

September 20, 2021
Analyst: Ernest C. Schlotter



Recruiter.com (NASDAQ: RCRT) is poised to benefit from a transformational megatrend in the global recruiting industry. RCRT has fully integrated AI search and matching plus video screening and on-demand service, including the worldwide largest network of recruiters to assist and to recruit talent faster. While millions remain unemployed, specific industries struggle to find workers, and more than 75 million Baby Boomers retire sooner rather than later. Recruiter's services drastically cut hiring time and cost and more than 35 million people changing jobs in the U.S.A. annually. RCRT is still in the early stage of its business development and is rapidly growing by inorganic growth by acquisitions. Year-on-year RCRT had the strongest growth rate of the entire recruiting industry. The shares trades 26.2% lower compared to 12 months ago and offers investors excellent buying opportunities. **We are initiating coverage on Recruiter.com with a SPECULATIVE BUY RATING and a 12-months target price of \$15.**

INVESTMENT HIGHLIGHTS:

◆ **During Covid-19, the traditional hiring process** was never more difficult for recruiters and candidates, and it was not easy to adapt to a fully remote experience. Digital transformation has sped up significantly, and the way companies work has fundamentally changed due to the COVID-19 pandemic. *Continuing significant shifts are underway in the process to leverage technology to drive efficiency for both recruiters and job-seeker alike.*

◆ **Recruiter.com is at the Right Time and the Right Place.** While millions remain unemployed, specific industries are struggling to find workers. The great resignation that started in 2020 is likely to continue. More than 55% of the workforce in the U.S.A are currently working or actively looking for employment. New trends show a dramatic increase of the gig economy, offering additional business opportunities. *Recruiter.com is well diversified within the \$126.1 billion staffing and recruiter industry, and its powerful AI video-screening platform drastically cuts hiring time and costs.*

◆ **Recruiter.com continue to focus on achieving rapid growth** and gaining market share through strategic acquisitions. In 2021 the Company acquired some \$18 million worth of a wide array of technology-related assets, including proprietary recruiting artificial intelligence (machine learning technology) and video technologies. In addition, Recruiter.com has immediately gained access to a significant pool of specialized professionals, very talented sales and delivery staff, including customer support. *With its leading AI-powered and video hiring platform and the world's largest network of more than 30,000 recruiters, the Company more and more is strengthening its competitive advantage.*

◆ **Recruiter.com reported strong second-quarter results.** For the quarter ended June 30, 2021, the Company increased its revenue by 136.4% to \$4.4 million, compared to the same quarter last year. Sales for the June quarter were \$4.38 million compared to \$3.2 million in the March quarter, an increase of 38.4 percent. For the current third quarter ending September 30, we forecast \$6.7 to \$6.8 million in revenue, attributed to strong organic growth and new acquisitions closed during the current quarter. We expect revenue to rise to \$9.6 million in the 4th quarter in anticipation of full integration of the acquisitions.

◆ **Recruiter.com shares are down 26.2% in the trailing 12-month period** despite solid revenue growth during the same time. Compared to its peer group, the Company stock is underperforming despite positive business developments and trading on NASDAQ since July 2021. Recruiter.com trades 69.5% below its 52-week high. Currently, the Company is valued 4.2 times its trailing twelve months revenue. On a one-year forward price-to-sales (P/S) ratio of 4.2, we value the Company at roughly \$270 million or \$16.5 per share What makes Recruiter a buy is a stock price that is a relative bargain compared to the recent past and compared to the broader recruiter universe; it's an excellent valuation of a business with so much momentum. **We are initiating coverage on Recruiter.com with a SPECULATIVE BUY RATING and a 12-months target price of \$15.**

	FY Dec. 2020A	Q1 March 2021A	Q2 June 2021A
Net Income (loss)	-17,036,837	-6,280,066	3,528,279
Interest Expense and finance cost net	2,022,113	1,427,588	1,592,822
Depreciation & amortization	687,845	159,173	675,384
EBITDA (loss) profit	-14,326,879	-4,693,305	5,796,485
Bad debt expense	12,000	16,963	41,763
Forgiveness of debt income	-376,177	-24,925	-
Impairment expenses	-	-	-
Initial Derivative Expense	3,340,554	3,586,271	-
Change in derivative value	2,642,175	-	-
Loss on change fair value of derivative	2,658,261	-62,8621	-7,574,750
Stock-based compensation	3,212,772	65,4907	960,334
Adjusted EBITDA (loss)	-2,837,294	-1,088,710	-776,168
Net income (loss) per share - basic	-\$0.58	-\$0.17	-\$0.22
Net income (loss) per share - diluted	-\$0.58	-\$0.17	-\$0.13
Weighted average shares - basic	4,873,657	6,537,308	3,560,745
Weighted average shares - diluted	4,873,657	6,537,308	5,879,481

	Q2 June 2021A	Q3 Sep. 2021E	Dec Year End 2021A
Revenue	4,380,894	6,768,983	23,960,304
Year-to-year and qtr-to qtr Growth	38.44%	54.51%	181.79%
Cost of Revenues	2,946,084	4,399,839	15,677,739
Gross Profit	1,434,810	2,369,144	8,282,565
Gross Margin Product Revenue	32.75%	35.00%	34.57%
Operating expenses:			
Total operating expenses	3,887,702	4,490,073	15,594,372
Operating expenses vs. Revenue %	88.74%	66.33%	66.56%
Loss from operations	-2,452,892	-2,120,929	-7,311,806
Operating Margin	-55.99%	-31.33%	-30.52%
Total other income (expenses)	5,981,171	-1,650,000	-6,670,410
Net income (loss)	3,528,279	-3,770,929	-13,982,216
Net income (loss) per share - diluted	\$0.60	-\$0.27	-\$0.99
Weighted average shares - diluted	5,879,481	14,060,589	14,060,589

Stock Chart



COMPANY OVERVIEW

Nasdaq-listed Recruiter.com (RCRT) was founded in 2015 and headquartered in Houston, Texas. The Company operates an online on-demand video-enabled and artificial intelligence hiring recruiting job-matching platform to leverage millions of interactions between job-seekers and employers. The Recruiter platform is accessible through the Company's website at www.recruiter.com. The Company has the world's largest network of over 30,000 small and independent recruiters. It offers them a platform for millions of clients, including the newest artificial intelligence technology combined with video features.

