



Volt Information Sciences, Inc. (VOLT)

See Strong Demand For VOLT Going Into The 4Q:F21 Report; However, Labor Constraints Remain A Near-Term Headwind; Fine-Tune Model On Updated Workday Assumptions; Maintain \$6 Target

| | F2020 | | F2021E | | F2022E | | F2023E | |
|--------------------------|-----------------|---------------|--------|---------------|---------------|---------------|---------------|--|
| | | OLD | NEW | OLD | NEW | OLD | NEW | |
| Jan. | (\$0.45) | (\$0.08)A | | (\$0.13) | (\$0.11) | (\$0.16) | (\$0.14) | |
| Apr. | (0.23) | 0.12A | | 0.03 | | 0.05 | | |
| July | (0.09) | 0.05A | | 0.09 | | 0.15 | | |
| Oct. | 0.11 | 0.07 | | 0.22 | 0.13 | 0.27 | 0.22 | |
| Adjusted EPS (FY) | (\$0.65) | \$0.16 | | \$0.21 | \$0.14 | \$0.32 | \$0.28 | |
| Adjusted EPS (Cal.) | (\$0.29) | \$0.13 | | \$0.18 | \$0.11 | | | |
| P/E (FY) | | 20.6x | | 23.5x | | 11.8x | | |
| P/E (Cal.) | | 25.3x | | 29.9x | | | | |

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. F2020 adjusted EPS exclude \$0.91 in restructuring, severance and other one-time expenses. F2021-F2023 exclude \$0.09-\$0.11 in impairment charges. F2020-F2023E include \$0.08 each of stock comp expense. *FCF excludes the add-back of stock comp expense. Sum of quarterly EPS may not equal full-year total due to rounding or changes in share count.

| Year | F2014 | F2015 | F2016 | F2017 | F2018 | F2019 | F2020 | F2021E | F2022E | F2023E |
|------------|----------|----------|----------|----------|----------|----------|----------|---------|---------|---------|
| Rev.(Mil.) | \$1710.0 | \$1496.9 | \$1334.7 | \$1194.4 | \$1039.2 | \$997.1 | \$822.1 | \$881.1 | \$917.5 | \$965.0 |
| GAAP EPS* | (\$0.16) | (\$0.95) | (\$0.70) | \$1.37 | (\$1.55) | (\$0.72) | (\$1.56) | \$0.05 | \$0.05 | \$0.19 |

* F2017 GAAP EPS include \$2.47 gain on divestiture of two business units and other one-time items.

Description: Volt Information Sciences, Inc. (www.volt.com) is an international provider of staffing, outsourcing, workforce management and customer care services. The company operates four business units: North American Staffing (84% of F2020 revenue), International Staffing (12%) and North American MSP (4%). Headquarters are in Orange, CA.

- Following the recent 3Q:21 earnings reports from peers, we saw a prevailing theme where staffing demand is robust, and in many cases above pre-pandemic levels. However, pervasive labor/supply shortages remain a hinderance.
- We suspect VOLT to be in a similar situation. We nonetheless still estimate the company to log healthy 6% year-to-year growth for 4Q:F21 (to be reported in mid-January), with gains in the core *North America Staffing* unit leading the way.
- We also foresee sustained revenue growth and margin and EPS expansion, outside of seasonal trends, through F2023 driven by volume increases and improved mix.
- Upon reviewing our model, however, we were using an incorrect workday number for 4Q:F22. We also found our revenue per billing assumptions too aggressive. Coupled with the ongoing uncertainty around the lingering pandemic and the general labor pool pressure, we find it prudent to temper our assumptions.
- Accordingly, we nudge our F2022-F2023 revenue forecasts 2%-4% lower with our F2022 adjusted EPS (excludes restructuring costs) now at \$0.14, from \$0.21, which reflects a tempered outlook for 4Q:F21 on fewer billing days. Our F2023 estimate is now \$0.28, from \$0.32.
- Management's adjusted EBITDA margin target is 3% "within three years" (we model 2% in F2021); we see a path to achieving this goal as F2022-F2023 progress.
- VOLT's balance sheet has steadily improved since F2019, and we expect this to continue. The company ended 3Q:F21 with net debt of \$0.44 per share and based on our EPS and FCF forecasts, that include the expected repayment of \$26 million in deferred payroll taxes, we project yearend F2023 net debt of \$0.18 per share.
- Our \$6 price target is based on an unchanged 20x our new F2023 EPS estimate of \$0.28 (from \$0.32). The 20x multiple is a premium to our 5-year EPS CAGR projection, which reflects our view that the business is at an inflection point. The Moderately Risky rating reflects the improving revenue and margin trends of late, as well as our expectations that VOLT will be profitable going forward.

