

Rent.com.au Ltd

Q2 FY22 Results Analysis

Strong performance in a seasonally weaker quarter

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 Q2 FY22 revenues of \$0.795m, an increase of 8.3% on the previous corresponding period (pcp). The core Rent.com.au delivered positive EBITDA of \$0.062m, a near seven-fold increase on the same quarter in FY21, although down 18% on Q1 FY22, reflecting that Q2 is the seasonally weakest quarter for RNT. Including RentPay, the group EBITDA loss was \$0.414m, which was largely in line with the \$0.405m loss reported in Q1 FY22 due to an increased investment in marketing and people for the RentPay start-up. The platform now has 2,050 active customers transacting payments out of a core universe of 7,500 registered customers and 14,000 app downloads. To date, \$10.5m has been paid into RentPay, \$6.7m of this in Q2 FY22. The company noted that with major lockdowns ending and the likelihood of increased intrastate and possibly international mobility, the traditionally strong third quarter promises to be extremely busy. We have made no changes to our forecasts but our valuation is now \$0.29/share (previously \$0.31/share) as a result of the additional shares issued in the \$2.5m placement completed in January.

Business model

Rent.com.au generates revenue 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 recently launched 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.

RentPay gaining traction

Rent.com.au delivered Q2 revenues of \$0.795m, an 8.4% improvement on Q2 FY21 and a little ahead of the \$0.81m revenue generated in Q4 FY21. EBITDA from the core Rent.com.au search business was \$0.062m, its sixth consecutive positive quarter. RNT noted that advertising revenue had continued its strong growth with the second-highest-ever ad sales quarter driving the overall group result, although some softening in the market for new home builds and delays in land titles and releases had emerged. The key takeaway from this result was the traction that RentPay is beginning to demonstrate. The EBITDA loss from RentPay slowed to \$0.476m in Q2 from the EBITDA loss of \$0.481m reported in Q1 FY22, while the platform demonstrated significant growth with a 52% increase in active customers q-o-q to 2,050, and more than \$10.5m in rent now paid into RentPay, \$6.7m of this in Q2 FY22. The platform now has 7,500 registered customers, up 36% on Q1 FY22.

Base-case DCF valuation of \$0.29/share (previously \$0.31)

Our base-case DCF valuation for Rent.com.au is \$0.29/share (previously \$0.31/share) as a result of incorporating the additional shares issued in the January share placement. Our valuation is predicated on our expectation that RentPay will secure 5% of renters on its platform by FY23 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 Revenue	Gross Profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/20a	2.5	1.5	(1.1)	(1.7)	(0.6)	7.1
06/21a	3.1	1.8	(0.7)	(1.0)	(0.4)	6.8
06/22e	4.5	2.3	(0.8)	(1.2)	(0.3)	5.2
06/23e	12.0	6.6	2.4	1.0	0.3	1.9

Source: RaaS estimates for FY22e and FY23e; Company data for historical earnings

Software & Services

1st February 2022

Share Details

ASX code	RNT
Share price (31-Jan)	\$0.06
Market capitalisation	\$26.4M
Shares on issue	439.3M
In-the-money options/performance rights	22.3M
Net cash (post-January raise)	\$3.1M

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 takeup 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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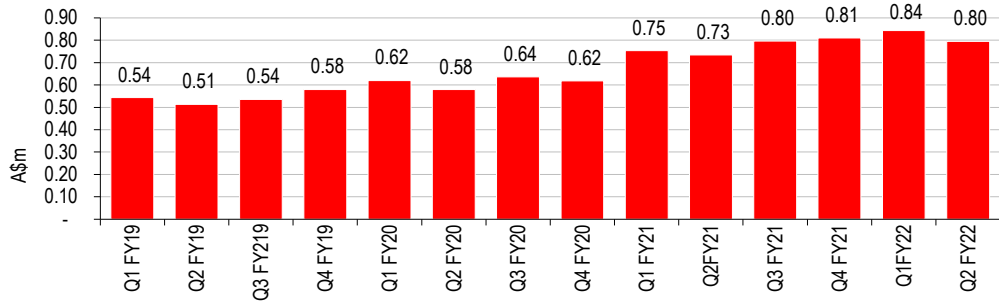
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Q2 FY22 Results Analysis

Rent.com.au delivered 8.4% y-o-y growth in Q2 FY22 revenues to \$0.795m. The company has consistently grown revenues each quarter over the past three years, including this seasonally weaker quarter. The core Rent.com.au business continued to build profitability, reporting EBITDA of \$0.062m, a near-seven-fold increase on Q2 FY21 although down 18% on Q1 FY22.

