

Key Statistics

Code	: CLST
Listing	: AIM
Sector	: Software & Computer Services
Market Cap	: £15.07m
Share in issue	: 36.3m
Current Price	: 41.5p
12 month High/Low:	: 69p/41.55p

Stock Performance



Source: Fidessa

Financials

Revenue

GP

EBITDA loss

Net Cash

H1 Highlights

+ 43% to \$7.5m

+49% to \$4.5m

\$1.3m vs loss of £0.2m

\$4.2m

Company description

ClearStar is a technology and service provider to the background check industry, supporting background screening companies, employers and employees with their recruitment and employment application decisions. ClearStar provides employment intelligence to its clients through a suite of IT applications for day-to-day use in their business. Employment intelligence aims to improve business insight to support better recruitment and other decisions affecting employees generally, by increasing the quality, reliability and visibility of information available to management. The IT suite consists of a collection of applications that utilise data from over 3,000 sources ranging from résumés to records with local authorities.

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Check this out

ClearStar is a well established tech platform and service provider to the background check industry with circa 2,300 generally very sticky customers. In fact ClearStar now serves over 27,000 employees annually and has over a 90% retention rate. The company is vying for profitability through both the execution of a targetted growth strategy and the search for further internal efficiencies. During 2016 the company expects to recognise circa \$1.2m of annualised cost savings.

The growth drive is being progressed across all divisions and through multiple channels.

- **International expansion.** The majority of business today has been generated in North America. The company will be driving international sales in less saturated markets from its recently formed UK office and rolling out multiple language versions.
- **Product development.** ClearStar will be adding a user-centric mobile experience to its core platform and rolling out the likes of occupational testing in Medical Information Services and cross sell these products to its direct and CRA (Consumer Reporting Agency) customers.

The recent trading update confirmed that the sales pipeline at the end of H1 was larger than the same time last year and reminded the market of the strong contract win by the Direct Services division with one of the world's largest cash handling services companies, a client who clearly requires the most stringent of checks. The contract is already at a revenue run rate of approximately \$250,000 on an annualised basis.

Consensus forecasts are looking for over 70% revenue growth in FY2015 and over 25% in FY2016. The shares are on a 12.7x 2016 PE ratio, which would appear a low multiple for a maiden year of profitability. The shares trade on a 33% discount to the sector and its closest UK listed comp, GB Group is trading on circa 30x.

Consensus Forecasts

Year Ending	Revenue (£m)	Pre-tax (£m)	EPS	P/E	PEG	EPS Grth.	Div	Yield
2015-12-31	10.55	-1.49	-4.11p	0.0	n/a	0%	0.00p	0.0%
2016-12-31	13.91	1.18	3.26p	12.7	n/a	0%	0.00p	0.0%

Source: DigitalLook

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