NR

Price Target: \$6

Price: \$3.29

Risk Rating: M

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Key Statistics

| | |
|-------------------------------|----------|
| Analysts Covering | 1 |
| Market Cap (Mil) | \$70 |
| Enterprise Value | \$116 |
| 52-Week Range (NYSE) | 6-1 |
| 5-Year EPS CAGR | 15% |
| Avg. Daily Trading Volume | 115,000 |
| Shares Out (Mil) | 22.079 |
| Float Shares (Mil) | 14.250 |
| Insider Ownership | 42% |
| Institutional Holdings | 38% |
| Annualized Dividend | Nil |
| Dividend Yield | N/A |
| FCF Per Share (F2023E)* | \$0.24 |
| FCF Yield (F2023E) | 7.3% |
| Net Cash Per Share (F2023E) | (\$0.18) |
| Price to Book Value | 2.5x |
| Return on Equity (F2023E) | 8.6% |
| Total Debt to Capital | 77% |
| Interest Coverage Ratio | 4.9x |
| Short Interest % | 1.7% |
| Short Interest Days To Cover | 4.3 |
| Russell 2000 | 2,405 |
| Russell 2000 – Last 12 Months | 37.7% |
| VOLT – Last 12 Months | 135.4% |



Source: FactSet Prices

The prevailing theme we saw in peers' recent 3Q:21 reports was robust staffing demand and orders; however, tight worker supply was an overhang. Following recent 3Q:21 reports from staffing industry peers, we remain encouraged by the broad-based demand for staffing services, as the worldwide economy continues to recover from the depths of the pandemic. One of VOLT's closest peers is Kelly Services (NASDAQ: KELYA, BUY) with similar end markets in the Americas and overseas. KELYA noted in its 3Q:21 earnings report that it achieved year-to-year growth across all five operating segments. The company also acknowledged that its recovery rate, defined as 2021 organic revenue as a percentage of 2019 constant currency revenue for the same period, improved to a consolidated 91% in 3Q:21, up from 71% in 3Q:20 and 89% in 2Q:21. Some markets such as outsourcing/consulting trended above pre-pandemic levels. The ongoing theme we saw across the board, however, was labor/talent supply shortages across several end markets, such as professional/industrial and engineering/tech. Coupled with macro supply chain disruptions that have slowed business activity in several other end markets, we witnessed reduced levels of order fulfillment.

We expect VOLT's upcoming 4Q:F21 earnings report (in January) to echo this. We expect 4Q:F21 revenue advanced by 6% year-over-year; this is within management's 5%-7% growth guidance that also noted of uncertainty around the delta variant, other restrictions tied to the pandemic and the historic labor market supply constraints that should subdue near-term growth prospects. The gross margin, according to management, is expected to approximate 16.0%-16.5% (we are at the high-end), versus 16.2% in 4Q:F20. Our model assumes expansion that is tied to better mix, notably perm/direct-hire work and greater traction within the higher-margin retail client base (this business was up 28% year-to-year in 3Q:F21). Lastly, SG&A expense is slated to fall within \$34-\$35 million; we are at \$34.6 million. By our model, these assumptions translate to 4Q:F21 adjusted EPS of \$0.07 (excludes restructuring costs), from \$0.11 a year prior, with the return to more normalized SG&A expenses behind the year-to-year contraction.

We adjust our F2022-F2023 forecasts, noting in particular that our 4Q:F22 now reflects corrected billing day assumptions. Upon reviewing our model, we found that our billing day assumptions for F2022 were incorrect, notably in 4Q:F22 which we pegged against the same period in F2019 (that included an extra workweek). Additionally, we found our revenue per billing day assumptions too aggressive. We still expect the metric to recover toward F2019 levels; we note that for full-year F2019, revenue per workday was roughly \$3.9 million, by our calculation. However, this was skewed higher by a strong 1H:F19 performance; we think the approximate \$3.7 million average achieved over 2H:F19 is a more likely near-term target. Coupled with the ongoing overhang and uncertainty around the pandemic and historically tight labor pool that is hampering order fulfillment, we trim our full-year F2022 revenue estimate to \$918 million, from \$939 million, with the biggest decline coming in 4Q:F22 (that now reflects fewer workdays). Along with cost assumptions built in that reflect strategic internal hires ahead of the projected revenue growth and ongoing tech enablement initiatives, this move reduces our F2022 adjusted EPS estimate to \$0.14, from \$0.21, with the drop in our 4Q:F21 estimate. For F2023, we lower our revenue estimate to \$965 million, from \$1 billion, which still reflects a healthy 5% annual advance that should outpace the low to mid-single digits forecasted by industry researcher *Staffing Industry Analysts*. By our model, the F2023 growth should represent a mix between better pricing (tied in part to wage inflation in the marketplace) and higher overall order flow. For the year, we are now at EPS of \$0.28, from \$0.32.