Exhibit 1: Rent.com.au quarterly revenues Q1 FY19-Q2 FY22

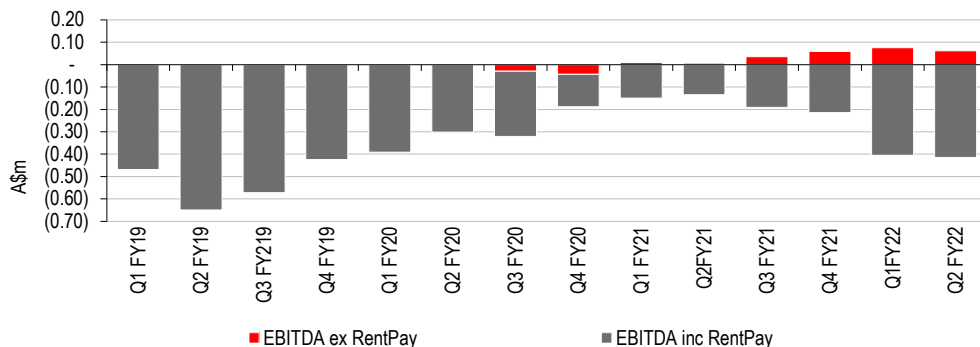


Source: Company reports

The group EBITDA loss was \$0.414m as a result of RentPay’s \$0.476m EBITDA loss, which bettered the Q1 FY22 EBITDA loss of \$0.481m. The company noted in its Q2 release that at the end of December, RentPay had 2,050 active customers transacting payments, a 52% increase on the number of active customers at the end of September. Around \$10.5m in rent has been paid into RentPay to date, up from the \$3.8m reported at the end of Q1 FY22. The RentPay app or desktop web version has now been downloaded 14,000 times and 7,500 customers have registered. The company has a stated ambition of securing 200,000 customers on the RentPay platform by the end of FY23.

The company noted that in Q2 FY22, it deployed a web version of RentPay which had proved to be popular with 30% of customers taking advantage of the large-screen format for onboarding and identification checking, with many moving to the app for easy management and keeping updated. Using these learnings, the company has redesigned its onboarding process to make it easier for customers to navigate the experience and become active in the system.

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



Source: Company reports

Cash receipts for the quarter were \$0.97m, the company’s best-ever result, up 18% on Q2 FY21 and up 11% on Q1 FY22. Cash receipts also bettered our forecast for \$0.89m. Rent.com.au posted an operating cash profit for the quarter of \$0.186m as a result of government grants (\$0.62m) and tight cost containment (\$1.4m versus \$1.47m in Q1 FY22) despite an increased investment in advertising and marketing (\$0.38m versus

\$0.19m in Q1 FY22 and \$0.7m in Q2 FY21) largely associated with the RentPay platform. We had forecast cash costs of \$1.49m for the quarter and an operating cash loss of \$0.60m. Rent.com.au ended the quarter with \$1.56m in net cash.

