

Recruiters Reported Strong Revenue Growth for 3Q2021- Revenue \$6.25 Mil. Up 42.8%

Recruiter.com (NASDAQ: RCRT) is poised to benefit from a transformational megatrend in the global recruiting industry. RCRT reported for Q3 a quarter-over-quarter growth of 42.8% and revenue of \$6.25 million vs. \$4.38 million in 2Q21. For the first nine months in 2021, RCRT generated \$13.8 million in revenue compared to \$6.2 million for the first nine months in 2020, an increase of 124.1%. The gross margins improved to 36.8% vs. 32.8% in 2Q21 because of strong growth of high margin operation for the software subscriptions and marketplace businesses. Our estimation of the core operating result EBITDA came in as expected, the loss was \$1.2 million respectively \$0.09, and we forecast the Company to become EBITDA profitable during this current quarter. We predict the Company to continue to achieve a sequential quarter-over-quarter growth rate of twenty-five percent in 2022. We maintain our **BUY RATING for Recruiter.com with a 12-months target price of \$15**

November 18, 2021
Analyst: Ernest C. Schlotter



INVESTMENT HIGHLIGHTS:

◆ **Another strong quarter for Recruiter.com.** The Company reported sales for the third quarter of \$6.25 million, an increase of 42.8% compared to \$4.38 million from the second quarter of 2021. The comparison to the same quarter last year, the year-over-year revenue skyrocketed 314.1%. The increased driver was primarily the Recruiter on Demand segment and the new high-margin Software Subscription business. Recruiter on Demand delivered \$3.43 million in revenue, a contribution of 54.9% to total sales, and an increase of 94.3% compared to the second quarter. The Software Subscription business, launched during the second quarter of this year; this business segment grew by 164.6% to \$465k and contributed 7.4% to total sales. The Marketplace Solution is also a very high-margin business; this segment delivered \$287k in sales, grew by 360.4%, and accounted for 4.6% of total revenues. **There is a lot of future upside potential associated with these high-margin businesses.**

◆ **The gross margins improved to 36.8%** in the third quarter, up from 32.8% in the second quarter of 2021. The increase in gross margins reflects Recruiter.com's diversification of its revenue stream to a higher growth, higher margin operations. Adjusted EBITDA which is an important measure companies operating performance removing the impact of items of a non operational nature that affect comparability was reported -\$1.259 million or a loss of -\$0.09 per share, a better then our estimated loss of \$1.281 million. For the current quarter we estimated Recruiter to be EBITDA positive, driven by continued strong revenue growth for Recruiter on Demand services and specially the Software Subscription and Marketplace Solutions.

◆ **During Q3, Recruiter bolstered its balance sheet by selling shares for \$13.8 million** in a public offering before deducting investment banking fees. Recruiter.com offered shares at \$5 with a warrant to exercise at \$5.50. Total stockholders' equity increased to \$18.6 million or \$1.37 per share compared to a deficit of \$6.5 million or -\$1.11 per share fully diluted reported in the prior quarter filing.

◆ **Recruiter.com shares are down 29.1% in the trailing 12-month period** despite strong revenue growth during the same time. The share price decoupled from the fundamentals. Recruiter.com trades 75% below its 52-week high and about 15.5% above the 52-week low. Currently, the stock trades at 2.4 times its trailing twelve (ttw) months revenue, despite the Company announcing more than a 25% growth for the forth-quarter. We estimate the Company to achieve a 25% sequential quarter-over-quarter growth as we advance into 2022. Comparable companies within similar business cases are trading at very high (ttw) price-to-sales (P/S) ratios like Zip Recruiter 7x, Upwork 11.7x, and Fiverr 22.3x. On a one-year forward price-to-sales (P/S) ratio of only four times, we calculate RCRT's market cap of roughly \$260 million or \$16.25 per share. What makes Recruiter a by-own is a stock price that is a 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 maintaining our BUY RATING and a 12-months price target of \$15.**