VOLT maintains a sturdy financial profile, in our opinion. The company ended 3Q:F21 with cash and equivalents of \$50 million, debt of \$59 million and net debt per share of \$0.44, versus net debt of \$1.18 exiting F2019. The accounts receivable balance of more than \$100 million is comprised of high-quality receivables, mostly from blue-chip clients, and DSO are consistent with historical trends. Free cash flow (FCF; excludes the addback of stock-based compensation expense) per share was \$0.52 in F2020 (aided in part by the CARES Act and payroll tax deferral program). Given our EPS and FCF forecasts, that include the expected repayment of the full \$26 million in deferred payroll taxes in two installments (at the end of C2021 and C2022), we model FCF per share of \$0.24 in F2021, and outflow of \$0.15 in F2022 and FCF of \$0.24 in F2023. Our model shows VOLT ending F2023 with net debt per share of \$0.18.

| | | | |
|------------------|---|--------------------------------|---|
| Valuation | We maintain a \$6 price target on VOLT shares. Following VOLT's better-than-expected 3Q:F21 result in September, that included confirmation that North America is recovering at a fast clip (off the mid-F2020 trough), as well as recent 3Q:21 results and commentary from industry peers, we remain confident that VOLT's business is at an inflection point and in the early innings of a sustained revenue growth and profitability period, outside of seasonal payroll tax trends. We also think that not enough credit is being given to the successful cost-cutting maneuvers that were on display in recent quarters. We contend the shares should trade at a premium to our 5-year EPS CAGR projection of 15% (F2022 base year). Thus, at an unchanged 20x our new F2023 adjusted EPS estimate of \$0.28 (from \$0.32), we derive a \$6 price target. Our Moderately Risky rating reflects VOLT's improving margin trends and the sustained turn to profitability that we envision for F2021-F2023. | | |
| Key Risks | U.S. recession | Unfavorable pricing/wage terms | Worker supply constraints, notably in North America |

VOLT INFORMATION SCIENCES, INC.

Table 1: Volt Information Sciences, Inc., Income Statement (\$ in 000s except per-share data)