Exhibit 3: Q2 FY22 versus Q2 FY21 and Q1 FY22 (In A\$m unless otherwise stated)			
	Q2 FY21	Q1 FY22	Q2 FY22
Cash receipts	0.82	0.88	0.97
Product manufacturing and operating costs	(0.39)	(0.41)	(0.40)
Employee costs	(0.46)	(0.50)	(0.46)
Admin, corporate and other costs	(0.17)	(0.55)	(0.54)
Net interest	(0.00)	-	(0.01)
Taxes	-	-	-
Other (government grant)	0.06	-	0.62
Operating cashflow	(0.13)	(0.59)	0.19
Net cash at the end of the period	1.81	1.76	1.56

Source: Company data

Outlook

Rent.com.au noted that with new daily records in key product sales, it expected a surge in demand during the rest of Q3 FY22. The company anticipates that this traditionally strong quarter, will be boosted by the end of lockdowns and some expected relaxation of international borders. Having completed an oversubscribed \$2.5m institutional placement (at \$0.06/share) earlier in January, the company believes it has the cash reserves to focus on growing RentPay to deliver on its anticipated opportunity.

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 12.0% (Beta 1.5, terminal growth rate 2.2%) and derives a valuation of \$126m or \$0.29/share (previously \$0.31/share) after taking into account the additional shares issued in the January placement. Our forecasts in arriving at this valuation assume that RentPay will be used by 5% of the Australian rental market by FY23 end and 20% of the Australian rental market by FY30.

Exhibit 6: DCF valuation	
Parameters	Outcome
WACC	12.0%
Beta	1.5
Terminal growth rate	2.2%
CAGR in FCF FY23-FY30	36.93%
Sum of PV (A\$m)	44.4
PV of terminal value (A\$m)	79.3
PV of enterprise	123.7
Net cash (est Jan-22)	(3.1)
Net value - shareholder	126.8
No. of shares on issue	439.3
NPV in A\$	\$ 0.29

