

Best-ever quarterly revenues, well positioned for FY23

Rent.com.au Limited (ASX:RNT) is a purpose-led company seeking to empower home renters through their rental profile, rental bond and payments, and through a growing number of aligned transactional services. The company has announced record Q4 FY22 revenues of \$0.88m, an increase of 9.0% on the previous corresponding period (pcp) and up 3.2% on Q3 FY22. The core Rent.com.au delivered positive EBITDA of \$0.035m, its eighth consecutive positive EBITDA quarter. Including RentPay, the group EBITDA loss was \$0.423m and included absorbing the \$0.458m net investment in operating and marketing costs for the new platform. The company ended FY22 with \$2.23m in net cash. The RentPay platform now has 3,007 active customers transacting payments and the platform is now handling more than \$1m in rental payments a week. Importantly, the redesign of the platform's on-boarding process and user dashboard are now complete with the company noting that it has seen a 50% improvement in the conversion rate of people getting through its onboarding process. Rent.com.au highlighted that despite the incredibly tight rental market, its renter products grew 15% on the pcp with RentCheck, its verification and database check product, growing 27% year on year. In our view, Rent.com.au is well positioned to leverage its investment in both RentPay and its renter products in FY23, particularly in light of the recently-announced Origin Energy Ltd (ASX:ORG) strategic partnership. We have made no changes to our forecasts and our valuation is maintained at \$0.23/share, which is predicated on RentPay securing 20% of renters on its platform by FY24.

Business model

Rent.com.au generates revenues from advertising and from rental products, with revenues for the latter derived from RentCheck, which verifies a renter's identity and checks their record against the National Tenancy Database; from RentConnect, which delivers an integrated utility connection and \$100 gift card to renters in conjunction with AGL; and from RentBond, RNT's "move now pay later" product, which helps renters bridge the gap from one rental property to another by financing their bond online. The company's growing RentPay app platform allows renters total financial flexibility in terms of how they make their rent payments while giving agents and landlords surety of payments on time. It also aligns Rent.com.au to the tenancy period, giving it an opportunity to engage with its audience for longer and extend the relationship into other revenue lines including insurance, telecommunications, loan and finance products.

Solid Q4 performance, well-positioned for FY23 leverage

Rent.com.au delivered Q4 revenues of \$0.88m, its best-ever revenue quarter and a 9.0% improvement on the pcp. The company reported an EBITDA loss of \$0.423m for the quarter with the loss from RentPay increasing 12% on Q3 to \$0.458m as the company invested in the marketing of RentPay to help drive take-up. RNT also invested \$0.415m in software development costs in the quarter. EBITDA from the core Rent.com.au search business was \$0.035m, its eighth consecutive positive quarter. RNT noted that advertising revenues delivered their second-best sales quarter in Q4 while RentCheck, the ID verification and database check product, grew revenues by 27% on the pcp as renters sought to stand out in a continuing tight rental market.

Base-case DCF valuation of \$0.23/share

Our base-case DCF valuation for Rent.com.au is \$0.23/share and predicated on our expectation that RentPay will secure 5% of renters on its platform by FY24 and 20% by FY30. Evidence of faster-than-forecast take-up of RentPay together with the expansion of RentPay into other transactional products will likely result in our forecasts being revisited.

Earnings history and RaaS' estimates (in A\$ unless otherwise stated)

Year end	Sales revenues	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/20a	2.5	1.5	(1.1)	(1.7)	(0.6)	4.1
06/21a	3.1	1.8	(0.7)	(1.0)	(0.4)	3.6
06/22f	3.4	1.4	(1.6)	(2.1)	(0.5)	3.9
06/23f	5.4	3.4	(0.3)	(0.8)	(0.2)	2.7

Source: RaaS estimates for FY22f and FY23f; Company data for historical earnings

Software & Services

1st August 2022

Share Details

ASX code	RNT
Share price (29-July)	\$0.036
Market capitalisation	\$15.8M
Shares on issue	439.3M
Options/performance rights	22.3M
Net cash (30-Jun)	\$2.23M

