

Rent.com.au Limited

Moving into a transactions-based business

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 listed on the ASX in June 2015 via a backdoor listing through Select Exploration after raising \$5m at \$0.20/share to give it a market capitalisation of \$17.6m. Prior to listing more than \$10m had been invested in the platform. FY20 was a transformative year for the company, during which it partnered with AGL Energy (ASX:AGL) to provide easy access to utility connections, launched its buy-now-pay-later (BNPL) RentBond product to help renters bridge bond rental costs between properties, and forged a partnership with digital payments platform Novatti (ASX:NOV) to provide a digital wallet for rental payments. This soon-to-be-launched product, RentPay, represents an opportunity for Rent.com.au to deliver other payments products such as utilities bill smoothing and insurance payments. Longer term, the company has ambitions to provide additional banking and finance products and to this end has recently forged a relationship with ANZ Bank (ASX:ANZ). Operationally, RNT is also transforming, with its best every quarterly revenue and operating cashflow reported in Q1 FY21. The company ended Q1 with \$2.27m cash, having completed an oversubscribed \$1.5m placement during the quarter.

Business model

Rent.com.au generates revenue from both 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.

Positive operating cashflow in Q1, core business profitable

Rent.com.au delivered its best-ever quarter in Q1 FY21, reporting a 22% improvement in quarterly revenue to \$0.75m, driven by a 41% increase in renter products and 12% increase in traffic. The company is operating close to break even on an operating cashflow basis. Q1 FY21 operating cashflow was \$0.53m, which included \$0.68m in government stimulus and grants, including JobKeeper and R&D tax incentives. RNT also reported that its core business, excluding the investment in RentPay, delivered its maiden operating profit (EBITDA) in Q1 FY21. Rent.com.au noted that the Q1 result was delivered despite the short-term cyclical downturn in advertising revenue in Q1, which subsequently improved in October, and a weaker than usual take-up of RentBond due to alternate sources of funding such as access to superannuation and a greater caution among renters to take on debt.

Look to purpose-led companies, online classifieds for peers

There is growing evidence that purpose-led companies perform better operationally than those which are not. To that end, we consider peers to be other early stage companies with a purpose-led focus. These include finance platforms Douugh (ASX:DOU) and Wisr (ASX:WZR). We also look to single focus online classifieds sites such as iCar Asia (ASX:ICQ) and the much larger and more mature Carsales (ASX:CAR) for the metrics that we can expect from Rent.com.au as its business grows. With an element of BNPL in its RentBond product, we would look to a smaller BNPL peer loupay (ASX:IOU) for peer discussion.

Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Revenue* (x)
06/18a	2.33	0.77	(2.32)	(2.82)	(1.35)	7.80
06/19a	2.16	0.85	(2.12)	(2.50)	(1.05)	3.97
06//20a	2.45	1.52	(1.13)	(1.67)	(0.57)	3.86

Source: Company data *Based on year end Enterprise Value

Online services

21 December 2020

Share details

ASX Code	RNT
Share price (18 Dec)	\$0.046
Market Capitalisation	\$15.45M
Shares on issue	335.97M
Net cash (30 Sept)	\$2.27M
Free float	~86%

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 most online portals

Catalysts/upcoming events

Launch of and expansion of RentPay into other products, further evidence of operational momentum in H1 FY21.

Comparable companies (Aust/NZ)

Carsales (ASX:CAR), Douugh (ASX:DOU), iCar Asia (ASX:ICQ), loupay (IOU.AX), Wisr (WZR)

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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FINANCIAL SERVICES GUIDE

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