

Third consecutive positive quarter of core EBITDA

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 revenue of \$0.797m for Q3 FY21, up 25% on the previous corresponding period (pcp). Core rent.com.au EBITDA was \$0.036m, its third consecutive quarter of positive EBITDA and best ever result. Including the investment in developing its soon to be launched RentPay platform, Q3 EBITDA was a loss of \$0.19m. Operating cash burn for the quarter was \$0.20m. The result demonstrated positive momentum within the business, despite overall rental market conditions being lower than normal in the March quarter. The company reported that March was a record month for its RentConnect product with AGL as well as for advertising revenue, which also booked a quarterly record of \$0.33m, up 33% on pcp. The company noted that its sole focus in Q4 was getting RentPay launched to the market, initially via its existing renter channel. On our estimates, Rent.com.au only needs to book revenues of \$0.71m and an EBITDA loss of \$0.25m to meet our full year forecasts.

Business model

Rent.com.au generates revenue from advertising and from rental products, with revenue 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 soon-to-be-launched RentPay app platform will allow 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.

Delivering on Q3 outlook for record Q3 revenue

Rent.com.au has delivered on its Q3 outlook for another quarter of record revenue growth, with a 25% quarter-on-quarter increase in revenue to \$0.797m, despite the seasonality in Q3 being more subdued than normal. The revenue growth in the quarter follows similar year over year increases in the previous two quarters. Rent.com.au reported that while Q3 is normally the most active quarter of the year, the March 2021 quarter was lower than normal due to lower interstate and overseas migration as a result of the COVID-19 lockdowns. To achieve such growth against the trend demonstrates the company's growing traction in the market. We note that the company now only needs to achieve revenue of \$0.71m and an EBITDA loss of \$0.25m in Q4 to meet our full year expectations. Rent.com.au also reported that despite having invested a net \$0.227m in additional expenditure on RentPay in the quarter, on a group basis the EBITDA position has improved by 34% or \$0.10m since the same quarter in FY20. The company noted its focus in Q4 was on launching RentPay, initially via its existing renter channel.

Base case DCF valuation of \$0.35/share unchanged

Our base case DCF valuation for Rent.com.au is \$0.35/share. Our valuation is predicated on our expectation that Rent.com.au's new flagship product RentPay will secure 5% of renters on its platform by FY23 and 20% by FY30. In our view this is entirely achievable.

Earnings History and RaaS' Estimates

Year end	Sales Revenue (A\$m)	Gross Profit (A\$m)	EBITDA(A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/20a	2.5	1.5	(0.8)	(1.7)	(0.6)	30.0
06/21e	3.0	1.9	(0.7)	(1.1)	(0.2)	31.2
06/22e	6.0	3.4	0.2	(0.2)	(0.0)	15.4
06/23e	13.9	7.4	2.8	1.6	0.4	6.4

Source: RaaS Advisory Estimates for FY21e, FY22e and FY23e, Company Data for historical earnings

Software & Services

30th April 2021

Share details

ASX Code	RNT
Share price (intraday)	\$0.25
Market Capitalisation	\$97.4M
Shares on issue	397.7M
In the money options/performance rights	29.5M
Net cash 31 Mar 2021	\$3.8M

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

- Evidence of takeup of RentPay
- Expansion of RentPay into other products
- Further 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

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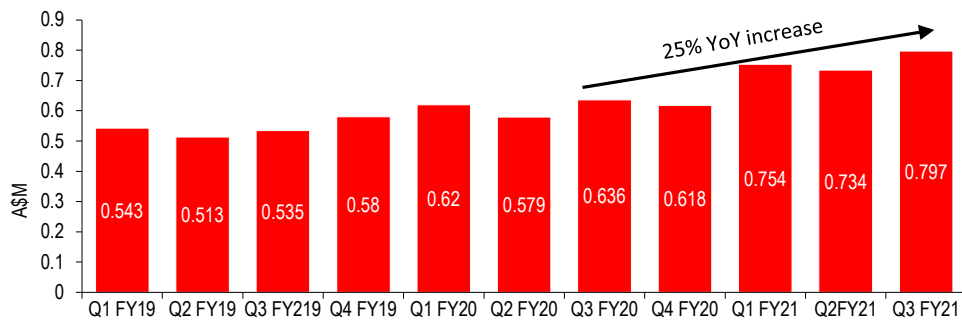
Q3 FY21 result