Share Performance (12 months)



Upside Case

- Purpose-led culture underpinning improving business metrics
- Opportunity to expand RentPay into other payments products
- Opportunity to upsell existing 700,000 monthly unique visitors into RentPay

Downside Case

- Advertising revenues exposed to cyclical trends
- Investment in RentPay and other products may require further capital
- Small player relative to other online portals

Catalysts

- Further evidence of take-up of RentPay
- Expansion of RentPay into other products
- Ongoing evidence of operational momentum

Board of Directors

Garry Garside	Non-Executive Chairman
Sam McDonagh	Non-Executive Director
Phil Warren	Non-Executive Director
John Wood	Non-Executive Director
Greg Bader	Chief Executive Officer

Company Contacts

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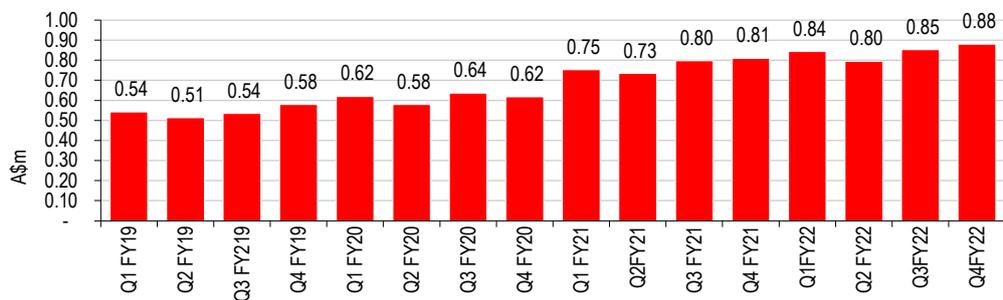
RaaS Advisory Contact

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Q4 FY22 Results Analysis

Rent.com.au delivered 9.0% y-o-y growth in Q4 FY22 revenues to \$0.88m and its best-ever revenue quarter. The company has consistently grown revenues each quarter over the past three-plus years, despite some of the challenges presented by COVID in recent quarters. The core Rent.com.au business continued to build profitability, reporting EBITDA of \$0.035m, although down 40% on the pcp and 27% on Q3 FY22. The company noted that its energy connection product, RentConnect, grew 53% when compared with the same quarter in FY21, boding well for its new partnership with Origin Energy, but offsetting this was a lower performance from its bond finance product, RentBond. Rent.com.au highlighted that it is working with its finance partner, Fair Go Finance, on improved financing and application flows and that the arrangement had been extended for another three-year period.

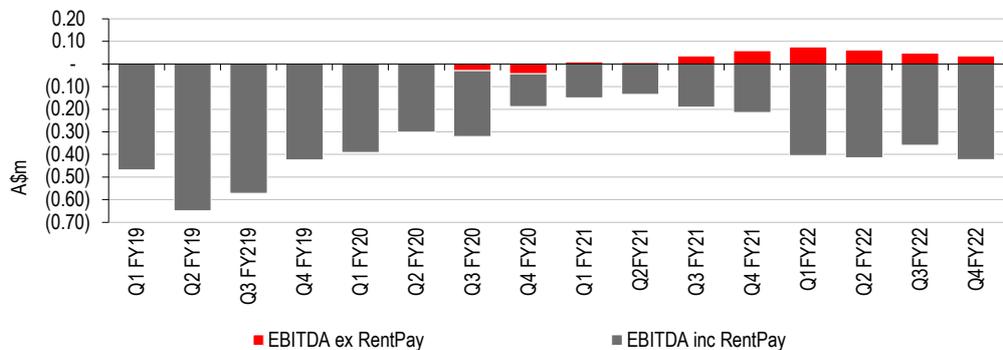
Exhibit 1: Rent.com.au quarterly revenues Q1 FY19-Q3 FY22