There is no question that the way we work has fundamentally changed due to the COVID-19 pandemic and has accelerated digitization operations by three to four years. In addition, the great resignation that started in 2020 is likely to continue. More than fifty-five percent of the workforce in the U.S.A are currently working or actively looking for employment. While millions remain, unemployed specific industries are struggling to find workers. In addition, employers face hiring challenges as more than seventy-five million Baby Boomers retiring sooner rather than later. These trends will continue for the foreseeable future. Recruiter.com is well diversified within the \$126.1 billion staffing and recruiter industry and generates income from five revenue streams; Recruiters on Demand, Fulltime Placement, Consulting and Staffing, Software Subscriptions, and Marketplace.

RECRUITERS UNIQUE BUSINESS MODEL

The Company has a unique position within the staffing and recruiter industry, and no publicly traded Company or platform can offer what the Company has. The great resignation is likely to continue as fifty-five percent of Americans anticipate looking for a new job and provide tremendous opportunities within the recruiter industry. The quits rate for U.S. workers is the highest in decades, and more than 75 million Baby Boomers retire sooner rather than later. While millions remain, unemployed specific industries are struggling to find workers. However, the way employers recruit talent is dramatically changing, and Recruiter.com will give both large and small employers a way to react in real-time to their talent demands with flexible, scalable solutions.

In the U.S.A., the ongoing labor shortage will create a significant market for talent acquisition professionals and recruiters. RCRT has an incredible opportunity to advance hiring matches in speed quality and decision-making processes. Recruiter.com is an early leader in the next generation of recruiting technology and has advanced its mission of revolutionizing recruiting and talent acquisition into a rapid on-demand service business with a network of more than 30,000 recruiters, working as independent contractors like the same status Uber drivers have.

Before the pandemic, the average corporate job posting received 250 resumes. Altogether companies are reviewing at least 8.5 billion resumes for their opening jobs at a cost to the economy of at least \$136 billion yearly. Recruiter.com can help both reduce this up-front cost and deliver an increased return on investment. The average hiring costs in the United States is \$4,129. With approximately 155 million people employed in the U.S. and annual voluntary turnover between 22 percent and 27 percent, there are at least 35 million people to be hired at any given time. About thirty-five percent of U.S. adults participate in the new gig economy trend (Independent contractors online platform workers, contract firm workers, on-call and temporary workers).

THE ON-DEMAND RECRUITING PLATFORM

The journey for Recruiter.com to a leading global AI and video interview platform has started with the mission to become worldwide the most collaborative and connective platform for hiring talents. A game-changing event occurred in 2019 when Recruiters.com entered into a strategic partnership agreement with Censia Inc., the operator of global, sophisticated talent intelligence and sourcing engine platforms. More than 500 million professionals worldwide were indexed analyzed through artificial intelligence. This partnership was significant, as Recruiter.com immediately gained access to hundreds of millions of talent profiles in its database. This partnership instantly delivered a powerful new candidate sourcing feature to the Recruiter.com platform. Through AI, Censia technologies replace manual search by modeling ideal candidates and reducing time to discover top performers. Modeling based on real people aligns hiring managers and recruiters naturally around the perfect candidate.

Today video is an Integral Part of Recruitment - Recruiter.com is putting the personality back into the recruitment process and turn video into an integral part of recruitment to match candidates to employers. RCRT uses video to encourage candidates to express their authentic personality experience and qualifications and lets hiring managers to identify the best hire. In 2020 the Recruiter formed a collaborative partnership with a leading premium video interviewing technologies provider to services and license agreement. In addition, in January 2021, Recruitee.com completed an asset purchase agreement with Scouted and gained access to proprietary video database technology to unlock human potential going deep into candidates using video screening and AI-based scoring algorithms. The Scouted take-over offers tremendous opportunities. The Company gained immediate access to a database containing hundreds of thousands of high-potential early- and mid-career clients to accelerate revenue opportunities. Recruiters, a powerful video-screening platform, drastically cut hiring time by replacing resume reviews and phone screens with short candidate videos.

RECRUITER.COM GENERATES REVENUE FROM THE FOLLOWING BUSINESS ACTIVITIES

Recruiters on Demand: Consists of a consulting and staffing service specifically for the placement of professional recruiters marketed as *Recruiters on Demand*. The service is a flexible time-based solution that provides businesses of all sizes access to recruiters on an outsourced virtual basis for help with their hiring needs. Revenue earned through Recruiters on Demand is derived by billing the employer clients for the placed recruiters, ongoing work at an agreed-upon time-based rate. The Company directly source recruiter candidates from their network of recruiters on the platform as the recruiter user base of the platform has the proper skill-set for recruiting and hiring projects. The Company generated 41% of total revenue in 2Q21 from this business sector with a gross margin of approximately 20%

Consulting and Staffing: Consists of providing consulting and staffing personnel services to employers to satisfy their demand for long- and short-term consulting and temporary employee needs. Recruiter.com generates revenue by first referring qualified personnel for the employer's specific talent needs. The next step is placing such personnel with the employer. Finally, the Company is billing the employer for the time and work of the placed personnel on an ongoing basis, typically on a weekly invoicing schedule. This business sector is the

Company's strongest with 49.25 percent of total revenue with a gross margin of approximately twenty percent

Full-time Placement: Consists of providing referrals of qualified candidates to employers to hire staff for full-time positions. Recruiter.com generates full-time placement revenue by earning one-time fees for each time employers hire one of the referred candidates. Employers alert the Company of their hiring needs through the platform or other communications. Recruiter's talent delivery team selects and delivers candidate profiles and resumes to their employer clients for review and ultimate selection. The Company earns a full-time placement fee and an amount separately negotiated with each employer client. The full-time placement fee is typically a percentage of the referred candidate's first year's base salary or an agreed-upon flat fee. This business sector contributed 4.3% to total revenue in the second quarter 2021.

