

Additional capital raised, RentPay customers up 64%

Rent.com.au Limited (ASX:RNT) is a purpose-led company seeking to empower home renters through its technology platform and a growing number of aligned transactional services. The company has announced a fully underwritten entitlement issue to raise \$2.5m (before costs) at \$0.02/share with one quoted option for every two shares issued. Directors and management have committed to taking up their entitlements totalling approximately \$0.26m. Proceeds from the issue will be applied to sales and marketing initiatives at RentPay. Separately and on 3 June, the company provided a trading update, announcing among other things that it had signed an agreement to add PayPal as an additional payment method for RentPay. RNT also says its active RentPay customers increased 64% year-on-year to 9,271 at the end of May. We have incorporated the capital raise in our forecasts and have assumed that 30% of the December 2025 \$0.04 options convert. The raise has had no impact on our forecasts except an EPS adjustment for additional shares on issue. In FY24, our EPS estimate reduced 5.5%; in FY25, the impact was a 13.6% decline in EPS. On our estimates, Rent.com.au should have sufficient capital to reach break-even in H1 FY26. Our valuation remains at \$0.12/share, fully diluted for options and performance shares on issue.

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 Origin; 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.

Strong growth in RentPay customers to end May

Rent.com.au has reported that RentPay customers to the end of May were 9,271, an increase of 64% on the previous corresponding period (ASX release 3 June). The company says it continues to see strong interest from agencies at both franchise group and individual office levels. It says RentPay is starting to see its sales pipeline convert as agents have more time post the March quarter moving season. The company, however, does expect some churn in RentPay customers due to one large agency partner undergoing change. Offsetting this are 3,500 tenancies signed in Q3 but yet to be on-boarded.

Base-case DCF valuation of \$0.12/share fully diluted

Our base-case DCF valuation for Rent.com.au remains at \$0.12/share, fully diluted for all performance shares and options after incorporating the entitlement issue. We have assumed that 30% of the options are exercised. We had previously incorporated a \$2.5m capital raise in H2 FY25. On the post-entitlement share count, our valuation is \$0.17/share. Our long-term forecasts envisage RentPay securing 20% of the renting market on the platform. In our view, evidence of faster-than-forecast take-up of RentPay together with the expansion of RentPay into other transactional products should help underpin the company's share price.

Earnings history and RaaS's estimates (in \$m unless otherwise stated)						
Year end	Sales revenue	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/22a	3.4	1.5	(1.6)	(2.7)	(0.6)	4.2
06/23a	2.8	0.9	(2.5)	(3.8)	(0.7)	6.3
06/24f	3.6	1.4	(1.8)	(2.8)	(0.6)	6.4
06/25f	6.2	2.7	(0.6)	(1.1)	(0.2)	4.4

Source: RaaS estimates for FY24f and FY25f; Company data for historical earnings

Software & Services

21 June 2024

Share Details

ASX code	RNT
Share price (20-Jun)	\$0.019
Market capitalisation	\$14.35M
Shares on issue (post-raise)	755M
Options/performance rights (post-raise)	249.6M
Net cash (est.)	\$3.6M

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 revenue 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 and Management

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
Jan Ferreira	Chief Financial Officer/ Chief Operating Officer

Company Interview

[Rent.com.au RaaS Interview 30 April 2024](#)

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Exhibit 1: Financial Summary

