

Outperforming expectations

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 its fourth consecutive quarter of positive EBITDA from its core business and has beat our forecasts for both revenue and EBITDA for the quarter and FY21. Q4 revenues were up 31% on the previous corresponding quarter in FY20 to \$0.81m, and up 26% for FY21 to \$3.1m. This compared to our forecast for \$3.0m for FY21 and \$0.80m for Q4. The EBITDA loss for the quarter was \$0.21m, compared with our forecast for \$0.28m, bringing the EBITDA loss for the year to \$0.69m, an improvement on the \$1.1m loss reported in FY20 despite the increased investment in the RentPay launch. We will adjust our forecasts when the company reports its annual accounts. Our base case DCF valuation of \$0.35/share is predicated on RentPay securing 120,000 paying customers by FY23.

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 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.

Better than forecast quarterly and annual revenues/EBITDA

Rent.com.au has delivered a better than forecast Q4 result in terms of operating costs, quarterly revenue and EBITDA. Cash receipts of \$0.86m were in line with forecasts but cash expenditure of \$0.98m was lower than our forecast (\$1.2m) despite an uplift in advertising and marketing spend. Revenue for the quarter was \$0.81m, up 31% on pcp and ahead of our forecast for \$0.8m, EBITDA from the core business was \$0.059m, the fourth consecutive positive EBITDA for the core business, while the EBITDA loss for the quarter was \$0.214m, which was better than our forecast for a \$0.28m loss. The total EBITDA loss for the year was \$0.69m, an improvement on the \$1.1m loss reported in FY20 and better than our forecast for a \$0.71m loss. Rent.com.au noted that it had made a strong start to the new financial year despite lockdowns restricting the ability of renters to move house, that the core business was firing and that the release of RentPay was attracting interest from customers, real estate agents and potential partners.

Base case DCF valuation of \$0.35/share is conservative

Our base case DCF valuation for Rent.com.au is \$0.35/share (12% discount rate, 1.5 beta, 2.2% terminal growth rate). 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 and may well prove too conservative. Ongoing evidence of faster than forecast takeup 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

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	(1.1)	(1.7)	(0.6)	14.6
06/21e	3.0	2.0	(0.7)	(1.0)	(0.2)	15.0
06/22e	6.0	3.4	0.2	(0.5)	(0.1)	7.3
06/23e	13.9	7.4	2.8	1.4	0.3	2.9

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

Software & Services

30th July 2021

Share details

ASX Code	RNT
Share price (29 July)	\$0.12
Market Capitalisation	\$47.7M
Shares on issue	397.7M
In the money options/performance rights	2.4M
Net cash 30 June 2021	\$2.9M

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

Company contact

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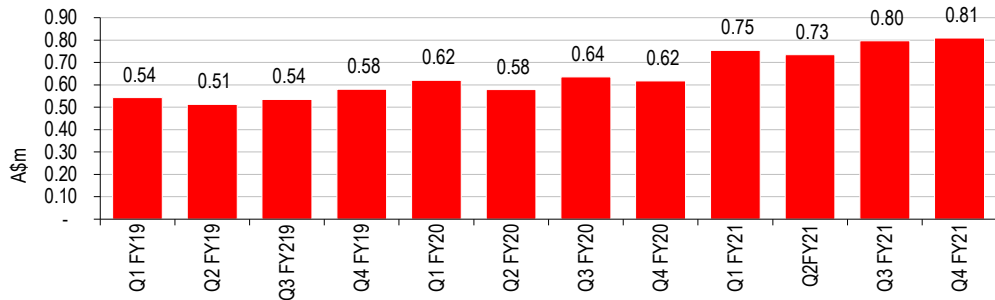
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Q4 analysis

Rent.com.au delivered a better than expected Q4 performance both in terms of operating cashflow and revenue and EBITDA. Cash receipts for the quarter were \$0.86m, in line with our expectations but cash payments to employees and suppliers of \$0.98m was lower than out forecast for \$1.2m. Revenue for the quarter was \$0.81m, up 31% on the same quarter in FY20 and better than our forecast for \$0.80m and the company's best ever quarterly revenue result.