Software Subscriptions: The subscription on web-based platforms helps employers recruit talents. Software Subscription is the newest service provided by the Company. The platform allows customers to source contact screens and sort candidates using data science advanced email campaigning tools and predictive analytics. In addition, Recruiter.com offers enhanced support packages and on-demand recruiting support services for an additional fee. The software subscriptions are a high-margin recurring revenue business with a gross margin of 99 percent and already contributed four percent on total revenue in 2Q21.

Marketplace: The Marketplace category comprises services for businesses and individuals that leverage the Company's online presence. For businesses, this includes sponsorship of digital newsletters, online content promotion, social media distribution banner advertising, and other branded electronic communications such as quarterly digital publication on recruiting trends and issues. Recruiter.com generates revenue from marketing-related deliverables and milestones using pricing and terms set by mutual agreement with the customer. For individuals, Marketplace includes services to assist with career development and advancement, including a resume distribution service that promotes job seekers, profiles, and resumes, to help with their procuring employment and upskilling and training. The resume distribution service allows the job seeker to upload their resume to the Company's database, which then will be distributed to the network of recruiters on the platform. The Company earns revenue from a one-time, flat fee for this service. RCRT partnered with Careerdash, a high-quality training company, to provide Recruiter.com Academy an immersive training experience for career changers.

Product Mix Affecting Revenues

	Revenue 2Q2021	Revenue Mix	Revenue 1Q2020	Revenue Mix	Change
Recruiter On Demand	\$1,796,948	41.02%	\$46,856	2.53%	3735%
Consulting & Staffing	\$2,157,658	49.25%	\$1,576,662	85.07%	36.85%
Permanent Placement fees	\$1,88,196	4.30%	\$153,140	8.26%	22.89%
Software Subscriptions	\$175,790	4.01%	\$0	0.00%	100.00%
Marketplace	\$62,302	1.42%	\$76,756	4.14%	-18.83%
Total revenue	\$4,380,894	100.00%	\$1,853,414	100.00%	136.37%

RECRUITERS RAPID SUSTAINABLE GROWTH THROUGH ACQUISITIONS

Organic growth is excellent. However, it takes time and requires significant investments in technology and marketing. Inorganic growth by acquisition is Recruiters strategy, an alternative approach that leads to faster growth and is less expensive. Recruiters continue to focus on achieving rapid growth and gaining market share through strategic acquisitions. In 2021 the Company acquired some \$18 million worth of a wide array of technology-related assets, including proprietary recruiting artificial intelligence (machine learning technology) and video technologies. In addition, Recruiter.com has immediately gained access to a significant pool of specialized professionals very talented sales and delivery staff, including customer support. The successful acquisition strategy saved them countless hours on projects while cutting costs and cemented the Company as a leader for innovative recruiting tools and expert on-demand recruiting services. With its leading AI-powered and video hiring platform and the world's largest network on-demand of more than 30,000 recruiters, the Company more and more is strengthening its competitive advantage. RCRT has become an attractive partner for smaller competitors within the recruiter industry to merge even for share-based transactions.

Summary of Assets Purchase in 2021

Acquisition	Shares	Cash	Promissory Note	Purchase Price
Scouted	560,408	\$180,000		1,805,183
Upsider	807,734	\$69,983		3,939,348
OneWire	388,318			1,482,528
Uncubed	257,545	\$500,000	\$1,750,000	4,748,620
Novo Group	508,711	\$1,337,500	\$3,000,000	6,904,545
Total	2,522,716	\$2,087,483	\$4,750,000	18,880,224

The Scouted Asset Purchase - In early 2021, Recruiter.com acquired Scouted.ai in an asset purchase agreement. Scouted.ai is a tech startup focusing on unlocking human potential by developing deep insights into candidates using video screening and AI-based scoring algorithms. Recruiter.com paid for the acquisition in restricted common stocks and cash. Scouted.io has an innovative predictive-matching algorithm that is a critical component of the Recruiter growth strategy. The purchase unlocks a prestigious talent pool of more than 250,000 high-potential early- and mid-career professionals. Scouted automates video and data-forward approach to candidate onboarding. Recruiter.com can provide a turnkey experience that allows clients to tap into richly diverse talent pools more rapidly and accurately.

Recruiter.com is expanding its acquisition strategy by acquiring Upsider.ai primarily in restricted Company common stocks. The assets purchased include an artificial intelligence leading-edge sourcing software technology. The software automates candidate identification and engagement to help employers make the best hires. Recruiter paid for the acquisition primarily in restricted RCRT common stocks. This technology gives a huge advantage over the other options in the market as its embedded machine learning intelligence can learn and adapt to each step of the sourcing process. This technology is simply faster, more efficient, and more predictive than any other tool available today. The acquisition adds industry-leading technology to the Recruiter portfolio of SaaS tools. This acquisition will significantly add revenue in the third quarter 2021.