Rent.com.au has reported a 25% increase in Q3 revenue over the same period a year ago, despite an unseasonal subdued broader market still impacted by COVID 19 trends. The company reported that Google data indicated that rental search volume was down as much as 20% in the quarter, compared with the same quarter in FY20, but with various COVID- induced moratoriums and restrictions expiring at the end of March, the company had seen an uptick in market activity towards the end of the quarter.

The result, which is the company’s third consecutive record quarterly result, reflects Rent.com.au’s traction in the market and the benefit it is generating from its shift towards transactions-based revenue. The RentConnect product (which generates revenue from leads for its utilities partner AGL) drove most of the growth for Renter Products. March was a record month for the number of AGL utility connections through rent.com.au. The company noted that around 10% of AGL’s new consumer electricity and gas connections nationally are being referred from Rent.com.au.

The company also noted that its bond finance product, RentBond, had experienced a rebound from the recent low demand experienced in the last couple of quarters to post a record number of bond loans settled in March, which represented \$1m in loans value settled. Rent.com.au reported that strong volumes had continued into April. Advertising revenues also increased in the quarter, up 33% on pcp to \$0.331m with March 2021 claiming a new record.

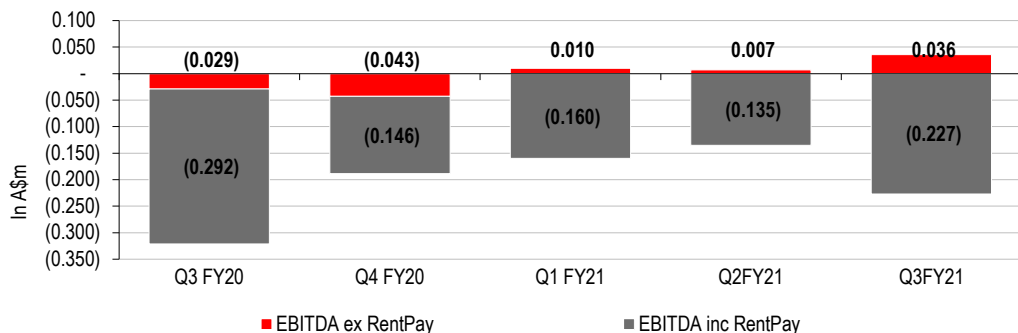
Exhibit 1: Q3 record revenues up 25% on pcp



Source: Rent.com.au presentations, RaaS analysis

The growth in revenues delivered a third consecutive quarter of operating profit (EBITDA) in Q3 to \$0.036m in the core rent.com.au. The company spent a net \$0.227m on RentPay in the quarter on branding/marketing, research and compliance while capitalising \$0.517m in software development costs.

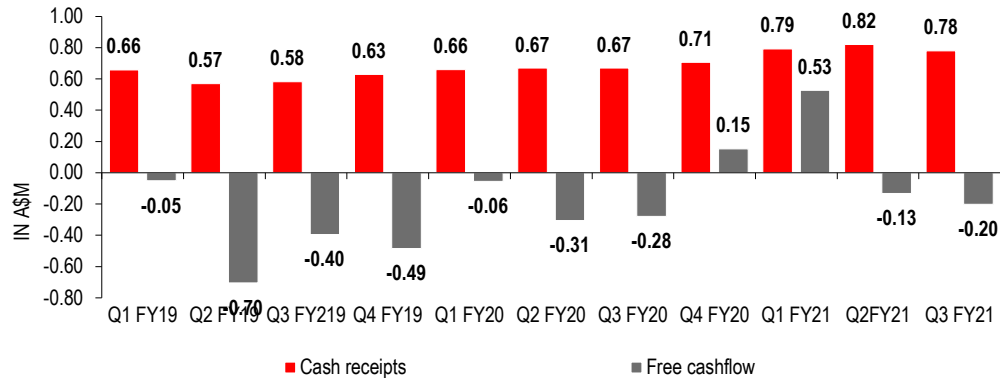
Exhibit 2: Q3 EBITDA delivering a third consecutive positive result from core operation