Source: RaaS estimates

Exhibit 6: Financial Summary

Rent.com.au Ltd						Share price (31 January 2022)						A\$	0.06						
Profit and Loss (A\$m)						Interim (A\$m)						H121A	H221A	H122F	H222F	H123F	H223F		
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Revenue	1.5	1.6	1.8	2.7	4.8	7.2	EBITDA underlying	(0.3)	(0.4)	(0.7)	(0.2)	0.7	1.8
Sales Revenue	2.2	2.5	3.1	4.5	12.0	EBIT	(0.7)	(0.8)	(1.1)	(0.6)	0.2	1.3	NPAT (normalised)	(0.2)	(0.8)	(0.8)	(0.4)	0.2	0.9
Gross Profit	0.8	1.5	1.8	2.3	6.6	Minorities	0.0	-	-	-	0.0	0.0	NPAT (reported)	(0.4)	(0.9)	(0.8)	(0.4)	0.2	0.9
EBITDA underlying	(2.1)	(1.1)	(0.7)	(0.8)	2.4	EPS (normalised)	(0.1)	(0.3)	(0.19)	(0.10)	0.04	0.21	EPS (reported)	(0.1)	(0.2)	(0.19)	(0.10)	0.04	0.21
EBITDA reported	(2.0)	(1.1)	(1.0)	(0.8)	2.4	Dividend (cps)	0.0	-	-	-	-	-	Imputation	0.0	-	-	-	-	-
Depn	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	Operating cash flow	0.2	(0.3)	(0.4)	(0.3)	0.2	1.0	Free Cash flow	0.6	1.0	(0.4)	0.2	0.7	1.5
Amort	(0.5)	(0.8)	(0.8)	(0.9)	(0.9)	Divisions	H121A	H221A	H122F	H222F	H123F	H223F	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1
EBIT	(2.7)	(2.0)	(1.6)	(1.7)	1.5	Rental Products	0.8	0.8	0.8	0.9	0.9	1.0	Advertising	0.5	0.7	0.8	0.9	0.9	0.9
Interest	0.0	(0.0)	(0.0)	0.0	0.0	RentIPay	0.1	0.1	0.0	0.9	3.0	5.2	Total Revenue	1.5	1.6	1.8	2.7	4.8	7.2
Tax	0.0	0.0	(0.0)	0.5	(0.4)	COGS	(0.5)	(0.7)	(1.0)	(1.2)	(2.1)	(3.3)	EBITDA	(2.1)	(1.1)	(0.7)	(0.8)	2.4	
Minorities	0.0	(0.0)	(0.0)	0.0	(0.1)	Gross profit	(0.46)	(0.66)	(0.92)	(0.30)	0.85	1.92	Interest	0.0	(0.0)	(0.0)	(0.0)	0.0	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Employment	(0.8)	(0.8)	(1.0)	(1.2)	(1.4)	(1.5)	Tax	0.0	0.0	(0.0)	0.0	(0.4)	
NPAT pre significant items	(2.6)	(1.7)	(1.0)	(1.2)	1.0	SGA&A	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	Working capital changes	0.2	0.4	0.7	0.1	(0.9)	
Significant items	0.1	0.0	(0.3)	0.0	0.0	EBITDA	(0.3)	(0.4)	(0.7)	(0.2)	0.7	1.8	Operating cash flow	(1.9)	(0.8)	(0.1)	(0.7)	1.2	
NPAT (reported)	(2.5)	(1.7)	(1.3)	(1.2)	1.0	Margins, Leverage, Returns	FY19A	FY20A	FY21A	FY22F	FY23F	MTce capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)		
Cash flow (A\$m)						EBITDA	(97.9%)	(46.0%)	(22.3%)	(18.1%)	20.4%	Free cash flow	(1.9)	(0.8)	(0.1)	(0.7)	1.1		
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	EBIT	(124.1%)	(82.0%)	(60.4%)	(37.3%)	12.7%	Other	0.0	0.0	0.0	(0.9)	0.0		
EBITDA	(2.1)	(1.1)	(0.7)	(0.8)	2.4	NPAT pre significant items	(120.4%)	(67.9%)	(32.1%)	(26.1%)	8.7%	Cash flow pre financing	(2.5)	(1.2)	(1.7)	(2.2)	0.1		
Interest	0.0	(0.0)	(0.0)	(0.0)	0.0	Net Debt (Cash)		0.1	0.6	2.9	3.1	Equity	0.5	2.0	4.2	2.5	0.0		
Tax	0.0	0.0	(0.0)	0.0	(0.4)	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	Debt	(0.0)	(0.1)	(0.1)	(0.1)	0.0		
Working capital changes	0.2	0.4	0.7	0.1	(0.9)	ND/ND+Equity (%)	(%)	(10.0%)	(52.4%)	(143.6%)	(92.4%)	(72.2%)	Dividends paid	0.0	0.0	0.0	0.0	0.0	
Operating cash flow	(1.9)	(0.8)	(0.1)	(0.7)	1.2	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0	Net cash flow for year	(2.0)	0.7	2.4	0.3	0.1	
MTce capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	ROA	(81.2%)	(82.8%)	(36.4%)	(25.1%)	17.5%	Balance sheet (A\$m)							
Free cash flow	(1.9)	(0.8)	(0.1)	(0.7)	1.1	ROE	(176.4%)	(103.5%)	(37.9%)	(20.8%)	15.0%	Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F		
Growth capex	(0.6)	(0.5)	(1.6)	(0.5)	(1.0)	ROIC	nm	406.6%	(148.9%)	(117.5%)	191.8%	Cash	0.2	0.6	2.9	3.1	3.2		
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	NTA (per share)	n/a	0.00	0.01	0.01	0.01	Accounts receivable	0.3	0.4	0.5	1.3	3.4		