Recruiter.com expands to the subscription-based hiring solution by acquiring OneWire, a leading (SaaS) Software-as-a-Service recruiting and sourcing platform. The deal was finalized in May 2021 and completed and paid with restricted shares. The OneWire venue hosts one of the largest communities of professionals in the financial services industry, including approximately one hundred fifty clients and 700,000 financial clients. The new service allows employers to source financial services candidates on their own or taps to Recruiter,s network of on-demand recruiting professionals for hiring help. These services already contributed \$ 175,000 in recurring revenues during the second quarter.

In July 2021, Recruiter.com acquired the Technology Solutions Division of Uncubed, including an online marketplace for sourcing and screening early-professional software. The purchase agreement also includes data candidates, job board technology, and candidate engagement platform, including Mediabistro, a job board and professional community for media content and creative professionals. The acquisition was financed with cash, a promissory note, and issuing Recruiters common stock.

In late August, Recruiter.com completed the acquisition of the Novo Group Inc. These assets provide flexible talent acquisition to many customers and a groundbreaking recruiting technology solutions platform. The leading-edge talent acquisition practice includes life sciences manufacturing and consumer goods. This acquisition adds fuel to the rapidly growing on-demand recruiting segment.

REVENUE IMPACT OF THE ACQUIRED BUSINESSES

The financial results of the acquired businesses of Scouted Upsider and OneWire have already been included in the Company,s consolidated financial statements from the acquisition dates. To better understand the impact of this combined acquisition, we analyzed the financial information assumed the purchase had occurred at the beginning of the six months ended June 30, 2021, and 2020 respectively. Based on this assumption, the combined revenue increased by 61.1%, from \$4.8 million to \$7.8 million. The Uncubed revenue was even more substantial; sales grew from \$4.7 million to \$8.1 million, increasing 72.2%. The Novo Group Inc. deal was closed on August 27, 2021. At the time of writing, no further public information is available yet.

DIFFERENT BUSINESS MODELL WITHIN THE RECRUITING AND STAFFING INDUSTRY

Now we examine the different business models within the recruiting and staffing industry: The traditional executive staffing and recruiting firms like **Korn Ferry Manpower Rober Hall Adecco** etc., charge between 15% and 25% of the salary fee while Recruiters charges for services as an extension of their in-house teams.

Hudson Pro does recruitment process outsourcing while clients at Recruiter.com can choose from a network of over 30,000 experienced recruiters and can scale up or down with no long-term contracts. All on-demand recruiters are 1099 contractors who work independently rather than for an employer and have independent contractor's status.

According to its website, **LinkedIn** offers access to the world the most extensive network of 706,000+ professionals, and it provides an only do-it-yourself platform. At the same time, Recruiters.com AI sourcing and engagement include LinkedIn plus 1 billion more contracts with diversity filtering.

ZipRecruiter operates a do-it-yourself platform that runs digital advertising to drive candidates. At the same time, the Recruiter.com network finds both active candidates looking for work and passive candidates not found on job boards.

Fiverr International Ltd. provides a platform for freelancers to offer services to customers worldwide with a concept of a marketplace that would provide a two-sided platform for people to buy and sell a variety of digital services typically offered by freelance contractors. Recruiters.com has the worldwide most significant network of recruiters to fill a job.

Eightfold.ai is a private VC-backed firm (recently raised \$125M) providing an AI search and matching platform. At the same time, Recruiter.com has fully integrated AI search and matching plus video screening and on-demand services and worldwide the largest network of recruiters to assist in recruiting talent faster.

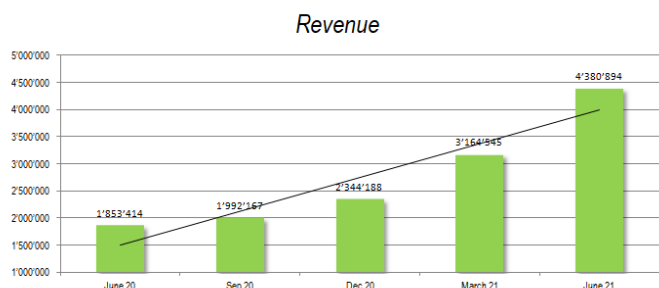
Upwork Inc. is a freelancing platform, the world's most significant work marketplace. The Company generates revenue from freelancers and clients, with most of its revenue generated from service fees charged to freelancers of approximately three percent.

Second Quarter 2021 and Recent Highlights/ Subsequent Events

- *Revenue growth 38.4 % quarter-over-quarter to \$4.4 million. This increase resulted primarily from a rise in Recruiters On- Demand business and the introduction of Software Subscriptions.*
- *Revenue grew by 136.3% year-over-year*
- *The net profit in the second quarter of 2021 was \$3.5 million or \$.99 per share, which included \$7.5 million in non-cash income related to change in fair value of a derivative liability*
- *The adjusted EBITDA loss was \$776K for the quarter.*
- *RCRT acquired OneWire, which is a leading SaaS-based financial service recruiting and sourcing platform.*
- *Recruiter.com Group Inc. common stock (RCRT) began trading on Nasdaq on June 30, 2021.*
- *Raised gross proceed of 13.8 million dollars before deducting underwriting discounts and other expenses*
- *They acquired the technology division of Uncubed and Novo Group that provides flexible talent acquisition to a wide array of customers, including talented sales delivery and customer support staff*
- *Recruiter surpassed 30,000 recruiters in its on-demand network.*
- *Recruiter.com is well-financed and currently has approximately \$7.6 million in working capital. We believe that Recruiter.com has sufficient cash to fund its liabilities and operations for at least the next twelve months.*