| | F2019 | Jan | Apr | Jul | Oct | F2020 | JanA | AprA | JulA | OctE | F2021E | JanE | AprE | JulE | OctE | F2022E | F2023E |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Net Revenue | \$ 997,090 | \$ 217,766 | \$ 207,275 | \$ 185,941 | \$ 211,073 | \$ 822,055 | \$ 217,958 | \$ 222,092 | \$ 217,534 | \$ 223,500 | \$ 881,084 | \$ 220,000 | \$ 230,000 | \$ 232,500 | \$ 235,000 | \$ 917,500 | \$ 965,000 |
| Cost of Services | 844,527 | 186,339 | 175,038 | 155,983 | 176,844 | 694,204 | 185,276 | 185,613 | 181,334 | 186,690 | 738,913 | 185,960 | 192,881 | 193,706 | 195,441 | 767,988 | 805,037 |
| Gross Profit | 152,563 | 31,427 | 32,237 | 29,958 | 34,229 | 127,851 | 32,682 | 36,479 | 36,200 | 36,810 | 142,171 | 34,040 | 37,119 | 38,794 | 39,559 | 149,512 | 159,963 |
| Expenses: | | | | | | | | | | | | | | | | | |
| Selling, Admin and Other | 157,052 | 39,497 | 36,189 | 31,245 | 30,735 | 137,666 | 33,747 | 32,950 | 34,039 | 34,568 | 135,304 | 35,670 | 35,935 | 35,881 | 35,538 | 143,024 | 149,776 |
| Restructuring and Severance | 4,656 | 1,246 | 411 | 546 | 438 | 2,641 | 632 | 595 | 489 | 500 | 2,216 | 500 | 500 | 500 | 500 | 2,000 | 2,000 |
| Impairment Charges | 688 | 11 | | 2,384 | 14,518 | 16,913 | 31 | 261 | 112 | | 404 | | | | | 0 | 0 |
| Gain from Divestiture | 0 | | | | | 0 | | | | | 0 | | | | | 0 | 0 |
| Total Expenses | 162,396 | 40,754 | 36,600 | 34,175 | 45,691 | 157,220 | 34,410 | 33,806 | 34,640 | 35,068 | 137,924 | 36,170 | 36,435 | 36,381 | 36,038 | 145,024 | 151,776 |
| Operating Income/(Loss) | (9,833) | (9,327) | (4,363) | (4,217) | (11,462) | (29,369) | (1,728) | 2,673 | 1,560 | 1,743 | 4,248 | (2,130) | 684 | 2,413 | 3,522 | 4,488 | 8,187 |
| Adjusted Operating Income (ex 1-time items) | (4,489) | (8,070) | (3,952) | (1,287) | 3,494 | (9,815) | (1,065) | 3,529 | 2,161 | 2,243 | 6,868 | (1,630) | 1,184 | 2,913 | 4,022 | 6,488 | 10,187 |
| Interest Income (Expense), (net) | (2,882) | (700) | (621) | (467) | (431) | (2,219) | (477) | (430) | (445) | (415) | (1,767) | (400) | (400) | (400) | (400) | (1,600) | (1,300) |
| Foreign Exchange Gain (Loss), net | (612) | (328) | (266) | 571 | (62) | (85) | 242 | 71 | (34) | 0 | 279 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Income (Expense), net | (881) | (258) | (152) | (168) | (291) | (869) | (156) | (147) | (152) | (150) | (605) | (150) | (150) | (150) | (150) | (600) | (600) |
| Pretax Income (Loss) | (14,208) | (10,613) | (5,402) | (4,281) | (12,246) | (32,542) | (2,119) | 2,167 | 929 | 1,178 | 2,155 | (2,680) | 134 | 1,863 | 2,972 | 2,288 | 6,287 |
