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Haitong Bank in a report from August 30 (8:30) upgrades Live Chat to BUY (FV PLN 134.5).

Valuation Methodology

We value Live Chat using a DCF while we show peers for illustrative purposes. Using a DCF we arrive at PLN 134.5/sh, implying 25% potential upside.

Risks to Fair Value

Live Chat settles ARPU revenues in USD while incurring part of COGS and OPEX in PLN like rentals, headcount costs, and equipment costs. Hence, Live Chat's P&L is exposed to USDPLN fluctuations.

Increasing competition in the Live Chat market, especially from freemium and bundled providers. The Live Chat market, like many dotcom businesses, typically has low entry barriers which triggers competition. Live Chat has proved already that it can successfully build a client base and slightly increase ARPU without pressure on the profitability side.

Salary pressure: Like IT businesses, Live Chat can experience salary pressure risk, especially from talented software developers. Live Chat is less exposed to this risk as it has a very efficient SaaS business model where sales are automated. Live Chat currently employs ca. 130 people and plans further hires.

Risk of third-party providers: Live Chat is using third party providers on data server space for its Live Chat application and also uses third party providers to settle cash payments for the Live Chat app. If any of those providers fails to provide their service well, it can result in a bad customer experience and affect churn and future net adds.

IMPORTANT DISCLOSURES

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