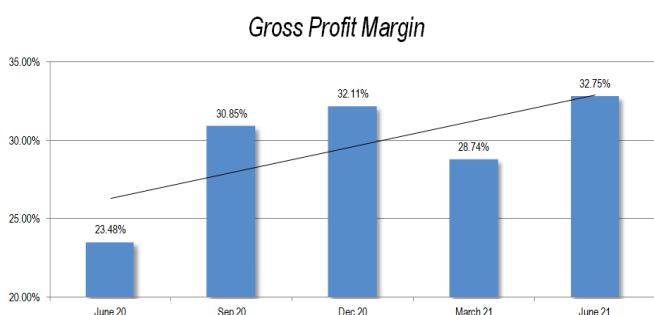
Revenue

Sales for 2Q21 was \$4.380 million, up 136.8% from \$1.853 million in 2Q20, driven by continued rapid growth for on-demand recruiting services with expected strong growth throughout the second half of 2021 and beyond. The new software subscriptions already contributed recurring revenue.



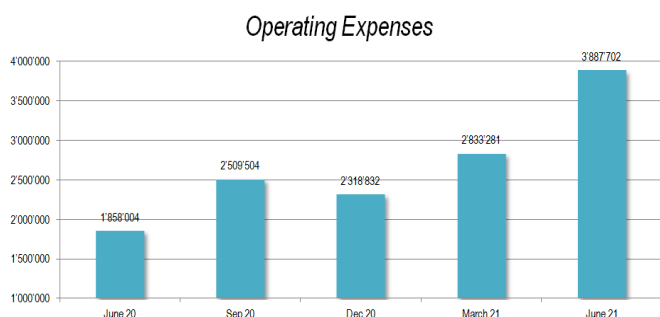
Gross Profit Margin

Gross Profit on a GAAP basis for 2Q21 was \$1.434 million, up 229.6% from \$435,172 in 2Q20. Gross Margin was 32.75%, an increase from 23.48% compared to 2Q20. The gross margin was primarily driven by increasing revenue scale complemented by high margin software subscription sales.



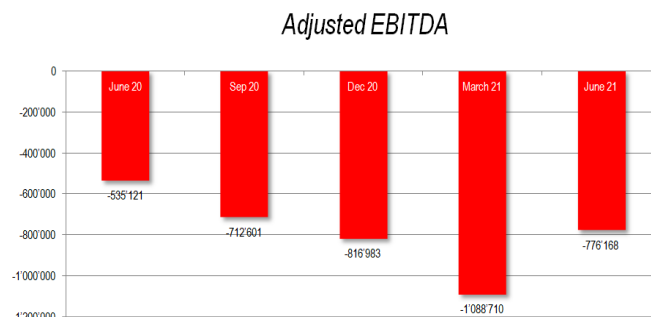
Operating Expenses

Total operating expenses on a GAAP basis for 2Q21 were \$3.887 million compared to \$1.858 million in 2Q20. The increased OPEX was related to higher G&A cost and the amortization of intangibles



Adjusted EBITDA

Adjusted EBITDA loss was \$776,168 or 17.76% of revenue in 2Q21 compared to \$535,121 or 28.87% in the second quarter of 2020. An increased revenue scale drove the improved EBITDA margin compared to 1Q21.



FINANCIAL OUTLOOK AND ESTIMATES

Recruiter's recruiting service business grew by 35% in the first quarter of 2021 and 38.4% in the second quarter of 2021, to \$4.8 million. Year-on-year performance was one of the strongest within the recruiting and staffing industry and rose by stunning 136.4%, from \$1.8 million to \$4.8 million.

The COVID restrictions are more and more lifted, and a uniquely tight job market with high demand for specialized talents offers excellent opportunities for Recruiters On-demand services. Strong growth is expected throughout the second half of 2021 and beyond.

For the current third quarter ending September 30, we forecast \$6.7 to \$6.8 million in revenue, an increase of approximately fifty-five percent attributed to strong organic growth, and two new acquisitions closed during the current quarter. We expect revenue to rise to \$9.6 million for the December quarter in anticipation of full integration of the acquisitions, an increase of 42% compared to the current third quarter.

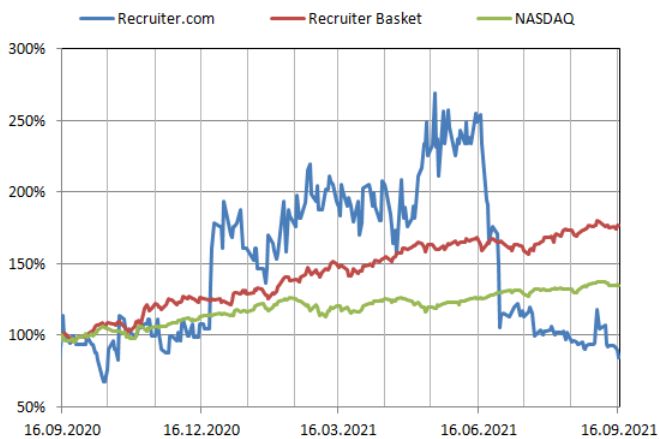
Looking beyond 2021 to 2022 and 2023, we expect Recruiter.com to increase its revenue from an estimate of \$24 million in 2021 to \$64.7 million in 2022. This estimate represents a revenue increase of over 170 percent. From 2022 to 2023, we estimate total sales of \$118.9 million, an increase of 83.6% compared to 2022. Our financial projections estimate Recruiter.com to become profitable within the next 18 months after absorbing all the acquisition expenses fueled by strong revenue figures. *The Company is at the forefront of revolutionizing recruiting and talent acquisition into a rapid on-demand service.*

At the start of Q3 of this financial year, Recruiter.com raised a gross proceed of \$13.6 million by selling Company stocks at \$5. We estimated Recruiter.com to have \$7.6 million in working capital after paying for acquisitions. We believe that Recruiter.com has sufficient cash to fund its liabilities and operations for at least the next twelve months. Currently, Recruiter.com has 14.060 million shares outstanding.