Rent.com.au Ltd						Share price (19 June 2024)						A\$	0.019				
Profit and Loss (A\$m)						Interim (A\$m)						H122A	H222A	H123A	H223A	H124A	H224F
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Revenue	1.7	1.7	1.5	1.3	1.6	2.0					
Sales Revenue	3.1	3.4	2.8	3.6	6.2	EBITDA underlying	(0.8)	(0.8)	(0.9)	(1.5)	(0.9)	(0.9)					
Gross Profit	1.8	1.5	0.9	1.4	2.7	EBIT	(1.2)	(1.4)	(1.4)	(2.2)	(1.5)	(1.3)					
EBITDA underlying	(0.7)	(1.6)	(2.5)	(1.8)	(0.6)	NPAT (normalised)	(1.2)	(1.4)	(1.4)	(2.2)	(1.5)	(1.3)					
EBITDA reported	(1.0)	(1.8)	(2.5)	(1.8)	(0.6)	Minorities	-	-	(0.0)	(0.0)	(0.0)	(0.0)					
Depn	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	NPAT (reported)	(1.3)	(1.5)	(1.6)	(2.3)	(1.6)	(1.3)					
Amort	(0.8)	(0.9)	(1.1)	(1.0)	(0.9)	EPS (normalised)	(0.32)	(0.29)	(0.31)	(0.44)	(0.28)	(0.21)					
EBIT	(1.6)	(2.6)	(3.7)	(2.8)	(1.5)	EPS (reported)	(0.34)	(0.32)	(0.34)	(0.42)	(0.30)	(0.18)					
Interest	(0.0)	(0.0)	0.0	0.0	(0.1)	Dividend (cps)	-	-	-	-	-	-					
Tax	(0.0)	0.0	0.0	0.0	0.5	Imputation	-	-	-	-	-	-					
Minorities	(0.0)	(0.1)	(0.1)	(0.0)	0.0	Operating cash flow	(1.0)	(0.7)	(0.7)	(1.4)	(1.1)	(0.9)					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	0.3	(0.4)	(0.5)	(0.9)	(0.4)					
NPAT pre significant items	(1.0)	(2.5)	(3.5)	(2.8)	(1.1)	Divisions						H122A	H222A	H123A	H223A	H124A	H224F
Significant items	(0.3)	(0.2)	(0.2)	0.0	0.0	Fees from Agents/Landlords	0.1	0.1	0.1	0.0	0.0	0.1					
NPAT (reported)	(1.3)	(2.7)	(3.8)	(2.8)	(1.1)	Rental Products	0.7	0.8	0.8	0.7	0.7	0.8					
Cash flow (A\$m)						Advertising	0.8	0.8	0.5	0.5	0.6	0.7					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	RentPay	0.1	0.1	0.1	0.1	0.2	0.5					
EBITDA	(0.7)	(1.6)	(2.5)	(1.8)	(0.6)	Total Revenue	1.6	1.7	1.4	1.3	1.5	2.0					
Interest	(0.0)	(0.0)	0.0	0.0	(0.1)	COGS	(1.0)	(0.9)	(0.7)	(1.1)	(0.9)	(1.3)					
Tax	(0.0)	0.0	0.0	0.0	0.0	Gross profit	(0.90)	(0.87)	(0.60)	(1.00)	(0.71)	(0.80)					
Working capital changes	0.7	(0.0)	0.4	(0.2)	0.1	Employment	(0.9)	(1.1)	(1.1)	(1.2)	(1.0)	(1.1)					
Operating cash flow	(0.1)	(1.7)	(2.1)	(1.9)	(0.6)	SGA&A	(0.5)	(0.5)	(0.6)	(0.6)	(0.5)	(0.5)					
Mtce capex	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)	EBITDA	(0.8)	(0.8)	(0.9)	(1.5)	(0.9)	(0.9)					
Free cash flow	(0.1)	(1.7)	(2.1)	(2.0)	(0.7)	Margins, Leverage, Returns						FY21A	FY22A	FY23A	FY24F	FY25F	
Growth capex	(1.6)	(1.2)	(1.2)	(0.6)	(0.9)	EBITDA		(22.3%)	(47.5%)	(89.9%)	(49.5%)	(9.6%)					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(50.4%)	(77.7%)	(132.2%)	(79.5%)	(23.8%)					
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		(32.1%)	(75.4%)	(126.7%)	(79.5%)	(17.0%)					
Cash flow pre financing	(1.7)	(3.0)	(3.3)	(2.6)	(1.6)	Net Debt (Cash)			2.9	2.2	1.5	2.9	1.2				