Source: Company reports

The group EBITDA loss was \$0.423m as a result of RentPay’s \$0.458m EBITDA loss, which was greater than the Q3 loss of \$0.407m but down on that reported in Q1 and Q2. The company noted in its Q4 release that at the end of June, RentPay had 3,007 active customers transacting payments, a 12% improvement on the number of active customers at the end of March and near doubling of the number of active customers at the end of December. More than \$1m in rent is now being paid weekly through the RentPay platform and the daily trust account is averaging around \$600,000. The RentPay app or desktop web version has now been downloaded 24,000 times. The company has a stated ambition of securing 200,000 customers on the RentPay platform by the end of FY23 and our forecasts are predicated on RentPay reaching that goal by the end of FY24. The company highlighted that the monthly fee it generated from customers or their agency using RentPay together with the commissions that Origin Energy will pay for RentPay customers using the platform for “bill-smoothing” will help drive average revenue per user (ARPU) in the near term.

Exhibit 2: Rent.com.au group EBITDA and EBITDA excluding RentPay



Source: Company reports

Cash receipts for the quarter were \$0.935m, up 9.1% on the pcq and the company's best-ever cash quarter. Cash receipts came in a little under our forecasts for the quarter but costs were also below our estimates. Operating costs were \$1.24m for the quarter, up just over 3.0% on Q3 and 31% on Q3 FY22 largely due to increased investment in people and marketing costs largely associated with the RentPay platform. The operating loss for the quarter was \$0.31m. Rent.com.au ended the quarter with \$2.23m in net cash.

Exhibit 3: Q3 FY22 versus Q2 FY22 and Q3 FY21 (in A\$m unless otherwise stated)					
	Q4 FY21	Q3 FY22	Q4 FY22	% chg on Q4 FY21	RaaS Q4 fct
Cash receipts	0.86	0.86	0.94	9.1	1.07
Product manufacturing and operating costs	(0.34)	(0.35)	(0.37)	11.6	(0.35)
Employee costs	(0.41)	(0.50)	(0.53)	30.1	(0.50)
Admin, corporate and other costs	(0.20)	(0.34)	(0.33)	63.5	(0.48)
Net interest	(0.00)	(0.01)	0.00	n.m	0.01
Taxes	-	-	0.00	n.m	-
Other (government grant)	-	-	0.00	n.m	-
Operating cashflow	(0.09)	(0.35)	(0.31)	240.0	(0.25)
Net cash at the end of the period	2.92	3.08	2.230	(23.6)	2.83

Source: Company data

DCF Valuation

We are of the view that the discounted cashflow methodology is the most appropriate method for valuing Rent.com.au given the still early stage of its lifecycle. Our valuation uses a WACC of 13.5% (beta 1.5, terminal growth rate 2.2%) and derives a valuation of \$102m or \$0.23/share. Including performance rights, the valuation is \$0.22/share. Our forecasts in arriving at this valuation assume that RentPay will be used by 5% of the Australian rental market by FY24-end and 20% of the Australian rental market by FY30.

Exhibit 4: DCF valuation	
Parameters	Outcome
WACC	13.5%
Beta	1.5
Terminal growth rate	2.2%
Sum of PV (A\$m)	32.4
PV of terminal value (A\$m)	67.3
PV of enterprise	99.8
Net cash (30-Jun)	(2.2)
Net value - shareholder	102.0
No. of shares on issue	439.3
NPV in A\$	\$ 0.23