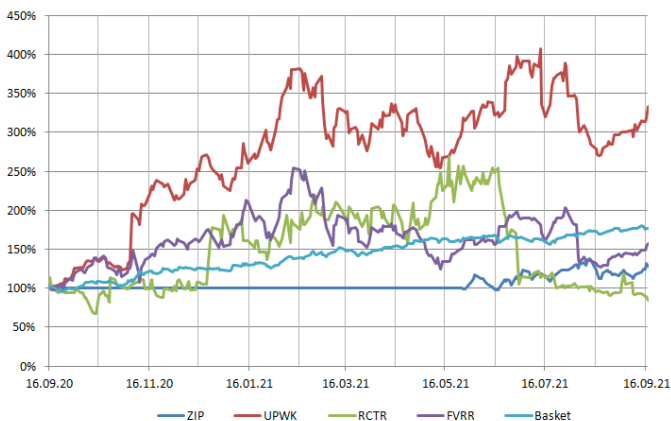
VALUATION

Recruiter.com shares are beaten down 56.4% in the year-to-date period and down 26.2% in the trailing 12-month period. Our basket of twenty stocks within the recruiting and staffing industry (see table 1) is up 43.1% year-to-date and 77% in the trailing 12-month period.

The Nasdaq is up 16.7% in the year-to-date period and 36.2% in the trailing 12-month period. On June 18, 2021, Recruiter.com effected a reverse stock split at the ratio of 1 for 2.5. The reason was to meet the initial listing requirements of the Nasdaq Capital Marke. The stock was trading that day at \$10 and outperformed our basket of twenty companies and Nasdaq (see chart below). Despite strong revenue growth, the Compay shares lost since then sixty-four percent of their value.



We also analyzed companies in the do-it-yourself and two-sided platform for people to buy and sell various digital services typically offered by freelance contractors. (see table 2) As demonstrated on the chart below, Recruiter.com is also underperforming this group of stocks, while Upwork Inc. is up by 300%. Recruiter.com has a different business model than those companies; however, it competes also in the hot online Marketplace. Recently, the whole group had strong price increases, while Recruiter's share price is lagging this group of stocks. But here's why it's worth a look



Recruiters.com is poised to benefit from a transformational megatrend in the recruiting industry. The global workplace is undergoing yet another major transformation. According to Gallup, about 36% of U.S. workers are now involved in the gig economy (i.e., temporary, flexible jobs). If this growth rate continues, more than half the workforce will participate in it by 2027. Gig working is a term that describes a new,

flexible way of working, where permanent employment is supplemented or replaced by on-demand working that is scheduled online. It's clear that the gig economy is here to stay and is not just a COVID-related temporary disruption in how work gets done. Recruiter.com can capture market shares through its world's largest network of small and independent recruiters (also gig-economy workers) operating as a virtual AI and video-based hiring platform serving in the gig economy. These trends may act as headwinds to adopt the Company's products and services.

The pure high-growth online marketplace players that make it easy to hire and take on gig labor jobs like **Fiverr International Ltd** (NYSE: FVVR) are currently valued at roughly \$7.3 billion. The FVVR is trading at 29 times 12-months (ttm) sales. Another major player **Upwork Inc.** (Nasdaq: UPWK), is actually valued at \$6.4 billion, which equals more than thirteen times 12-months (ttm) sales. **Zip Recruiters** (NYSE: ZIP) is valued at more than \$3 billion and is trading at six times 12-months (ttm) sales. Using the valuation based on the Price/Sales (ttm), these companies are very high priced. However, those companies generate double-digit compound growth; however, FVVR and UPWK are still losing money, ZIP reported \$0.13 in earnings and trades at 201 times earnings. FVVR YOY-growth was 59.7% Upwork 41.9% ZIP Recruiters trades since 2021 on NYSE, and no historical data were available.

Looking at the current Recruiter.com valuation, the stock is beaten down by 56.4% in the year-to-date period and 26.2% in the trailing 12-month period. Despite the most substantial growth rate of 136.4% year-over-year compared to all our analyzed recruiting and staffing companies, including the specialized Marketplace players. Recruiter.com is currently valued at only 4.2-times last twelve months' revenue at a \$50 million market cap. The Company undertakes an aggressive acquisition strategy to secure future solid growth. The recent new acquisitions will prop up revenues in the quarters and years to come. With its worldwide most significant network of recruiters, the Company will revolutionize recruiting and talent acquisition into a rapid on-demand service. Based on an estimated \$64.7 million in revenues for Fiscal Year 2022 driven by inorganic growth and investments, we estimate the Company to grow by 170% plus, compared to our estimates of 180% for 2021. On a one-year forward price-to-sales (P/S) ratio of 4.2, we value the Company at roughly \$270 million or \$16.5 per share. What makes Recruiter a by-own is a stock price that is a relative bargain compared to the recent past and compared to the broader recruiter universe; it's an excellent valuation of a business with so much momentum. *We are initiating coverage on Recruiter.com with a SPECULATIVE BUY RATING and a 12-months target price of \$15.*