| Income Tax (Benefit) | 978 | 195 | 23 | 556 | 271 | 1,045 | 327 | 288 | 314 | 177 | 1,106 | 402 | 20 | 279 | 446 | 1,147 | 1,900 |
| GAAP Net Income (Loss) | (15,186) | (10,808) | (5,425) | (4,837) | (12,517) | (33,587) | (2,446) | 1,879 | 615 | 1,001 | 1,049 | (3,082) | 114 | 1,583 | 2,526 | 1,141 | 4,388 |
| Non-GAAP Net Income (ex 1-time items) | (11,786) | (9,551) | (5,014) | (1,907) | 2,439 | (14,033) | (1,783) | 2,735 | 1,216 | 1,501 | 3,669 | (2,582) | 614 | 2,083 | 3,026 | 3,141 | 6,388 |
| GAAP Diluted EPS (Loss) | (0.72) | (0.50) | (0.25) | (0.22) | (0.58) | (1.56) | (0.11) | 0.08 | 0.03 | 0.04 | 0.05 | (0.14) | 0.01 | 0.07 | 0.11 | 0.05 | 0.19 |
| Non-GAAP EPS | (0.56) | (0.45) | (0.23) | (0.09) | 0.11 | (0.65) | (0.08) | 0.12 | 0.05 | 0.07 | 0.16 | (0.11) | 0.03 | 0.09 | 0.13 | 0.14 | 0.28 |
| Avg. Diluted Shares O/S | 21,119 | 21,416 | 21,416 | 21,589 | 21,607 | 21,507 | 21,793 | 22,588 | 22,651 | 22,650 | 22,421 | 22,700 | 22,750 | 22,750 | 22,800 | 22,750 | 22,900 |
| Margin Analysis | | | | | | | | | | | | | | | | | |
| Gross Margin | 15.3% | 14.4% | 15.6% | 16.1% | 16.2% | 15.6% | 15.0% | 16.4% | 16.6% | 16.5% | 16.1% | 15.5% | 16.1% | 16.7% | 16.8% | 16.3% | 16.6% |
| Selling, Admin & Other % of Revenue | 15.8% | 18.1% | 17.5% | 16.8% | 14.6% | 16.7% | 15.5% | 14.8% | 15.6% | 15.5% | 15.4% | 16.2% | 15.6% | 15.4% | 15.1% | 15.6% | 15.5% |
| Operating Margin | -1.0% | -4.3% | -2.1% | -2.3% | -5.4% | -3.6% | -0.8% | 1.2% | 0.7% | 0.8% | 0.5% | -1.0% | 0.3% | 1.0% | 1.5% | 0.5% | 0.8% |
| Effective Tax Rate | NM | NM | NM | NM | 20.0% | NM | NM | 13.3% | 33.8% | 15.0% | 51.3% | NM | 15.0% | 15.0% | 15.0% | 50.1% | 30.2% |
| Net Margin | -1.5% | -5.0% | -2.6% | -2.6% | -5.9% | -4.1% | -1.1% | 0.8% | 0.3% | 0.4% | 0.1% | -1.4% | 0.0% | 0.7% | 1.1% | 0.1% | 0.5% |
| Year-over-year Comparisons: | | | | | | | | | | | | | | | | | |
| Rev Growth | -4.0% | -14.1% | -17.8% | -20.3% | -18.3% | -17.6% | 0.1% | 7.1% | 17.0% | 5.9% | 7.2% | 0.9% | 3.6% | 6.9% | 5.1% | 4.1% | 5.2% |
| Gross Profit Growth | -0.7% | -16.6% | -11.1% | -16.0% | -20.3% | -16.2% | 4.0% | 13.2% | 20.8% | 7.5% | 11.2% | 4.2% | 1.8% | 7.2% | 7.5% | 5.2% | 7.0% |
| Adjusted Operating Income Growth | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | -5.5% | 57.0% |
| Net Income Growth | NM | NM | -5.0% | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM |
| Diluted EPS | NM | NM | -3.4% | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM | NM |
| Non-GAAP EPS | NM | NM | NM | NM | NM | NM | NM | NM | NM | -40.4% | NM | NM | NM | NM | NM | -15.6% | NM |

Sources: Sidoti & Company, LLC estimates; Company reports

VOLT INFORMATION SCIENCES, INC.