Source: RaaS estimates

Exhibit 5: Financial Summary

Rent.com.au Ltd						Share price (29 July 2022)						A\$	0.04				
Profit and Loss (A\$m)						Interim (A\$m)						H121A	H221A	H122A	H222F	H123F	H223F
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Revenue	1.5	1.6	1.7	1.9	2.3	3.1					
Sales Revenue	2.2	2.5	3.1	3.4	5.4	EBITDA underlying	(0.3)	(0.4)	(0.8)	(0.6)	(0.5)	0.2					
Gross Profit	0.8	1.5	1.8	1.4	3.4	EBIT	(0.7)	(0.8)	(1.2)	(1.2)	(0.9)	(0.3)					
EBITDA underlying	(2.1)	(1.1)	(0.7)	(1.6)	(0.3)	NPAT (normalised)	(0.2)	(0.8)	(1.2)	(0.9)	(0.6)	(0.2)					
EBITDA reported	(2.0)	(1.1)	(1.0)	(1.6)	(0.3)	Minorities	0.0	-	-	-	0.0	0.0					
Depn	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	NPAT (reported)	(0.4)	(0.9)	(1.3)	(0.8)	(0.6)	(0.2)					
Amort	(0.5)	(0.8)	(0.8)	(0.8)	(0.9)	EPS (normalised)	(0.1)	(0.3)	(0.32)	(0.19)	(0.14)	(0.05)					
EBIT	(2.7)	(2.0)	(1.6)	(2.4)	(1.2)	EPS (reported)	(0.1)	(0.2)	(0.34)	(0.19)	(0.14)	(0.05)					
Interest	0.0	(0.0)	(0.0)	(0.0)	0.0	Dividend (cps)	0.0	-	-	-	-	-					
Tax	0.0	0.0	(0.0)	0.3	0.0	Imputation	0.0	-	-	-	-	-					
Minorities	0.0	(0.0)	(0.0)	(0.0)	0.0	Operating cash flow	0.2	(0.3)	(1.0)	(0.7)	(0.6)	0.0					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	0.6	1.0	(0.7)	(0.6)	(0.0)	0.5					
NPAT pre significant items	(2.6)	(1.7)	(1.0)	(2.1)	(0.8)	Divisions						H121A	H221A	H122A	H222F	H123F	H223F
Significant items	0.1	0.0	(0.3)	0.0	0.0	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1					
NPAT (reported)	(2.5)	(1.7)	(1.3)	(2.1)	(0.8)	Rental Products	0.8	0.8	0.7	0.8	0.7	0.8					
Cash flow (A\$m)						Advertising	0.5	0.7	0.8	0.9	0.9	0.9					
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	RentPay	0.1	0.1	0.1	0.2	0.6	1.3					
EBITDA	(2.1)	(1.1)	(0.7)	(1.6)	(0.3)	Total Revenue	1.5	1.6	1.6	1.9	2.3	3.1					
Interest	0.0	(0.0)	(0.0)	(0.0)	0.0	COGS	(0.5)	(0.7)	(1.0)	(1.0)	(1.0)	(1.1)					
Tax	0.0	0.0	(0.0)	0.0	0.0	Gross profit	(0.46)	(0.66)	(0.90)	(0.77)	(0.33)	0.23					
Working capital changes	0.2	0.4	0.7	(0.1)	(0.3)	Employment	(0.8)	(0.8)	(0.9)	(1.0)	(1.2)	(1.2)					
Operating cash flow	(1.9)	(0.8)	(0.1)	(1.7)	(0.6)	SGA&A	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)					
Mtce capex	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	EBITDA	(0.3)	(0.4)	(0.8)	(0.6)	(0.5)	0.2					
Free cash flow	(1.9)	(0.8)	(0.1)	(1.7)	(0.6)	Margins, Leverage, Returns						FY19A	FY20A	FY21A	FY22F	FY23F	
Growth capex	(0.6)	(0.5)	(1.6)	(0.3)	(1.0)	EBITDA		(97.9%)	(46.0%)	(22.3%)	(46.2%)	(5.2%)					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(124.1%)	(82.0%)	(50.4%)	(72.1%)	(21.2%)					
Other	0.0	0.0	0.0	(0.9)	0.0	NPAT pre significant items		(120.4%)	(67.9%)	(32.1%)	(62.7%)	(15.0%)					
Cash flow pre financing	(2.5)	(1.2)	(1.7)	(2.9)	(1.6)	Net Debt (Cash)		0.1	0.6	2.9	2.2	0.6					
Equity	0.5	2.0	4.2	2.5	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	n/a					