Reconciliation of Net Loss to Adjusted EBITDA (unaudited) in US\$

	FY Dec. 2020A	Q2 June 2021A	Q3 Sept 2021A
Net Income (loss)	-17,036,837	3,528,279	-7,650,076
Interest Expense and finance cost net	2,022,113	1,592,822	167,728
Depreciation & amortization	687,845	675,384	842,934
EBITDA (loss) profit	-14,326,879	5,796,485	6,639,414
Bad debt expense	12,000	41,763	20,579
Warrant Modification Expense			12,623
Forgiveness of debt income	-376,177	-	-
Impairment expenses	-	-	2,530,325
Initial Derivative Expense	3,340,554	-	-
Change in derivative value	2,642,175	-	-
Loss on change fair value of derivative	2,658,261	-7,574,750	887,791
Stock-based compensation	3,212,772	960,334	1,928,646
Adjusted EBITDA (loss)	-2,837,294	-776,168	-1,259,450
Net income (loss) per share - basic	-\$0.58	-\$0.22	-\$0.09
Net income (loss) per share - diluted	-\$0.58	-\$0.13	-\$0.09
Weighted average shares - basic	4,873,657	3,560,745	14,060,589
Weighted average shares - diluted	4,873,657	5,879,481	14,060,589

Condensed Consolidated Statements of Operations

	Q2 June 2021A	Q3 Sep. 2021A	Dec Year End 2021E
Revenue	4,380,894	6,257,882	22,877,250
Year-to-year and qtr-to qtr Growth	38.44%	42.84%	169.05%
Cost of Revenues	2,946,084	3,538,832	14,689,751
Gross Profit	1,434,810	2,304,222	8,187,499
Gross Margin Product Revenue	32.75%	36.82%	35.79%
Operating expenses:			
Total operating expenses	3,887,702	8,859,604	18,585,714
Operating expenses vs. Revenue %	88.74%	141.58%	81.24%
Loss from operations	-2,452,892	-6,555,382	-10,398,215
Operating Margin	-55.99%	-104.75%	-45.45%
Total other income (expenses)	5,981,171	-1,094,694	-3,177,073
Net income (loss)	3,528,279	-7,650,076	-13,575,288
Net income (loss) per share - diluted	\$0.60	-\$0.56	-\$0.97
Weighted average shares - diluted	5,879,481	13,592,644	14,060,589

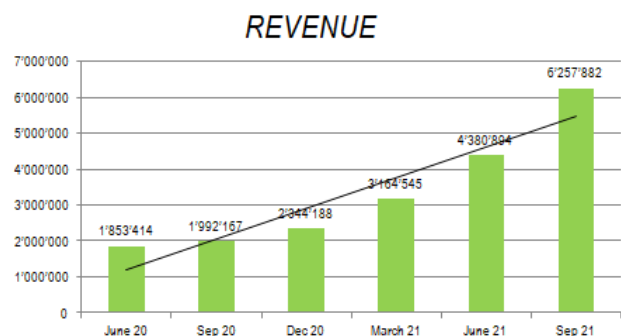
Stock Chart



STRONG REVENUE GROWTH FOR 3Q2021

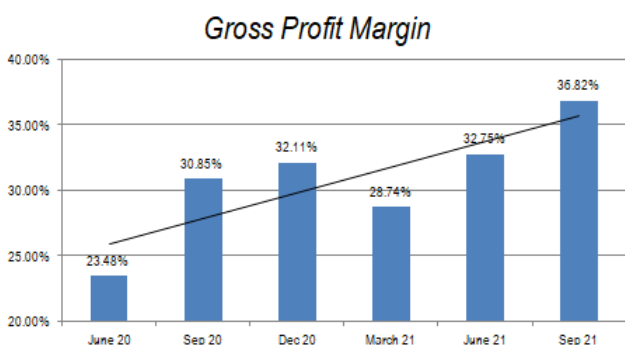
Revenue

Sales for 3Q21 was \$6.257 million, up 314.1% from \$1.992 million in 3Q20, driven by continued rapid growth for on-demand recruiting services with strong growth throughout the fourth quarter and beyond. We expect strong growth in the high margin Software Subscription and Marketplace Solution segment with a recurring revenue stream.



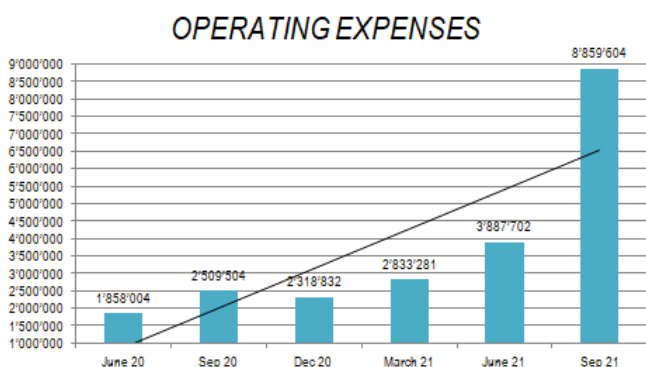
Gross Profit Margin

Gross Profit on a GAAP basis for 3Q21 was \$2.394 million, up 374.96% from \$614,644 in 3Q20. Gross Margin was 36.82%, an increase from 30.85% compared to 3Q20. The gross margin was primarily driven by increasing revenue scale complemented by high margin software subscription and Marketplace Solution sales.