Table 2: Volt Information Sciences, Inc., Statement of Cash Flow (\$ in thousands except per-share data)

| | F2019 | Jan | Apr | Jul | F2020 | JanA | AprA | JulA | F2021E | F2022E | F2023E |
|---|----------------|----------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|
| Cash Flow from Operating Activities: | | | | | | | | | | | |
| Net Income (Loss) | \$ (15,186) | \$ (10,808) | \$ (5,425) | \$ (4,837) | \$ (33,587) | \$ (2,446) | \$ 1,879 | \$ 615 | \$ 1,049 | \$ 1,141 | \$ 4,388 |
| Loss from Discontinued Operations, net | | | | | | | | | | | |
| Depreciation and Amortization | 6,955 | 1,973 | 2,027 | 1,884 | 7,981 | 1,705 | 1,951 | 1,986 | 7,802 | 8,303 | 8,693 |
| Operating Lease Amortization | | 2,082 | 1,961 | 1,981 | 7,611 | 2,269 | 2,252 | 2,201 | 9,000 | 9,000 | 9,000 |
| Provision (Release) of Doubtful Accounts | (245) | 5 | (12) | 11 | (13) | (22) | 13 | (191) | (200) | (100) | (100) |
| Unrealized Foreign Currency Exchange Loss | 510 | 472 | (179) | 503 | 621 | 629 | (118) | 28 | 539 | | |
| Impairment Charges | 688 | 11 | 0 | 2,384 | 16,913 | 31 | 261 | 112 | 404 | | |
| Deferred Income Tax Provision (Benefit) | (88) | | | | (11) | | | | | | |
| Gain from Divestitures | 14 | (327) | 40 | 0 | (287) | | | | | | |
| Share-Based Compensation Expense | 499 | 511 | 508 | 414 | 1,736 | 226 | 531 | 537 | 1,694 | 2,000 | 2,000 |
| Gross Cash Flow | (8,797) | (6,081) | (1,080) | 2,340 | 964 | 2,392 | 6,769 | 5,288 | 20,288 | 20,344 | 23,981 |
| Changes in Operating Assets and Liabilities: | | | | | | | | | | | |
| Trade Accounts Receivable | 22,472 | 10,957 | 8,450 | 8,408 | 14,057 | (7,888) | 2,409 | 283 | (12,670) | (3,039) | (4,713) |
| Other Assets | 432 | 248 | (531) | 1,294 | 1,209 | 651 | (1,082) | (1,161) | 4,952 | 149 | (380) |
| Accounts Payable | 2,839 | (6,468) | (143) | (2,896) | (5,166) | (5,519) | (920) | 3,877 | (383) | (560) | 1,568 |
| Accrued Expenses and Other Liabilities | (9,712) | 1,205 | (3,736) | 1,663 | 7,897 | 4,148 | 1,284 | (5,668) | (998) | (12,256) | (6,998) |
| Income Taxes | 134 | 172 | (83) | (637) | (807) | (283) | (149) | 443 | (109) | 0 | 0 |
| Net Cash Used in Operating Activities | 16,165 | 6,114 | 3,957 | 7,832 | 17,190 | (8,891) | 1,542 | (2,226) | (9,208) | (15,706) | (10,523) |
| Operating Cash Flow | 7,368 | 33 | 2,877 | 10,172 | 18,154 | (6,499) | 8,311 | 3,062 | 11,080 | 4,637 | 13,459 |
| CAPEX | (9,053) | (1,370) | (1,722) | (833) | (5,268) | (959) | (796) | (894) | (4,000) | (6,000) | (6,000) |
| Free Cash Flow | (1,685) | (1,337) | 1,155 | 9,339 | 12,886 | (7,458) | 7,515 | 2,168 | 7,080 | (1,363) | 7,459 |
| Free Cash Flow (excl. Stock-Based Comp) | (2,184) | (1,848) | 647 | 8,925 | 11,150 | (7,684) | 6,984 | 1,631 | 5,386 | (3,363) | 5,459 |
| Cash Flows From Investing Activities: | | | | | | | | | | | |
| Sales of Investments | 391 | | 547 | 112 | 822 | 115 | 92 | 193 | 500 | 500 | 500 |
| Purchases of Investments | (221) | (16) | (268) | (185) | (582) | (125) | (138) | (123) | (500) | (500) | (500) |
| Proceeds from Divestitures and Asset Sales | 41 | 352 | 0 | 47 | 399 | 6 | 10 | 4 | 20 | | |
| Cash Flows From Financing Activities: | | | | | | | | | | | |
| Draw-Down on Borrowings | 25,000 | 10,000 | 10,000 | 0 | 20,000 | | | | | | |
| Repayment of Borrowings | (20,000) | (10,000) | (5,000) | 0 | (15,000) | | | | (1,654) | (2,500) | (7,500) |
| Debt Issuance Costs | (783) | (230) | (13) | (88) | (343) | (161) | (5) | 0 | (500) | (500) | (500) |
| Stock Option Proceeds and Withholdings on RSAs | (318) | (6) | 0 | (68) | (77) | (5) | 28 | (451) | (428) | (100) | (100) |
| Total | 4,110 | 100 | 5,266 | (182) | 5,219 | (170) | (13) | (377) | (2,562) | (3,100) | (8,100) |
| Beginning Cash and Equivalents | 36,544 | 38,444 | 36,642 | 43,107 | 38,444 | 56,433 | 48,792 | 56,588 | 56,433 | 60,922 | 56,459 |
| Effects of Exchange Rates | (525) | (565) | 44 | 58 | (116) | (13) | 294 | (310) | (29) | 0 | 0 |
| Change in Cash | 1,900 | (1,802) | 6,465 | 9,215 | 17,989 | (7,641) | 7,796 | 1,481 | 4,489 | (4,463) | (641) |
| Ending Cash and Equivalents | 38,444 | 36,642 | 43,107 | 52,322 | 56,433 | 48,792 | 56,588 | 58,069 | 60,922 | 56,459 | 55,818 |
| <i>Less: Restricted Cash</i> | <i>9,772</i> | <i>5,766</i> | <i>16,884</i> | <i>21,394</i> | <i>17,883</i> | <i>8,730</i> | <i>9,357</i> | <i>8,474</i> | <i>12,500</i> | <i>12,500</i> | <i>12,500</i> |
| Available Cash and Cash Equivalents | 28,672 | 30,876 | 26,223 | 30,928 | 38,550 | 40,062 | 47,231 | 49,595 | 48,422 | 43,959 | 43,318 |
| Per Share Data (diluted shares): | | | | | | | | | | | |
| Gross cash flow | (0.42) | (0.28) | (0.05) | 0.11 | 0.04 | 0.11 | 0.30 | 0.23 | 0.90 | 0.89 | 1.05 |
| Operating cash flow | 0.35 | 0.00 | 0.13 | 0.47 | 0.84 | (0.30) | 0.37 | 0.14 | 0.49 | 0.20 | 0.59 |
| Free cash flow | (0.08) | (0.06) | 0.05 | 0.43 | 0.60 | (0.34) | 0.33 | 0.10 | 0.32 | (0.06) | 0.33 |
| Free Cash Flow (excluding Stock-based Comp) | (0.10) | (0.09) | 0.03 | 0.41 | 0.52 | (0.35) | 0.31 | 0.07 | 0.24 | (0.15) | 0.24 |
| Cash, Cash Equivalents and Restricted | 1.82 | 1.71 | 2.01 | 2.42 | 2.62 | 2.24 | 2.51 | 2.56 | 2.72 | 2.48 | 2.44 |
| Number of shares (diluted) | 21,119 | 21,416 | 21,416 | 21,589 | 21,507 | 21,793 | 22,588 | 22,651 | 22,421 | 22,750 | 22,900 |