Other	0.0	0.0	0.0	(0.9)	0.0	Working capital	(0.3)	(0.2)	(0.2)	0.4	1.3	Inventory	0.0	0.0	0.0	0.0	0.0		
Cash flow pre financing	(2.5)	(1.2)	(1.7)	(2.2)	0.1	WC/Sales (%)	(12.9%)	(7.1%)	(7.5%)	9.8%	10.9%	Other current assets	0.0	0.0	0.0	0.0	0.0		
Equity	0.5	2.0	4.2	2.5	0.0	Revenue growth	(6.9%)	13.3%	26.2%	45.6%	166.2%	Total current assets	0.5	1.0	3.4	4.4	6.6		
Debt	(0.0)	(0.1)	(0.1)	(0.1)	0.0	EBIT growth pa	n/a	n/a	n/a	n/a	nm	PPE	0.0	0.0	0.0	0.1	0.2		
Dividends paid	0.0	0.0	0.0	0.0	0.0	Pricing	FY19A	FY20A	FY21A	FY22F	FY23F	Intangibles and Goodwill	1.7	1.5	2.4	2.6	2.7		
Net cash flow for year	(2.0)	0.7	2.4	0.3	0.1	No of shares (y/e)	(m)	249	303	398	439	439	Investments	0.0	0.0	0.0	0.0	0.0	
Balance sheet (A\$m)						Weighted Av Dil Shares	(m)	238	292	313	435	439	Deferred tax asset	0.0	0.0	0.0	0.5	0.5	
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	EPS Reported	cps	(1.1)	(0.6)	(0.4)	(0.3)	0.3	Other non current assets	0.0	0.1	0.0	0.0	0.0	
Cash	0.2	0.6	2.9	3.1	3.2	EPS Normalised/Diluted	cps	(1.1)	(0.6)	(0.4)	(0.3)	0.3	Total non current assets	1.7	1.6	2.5	3.1	3.3	
Accounts receivable	0.3	0.4	0.5	1.3	3.4	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	nm	Total Assets	2.2	2.7	5.9	7.5	9.9	
Inventory	0.0	0.0	0.0	0.0	0.0	DPS	cps	-	-	-	-	-	Accounts payable	0.6	0.6	0.7	0.8	2.1	
Other current assets	0.0	0.0	0.0	0.0	0.0	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	
Total current assets	0.5	1.0	3.4	4.4	6.6	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	Tax payable	0.0	0.0	0.0	0.0	0.0	
PPE	0.0	0.0	0.0	0.1	0.2	Dividend imputation		0	0	0	0	0	Other current liabilities	0.2	0.3	0.2	0.2	0.2	
Intangibles and Goodwill	1.7	1.5	2.4	2.6	2.7	PE (x)		-	-	-	-	-	Total current liabilities	0.8	0.8	1.0	1.1	2.4	
Investments	0.0	0.0	0.0	0.0	0.0	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	
Deferred tax asset	0.0	0.0	0.0	0.5	0.5	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	29.7%	Other non current liabs	0.0	0.0	0.0	0.0	0.0	
Other non current assets	0.0	0.1	0.0	0.0	0.0	EV/EBITDA		-	7.0	-	15.5	-	30.4	-	28.6	9.5			
Total non current assets	1.7	1.6	2.5	3.1	3.3	FCF/Share	cps	(0.8)	(0.8)	(0.2)	(0.0)	-0.1	0.3						
Total Assets	2.2	2.7	5.9	7.5	9.9	Price/FCF share		-	8	-	24.0	-	15,091.2	-	40.2	20.9			
Accounts payable	0.6	0.6	0.7	0.8	2.1	Free Cash flow Yield		(12.7%)	(4.2%)	(0.0%)	(2.5%)	4.8%							
Short term debt	0.0	0.0	0.0	0.0	0.0														
Tax payable	0.0	0.0	0.0	0.0	0.0														
Other current liabilities	0.2	0.3	0.2	0.2	0.2														
Total current liabilities	0.8	0.8	1.0	1.1	2.4														
Long term debt	0.0	0.0	0.0	0.0	0.0														
Other non current liabs	0.0	0.0	0.0	0.0	0.0														
Total long term liabilities	0.0	0.0	0.0	0.0	0.0														
Total Liabilities	0.8	0.9	1.0	1.1	2.4														
Net Assets	1.4	1.8	4.9	6.4	7.5														
Share capital	35.3	37.1	41.5	43.8	43.8														
Accumulated profits/losses	(40.2)	(41.9)	(43.2)	(44.0)	(42.9)														
Reserves	6.3	6.6	6.6	6.6	6.6														
Minorities	0.0	0.0	(0.0)	(0.0)	(0.0)														
Total Shareholder funds	1.4	1.8	4.9	6.4	7.5														

Source: RaaS estimates



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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of

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Effective Date: 6th May 2021



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If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

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