Operating Expenses

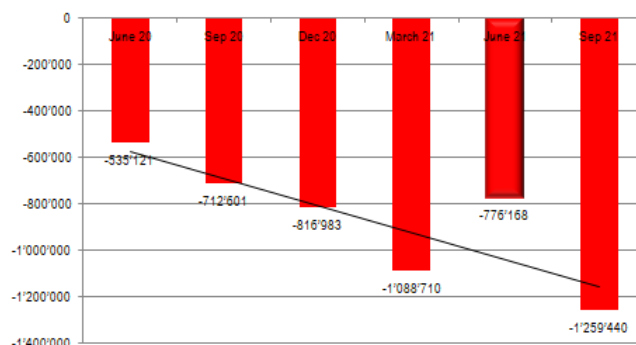
Total operating expenses on a GAAP basis for 3Q21 were \$8.859 million compared to \$2.509 million in 3Q20, an increase of 253%. The increased OPEX was related to higher G&A expenses associated with acquisition-related and investment banking costs and goodwill impairment expenses and the amortization of intangibles.



Adjusted Non-GAAP EBITDA

Adjusted EBITDA provide a more accurate measure of a company's financial performance from direct business operations. Adjusted EBITDA loss was \$1,259,450 an EBITDA margin of -20.13% of revenue in 3Q21 compared to \$712,601 a EBITDA margin of -35.77% for the third quarter of 2020.

ADJUSTED EBITDA



FINANCIAL OUTLOOK AND ESTIMATES

Recruiter's service business grew by 35% in the first quarter of 2021, 38.4% in the second quarter, and 42.8% in the third quarter to total \$13.8 million for the first nine months. The year-on-year performance was one of the strongest within the recruiting and staffing industry and rose by stunning 314.1%, from \$2.0 million to \$6.3 million. We expect strong performance to continue as the Company benefit from a series of supportive macro trends that provide significant tailwinds, including the continued reopening of the economy, the "Great Resignation," a growing "job hopper" economy, and overall growing demand for recruiters.

For the current fourth quarter ending December 31, we forecast \$9.0 to \$9.2 million in revenue, an increase of approximately forty-five percent attributed to continuing strong organic growth in the high margin business segment and the Recruiter on Demand. In addition, this will be the first quarter with the full integration of the Novo Group, Inc.

Looking beyond 2021 to 2022 and 2023, we expect Recruiter.com to increase its revenue from an estimated \$22.9 million in 2021 to \$65.4 million in 2022. This forecast represents a revenue increase of over 186 percent. For Fiscal Year 2023, we estimate total sales of \$127.4 million, an increase of 94.5% compared to 2022. Our financial projections estimate Recruiter.com to become profitable within the next nine to twelve months, fueled by strong revenue figures. **The Company is at the forefront of revolutionizing recruiting and talent acquisition into a rapid on-demand service.**

The Company has approx. \$3 million in cash, and we believe that Recruiter has sufficient money to fund its liabilities and operations for at least the next twelve months. **The current share price offers significant upside potential; the shares are trading at a fraction of their true value, and therefore we maintain our BUY RATING with a 12-months target price of \$15.**