Source: Rent.com.au presentations, RaaS analysis

Cash receipts in the quarter mirrored the growth in revenues, delivering a 16% improvement quarter on quarter to \$0.78m while free cash outflow was \$0.20m, an improvement on the \$0.28m free cash outflow reported in Q3 FY20.

Exhibit 3: Q3 cash receipts and free cash outflow up on the same quarter in FY20

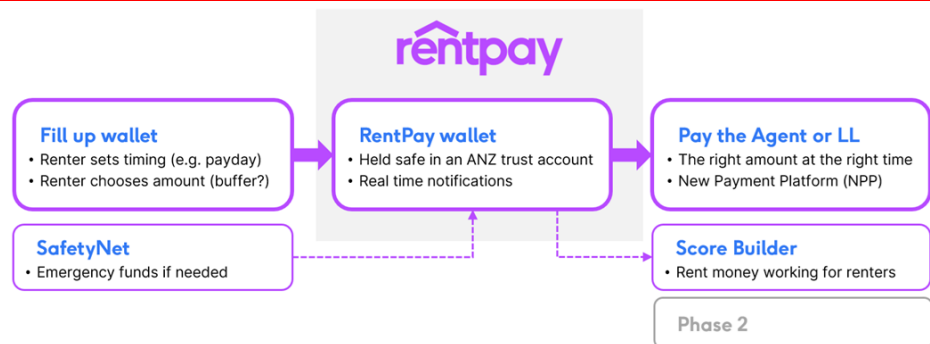
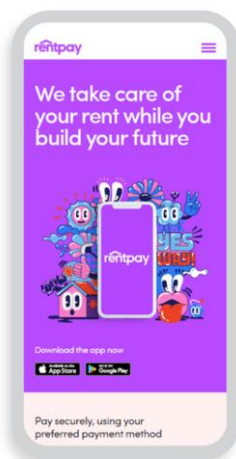


Source: Rent.com.au presentations, RaaS analysis

RentPay launch on track this quarter

The company noted that its RentPay platform would be launched in the coming weeks following the inclusion of some additional features delivered by the recently announced safety net agreement with SkyCredit . RentPay delivers a digital wallet solution for renters that provides certainty on outbound payments to agents/landlords and flexibility for the renter on the inbound side in terms of when and by how much they want to top up their wallet. The Phase 1 rollout, which is highlighted in exhibit 5 below, will initially be launched to Rent.com.au’s existing renter channel (700,000 unique users per month).

Exhibit 4: RentPay – the app **Exhibit 5: RentPay – how it works**



Source: Rent.com.au quarterly results release

Source: Rent.com.au quarterly results release

The company noted that should the launch and subsequent takeup go according to plan, additional staff to accelerate the development and commercialisation of the platform, including rollout out Phase 2 opportunities such as utilities bill payment, customer insights and customer rewards, will be brought on.

Base Case DCF valuation unchanged at \$0.35/share

We have used the discounted cashflow methodology to value Rent.com.au arriving at a base case valuation of \$138.6m or \$0.35/share on the current share count. If we were to include in the money options and performance shares, the per share valuation is \$0.32/share. Our terminal value accounts for \$0.21/share in the valuation. The valuation captures our forecast for RentPay to be taken up by just 5% of renters by FY23, a target which in our view is entirely achievable.