Table 1

Company	Stock Symbol	Price 09.10.21	52-week	Revenue	Shares Outstanding	Market Cap	Price to Sales (ttm)	Revenue per Share	Revenue Growth (YOY)	Diluted EPS	P/E	Profit Margin	OPEX Margin
Heidrick & Struggles Intern.	HSII	41.61	19.03 - 46.90	758,170,000	19,530,000	812,643,300	1.07	38.82	78.60%	0.76	54.75	1.97	10.29
Kforce Inc.	KFRC	59.89	31.70 - 64.38	1,490,000,000	21,630,000	1,295,420,700	0.87	68.89	17.70%	3.31	18.12	4.81	6.94
DHI Group Inc.	DHX	4.34	1.6600 - 4.55	135,290,000	50,240,000	218,041,600	1.61	2.69	4.10%	-0.43	-10.19	-39.08	5.35
Robert Hall	RHI	102.65	48.29 - 104.73	5,470,000,000	111,970,000	11,493,720,500	2.10	48.85	42.60%	3.84	26.73	7.86	8.76
Volt Information Sciences Inc.	Volt	4.09	1.0900 - 5.50	837,000,000	21,740,000	88,916,600	0.11	38.50	7.10%	-0.82	-4.96	-2.14	0.56
Staffing 360 Solutions Inc.	STAF	2.13	1.6900 - 20.04	201,960,000	11,420,000	24,324,600	0.12	17.68	16.50%	-0.66	-3.23	0.63	-2.47
HireQuest Inc.	HQI	18.99	6.63 - 22.90	15,900,000	13,640,000	259,023,600	16.29	1.17	96.70%	0.72	26.46	61.58	46.15
Korn Ferry	KFY	72.9	27.93 - 74.83	1,810,000,000	55,650,000	4,056,885,000	2.24	32.52	26.00%	2.01	36.32	10.73	16.89
AMN Healthcare Services Inc.	AMN	113.73	52.23 - 117.17	2,930,000,000	47,260,000	5,374,879,800	1.83	62.00	40.90%	3.65	31.16	5.9	9.59
TSR Inc.	TSRI	10.8	4.47 - 18.73	68,820,000	1,960,000	21,168,000	0.31	35.11	42.50%	-0.31	-35.22	-0.87	0.21
Hudson Global Inc.	HSO	16.78	9.11 - 19.90	126,880,000	2,690,000	45,138,200	0.36	47.17	61.50%	-0.11	-158.38	-0.22	-0.73
ManpowerGroup Inc.	MAN	118.12	65.04 - 125.07	19,840,000,000	54,230,000	6,405,647,600	0.32	365.85	41.00%	4.80	24.63	1.31	2.68
TrueBlue Inc.	TBI	26.92	14.99 - 29.99	1,970,000,000	35,500,000	955,660,000	0.49	55.49	43.70%	1.12	24.13	2.01	1.96
Insperty Inc.	NSP	105.14	61.54 - 108.50	4,540,000,000	38,600,000	4,058,404,000	0.89	117.62	19.30%	2.88	36.52	2.45	3.43
ASGN Incorporated	ASGN	112.05	61.70 - 113.78	4,140,000,000	52,900,000	5,927,445,000	1.43	78.26	17.20%	4.12	27.22	5.34	8.03
BGSF Inc.	BGSF	12.83	7.41 - 16.91	283,320,000	10,340,000	132,662,200	0.47	27.40	18.80%	0.86	14.86	3.15	4.11
Resources Connection Inc.	RGP	15.58	10.61 - 16.50	629,520,000	32,890,000	512,426,200	0.81	19.14	-3.50%	0.77	20.31	4.01	5.68
Kelly Services Inc.	KELYA	19.07	15.56 - 26.98	4,740,000,000	36,030,000	687,092,100	0.14	131.56	29.00%	2.48	7.69	1.89	7.51
Mastech Digital Inc.	MHH	17.27	14.00 - 22.98	199,530,000	11,440,000	197,568,800	0.99	17.44	12.80%	0.87	19.84	4.99	6.6
GEE Group Inc.	JOB	0.5073	0.44 - 2.17	138,430,000	114,100,000	57,882,930	0.42	1.21	43.10%	-0.14	-3.72	-11.22	3.5

Table 2

Upwork Inv.	UPWK	45.17	14.74 - 46.65	440700000	127616789	5764450359	13.08	3.45	41.9	-0.21	N/A	-5.94	-4.33
ZIP Recruiter	ZIP	25.05	19.32 - 32.00	524475000	115108142	2883458957	5.50	4.56	N/A	0.14	183.66	6.92	0.45
Fiverr International Ltd	FVRR	180.1	115.73 - 336.00	251810000	36338172	6544504777	25.99	6.93	59.7	-1.09	N/A	-15.76	-9.35
Recruiter.com	RCRT	3.96	2.50 - 11.82	11881000	14060589	55679932	4.69	0.84	136.40	-0.67	N/A	-78.82	-65.96