Equity	4.2	2.5	2.9	4.2	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	n/a					
Debt	(0.1)	(0.1)	(0.1)	1.1	0.0	ND/ND+Equity (%)	(%)	(143.6%)	(89.0%)	(66.6%)	(139.3%)	(47.9%)					
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	2.4	(0.5)	(0.5)	2.7	(1.6)	ROA		(36.4%)	(44.5%)	(67.4%)	(44.8%)	(20.0%)					
Balance sheet (A\$m)						ROE		(37.9%)	(57.5%)	(90.3%)	(65.7%)	(24.3%)					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROIC		nm	nm	nm	nm	nm					
Cash	2.9	2.2	1.5	4.1	2.4	NTA (per share)		0.01	0.00	0.00	0.00	0.00					
Accounts receivable	0.5	0.5	0.4	0.9	1.6	Working capital		(0.2)	(0.1)	(0.4)	(0.3)	(0.3)					
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(7.5%)	(3.3%)	(13.2%)	(7.8%)	(5.3%)					
Other current assets	0.0	0.0	0.0	0.0	0.0	Revenue growth		26.2%	8.9%	(17.9%)	28.7%	75.3%					
Total current assets	3.4	2.8	1.9	4.9	4.0	Pricing						FY21A	FY22A	FY23A	FY24F	FY25F	
PPE	0.0	0.1	0.0	0.1	0.1	No of shares (y/e)	(m)	398	440	514	755	813					
Intangibles and Goodwill	2.4	2.8	2.9	2.5	2.5	Weighted Av Dil Shares	(m)	355	417	480	637	755					
Investments	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(0.4)	(0.7)	(0.8)	(0.6)	(0.1)					
Deferred tax asset	0.0	0.0	0.0	0.0	0.5	EPS Normalised/Diluted	cps	(0.4)	(0.6)	(0.7)	(0.6)	(0.1)					
Other non current assets	0.0	0.3	0.2	0.1	0.1	EPS growth (norm/dil)		n/a	n/a	23%	-14%	(77.3%)					
Total non current assets	2.5	3.1	3.1	2.7	3.3	DPS	cps	-	-	-	-	-					
Total Assets	5.9	5.9	5.0	7.6	7.3	EV/EBITDA		(6.8)	(3.9)	(3.3)	(6.5)	(23.6)					
Accounts payable	0.7	0.7	0.8	1.2	1.9	FCF/Share	cps	(0.0)	(0.4)	(0.4)	(0.3)	(0.1)					
Short term debt	0.0	0.0	0.0	0.1	0.1	Price/FCF share		nm	nm	nm	nm	(27.8)					
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		(0.0%)	(19.2%)	(21.4%)	(13.3%)	(3.6%)					
Other current liabilities	0.2	0.3	0.4	0.4	0.4	PE Market	x	18.0	18.0	18.0	18.0	18.0					
Total current liabilities	1.0	1.0	1.2	1.6	2.4	PER		nm	nm	nm	nm	nm					
Long term debt	0.0	0.0	0.0	1.1	1.1												
Other non current liabs	0.0	0.2	0.1	0.0	0.0												
Total long term liabilities	0.0	0.2	0.1	1.1	1.1												
Total Liabilities	1.0	1.2	1.3	2.7	3.4												
Net Assets	4.9	4.6	3.7	4.9	3.8												
Share capital	41.5	43.8	46.5	50.7	50.7												
Accumulated profits/losses	(43.2)	(45.9)	(49.7)	(52.6)	(53.7)												
Reserves	6.6	6.8	7.0	7.1	7.1												
Minorities	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)												
Total Shareholder funds	4.9	4.6	3.7	4.9	3.8												

Source: RaaS estimates for FY24f and FY25f, Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Research Group Pty Ltd

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Corporate Authorised Representative, number 1248415, of

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