/Revenue multiples** are:

- **5.6x** based on \$94.8m FY22 forecast revenue (Source: Refinitiv Eikon) [vs. 2.3x at \$2.50 current price]; and
- **4.4x** based on \$121.0m FY23 forecast revenue (Source: Refinitiv Eikon) [vs. 1.8x at \$2.50 current price].

Forecast FY22 EBITDA is \$2.8m. In H1 FY22, ELO reported net operating cashflows of \$3.7m and free cash outflows of \$9.9m (including \$11.8m of capitalised development spend).

- **Damstra Holdings Limited (ASX:DTC):** On 7 July 2022, DTC confirmed a report in the AFR that it had recently received an indicative takeover proposal from Accel-KKR and that the discussions had since concluded. See [Forgotten about software group Damstra takes a walk down PE lane | afr.com](#). The indicative takeover pricing was not disclosed.

DTC is an Australia-based global provider of integrated workplace management solutions including for workplace compliance.

It has a current enterprise value of \$48.4m and market cap of \$50.3m and is trading on 1.6x EV/Revenue (based on the \$31.1m FY22 forecast from Refinitiv Eikon). For FY22 to date (nine months to 31 March), it reported \$5.0m of net operating cash outflows and free cash outflows of \$10.2m.

As noted in our Initiation Report, Accel-KKR has invested in two Australian workforce management software companies in recent years, namely:

- **Humanforce:** In late April 2022, Accel-KKR acquired a majority interest in Humanforce for \$60m after having made an initial investment of \$22.5m in January 2019. Humanforce is a Sydney-based workforce

management software company focused on shift and roster-driven workforces. It was founded in 2002 and has offices in Australia, New Zealand, Singapore and the UK.⁸

- **Pegasus:** In January 2020, Accel-KKR acquired an interest in Newcastle-based Pegasus for \$28m to assist in funding its expansion into the UK, Europe and North America. Pegasus provides worker competency management software and services, including induction and learning management, supplier pre-qualification, site access and asset management.

More recently, in July 2021, Avetta acquired Pegasus from Accel-KKR and its other shareholders in exchange for equity in Avetta. Avetta is a provider of supply chain risk management software, and the acquisition was stated to be part of its global growth strategy.⁹

We make the following further observations in relation to further potential M&A activity and interest:

- Given the current tech stock and general market malaise is becoming more prolonged and a number of small-cap companies are continuing to trade around 12-month lows, we anticipate opportunities for M&A are likely to continue to be attractive to potential acquirors that are well capitalised and have a medium to long-term investment horizons.
- The fragmented nature of the SaV, workforce management and broader HR software industries also lend themselves to consolidation.
- **Private equity** has recently been investing in Australian-headquartered workforce management companies and in unlisted SaV companies globally as reflected in the PYG's proposed acquisition by Deel Inc. and Accel-KKR's approaches to ELO and DTC in addition to its investments in Humanforce and Pegasus.
- It is noteworthy that all three of the **US-listed pureplay SaV companies** [First Advantage Corp (NASDAQ:FA), Sterling Check Corp (NASDAQ:STER) and HireRight Holdings Corp (NYSE: HRT)] continue to state their interest in appropriate M&A transactions. While all three already have operations in Australia, it appears that CV1 displays some of the characteristics they are seeking in target companies. If the Cited SaaS roll-out gathers momentum, CV1 could be of particular interest to these companies given they are all seeking to expand their post-onboarding/ongoing SaV revenues and generate SaaS subscription-based revenue streams.
- With ~\$12m cash and net current assets of ~\$10m, CV1 could undertake a small to medium cash-based acquisition without needing to raise further capital. Being listed, it also has the flexibility to consider acquisitions for cash and scrip or all scrip. Although the Bright acquisition provided CV1 with its core SaaS growth platform, we expect it would consider acquisitions to augment the features and capabilities of Cited and/or the CVCheck platform at appropriate prices.

CV1 valuation scenarios based on recent ASX-listed peer M&A

Applying the FY22 EV/Revenue multiples implied by the proposed PYG acquisition and indicative ELO offer to CV1 gives a range of enterprise values from \$77m-\$148m and an equity value of **\$0.20-\$0.37 per share**. We note that our DCF valuation of \$0.26 per share lies in the lower half of this range. KYK is also included in the table below. However, the estimated FY22 metric appears to be an outlier (which may reflect the particular characteristics of this privatisation transaction). The KYK independent expert's report will likely contain additional valuation information based on FY23 budgets.

⁸ See [Humanforce Closes Significant New Growth Investment from Accel-KKR | Humanforce and https://www.afr.com/technology/us-pe-fund-accel-krk-buys-majority-stake-in-aussie-software-company-20220502-p5ahva](https://www.afr.com/technology/us-pe-fund-accel-krk-buys-majority-stake-in-aussie-software-company-20220502-p5ahva).

⁹ See <https://pegasus.net.au/home/avetta-acquisition-of-pegasus-completed-after-receiving-regulatory-approval/>.