Exhibit 6: Base Case DCF valuation

	Parameters
Discount rate (WACC)	12.0%
Terminal Growth Rate	2.2%
Beta	1.6
Present value of free cashflows (\$m)	55.6
Terminal value (\$m)	79.3
Plus Net Cash at 31 March (\$m)	(3.8)
Equity value (\$m)	138.6
Shares on issue (m)	397.7
Equity value per share (\$)	0.35
Source: RaaS estimates	

Exhibit 7: Financial Summary

Rent.com.au Ltd						Share price (30 April 2021)						A\$	0.25				
Profit and Loss (A\$m)						Interim (A\$m)						H120A	H220A	H121A	H221F	H122F	H222F
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	Revenue	1.2	1.3	1.5	1.5	2.1	3.9					
Sales Revenue	2.2	2.5	3.0	6.0	13.9	EBITDA underlying	(0.7)	(0.3)	(0.3)	(0.4)	(0.2)	0.5					
Gross Profit	0.8	1.5	1.9	3.4	7.4	EBIT	(1.2)	(0.7)	(0.7)	(0.7)	(0.5)	0.2					
EBITDA underlying	(2.0)	(0.8)	(0.7)	0.2	2.8	NPAT (normalised)	(1.0)	(0.7)	(0.2)	(0.7)	(0.3)	0.2					
EBITDA reported	(1.9)	(0.8)	(0.9)	0.2	2.8	Minorities	0.0	0.0	0.0	-	-	-					
Depn	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	NPAT (reported)	(0.9)	(0.7)	(0.4)	(0.7)	(0.3)	0.1					
Amort	(0.5)	(0.8)	(0.7)	(0.5)	(0.5)	EPS (normalised)	(0.3)	(0.2)	(0.1)	(0.2)	(0.08)	0.03					
EBIT	(2.6)	(1.7)	(1.6)	(0.3)	2.3	EPS (reported)	(0.3)	(0.2)	(0.1)	(0.2)	(0.08)	0.03					
Interest	0.0	(0.0)	0.0	0.0	0.1	Dividend (cps)	0.0	0.0	0.0	-	-	-					
Tax	0.0	0.0	(0.0)	0.1	(0.7)	Imputation	0.0	0.0	0.0	-	-	-					
Minorities	0.0	(0.0)	0.0	0.0	(0.1)	Operating cash flow	(0.6)	(0.1)	0.2	(0.1)	(0.0)	1.0					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.5)	0.2	0.3	0.1	0.2	1.2					
NPAT pre significant items	(2.6)	(1.7)	(1.1)	(0.2)	1.6	Divisions						H120A	H220A	H121A	H221F	H122F	H222F
Significant items	0.1	0.0	0.0	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)	(1.1)	(0.2)	1.6	Rental Products	0.6	0.7	0.8	0.8	0.8	0.9					
Cash flow (A\$m)						Advertising	0.5	0.0	0.5	0.5	0.7	0.6					
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	RentPay	0.0	0.0	0.1	0.1	0.5	2.3					
EBITDA	(2.0)	(0.8)	(0.7)	0.2	2.8	Total Revenue	1.2	0.8	1.5	1.5	2.1	3.9					
Interest	0.0	(0.0)	0.0	0.0	0.1	COGS	(0.5)	(0.5)	(0.5)	(0.6)	(0.9)	(1.7)					
Tax	0.0	0.0	(0.0)	(0.1)	(0.7)	Gross profit	(0.48)	(0.46)	(0.46)	(0.49)	(0.40)	0.56					
Working capital changes	0.1	0.0	0.5	0.8	2.0	Employment	(1.0)	(0.9)	(0.8)	(1.0)	(1.0)	(1.3)					
Operating cash flow	(1.9)	(0.8)	(0.2)	1.0	4.2	SGA&A	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)					
Mtce capex	(0.0)	(0.0)	0.0	0.0	0.0	EBITDA	(0.7)	(0.3)	(0.3)	(0.4)	(0.2)	0.5					
Free cash flow	(1.9)	(0.8)	(0.2)	1.0	4.2	Margins, Leverage, Returns						FY19A	FY20A	FY21F	FY22F	FY23F	
Growth capex	(0.6)	(0.5)	(0.3)	(0.5)	(0.5)	EBITDA		(93.4%)	(31.5%)	(24.0%)	4.1%	20.3%					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(119.6%)	(67.6%)	(54.9%)	(4.8%)	16.6%					