<i>Our Non-GAAP Financial Analysis</i>	Q2 June 2021A	Q3 Sept 2021E	Q4 Dec 2021E	Fiscal Year 2021E	Q1 March 2022E	Q2 June 2022E	Q3 Sept 2022	Q4 Dec 2022E	Fiscal Year 2022E	Fiscal Year 2023E
Net Income (loss)	3,528,279	-3,770,929	-3,030,004	-13,982,216	-2,228,206	-1,252,159	-34,965	1,527,393	-2,134,072	24,021,142
Interest Expense and finance cost, net	1,592,822	1,650,000	2,000,000	6,670,410	2,000,000	2,000,000	2,000,000	2,000,000	8,000,000	8,000,000
Depreciation & amortization	675,384	995,000	995,000	2,824,268	1,100,000	1,100,000	1,100,000	1,100,000	4,400,000	3,600,000
EBITDA (loss)	5,796,485	-1,125,929	-35,004	-4,487,538	871,794	1,847,841	3,065,035	4,627,393	10,265,928	35,621,142
Bad debt expense	41,763	20,000	20,000	98,726	30,000	30,000	30,000	30,000	120,000	160,000
Forgiveness of debt income	-	-50,000	-50,000	-124,925	-50,000	-50,000	-50,000	-50,000	-200,000	-200,000
Impairment expenses	-	-1,125,929	-	-	-	-	-	-	-	-
Initial Derivative Expense	-	-	-	3,586,271	-	-	-	4,000,000	4,000,000	4,000,000
Change in derivative value due to anti-dilution adj.	-	-	2,500,000	2,500,000	-	-	-	2,500,000	2,500,000	2,500,000
Loss (gain) on change in fair value of derivative	-757,450	-	-	-	-	-	-	-	-	-
Stock-based compensation	960,334	1,000,000	1,000,000	3,615,241	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000	4,000,000
Adjusted EBITDA (loss)	-776,168	-1,281,857	3,434,996	5,187,775	1,851,794	2,827,841	4,045,035	12,107,393	20,685,928	46,081,142
Net income (loss) per common share - basic	-\$0.22	-\$0.09	-\$0.01	\$0.39	\$0.11	\$0.13	\$0.16	\$0.16	\$0.98	\$1.68
Net income (loss) per common share - diluted	-\$0.13	-\$0.09	-\$0.01	\$0.39	\$0.11	\$0.13	\$0.16	\$0.16	\$0.98	\$1.68
Weighted average common shares - basic	3,560,745	14,060,589	14,060,589	14,060,589	14,060,589	16,375,000	16,375,000	16,375,000	16,375,000	16,375,000
Weighted average common shares - diluted	5,879,481	14,060,589	14,060,589	14,060,589	14,060,589	16,375,000	16,375,000	16,375,000	16,375,000	16,375,000

Non-GAAP Financial Analysis

The adjusted EBITDA shows the operating performance and allows us to evaluate and assess the core operating results from the Company from period-to-period after removing the impact of items of a non-operational nature that affect comparability. The non-GAAP financial measures help to make comparisons between the Company and other companies

<i>Condensed Consolidated Statements of Operations (unaudited)</i>	Q2 June 2021A	Q3 Sept 2021E	Q4 Dec 2021E	F.Y. 2021E	Q1 March 2022E	Q2 June 2022E	Q3 Sept 2022	Q4 Dec 2022E	F.Y. 2022E	F.Y. 2023E
Revenue	4,380,894	6,768,983	9,645,882	23,960,304	12,057,353	14,468,823	17,362,588	20,835,105	64,723,868	118,850,927
<i>Year-to-year and qtr-to qtr Growth</i>	38.44%	54.51%	42.50%	181.79%	25.00%	20.00%	20.00%	20.00%	170.13%	83.63%
Cost of Revenues	2,946,084	4,399,839	6,076,906	15,677,739	7,475,559	8,825,982	10,417,553	12,292,712	39,157,940	66,954,786
Gross Profit	1,434,810	2,369,144	3,568,976	8,282,565	4,581,794	5,642,841	6,945,035	8,542,393	25,565,928	51,896,142
<i>Gross Margin Product Revenue</i>	32.75%	35.00%	37.00%	34.57%	38.00%	39.00%	40.00%	41.00%	39.50%	43.66%
Operating expenses:										
Sales and marketing	75,006	115,073	163,980	411,602	200,000	225,000	250,000	275,000	950,000	1,275,000
Product development	75,004	80,000	90,000	100,000	110,000	120,000	130,000	140,000	500,000	600,000
Amortization of intangibles	675,095	995,000	995,000	2,824,268	1,100,000	1,100,000	1,100,000	1,100,000	4,400,000	3,600,000
General and administrative	3,062,597	3,300,000	3,350,000	12,258,502	3,400,000	3,450,000	3,500,000	3,500,000	13,850,000	14,400,000
<i>G&A compared to Revenue</i>	69.91%	48.75%	34.73%	51.16%	28.20%	23.84%	20.16%	16.80%	21.40%	12.12%
Total operating expenses	3,887,702	4,490,073	4,598,980	15,594,372	4,810,000	4,895,000	4,980,000	5,015,000	19,700,000	19,875,000
<i>Operating expenses vs. Revenue %</i>	69.91%	48.75%	34.73%	51.16%	28.20%	23.84%	20.16%	16.80%	21.40%	12.12%
Loss from operations	-2,452,892	-2,120,929	-1,030,004	-7,311,806	-228,206	747,841	1,965,035	3,527,393	5,865,928	32,021,142
<i>Operating Margin</i>	-55.99%	-31.33%	-10.68%	-30.52%	-1.89%	5.17%	11.32%	16.93%	9.06%	26.94%
Other income (expenses):										
Total other income (expenses)	5,981,171	-1,650,000	-2,000,000	-6,670,410	-2,000,000	-2,000,000	-2,000,000	-2,000,000	-8,000,000	-8,000,000
Net income (loss)	3,528,279	-3,770,929	-3,030,004	-13,982,216	-2,228,206	-1,252,159	-34,965	1,527,393	-2,134,072	24,021,142
Net income (loss) per share - basic	\$0.60	-\$0.27	-\$0.22	-\$0.99	-\$0.16	-\$0.08	\$0.00	\$0.09	-\$0.13	\$1.47
Net income (loss) per share - diluted	\$0.60	-\$0.27	-\$0.22	-\$0.99	-\$0.16	-\$0.08	\$0.00	\$0.09	-\$0.13	\$1.47
Weighted average shares - basic	5,879,481	14,060,589	14,060,589	14,060,589	14,060,589	16,375,000	16,375,000	16,375,000	16,375,000	16,375,000
Weighted average shares - diluted	5,879,481	14,060,589	14,060,589	14,060,589	14,060,589	16,375,000	16,375,000	16,375,000	16,375,000	16,375,000