Exhibit 5: CV1 valuation scenarios based on recent ASX-listed peer M&A

	PYG proposed acq'n	ELO indicative offer	KYK proposed acq'n
CV1 unaudited FY22 revenue (A\$m)	26.4	26.4	26.4
CV1 FY23f revenue (A\$m) – RaaS forecast	30.5	30.5	30.5
Implied EV/Revenue multiple			
- FY22f revenue	4.3x	5.6x	10.0x
- FY23f revenue	na	4.4x	na
- Annualised Recurring Revenue (ARR)	2.9x	na	na
Enterprise value (EV) - CV1 (A\$m)			
- Using FY22 EV/Revenue multiple	113.5	147.8	264.0
- Using FY23 EV/Revenue multiple	na	134.4	na
- Using EV/ARR multiple	76.6*	na	na
Equity value/share - CV1			
- Using FY22 EV/Revenue multiple	\$0.29	\$0.37	\$0.64
- Using FY23 EV/Revenue multiple	na	\$0.34	na
- Using EV/ARR multiple	\$0.20*	na	na
Sources: CV1, company announcements, RaaS estimates, Refinitiv Eikon *Using CV1 unaudited FY22 revenue (cf. \$0.23/share equity value using FY23f revenue).			

Valuation – Listed Peer Comparisons

We have also updated the trading metrics for CV1's listed peers grouped by: (1) ASX-listed peers; (2) The three US-listed global pureplay SaV peers; and (3) Global non-pureplay SaV listed peers.

ASX-listed peers and trading multiples

The 15 ASX-listed companies that we consider to be CV1's key peers from a valuation perspective are listed in descending order starting with the closest peers [Xref Ltd (ASX:XF1) and IntelliHR Ltd (ASX: IHR)] based on our view of their relative offerings. These companies operate in the HR and workforce technology sector or the RegTech sector.

We have also added **wrkr Ltd** (ASX:WRK – known as 'Integrated Payment Technologies Limited' until November 2021) given one of its four offerings is a white-label SaaS employee onboarding solution (branded 'wrkr READY') to manage the compliant onboarding of full-time and casual workers.¹⁰ Wrkr Ready was developed in-house and launched in H1 FY22. WRK recently reported FY22 cash receipts of \$4.6m, operating cash outflows of \$1.6m and free cash outflows of \$1.9m.

CV1 is currently trading at a **discount of 61%** to the average of its peers based on EV/Revenue for FY22f. The discount relative to its two closest peers, XF1 and IHR, is 58% and 53% respectively.

On FY23f EV/Revenue, CV1 is trading at a **48% discount** to its peers (based on the six companies with available FY23f forecast data).

¹⁰ More broadly, WRK provides compliance and payment software solutions for super funds, SMSFs, payroll service providers and Australian employers such as messaging with the ATO and payment processing for worker pay and super contributions, and a superannuation gateway and clearing house and payment handling solution.

Exhibit 6: ASX-listed peers – EV/Revenue trading multiples

Name	ASX code	Share price	Market cap. (\$m)	Net debt/(cash) (\$m)*	EV (\$m)	Revenue - FY21a (\$m)	Revenue - FY22f** (\$m)	Revenue - FY23f (\$m)	EV/Rev - FY21a (x)	EV/Rev - FY22f (x)	EV/Rev - FY23f (x)
CV Check Ltd	CV1	0.115	49.9	(12.2)	37.7	17.5	26.4 (unaudited)	30.5	2.1	1.4	1.2
Xref Ltd	XF1	\$0.38	70.4	(6.7)	63.7	12.6	18.6 (unaudited)	na	5.1	3.4	na
IntelliHR Ltd	IHR	\$0.061	20.7	(7.8)	12.9	2.5	4.3	na	5.2	3.0	na
ELMO Software Ltd	ELO	\$2.60	234.5	(17.9)	216.6	69.0	94.8	121.0	3.1	2.3	1.8
Readytech Ltd	RDY	\$2.99	319.9	26.2	346.1	50.0	75.2	95.4	6.9	4.6	3.6
KYCKR Ltd	KYK	\$0.076	40.9	(8.4)	32.4	2.7	3.5	na	12.0	9.2	na
Damstra Hldgs Limited	DTC	\$0.19	49.0	(1.9)	47.1	27.0	31.1	36.8	1.7	1.5	1.3
Identitii Ltd	ID8	\$0.055	11.0	(6.6)	4.4	1.4	1.7	na	3.2	2.5	na
wkrk Ltd	WRK	\$0.019	23.2	(0.7)	22.5	2.0	3.5	na	11.3	6.4	na
Rightcrowd Ltd	RCW	\$0.06	15.7	(6.9)	8.8	15.2	15.5	na	0.6	0.6	na
Paygroup Ltd***	PYG	\$0.95	111.7	(6.2)	105.5	15.6	26.2	na	6.8	4.0	na
LiveTiles Ltd	LVT	\$0.065	60.0	(9.8)	50.2	45.0	56.8	67.4	1.1	0.9	0.7
Knosys Ltd	KNO	\$0.064	13.8	(2.8)	11.0	4.6	9.0	na	2.4	1.2	na
LiveHire Ltd	L VH	\$0.40	118.0	(9.3)	108.7	5.5	8.9	17.7	19.6	12.2	6.1
AD1 Holdings Ltd	AD1	\$0.017	11.5	2.0	13.5	5.3	6.0	na	2.5	2.2	na
Schrole Group Ltd#	SCL	\$0.32	11.0	(4.1)	6.9	5.3	7.1	8.9	1.3	1.0	0.8
Average									5.5	3.7	2.4
Average (ex-KYK, PYG, LVH)									3.7	2.5	1.6
CV1 vs. average									(61%)	(61%)	(48%)
CV1 vs. av. ex-KYK PYG LVH									(42%)	(42%)	(25%)
CV1 vs. XF1									(57%)	(58%)	na
CV1 vs. IHR									(59%)	(53%)	na