Debt	(0.0)	(0.1)	(0.1)	(0.1)	0.0	ND/ND+Equity (%)	(%)	(10.0%)	(52.4%)	(143.6%)	(105.4%)	(19.7%)					
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	n/a					
Net cash flow for year	(2.0)	0.7	2.4	(0.5)	(1.6)	ROA		(81.2%)	(82.8%)	(36.4%)	(41.2%)	(21.0%)					
Balance sheet (A\$m)						ROE		(176.4%)	(103.5%)	(37.9%)	(45.8%)	(20.9%)					
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	ROIC		nm	nm	nm	nm	nm					
Cash	0.2	0.6	2.9	2.2	0.6	NTA (per share)	n/a	0.00	0.01	0.00	0.00	0.00					
Accounts receivable	0.3	0.4	0.5	0.5	0.9	Working capital		(0.3)	(0.2)	(0.2)	(0.5)	(0.2)					
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(12.9%)	(7.1%)	(7.5%)	(14.5%)	(3.9%)					
Other current assets	0.0	0.0	0.0	0.0	0.0	Revenue growth		(6.9%)	13.3%	26.2%	8.9%	61.3%					
Total current assets	0.5	1.0	3.4	2.8	1.5	EBIT growth pa	n/a	n/a	n/a	n/a	n/a	nm					
PPE	0.0	0.0	0.0	0.1	0.2	Pricing						FY19A	FY20A	FY21A	FY22F	FY23F	
Intangibles and Goodwill	1.7	1.5	2.4	2.4	2.6	No of shares (y/e)	(m)	249	303	398	440	440					
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	238	292	313	435	440					
Deferred tax asset	0.0	0.0	0.0	0.3	0.6	EPS Reported	cps	(1.1)	(0.6)	(0.4)	(0.5)	(0.2)					
Other non current assets	0.0	0.1	0.0	0.3	0.3	EPS Normalised/Diluted	cps	(1.1)	(0.6)	(0.4)	(0.5)	(0.2)					
Total non current assets	1.7	1.6	2.5	3.1	3.6	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	nm					
Total Assets	2.2	2.7	5.9	5.9	5.1	DPS	cps	-	-	-	-	-					
Accounts payable	0.6	0.6	0.7	1.0	1.1	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Short term debt	0.0	0.0	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend imputation		0	0	0	0	0					
Other current liabilities	0.2	0.3	0.2	0.3	0.3	PE (x)		-	-	-	-	-					
Total current liabilities	0.8	0.8	1.0	1.3	1.4	PE market		18.5	18.5	18.5	18.5	18.5					
Long term debt	0.0	0.0	0.0	0.0	0.0	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)					
Other non current liabs	0.0	0.0	0.0	0.2	0.2	EV/EBITDA	-	4.1	8.8	16.0	8.5	52.2					
Total long term liabilities	0.0	0.0	0.0	0.2	0.2	FCF/Share	cps	(0.8)	(0.2)	(0.0)	-0.4	-0.1					
Total Liabilities	0.8	0.9	1.0	1.6	1.6	Price/FCF share	-	5	14.0	8.815	9.6	32.8					
Net Assets	1.4	1.8	4.9	4.3	3.5	Free Cash flow Yield		(21.7%)	(7.1%)	(0.0%)	(10.4%)	(3.1%)					
Share capital	35.3	37.1	41.5	43.8	43.8												
Accumulated profits/losses	(40.2)	(41.9)	(43.2)	(46.1)	(47.0)												
Reserves	6.3	6.6	6.6	6.7	6.7												
Minorities	0.0	0.0	(0.0)	(0.0)	(0.0)												
Total Shareholder funds	1.4	1.8	4.9	4.3	3.5												

Source: RaaS estimates



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021



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- how we transact with you
- how we are paid, and
- complaint processes

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