

PropTech Group Ltd

Another way to play the real estate game

PropTech Group Ltd (ASX:PTG) is a property technology SaaS company with a market-leading position in customer-relationship management (CRM) systems with Australian and New Zealand residential real estate agents, and a small but growing position in the UK market. The company, previously known as Real Estate Investar, relisted in November 2020, having acquired CRM platforms VaultRE from its founders and MyDesktop from Domain Holdings Ltd (ASX:DHG) and after raising \$10.6m at \$0.25/share. In July 2021, the company completed a \$17.5m share placement and 1-for-8.57 accelerated non-renounceable entitlements offer at \$0.72/share. Since relisting, PTG has acquired H1, Harcourts' CRM system, real estate agent-focused website company WebsiteBlue, digital marketing group Designly and independent, boutique CRM platform Eagle Software. The company has also forged a joint venture with Flip Money, BC Investment Group and Convini to create a payments services platform RelloPay which will allow real estate agent and third-party platforms to offer payments and buy now, pay later solutions to their customers for real estate services. PTG recently reported a 98% increase in H1 FY22 revenues, with 41% of that growth coming from like-for-like operations. The H1 FY22 result was ahead of our forecasts and resulted in an upgrade to our forecast revenues, underlying EBITDA and NPAT (see report published [17 February 2022](#)).

Business model

PropTech Group operates a subscription-based, software-as-a-service (SaaS) model for both business-to-business (B2B) and business-to-consumer (B2C) customers in the residential property markets in Australia, New Zealand and the UK. PropTech is also leveraging its role in the real estate lifecycle to develop new revenue streams from payments (via its PropPay JV) and ancillary services. The company generates the bulk of its sales revenues (~90% of revenues in FY21) from real estate agents. Around 41% of agency offices in Australia and New Zealand use one or more of PropTech's products. In the UK, it's just under 1% of agents. We estimate PropTech's share of transactions flowing through its platform is closer to 50% of the ANZ market.

Strong H1 FY22 revenue growth and ARR up 71% to \$17m

PropTech delivered a better-than-forecast H1 FY22 result from both a top-line and operating profit perspective. Operating revenue increased 98% to \$9.7m, with 41% of that growth coming from like-for-like operations. ARR increased 71% to \$17.0m, which was ahead of our forecasts, and gross profit for the half increased 101% to \$8.9m as a result of an expanded margin. Underlying EBITDA for the half was \$0.8m, down 44% on the previous corresponding period (pcp) as a result of absorbing additional costs from its three acquisitions in 2021 and investing in people and products to capture a greater share of the real estate SaaS market. The product and development team increased to 42 in the half, up from 14 in the same period in FY21, with total employees now at 125 across the group, compared with 51 at the November 2020 relisting, and this is reflected in the 200% increase in employment costs half-on-half.

RaaS valuation is \$1.27/share, trading at a discount to peers

We value PropTech Group using the discounted cashflow method given its relatively early stage in its lifecycle. Our base-case valuation is \$1.27/share (WACC 12.0%, terminal growth rate 2.2%), and this implies an EV/Sales multiple of 9.0x FY22 revenues. At the current share price, the company is trading at a >50% discount to its domestic peers.

Historical earnings and RaaS forecasts (In A\$m unless otherwise stated)

Year End	Revenue	Gross Profit	EBITDA adj.	NPAT adj.	EPS adj. (c)	EV/Sales (x) [^]
06/20a	2.9	2.6	0.5	(0.4)	(0.7)	16.5
06/21a	11.2	10.0	1.9	(0.5)	(0.5)	4.2
06/22e	20.1	18.2	0.6	(1.8)	(0.9)	2.4
06/23e	25.8	23.3	1.7	(0.7)	(0.5)	1.8

Source: Company data, RaaS forecasts for FY22e and FY23e *EBITDA, NPAT and EPS adjusted for one-time, non-cash items ^calculated from current enterprise value

Software & Services

11th March 2022

Share Details

ASX code	PTG
Share price	\$0.415
Market capitalisation	\$62.0M
Shares on issue	149.5M
Net cash at 31-Dec-2021	\$14.8M
Free float	46.5%

Share Performance (12 months)



Upside Case

- Highly-experienced board and management
- Highly-scalable business model
- Considerable upside in UK market presence

Downside Case

- Integration risk from recent acquisitions
- Industry heavyweight REA Group deploys resources into CRM/property management
- Limited history on the impact of a downturn on real estate marketing spend

Catalysts

- Continued growth in ARPA
- Evidence of market-share growth

Comparable Companies (Aust/NZ)

Openn Negotiation (ASX:OPN), RMA Global (ASX:RMY), Rent.com.au (ASX:RNT)

Board and Management

Simon Baker	Non-Executive Chair
Joe Hanna	Managing Director/CEO
Scott Wulff	Executive Director
Sam Plowman	Non-Executive Director
Georg Chmiel	Non-Executive Director
Michael Fiorenza	Chief Financial Officer

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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

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 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

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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.

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