Sources: Company ASX announcements; Refinitiv Eikon; RaaS estimates. Prices as at close of trade on 19 July 2022.

*Net debt/(cash) based on most recent disclosure (30 June 2022, 31 March 2022 or 31 December 2021); **For companies with no available forecast data, H1 FY22 revenue has been annualised to provide a proxy for a full-year estimate; ***31 March balance date, FY22 actuals; #31 December balance date (SCL is also a RaaS client).

Exhibit 7: ASX-listed peers – EV/EBITDA trading multiples

Name	ASX code	Share price	Market cap. (\$m)	Net debt/(cash) (\$m)*	EV (\$m)	EBITDA - FY21a (\$m)	EBITDA - FY22f (\$m)	EBITDA - FY23f (\$m)	EV/EBITDA - FY21a (x)	EV/EBITDA - FY22f (x)	EV/EBITDA - FY23f (x)
CV Check Ltd	CV1	0.115	49.9	(12.2)	37.7	0.2	1.0	2.4	155.7	38.4	15.6
Xref Ltd	XF1	\$0.38	70.4	(6.7)	63.7	1.0	na	na	61.3	na	na
ELMO Software Ltd	ELO	\$2.60	234.5	(17.9)	216.6	0.4	2.8	12.4	528.3	77.9	17.5
Readytech Ltd	RDY	\$2.99	319.9	26.2	346.1	18.9	27.5	33.7	18.3	12.6	10.3
Damstra Hldgs Limited	DTC	\$0.19	49.0	(1.9)	47.1	6.6	2.3	5.8	7.1	20.2	8.1
Paygroup Ltd**	PYG	\$0.95	111.7	(6.2)	105.5	1.6	1.5	na	66.0	70.4	na
LiveTiles Ltd	LVT	\$0.065	60.0	(9.8)	50.2	1.1	1.7	5.1	44.4	28.8	9.9
Schrole Group Ltd#	SCL	\$0.32	11.0	(4.1)	6.9	(0.6)	0.7	1.7	nm	9.9	4.1
Average									90.7	33.2	10.1
Average (exc. ELO, PYG)									32.8	17.9	8.1
CV1 vs. average									72%	16%	56%

Sources: Company ASX announcements; Refinitiv Eikon; RaaS estimates; Prices as at close of trade on 19 July 2022.

* Net debt/(cash) based on most recent disclosure (30 June 2022, 31 March 2022 or 31 December 2021); **31 March balance date, FY22 actuals; #31 December balance date (SCL is also a RaaS client).

Note: EV/EBITDA metrics are provided for the ASX-listed peers that are EBITDA positive and/or where forecast data is available.

US listed pureplay SaV companies

Three of the largest SaV companies in the United States listed in 2021 and provide pureplay valuation comparables notwithstanding the vast difference in the revenue and earnings scale of these companies relative to CV1. None appear to currently generate any material SaaS subscription-based revenue (vs. ~9% for CV1). Accordingly, the valuation metrics reflect transactional SaV revenue which, in turn, provide a sound yardstick for most of CV1's current revenue.

Their average EV/Revenue is 2.5x based on FY22 (CY22) consensus forecasts and EV/EBITDA is 9.1x. For FY23 (CY23), average EV/Revenue is 2.3x and EV/EBITDA is 8.1x.

