



## WallStreet Research: Labor Smart Inc. (OTCQB: LTNC) Acquiring Big Growth and Potentially Big Returns

Now more than ever, businesses are finding ways to cut expenses and bolster their bottom-line results. One of the biggest operating costs, especially for manufacturing and services, is the cost of labor, which can eat heavily into profits if not utilized correctly. Labor Smart, Inc. (LTNC) addresses this issue and provides cost-effective temporary labor solutions to its clients on an on-demand basis. The company is based in the suburb of Atlanta, GA with operations focused in the Southeastern US.

By using an on-demand temporary workforce, Labor Smart's clients are able to save on labor costs and only spend resources on manpower when needed rather than keep continuous hires. Because of this massive and growing need in the current economy, Labor Smart will be able to aggressively expand its revenue and national presence, which may pay off big for shareholders very soon. As of now, the Blue Collar Staffing sector represents \$29 billion of a \$100 billion market and is fit for Labor Smart to take significant market share. The industry is largely fragmented, with most competitors concentrated in specific regions. This gives Labor Smart the opportunity to not only expand organically with limited competition, but also make strategic acquisitions in areas where prominent labor services already exist.

The company expects to more than double the number of offices it operates this year, from 15 in 2013 to 31 by 2014, and up to 77 by 2015. Moreover, revenue is projected to grow 56% in 2014 and 131% in 2015. While this growth may seem like a stretch, it is reasonably achievable for Labor Smart due to its ability to raise bill rates and office expansions.

Labor Smart's stock LTNC recently closed at \$0.18 with a market cap of \$4.94M. This puts the company's price to sales valuation at 0.30x 2013 annual revenue and 0.23x trailing 12 month revenues. Thus, the market seems to be significantly undervaluing the stock and appears not to be focusing on the strong revenue it expects to obtain in the near future. Still, the stock has risk factors including a significant amount of convertible notes, which could impact share dilution in the future as more shares are created on conversion. Current working capital levels are also negative, which should be alleviated in the next round of financing.

Historically, the stock has traded between \$0.17-0.50 in the past 52 weeks, and we here at WallStreet Research believe it can hit previous highs in the \$0.40-0.50 levels in the next 6 months as positive revenue growth continues and then trend higher as profitability kicks in. We rate LTNC at a **Speculative BUY**.

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