Other	0.0	0.0	(0.4)	0.0	0.0	NPAT pre significant items		(119.2%)	(67.9%)	(35.7%)	(2.9%)	11.2%					
Cash flow pre financing	(2.5)	(1.2)	(0.8)	0.5	3.7	Net Debt (Cash)			0.1	0.6	4.0	8.1					
Equity	0.5	2.0	4.1	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	18.3	2.9					
Debt	(0.0)	(0.1)	(0.0)	0.0	0.0	ND/ND+Equity (%)	(%)	(10.0%)	(52.4%)	(426.6%)	(1635.6%)	472.2%					
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	0.0					
Net cash flow for year	(2.0)	0.7	3.3	0.5	3.7	ROA		(78.3%)	(68.1%)	(37.8%)	(4.4%)	24.7%					
Balance sheet (A\$m)						ROE		(174.6%)	(103.5%)	(31.8%)	(3.6%)	27.9%					
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	ROIC	nm		334.7%	(323.1%)	121.2%	(80.7%)					
Cash	0.2	0.6	4.0	4.5	8.2	NTA (per share)	n/a		0.00	0.01	0.01	0.01					
Accounts receivable	0.3	0.4	0.4	0.8	1.8	Working capital		(0.3)	(0.2)	(0.5)	(1.2)	(3.2)					
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(12.9%)	(7.1%)	(15.1%)	(20.3%)	(23.0%)					
Other current assets	0.0	0.0	0.0	0.0	0.0	Revenue growth		(6.9%)	13.3%	22.2%	101.5%	130.8%					
Total current assets	0.5	1.0	4.4	5.3	10.0	EBIT growth pa		n/a	n/a	n/a	n/a	nm					
PPE	0.0	0.0	0.0	0.0	0.0	Pricing		FY19A	FY20A	FY21F	FY22F	FY23F					
Intangibles and Goodwill	1.7	1.5	1.5	1.5	1.5	No of shares (y/e)	(m)	249	303	398	398	398					
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	238	292	313	398	398					
Deferred tax asset	0.0	0.0	0.0	0.1	0.1	EPS Reported	cps		(1.1)	(0.6)	(0.3)	(0.0)	0.4				
Other non current assets	0.0	0.1	0.1	0.1	0.1	EPS Normalised/Diluted	cps		(1.1)	(0.6)	(0.2)	(0.0)	0.4				
Total non current assets	1.7	1.6	1.6	1.7	1.7	EPS growth (norm/dil)			n/a	n/a	n/a	n/a	nm				
Total Assets	2.2	2.7	6.0	7.0	11.7	DPS	cps		-	-	-	-	-				
Accounts payable	0.6	0.6	0.8	2.0	5.0	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	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	0.2	0.2	PE (x)			-	-	-	-	62.5				
Total current liabilities	0.8	0.8	1.1	2.2	5.2	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%)	237.7%				
Other non current liabs	0.0	0.0	0.0	0.0	0.0	EV/EBITDA			- 30.2	- 95.0	- 129.9	378.5	31.5				
Total long term liabilities	0.0	0.0	0.0	0.0	0.0	FCF/Share	cps		(0.8)	(0.2)	(0.0)	0.2	1.0				
Total Liabilities	0.8	0.9	1.1	2.3	5.3	Price/FCF share			- 32	- 98.1	- 521.4	98.6	23.5				
Net Assets	1.4	1.8	4.9	4.8	6.4	Free Cash flow Yield			(3.1%)	(1.0%)	(0.2%)	1.0%	4.3%				
Share capital	35.3	37.1	41.4	41.4	41.4												
Accumulated profits/losses	(40.2)	(41.9)	(43.0)	(43.1)	(41.5)												
Reserves	6.3	6.6	6.5	6.5	6.5												
Minorities	0.0	0.0	0.0	0.0	0.0												
Total Shareholder funds	1.4	1.8	4.9	4.8	6.4												

Source: RaaS Advisory



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: 26th November 2018



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

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