Exhibit 8: Pureplay SaV comparables - trading multiples FY22f*

	Code	Price (\$)	Market cap. (US\$m)	Net debt (31/3/22)	EV (US\$m)	FY22f revenue (US\$m)	FY22f EBITDA (US\$m)	FY22f EPS (US cents)	EV / Revenue - FY22f (x)	EV / EBITDA - FY22f (x)	PE ratio - FY22f (x)
First Advantage Corp	NASDAQ: FA	12.97	1,984	257	2,241	836	261	1.1	2.7	8.6	12.2
Sterling Check Corp	NASDAQ: STER	17.06	1,642	465	2,107	777	214	1.1	2.7	9.9	15.0
HireRight Holdings Corp	NYSE: HRT	13.73	1,090	618	1,708	823	192	1.6	2.1	8.9	8.7
Average									2.5	9.1	12.0

Sources: Company SEC filings, Refinitiv Eikon; Prices as at close of trade on 18 July 2022; *31 December 2022 balance dates

Exhibit 9: Pureplay SaV comparables - trading multiples FY23f*

	Code	Price (\$)	Market cap. (US\$m)	Net debt (31/3/22)	EV (US\$m)	FY23f revenue (US\$m)	FY23f EBITDA (US\$m)	FY23f EPS (US cents)	EV / Revenue - FY23f (x)	EV / EBITDA - FY23f (x)	PE ratio - FY23f (x)
First Advantage Corp	NASDAQ: FA	12.97	1,984	257	2,241	906	287	1.15	2.5	7.8	11.3
Sterling Check Corp	NASDAQ: STER	17.06	1,642	465	2,107	843	241	1.32	2.5	8.8	12.9
HireRight Holdings Corp	NYSE: HRT	13.73	1,090	618	1,708	880	221	1.74	1.9	7.7	7.9
Average									2.3	8.1	10.7

Sources: Company SEC filings, Refinitiv Eikon; Prices as at close of trade on 18 July 2022; *31 December 2023 balance dates

International non-pureplay peers (business intelligence including SaV)

There are also several large listed international comparable companies providing broader business intelligence offerings which include SaV services. This group trades on higher valuation multiples than the pureplay SaV peers which likely reflects their more diversified revenue and earnings streams.

The average EV/Revenue for this group is 5.3x based on FY22 (CY22) consensus forecasts and EV/EBITDA is 16.3x. For FY23 (CY23), the average EV/Revenue is 4.9x and EV/EBITDA is 14.7x.

Exhibit 10: International non-pureplay comparables - trading multiples FY22f*

	Code	Price (US\$)	Market cap. (US\$m)	Net debt (31/3/22)	EV (US\$m)	FY22f revenue (US\$m)	FY22f EBITDA (US\$m)	FY22f EPS (US cents)	EV / revenue - FY22f (x)	EV / EBITDA - FY22f (x)	PE ratio - FY22f (x)
Equifax Inc	NYSE: EFX	191.67	23,449	5,613	29,061	5,167	1,817	8.04	5.6	16.0	23.8
Automatic Data Processing Inc	NASDAQ: ADP	211.26	88,274	1,353	89,627	16,428	4,328	6.97	5.5	20.7	30.3
Experian plc (in GBP)	LSE: EXPN	27.68	25,251	4,180	29,431	6,288	2,129	1.24	4.7	13.8	22.3
TransUnion	NYSE: TRU	82.60	15,896	4,650	20,546	3,848	1,405	3.88	5.3	14.6	21.3
Average – non-pureplay									5.3	16.3	24.4
Average - pureplays									2.5	9.1	12.0
Average – all int'l									3.4	12.7	18.2

Sources: Company SEC filings, Refinitiv Eikon; Prices as at 18 July 2022; *31 December 2022 year end except Experian (31 March)

Exhibit 11: International non-pureplay comparables - trading multiples FY23f*

	Code	Price (US\$)	Market cap. (US\$m)	Net debt (31/3/22)	EV (US\$m)	FY23f revenue (US\$m)	FY23f EBITDA (US\$m)	FY23f EPS (US cents)	EV / Revenue - FY23f (x)	EV / EBITDA - FY23f (x)	PE ratio - FY23f (x)
Equifax Inc	NYSE: EFX	191.67	23,448	5,613	29,061	5,579	2,028	9.23	5.2	14.3	20.8
Automatic Data Processing Inc	NASDAQ: ADP	211.26	88,274	1,353	89,627	17,627	4,722	7.73	5.1	19.0	27.3
Experian plc (in GBP)	LSE: EXPN	27.68	25,251	4,180	29,431	6,735	2,335	1.36	4.4	12.6	20.4
TransUnion	NYSE: TRU	82.60	15,896	4,650	20,546	4,180	1,573	4.42	4.9	13.1	18.7
Average – non-pureplay									4.9	14.7	21.8
Average - pureplays									2.3	8.1	10.7
Average – all int'l									3.6	11.4	16.2

Sources: Company SEC filings, Refinitiv Eikon; Prices as at 18 July 2022; *31 December 2022 year end except Experian (31 March)

CV1 valuation scenarios - peer trading multiples

Applying the EV/Revenue multiples for the ASX peers, XF1, the US listed pureplays and non-pureplay global peers to CV1 gives a range of enterprise values from \$66m-\$97m and an equity value of **\$0.18-\$0.25 per share** on FY22 forecasts. We note that our DCF valuation of \$0.26 per share is marginally higher than the top of this valuation range. On FY23 forecasts (excluding XF1 comparable), EV ranges from \$70m-\$110m for equity values of \$0.19-\$0.28.