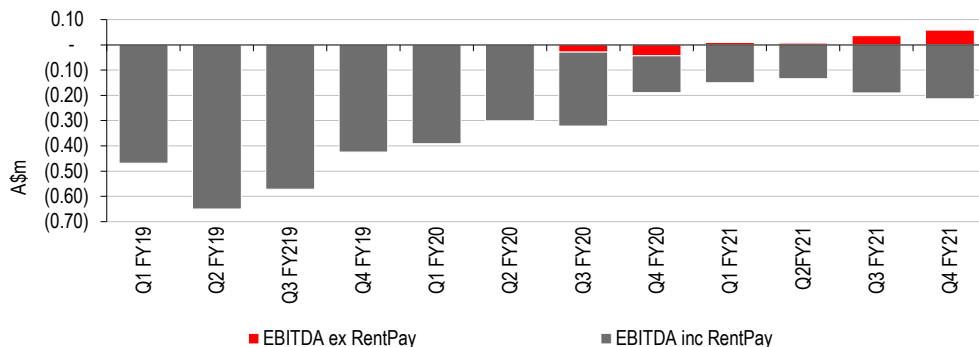
Exhibit 1: Quarterly revenues Q1 FY19 - Q4 FY21



Source: Company reports

EBITDA excluding RentPay was \$0.059m, the fourth consecutive positive quarter from the core rent.com.au. Including RentPay, the EBITDA loss was \$0.21m, which beat our forecast for an EBITDA loss of \$0.27m for the quarter. It should be noted that the result was almost entirely struck from the core rent.com.au platform which experienced 15% growth in Renter products and a 72% increase in advertising revenue to a record \$0.38m in quarterly revenue. The company noted in its release that it had already contracted \$0.8m of advertising to be delivered in FY22, which equates to 60% of the total advertising revenue earned in FY21. The result brings total revenues for the FY21 year to \$3.1m and the EBITDA loss to \$0.69m, which is a significant improvement on the \$1.1m EBITDA loss reported in FY20.

Exhibit 2: Quarterly EBITDA both including and excluding RentPay Q1 FY19 - Q4 FY21



Source: Company reports

RentPay update

The company noted that at the end of July, RentPay had secured 700 paying customers, with 95% of these paying rent to a real estate agent, 5% to a private landlord, and 87% of these customers taking advantage of RentPay's scheduled payments features. Rent.com.au is currently migrating around 40 real estate agencies from its legacy rental payments platform, with the expectation that this should add another 1,500 customers in the September quarter. The company has a stated ambition of securing 200,000 customers on the RentPay platform by the end of FY23.