<i>Our Non-GAAP Financial Analysis</i>	Q2 June 2021A	Q3 Sept 2021A	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	-7,650,076	-3,173,425	-13,575,288	-1,584,611	-415,234	1,292,908	3,328,916	2,370,318	30,327,397
Interest Expense and finance cost, net	1,592,822	167,728	75,000	3,263,138	75,000	75,000	75,000	75,000	300,000	300,000
Depreciation & amortization	675,384	842,934	892,000	2,569,491	750,000	750,000	750,000	750,000	3,000,000	3,000,000
EBITDA (loss)	5,796,485	-6,639,414	-2,206,425	-7,742,659	-759,611	409,766	2,117,908	4,153,916	5,670,318	33,627,397
Bad debt expense	41,763	20,579	20,000	99,305	30,000	30,000	30,000	30,000	120,000	160,000
Forgiveness of debt income	-	0	-50,000	-74,925	-50,000	-50,000	-50,000	-50,000	-200,000	-200,000
Warrant Modification Expenses		12,623		12,623						
Impairment expenses	-	2,530,335	-	2,530,335	-	-	-	-	-	-
Initial Derivative Expense	-	-	-	3,586,271	-	-	-	4,000,000	4,000,000	4,000,000
Change in derivative value due to anti-dilution adj.	-	887,791	2,500,000	-7,315,580	-	-	-	2,500,000	2,500,000	2,500,000
Loss (gain) on change in fair value of derivative	-7574750	-		2,500,000						-
Stock-based compensation	960,334	1,928,646	1,000,000	4,543,887	1,000,000	1,000,000	1,000,000	1,000,000	4,000,000	4,000,000
Adjusted EBITDA (loss)	-776,168	-1,259,440	1,263,575	-1,860,743	220,389	1,389,766	3,097,908	11,633,916	16,090,318	44,087,397
Net income (loss) per common share - basic	-\$0.22	-\$0.09	\$0.09	-\$0.13	\$0.02	\$0.08	\$0.19	\$0.71	\$0.98	\$2.69
Net income (loss) per common share - diluted	-\$0.13	-\$0.09	\$0.09	-\$0.13	\$0.02	\$0.08	\$0.19	\$0.71	\$0.98	\$2.69
Weighted average common shares - basic	3,560,745	13,592,644	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	13,592,644	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 2021A	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	6,257,882	9,073,929	22,877,250	11,342,411	14,178,014	17,722,517	22,153,147	65,396,089	127,211,814
<i>Year-to-year and qtr-to qtr Growth</i>	38.44%	42.84%	45.00%	169.05%	25.00%	25.00%	25.00%	25.00%	185.86%	94.53%
Cost of Revenues	2,946,084	3,953,660	5,535,097	14,689,751	6,692,023	8,223,248	9,924,610	12,184,231	37,275,771	69,109,418
Gross Profit	1,434,810	2,304,222	3,538,832	8,187,499	4,650,389	5,954,766	7,797,908	9,968,916	28,120,318	58,102,397
<i>Gross Margin Product Revenue</i>	32.75%	36.82%	39.00%	35.79%	41.00%	42.00%	44.00%	45.00%	43.00%	45.67%
Operating expenses:										
Sales and marketing	75,006	138,442	154,257	425,248	200,000	225,000	250,000	275,000	950,000	1,275,000
Product development	75,004	465,141	90,000	700,805	110,000	120,000	130,000	140,000	500,000	600,000
Amortization of intangibles	675,095	842,934	892,000	2,569,202	750,000	750,000	750,000	750,000	3,000,000	3,000,000
Impairment expenses		2,530,325								
General and administrative	3,062,597	4,882,762	5,000,000	15,491,264	5,100,000	5,200,000	5,300,000	5,400,000	21,000,000	22,600,000
<i>G&A compared to Revenue</i>	69.91%	78.03%	55.10%	67.71%	44.96%	36.68%	29.91%	24.38%	32.11%	17.77%
Total operating expenses	3,887,702	8,859,604	6,136,257	21,716,844	6,160,000	6,295,000	6,430,000	6,565,000	25,450,000	27,475,000
<i>Operating expenses vs. Revenue %</i>	69.91%	78.03%	55.10%	67.71%	44.96%	36.68%	29.91%	24.38%	32.11%	17.77%
Loss from operations	-2,452,892	-6,555,382	-2,597,425	-13,529,345	-1,509,611	-340,234	1,367,908	3,403,916	2,670,318	30,627,397
<i>Operating Margin</i>	-55.99%	-104.75%	-28.63%	-59.14%	-13.31%	-2.40%	7.72%	15.37%	4.08%	24.08%
Other income (expenses):										
Total other income (expenses)	5,981,171	-1,094,694	-576,000	-45,943	-75,000	-75,000	-75,000	-75,000	-300,000	-300,000
Net income (loss)	3,528,279	-7,650,076	-3,173,425	-13,575,288	-1,584,611	-415,234	1,292,908	3,328,916	2,370,318	30,327,397
				-13,575,288						
Net income (loss) per share - basic	\$0.60	-\$0.56	-\$0.23	-\$0.97	-\$0.11	-\$0.03	\$0.08	\$0.20	\$0.14	\$1.85
Net income (loss) per share - diluted	\$0.60	-\$0.56	-\$0.23	-\$0.97	-\$0.11	-\$0.03	\$0.08	\$0.20	\$0.14	\$1.85
Weighted average shares - basic	5,879,481	13,592,644	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	13,592,644	14,060,589	14,060,589	14,060,589	16,375,000	16,375,000	16,375,000	16,375,000	16,375,000