Exhibit 12: CV1 valuation scenarios - peer trading multiples		
	FY22f	FY23f
CV1 revenue (A\$m)	26.4 (unaudited)	30.5
EV/revenue multiple		
ASX peers - average	3.7x	2.4x
XF1	3.4x	na (no forecast data)
US listed pureplay SaV - average	2.5x	2.3x
Global peers (inc. pureplays) - average	3.4x	3.6x
Enterprise value (EV) - CV1 (A\$m)		
Using ASX peers - average	97.0	72.9
Using XF1	90.5	na
Using US listed pureplay SaV - average	65.7	70.2
Using global peers (inc. pureplays) - average	89.9	109.6
Equity value/share - CV1		
Using ASX peers - average	\$0.25	\$0.20
Using XF1	\$0.24	na
Using US listed pureplay SaV - average	\$0.18	\$0.19
Using global peers (inc. pureplays) - average	\$0.24	\$0.28
Sources: RaaS estimates, Refinitiv Eikon		

DCF Valuation

Using a discounted cashflow methodology, our valuation of CV1 is **\$0.26 per share** based on current issued capital (given none of the unlisted securities have vested and/or are in-the-money). This implies EV/Revenue multiples of 3.8x for FY22 and 3.3x for FY23, which appear reasonable compared to the abovementioned peer trading multiples and implied recent M&A metrics.

Exhibit 13: DCF valuation	
Parameters	Outcome
Discount rate / WACC*	11.6%
Beta**	1.25x
Terminal growth rate assumption	2.2%
Sum of PV (forecast period)	\$40.4m
PV of terminal value	\$59.5m
PV of enterprise	\$99.8m
Net debt / (cash) - 30 June 2022 (actual per Flash result announcement)	(\$12.2m)
Net valuation - equity	\$112.1m
No. of shares on issue	434.2m
NPV per share	\$0.26
Sources: RaaS estimates, Refinitiv Eikon; *Discount rate incorporates risk-free rate (Rf) of 3.5% and an equity risk premium of 6.5%; **Vs. Refinitiv's observed beta of 1.5x based on its five-year monthly beta methodology	

A sensitivity analysis of some key DCF valuation inputs is set out below.

Exhibit 14: DCF valuation sensitivities				
Variable	Current value in DCF	+/-	+/- value change (per share)	% change vs DCF
Discount rate / WACC	11.6%	1%	\$0.03	12%
SaaS av. monthly fee per worker	\$15	\$2.50	\$0.07	28%
FY26f revenue (\$m)	50.9	\$5m	\$0.05	21%
FY31f revenue (\$m)	80.5	\$5m	\$0.02	8%
Gross margin FY26f	74.0%	5 percentage pts	\$0.04	17%
Gross margin FY31f	78.5%	5 percentage pts	\$0.02	8%
Source: RaaS estimates				

Execution risks: The key risks to our forecasts and, in turn, our DCF valuation lie in CV1's SaaS sales execution/customer uptake, namely:

- Ability to expeditiously **recruit** and onboard the requisite **sales staff**.
- **Customer resistance points/competing offerings:** For instance, whilst Cited is a differentiated multi-service SaaS platform, it is not a complete workforce solutions platform and there is an assortment of competitor offerings in workforce management and compliance. Many potential customers will also have relationships with existing payroll, HRM and/or enterprise resource planning (ERP) software providers, including for software with overlapping functionality (e.g. inductions and training), which could create barriers to uptake or switching. Potential mitigating factors are Cited's integration capabilities with other HR platforms, its price point and model, and its cross-departmental use case (HR, legal, compliance, risk, executive management and governance).
- Longer-than-expected **lead times** to secure customers.
- **Economic uncertainty or downturn** leading to reduced business spending in all areas. A mitigating factor is that compliance-related software vendors are typically somewhat insulated from ancillary spend cuts during downturns (i.e. considered to be 'must have' spend).

Annexure A: RegTech SaaS Platform – Cited

The Cited SaaS platform provides real-time workforce compliance monitoring and management services. It has application throughout the lifecycle of employees as well as contractors and suppliers/visitors.

Cited has been designed as an industry and jurisdictionally agnostic platform which enables businesses to easily tailor various features for their workforces. As a cloud-based SaaS solution, it is also scalable.

The platform enables compliance monitoring and management by combining (in real-time) each worker's information and data with organisational policies/rules and industry relevant legislative/regulatory requirements that are customised by role, task/project and location. The recently released OnCite 'Digital Credential Passport' app enables workers to directly capture and securely retain their information and data using their mobile devices and supply it to their employer(s) more efficiently via the app into the Cited platform (vs. the previous offering of a mobile-optimised website and non-portable information).

CV1 believes that no other single supplier workforce compliance SaaS offering currently incorporates all of Cited's functionality (e.g. compliance monitoring in real-time and fully integrated ongoing/recurring screening and verification capability).