Sources: Sidoti & Company, LLC estimates; Company reports

VOLT INFORMATION SCIENCES, INC.

Table 3: Volt Information Sciences, Inc., Balance Sheet (\$ in thousands except per-share data)

| | F2019 | Jan | Apr | Jul | F2020 | JanA | AprA | JulA | F2021E | F2022E | F2023E |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| ASSETS | | | | | | | | | | | |
| Current Assets: | | | | | | | | | | | |
| Cash and Cash Equivalents | \$ 28,672 | \$ 30,876 | \$ 26,223 | \$ 30,928 | \$ 38,550 | \$ 40,062 | \$ 47,231 | \$ 49,595 | \$ 48,422 | \$ 43,959 | \$ 43,318 |
| Restricted Cash and S-T Investments | 12,794 | 8,484 | 19,445 | 24,285 | 20,736 | 11,876 | 12,788 | 11,918 | 15,353 | 15,353 | 15,353 |
| Trade Accounts Receivable | 135,950 | 125,113 | 116,373 | 108,395 | 121,916 | 129,907 | 127,435 | 127,200 | 134,586 | 137,625 | 142,338 |
| Other Current Assets | 7,252 | 7,595 | 8,480 | 7,067 | 7,058 | 6,152 | 7,567 | 8,503 | 7,489 | 7,340 | 7,720 |
| Total Current Assets | 184,668 | 172,068 | 170,521 | 170,675 | 188,260 | 187,997 | 195,021 | 197,216 | 205,850 | 204,277 | 208,729 |
| Property, Plant and Equipment | 25,890 | 25,274 | 24,792 | 23,706 | 22,167 | 21,438 | 20,180 | 18,977 | 18,365 | 16,062 | 13,369 |
| Right of Use Assets - Operating Leases | | 45,158 | 43,495 | 40,146 | 25,107 | 24,772 | 23,513 | 23,700 | 21,500 | 17,500 | 14,000 |
| Other Assets | 7,446 | 6,781 | 6,538 | 6,802 | 6,311 | 6,654 | 6,633 | 6,775 | 6,500 | 6,500 | 6,500 |
| Total Assets | 218,004 | 249,281 | 245,346 | 241,329 | 241,845 | 240,861 | 245,347 | 246,668 | 252,215 | 244,340 | 242,598 |
| LIABILITIES | | | | | | | | | | | |
| Current Liabilities: | | | | | | | | | | | |
| Accounts Payable | 36,341 | 29,939 | 16,644 | 27,010 | 31,221 | 25,733 | 24,793 | 28,670 | 30,838 | 30,278 | 31,845 |
| Accrued Compensation | 21,507 | 20,713 | 29,668 | 16,412 | 18,357 | 18,957 | 18,630 | 19,700 | 18,062 | 18,350 | 19,300 |
| Accrued Taxes Other Than Income Taxes | 11,244 | 13,062 | 13,360 | 10,292 | 12,983 | 26,584 | 31,828 | 28,208 | 31,216 | 25,845 | 15,760 |
| Accrued Insurance and Other | 24,654 | 22,841 | 21,008 | 19,077 | 15,908 | 16,891 | 17,710 | 16,337 | 16,741 | 16,974 | 17,853 |
| Operating Lease Liabilities | | 8,123 | 7,807 | 7,552 | 7,144 | 7,201 | 6,817 | 6,985 | 7,000 | 7,000 | 7,000 |
| Income Taxes Payable | 1,570 | 1,741 | 1,651 | 955 | 891 | 630 | 515 | 957 | 1,000 | 1,000 | 1,000 |
| Total Current Liabilities | 95,316 | 96,419 | 90,138 | 81,298 | 86,504 | 95,996 | 100,293 | 100,857 | 104,857 | 99,446 | 92,758 |
| Accrued Insurance and Other | 12,029 | 8,579 | 12,733 | 21,099 | 29,988 | 22,278 | 21,237 | 21,833 | 18,719 | 11,314 | 12,573 |
| Operating Lease Liabilities, ex Current | | 41,693 | 40,312 | 39,442 | 38,232 | 36,836 | 35,424 | 35,005 | 35,000 | 32,000 | 30,500 |
| Income Taxes Payable | 289 | 289 | 289 | 289 | 90 | 90 | 90 | 90 | 90 | 90 | 90 |
| Deferred Income Taxes | 17 | 5 | 12 | 11 | 3 | | | | | | |
| Long-Term Debt | 53,894 | 53,831 | 58,916 | 58,930 | 59,154 | 59,081 | 59,153 | 59,230 | 57,500 | 55,000 | 47,500 |
| Total Liabilities | 181,815 | 200,816 | 202,400 | 201,069 | 213,971 | 214,281 | 216,197 | 217,015 | 216,166 | 197,850 | 183,420 |
| SHAREHOLDERS' EQUITY | | | | | | | | | | | |
| Common Stock | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 | 2,374 |
| Paid-in Capital | 77,688 | 78,085 | 78,593 | 79,686 | 79,937 | 80,142 | 80,673 | 79,338 | 81,660 | 84,460 | 87,760 |
| Retained Earnings (Accumulated Deficit) | (10,917) | (248) | (5,673) | (16,777) | (29,793) | (32,384) | (30,505) | (33,405) | (31,904) | (30,763) | (26,375) |
| Accumulated Other Comprehensive Loss | (6,801) | (6,437) | (7,039) | (6,306) | (6,458) | (5,527) | (5,367) | (5,556) | (4,556) | (3,556) | (2,556) |
| Treasury Stock | (26,155) | (25,309) | (25,309) | (18,717) | (18,186) | (18,025) | (18,025) | (13,098) | (11,525) | (6,025) | (2,025) |
| Total Shareholders' Equity | 36,189 | 48,465 | 42,946 | 40,260 | 27,874 | 26,580 | 29,150 | 29,653 | 36,049 | 46,490 | 59,178 |
| Total Liabilities and Shareholders' Equity | 218,004 | 249,281 | 245,346 | 241,329 | 241,845 | 240,861 | 245,347 | 246,668 | 252,215 | 244,340 | 242,598 |
| Selected Data: | | | | | | | | | | | |
| Working Capital | 89,352 | 75,649 | 80,383 | 89,377 | 101,756 | 92,001 | 94,728 | 96,359 | 100,993 | 104,831 | 115,971 |
| Current Ratio (times) | 1.94 | 1.78 | 1.89 | 2.10 | 2.18 | 1.96 | 1.94 | 1.96 | 1.96 | 2.05 | 2.25 |
| Total Debt to Capital | 60% | 68% | 71% | 72% | 79% | 80% | 78% | 77% | 73% | 67% | 59% |
| Pro-Forma ROA (average, ttm) | NM | NM | NM | NM | NM | NM | 0.6% | 1.9% | 0.4% | 0.5% | 1.8% |
| Pro-Forma ROE (average, ttm) | NM | NM | NM | NM | NM | NM | 4.1% | 13.2% | 3.3% | 2.8% | 8.3% |
| BV per Share | 1.69 | 2.26 | 2.01 | 1.86 | 1.28 | 1.22 | 1.34 | 1.34 | 1.63 | 2.07 | 2.61 |
| Net Cash (Debt) per Share | (1.18) | (1.07) | (1.53) | (1.29) | (0.95) | (0.87) | (0.55) | (0.44) | (0.41) | (0.49) | (0.18) |
| DSO | 49 | 52 | 51 | 52 | 56 | 54 | 52 | 53 | 54 | 55 | 54 |