Exhibit 4: Financial Summary

Rent.com.au Ltd						Share price (29th July 2021)						A\$	0.12				
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	1.2	1.5	1.5	2.1	3.9					
Sales Revenue	2.2	2.5	3.0	6.0	13.9	EBITDA underlying	(0.7)	(0.5)	(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)	(0.7)	0.0					
EBITDA underlying	(2.0)	(1.1)	(0.7)	0.2	2.8	NPAT (normalised)	(1.0)	(0.7)	(0.2)	(0.7)	(0.5)	0.0					
EBITDA reported	(1.9)	(1.1)	(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)	(0.5)	0.0					
Amort	(0.5)	(0.8)	(0.7)	(0.9)	(0.8)	EPS (normalised)	(0.3)	(0.2)	(0.1)	(0.2)	(0.12)	0.00					
EBIT	(2.6)	(2.0)	(1.6)	(0.7)	2.0	EPS (reported)	(0.3)	(0.2)	(0.1)	(0.2)	(0.12)	0.00					
Interest	0.0	(0.0)	0.0	0.0	0.0	Dividend (cps)	0.0	0.0	0.0	-	-	-					
Tax	0.0	0.0	(0.0)	0.2	(0.6)	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	1.3					
NPAT pre significant items	(2.6)	(1.7)	(1.1)	(0.5)	1.4	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)	(0.5)	1.4	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)	(1.1)	(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	0.0	COGS	(0.5)	(0.5)	(0.5)	(0.6)	(0.9)	(1.7)					
Tax	0.0	0.0	(0.0)	(0.0)	(0.6)	Gross profit	(0.48)	(0.46)	(0.46)	(0.49)	(0.40)	0.56					
Working capital changes	0.1	0.4	0.9	0.8	2.0	Employment	(1.0)	(0.9)	(0.8)	(1.0)	(1.0)	(1.3)					
Operating cash flow	(1.9)	(0.8)	0.1	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)	0.1	1.0	4.2	Margins, Leverage, Returns		FY19A	FY20A	FY21F	FY22F	FY23F					
Growth capex	(0.6)	(0.5)	(0.1)	(0.5)	(0.5)	EBITDA		(93.4%)	(46.0%)	(24.0%)	4.1%	20.3%					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(119.6%)	(82.0%)	(54.9%)	(11.2%)	14.7%					
Other	0.0	0.0	(1.8)	0.0	0.0	NPAT pre significant items		(119.2%)	(67.9%)	(35.7%)	(7.5%)	9.8%					
Cash flow pre financing	(2.5)	(1.2)	(1.7)	0.5	3.7	Net Debt (Cash)			0.1	0.6	2.9	3.4					
Equity	0.5	2.0	4.3	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	13.9	2.5					
Debt	(0.0)	(0.1)	(0.1)	0.0	0.0	ND/ND+Equity (%)	(%)	(10.0%)	(52.4%)	(134.1%)	(292.7%)	652.6%					
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	-					
Net cash flow for year	(2.0)	0.7	2.4	0.5	3.7	ROA		(78.3%)	(82.8%)	(37.4%)	(10.4%)	22.6%					
Balance sheet (A\$m)						ROE		(174.6%)	(103.5%)	(31.3%)	(9.4%)	25.7%					
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	ROIC	nm		406.6%	(147.3%)	(188.5%)	(102.9%)					
Cash	0.2	0.6	2.9	3.4	7.2	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	3.3	4.2	9.0	EBIT growth pa	n/a	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	2.7	2.3	2.0	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	0.2	0.2	EPS Reported	cps		(1.1)	(0.6)	(0.3)	(0.1)	0.3				
Other non current assets	0.0	0.1	0.1	0.1	0.1	EPS Normalised/Diluted	cps		(1.1)	(0.6)	(0.2)	(0.1)	0.3				
Total non current assets	1.7	1.6	2.8	2.6	2.3	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	nm					
Total Assets	2.2	2.7	6.1	6.8	11.3	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)		-	-	-	-	34.9					
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%)	88.5%					
Other non current liabs	0.0	0.0	0.0	0.0	0.0	EV/EBITDA		-	14.7	-	31.6	-	62.3	180.4	14.3		
Total long term liabilities	0.0	0.0	0.0	0.0	0.0	FCF/Share	cps		(0.8)	(0.2)	0.0	0.3	1.1				
Total Liabilities	0.8	0.9	1.1	2.3	5.3	Price/FCF share		-	16	-	48.1	375.7	46.3	11.3			
Net Assets	1.4	1.8	5.0	4.6	6.0	Free Cash flow Yield			(6.3%)	(2.1%)	0.3%	2.2%	8.9%				
Share capital	35.3	37.1	41.5	41.5	41.5												
Accumulated profits/losses	(40.2)	(41.9)	(43.0)	(43.4)	(42.0)												
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	5.0	4.6	6.0												

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

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AFSL 456663

Effective Date: 6th May 2021



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

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 - Securities
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