The first table below sets out the Cited platform's key features, while the second details its key advantages.

Exhibit 15: Cited SaaS platform – key features

Feature	Description
Pre-employment SaV services	<p>Pre-hiring checks (with choice to require payment by the worker) which commonly include:</p> <ul style="list-style-type: none"> • Identity verification • Police checks • Role, task/project and location-specific checks (e.g. qualifications and certifications, training, and medical checks)
Onboarding / inductions	<ul style="list-style-type: none"> • Online inductions and training modules (including conversion of offline content to online) • Company policies and compliance administration forms (e.g. site conditions and access agreements; PPE uniforms) • University accredited training packages available
Real-time compliance monitoring and reporting	<ul style="list-style-type: none"> • Data capture via workers for licence/certifications, training completion, location check-ins, ready-to-start and safety checks etc • Data analysis by combining current relevant organisational policies/rules and legislative/regulatory requirements with each worker's information and data • Dashboards, compliance matrix and customised reports providing real-time view of compliance • Automatic flagging of issues/non-compliance for action • Availability of ongoing SaV services – e.g. checking licence/certification renewals, periodic medical checks, right-to-work remains valid, police check result has not changed
Compliance management	<ul style="list-style-type: none"> • Automated alerts and reminders for upcoming expiries, renewals, training requirements, exemptions etc • Forecasting/planning tools for training requirements, changes to business policies and regulatory requirements, and broader business planning (e.g. available compliant workers for new projects or work sites, or upcoming risk of worker shortages) • Ongoing training/learning and development for licence/certification maintenance and renewal processes or new business policies and legislative/regulatory requirements • Historic data/records availability (for audits and for worker access/portability purposes)
Worker deployment	<ul style="list-style-type: none"> • Rostering (linked to compliance pre-requisites) • Logistics (including FIFO): deployment, redeployment, flight booking, accommodation admin, site access, location tracking
Contractor / visitor management	<ul style="list-style-type: none"> • Per above - tailored to the organisation's requirements for third-party businesses and their personnel
OnCite App - 'Digital Credential Passport' for workers (released into Apple and Google Play app stores on 22 June 2022)	<ul style="list-style-type: none"> • Provides workers with access to the Cited-verified credential information they provide to employers, including a validated government-recognised digital identity, which they can elect to share with other employers/other third parties • Enables portable and reusable verification for workers, and can reduce duplication and inefficiencies for both workers and businesses using or accepting Cited-verified credential information* • Biometrics and other features and enhancements (including personal workplace safety real-time monitoring and reporting) are expected to be added in FY23/24 • Download (available for iOS and Android devices) and use is free of charge for workers
Integration-third party platforms	<ul style="list-style-type: none"> • Able to be integrated with other relevant third-party HR and ERP software via APIs

Sources: CV1 announcements and websites; *In 2018, Bright estimated that duplication of due diligence recruitment processes in Australia's construction sector costs ~\$280m each year. See [The heavy toll of construction duplication \(cited.com.au\)](https://www.cited.com.au/the-heavy-toll-of-construction-duplication)

Exhibit 16: Cited SaaS platform – key advantages for employers

Feature	Description
Real-time monitoring of workforce compliance status	Akin to constant audit (vs. retrospective investigation/audit). Reduces potential future direct and indirect costs arising from breaches.
Proactive compliance management	Provision of data and functionality to plan for and manage licence/certifications renewal requirements and new or changing business policies or legislative/regulatory requirements + Reduced potential for incidents and subsequent investigations + Readily accessible source of information for internal or external audit requirements. Can also facilitate business planning (e.g. available compliant workers for new projects or work sites, or upcoming risk of worker shortages).
Reduced administration via worker self-service	Direct digital information and data capture by workers streamlines processes and eliminates manual processing/data entry and administrative burden on HR and compliance staff.
Relevance to various internal stakeholders	Provides relevant information not only to hiring and HR staff but for risk and compliance managers, site managers, health and safety officers, training managers, executives and boards/governing bodies.
Ease-of-use and value-add service for workers	The OnCite app ('Digital Credential Passport' app) offers an improved user interface and experience for workers, while its portability has the potential to reduce the worker 'pain point' of repeating background checks and training, especially for workers with multiple jobs, contractors and suppliers (where their other employer(s) also subscribe to Cited). There is no charge to workers for download and use of the OnCite app.

Sources: CV1 announcements and websites

New revenue model: All-in monthly fee per worker, minimum 12-month subscription

To date, customers using Cited have been charged a monthly SaaS fee plus transactional fees based on use of SaV services and travel/FIFO booking related services. Moving forward, CV1 will charge new or renewing customers a monthly all-in fee per worker for Cited's full suite of platform services (including SaV transactional services which businesses currently order and pay for as needed). CV1 views the simple all-in pricing model as a **key differentiator** which should provide sales impetus and support customer retention and, in turn, drive an increasing proportion of subscription SaaS revenue.