Sources: Sidoti & Company, LLC estimates; Company reports

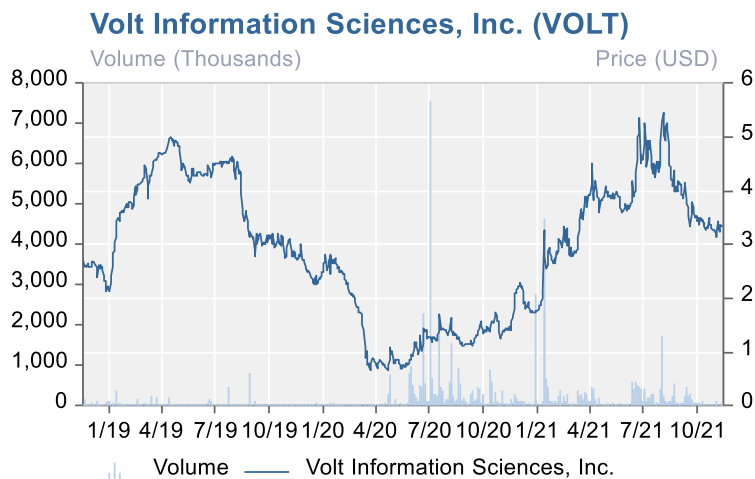
Appendix Required Disclosures

Required Disclosures

Volt Information Sciences, Inc. (VOLT-\$3.29) NR Price Target: \$6 Risk Rating: M

Rating and Price Target History Table

| Action | Date | Px | Rating | PT | Risk Rating |
|------------|----------|-----|--------|----|-------------|
| Initiation | 2/4/19 | 3.7 | NR | 8 | M |
| PT | 9/6/19 | 2.9 | | 7 | |
| PT | 3/2/20 | 1.8 | | 6 | |
| PT | 3/13/20 | 1.1 | | 5 | |
| PT | 6/17/20 | 1.3 | | 4 | |
| PT | 11/16/20 | 1.4 | | 4 | |
| PT | 1/11/21 | 1.9 | | 4 | |
| PT | 1/14/21 | 3.3 | | 5 | |
| PT | 3/8/21 | 2.8 | | 6 | |
| PT | 3/17/21 | 3.5 | | 6 | |
| PT | 6/1/21 | 3.6 | | 6 | |
| PT | 6/16/21 | 4.2 | | 6 | |
| PT | 8/17/21 | 4.7 | | 6 | |
| PT | 9/14/21 | 4.2 | | 6 | |



Source: FactSet Prices

| | | | |
|------------------|--|--------------------------------|---|
| Valuation | We maintain a \$6 price target on VOLT shares. Following VOLT's better-than-expected 3Q:F21 result in September, that included confirmation that North America is recovering at a fast clip (off the mid-F2020 trough), as well as recent 3Q:21 results and commentary from industry peers, we remain confident that VOLT's business is at an inflection point and in the early innings of a sustained revenue growth and profitability period, outside of seasonal payroll tax trends. We also think that not enough credit is being given to the successful cost-cutting maneuvers that were on display in recent quarters. We contend the shares should trade at a premium to our 5-year EPS CAGR projection of 15% (F2022 base year). Thus, at an unchanged 20x our new F2023 adjusted EPS estimate of \$0.28 (from \$0.32), we derive a \$6 price target. Our Moderately Risky rating reflects VOLT's improving margin trends and the sustained turn to profitability that we envision for F2021-F2023. | | |
| Key Risks | U.S. recession | Unfavorable pricing/wage terms | Worker supply constraints, notably in North America |

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