



Business Model Reflects all Market Participants

Published 3rd June 2016

Rent.com.au founder and CEO Mark Woschnak told today's Bangkok Property Portal Watch Conference the Australia-based business is reaching its commercialisation phase and plans significant new revenue streams separate from agents.

Based in the Western Australian city of Perth, Rent.com.au has made a long journey from its origins as a privately held business with five staff through to listing on the Australian Stock Exchange and bringing another 50 people on board.

Rent.com.au was founded by Woschnak about 8 years ago and aims to build a complete marketplace within a vertical for renters, property managers and private landlords.

“The big point of difference to sales is half of all rental properties are managed privately,” Woschnak told delegates.

“SEEK and carsales.com both of got the industry component on board first then opened up to private sellers.

“Our clear strategic objective is to create a complete market place similar to that kind of model with the intention of providing renters with the best choice.”

New revenue streams

“The big shift we see is that just one third of our revenue in the future will come from agents.”

Instead Woschnak says the company will monetize the 20 core services the business perceives renters need throughout the process.

“We aim to earn between \$5 and \$100 dollars working on a revenue share basis with partners and service providers,” he reveals. “So far we’ve built five such relationships and they’re working really well.”

Woschnak points to a recent product Rent Bond as an example of services that might be offered.

“Rent bond provides finance to help renters pay their bond without finance, credit cards or financial details. It’s an instant online application and has been very well received in the market.”

Woschnak says in the last 10 years Australia has seen a cultural trend towards renting

“Up until 2005 renting was seen as the poor cousin to buying your own property but now it’s a respected lifestyle choice as a result of the growth in revenue coming out of the property management sector,” he explains

“We want to be an advocate for the industry and do a lot more than is currently provided.

Strong stats for opportunity

Currently 50 per cent of landlords aren’t able to list on Realestate.com.au, which forces them to use the papers or sites like Gumtree.

“We’re telling landlords using Rent is as easy as putting your ad on SEEK or Carsales, you just put your rental on Rent.”

With three million rental properties in the country and 30 per cent of renters between the ages of 18 and 35, the rental market of 7 million people in Australia is turning over every 6-18 months.

As a result, Rent.com.au is a data-focused business about knowing a lot about the people moving around on a regular basis.

“We charge subscription to agents for reaching more renters,” Woschnak says of the model.

It’s a unique audience, we don’t go out to compete against REA or Domain in terms of their private landlord leads or advertising.

“We charge a once-off listing for landlords and offer a number of monetized services including a rent report and rent cheque.

“We’re creating a module which includes everything landlords need to self list and self manage their property.”

Challenges of raising capital

Starting off as a private business Rent.com.au was initially funded by Woschnak and close associates with \$3 million raised in the first round used to fund the building of the prototype.

In the second and third core rounds, one during the GFC capital amounts of \$5 million and \$1.5 million was raised through private investors in Perth to build technology and content and start product development.

On the back of strong growth two years ago \$1.5 million was put towards making the business scalable, getting the platform right and building more agent content.

“Given the difficulty of raising capital as a private business, the decision was made about three years ago to clean up our structure so we could access capital through the public market,” Woschnak says.

Rather than choosing an expensive IPO with its extensive prep work, a hard ask for just five people, Rent.com.au went with a back door listing.

Road to listing

Over a nine month period the business went through the rigorous process of finding corporate advisors and analysts with an understanding of real estate media, testing demand for the product through road shows, preparing the prospectus, closing on the capital deals and undertaking the AGMs and other meetings required.

It was a tough road attempting to convince investors of the vision.

“We had to do a lot of comfort building and education getting people to buy into the strategic vision,” Woschnak confirms.

“Due to the unusual nature of our model which doesn’t prioritise revenue from agents, the scrutiny on us was very high.”

“We had to prove our point of difference will make us robust, scalable and long lasting and that we can thrive in the market alongside incumbents REA Group and Domain.”

With the slight stigma of back door listing the business was required to produce extensive research, planning and third party verification, which Woschnak says was the key moving through.

It also had to enter long term 24 month contracts and 24 months escrow.

Tough to list

But at listing the company was disappointed with just 65 per cent of the valuation it was looking for.

“We had structured the deal so we could claw back that other 35 per cent based on various traffic and EBIT multiples but what that did in the market was show we were willing to take 2/3 of a valuation and move on,” Woschnak says.

“For investors who didn’t fully understand the journey that was good enough to say we can back that sort of position.”

Woschnak says following listing, the company has been moving forward on its cycle of building content and a strong suite of products and is now ready for the branding and commercialization phase .

With 70,000 active listings, or 90 per cent of all agent listings in the country, 8000 agents registered to the site (representing about 90 per cent of the property management sector) the success of the model is already evident.

“As of this month we have 700,000 unique views to the site per month which equates to about 50 per cent of all renters,” he enthuses.

Learnings from Listing

- Get a clear capital offer up front
- Be very prepared for analysts up front
- Have highly identified use of funds
- Don’t set the milestones too high given the phases a startup can experience
- Keep up the momentum of the business including a big public presence and profile
- Keep who you are dealing with really close
- Keep to the plan even if all the advisors want to deviate
- Demonstrate commitment to new investors as a startup business