The minimum subscription term will be 12 months. CV1 expects customers will agree to subscription terms of one to three years (akin to the length of Bright's existing customer contracts).

The fee per worker is expected to be in the range of \$15-\$30 per month (\$180-\$360/year) with exact pricing varying based on subscription term, and industry and business specific requirements (e.g. anticipated annual SaV service requirements). We understand that this revenue model and pricing has received a positive reception in market soundings.

Exhibit 17: Financial Summary

CV Check Ltd						Share price (19 July 2022)					A\$	0.115					
Profit and Loss (A\$m)						Interim (A\$m)	H1 20a	H2 20a	H1 21a	H2 21a	H1 22a	H2 22f*					
Y/E 30 June	FY20a	FY21a	FY22f*	FY23f	FY24f	Revenue	6.6	5.8	7.0	10.5	12.8	13.4					
Sales Revenue	12.4	17.5	26.2	30.5	37.1	EBIT DA	(0.2)	(0.2)	0.6	(0.3)	0.7	0.3					
Gross Profit	6.7	10.3	16.7	20.1	25.4	EBIT	(0.9)	(0.6)	0.0	(1.1)	(0.6)	(0.9)					
GP margin %	54.6%	58.8%	63.8%	65.9%	68.5%	NPAT (normalised)	(0.9)	(0.4)	0.0	(1.0)	(0.6)	(0.9)					
EBIT DA	(0.4)	0.2	1.0	2.4	5.2	Minorities	-	-	-	-	-	-					
Depn	(0.3)	(0.3)	(0.2)	(0.2)	(0.1)	NPAT (reported)	(0.9)	(0.4)	0.0	(1.0)	(0.6)	(0.9)					
Amort	(0.8)	(1.0)	(2.2)	(2.8)	(3.1)	EPS (normalised)	(0.30)	(0.13)	0.00	(0.24)	(0.14)	(0.21)					
EBIT	(1.5)	(1.1)	(1.5)	(0.5)	2.0	EPS (reported)	(0.30)	(0.13)	0.00	(0.24)	(0.14)	(0.21)					
Interest	(0.0)	0.0	0.0	0.2	0.2	Dividend (cps)	-	-	-	-	-	-					
Tax	0.2	0.0	(0.0)	0.0	0.0	Imputation	-	-	-	-	-	-					
NPAT pre significant items	(1.3)	(1.0)	(1.5)	(0.4)	2.2	Operating cash flow	0.1	(0.6)	0.9	0.2	1.2	1.4					
Significant items	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.4)	(1.1)	0.4	(0.3)	0.1	0.1					
NPAT (reported)	(1.3)	(1.0)	(1.5)	(0.4)	2.2	Divisions	H1 20a	H2 20a	H1 21a	H2 21a	H1 22a	H2 22f*					
NPAT A (ex Bright amort)	(1.3)	(0.7)	(0.3)	0.8	3.4	SaV - CVCheck Platform	6.6	5.8	7.0	9.1	9.9	10.5					
Cash flow (A\$m)						SaaS revenue - Cited	na	na	na	0.6	1.2	1.2					
Y/E 30 June	FY20a	FY21a	FY22f*	FY23f	FY24f	Bright/Cited - Transactional	na	na	na	0.8	1.7	1.7					
EBIT DA	(0.4)	0.2	1.0	2.4	5.2	Sales revenue	6.6	5.8	7.0	10.5	12.8	13.4					
Interest	(0.0)	0.0	0.0	0.2	0.2	COGS	(2.9)	(2.7)	(3.1)	(4.1)	(4.7)	(4.9)					
Tax	0.4	0.8	(0.1)	(0.1)	(0.1)	Gross Profit	3.7	3.1	3.9	6.4	8.2	8.6					
Work cap chgs/share pymts	(0.5)	(0.1)	1.7	0.1	(0.2)	GP margin %	55.5%	53.4%	55.8%	60.7%	63.7%	63.9%					
Operating cash flow	(0.5)	1.0	2.6	2.5	5.0	Employment	(2.7)	(2.3)	(2.7)	(3.7)	(5.0)	(5.2)					
Capex	(0.0)	(0.0)	(0.2)	(0.1)	(0.1)	Marketing	(0.5)	(0.4)	(0.5)	(0.7)	(0.8)	(1.4)					
Cap dev costs	(1.0)	(0.9)	(2.3)	(2.3)	(2.4)	IT	0.0	(0.5)	(0.2)	(0.3)	(0.6)	(0.7)					
Free cash flow	(1.5)	0.1	0.1	0.1	2.6	Other costs	(0.9)	(0.2)	(0.6)	(1.8)	(1.0)	(1.1)					
Acquisitions	0.0	(1.8)	(0.7)	0.0	0.0	Other income (gov grants)	0.2	0.3	0.6	(0.1)	0.0	0.0					
Other	0.1	(0.1)	(0.0)	0.0	0.0	EBITDA	(0.2)	(0.2)	0.6	(0.3)	0.7	0.3					
Cash flow pre financing	(1.3)	(1.8)	(0.5)	0.1	2.6	Margins, Leverage, Returns							FY20a	FY21a	FY22f*	FY23f	FY24f
Equity	2.9	9.9	0.0	0.0	0.0	EBIT DA margin		(3.0%)	1.4%	3.7%	8.0%	14.0%					
Debt	0.0	0.0	(0.1)	0.0	0.0	EBIT margin		(11.8%)	(6.1%)	(5.8%)	(1.8%)	5.4%					
Dividends paid	0.0	0.0	0.0	0.0	0.0	NPAT margin pre sig items		(10.1%)	(5.8%)	(5.8%)	(1.2%)	5.8%					
Net cash flow for year	1.5	8.2	(0.7)	0.1	2.6	Net Debt/(Cash)		(4.6)	(12.9)	(12.3)	(12.4)	(15.0)					
Balance sheet (A\$m)						Net debt/EBIT DA (x)		nm	nm	nm	nm	nm					
Y/E 30 June	FY20a	FY21a	FY22f*	FY23f	FY24f	ND/ND+Equity (%)		nm	nm	nm	nm	nm					
Cash	4.6	12.9	12.3	12.4	15.0	EBIT interest cover (x)		nm	nm	nm	nm	nm					
Accounts receivable	0.7	2.8	1.9	2.1	2.6	ROA		(17.0%)	(5.1%)	(4.8%)	(1.7%)	6.2%					
Inventory	0.0	0.0	0.0	0.0	0.0	ROE		(22.3%)	(6.2%)	(6.0%)	(1.5%)	8.4%					
Other current assets	0.7	0.6	0.7	0.7	0.7	ROIC		(19.6%)	(4.7%)	(5.2%)	(2.2%)	7.3%					
Total current assets	6.0	16.3	14.9	15.2	18.3	NTA (per share)		0.01	0.02	0.02	0.02	0.03					
PPE	0.4	0.3	0.3	0.2	0.2	Working capital		(0.3)	1.7	(0.1)	(0.2)	0.0					
Goodwill	1.4	4.7	4.8	4.8	4.8	WC/Sales (%)		(2.2%)	9.8%	(0.4%)	(0.5%)	0.0%					
Intangibles	1.5	11.2	11.3	10.8	10.1	Revenue growth (%)		(1.2%)	41.3%	50.2%	16.0%	21.8%					
Deferred tax asset	0.0	0.0	0.0	0.0	0.0	EBIT growth (%)		nm	nm	nm	nm	nm					
Other non current assets	0.0	0.0	0.0	0.0	0.0	Pricing							FY20a	FY21a	FY22f*	FY23f	FY24f
Total non current assets	3.3	16.2	16.4	15.8	15.1	No of shares (y/e)	(m)	292	429	434	434	434					
Total Assets	9.2	32.5	31.3	31.1	33.4	Weighted Av Dil Shares	(m)	289	333	434	434	434					
Accounts payable	1.0	1.1	2.0	2.3	2.6	EPS Normalised/Diluted	cps	(0.4)	(0.3)	(0.3)	(0.1)	0.5					
Short term debt	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)		nm	nm	nm	nm	nm					
Contract liabilities	0.3	0.6	1.0	1.0	1.0	PE (x)		nm	nm	nm	nm	23.4					
Other current liabilities	1.5	4.6	3.0	2.9	2.7	DPS	cps	-	-	-	-	-					
Total current liabilities	2.7	6.3	6.0	6.2	6.3	DPS Growth		na	na	na	na	na					
Long term debt	0.0	0.0	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Other non current liabs	0.1	0.0	0.2	0.2	0.2	Dividend imputation		na	na	na	na	na					
Total long term liabilities	0.1	0.0	0.2	0.2	0.2												
Total Liabilities	2.8	6.3	6.2	6.4	6.5												
Net Assets	6.4	26.2	25.1	24.7	26.9												
						EV/Revenue (x)		2.3	2.1	1.4	1.2	0.9					
Share capital	27.3	47.2	47.9	47.9	47.9	EVEBIT DA (x)		nm	150.4	38.4	15.5	6.7					
Retained earnings	(21.1)	(22.1)	(23.4)	(23.7)	(21.6)	FCF/Share	cps	(0.51)	0.03	0.03	0.03	0.60					
Reserves	0.2	1.1	0.5	0.5	0.5	Price/FCF share (x)		nm	408	353	402	19.2					
Minorities	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		(4.4%)	0.2%	0.3%	0.2%	5.2%					
Total Shareholder funds	6.4	26.2	25.1	24.7	26.9												

Source: Company data, RaaS Advisory estimates *CV1 has released some unaudited FY22 figures - revenue, operating cashflow, cash balance and capitalised development costs. See **Some FY22 Unaudited Figures – Revenue, Operating Cashflow, Cash Balance.**

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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