

# Rent.com.au Ltd

Results commentary

Software & services

26<sup>th</sup> February 2021

## A line in the sand result

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 delivered a 24% lift in revenue in H1 FY21 to \$1.49m, and better than forecast Gross Profit of \$0.95m, an increase of 31% on the previous corresponding period and ahead of our forecast for \$0.88m. The underlying EBITDA loss was \$0.28m, in line with our expectations, and an improvement on the \$0.67m loss reported a year ago. We have made very minor adjustments to our FY21 forecasts to incorporate the result. As we flagged in our recent initiation report, Rent.com.au is about to enter a transformative period with the launch of RentPay, which will give the company an opportunity to extend its relationship with renters into the rental tenancy period and beyond with transactional products such as telecoms, loans and finance products. Our base case valuation of \$0.35/share is unchanged.

### 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.

### H1 FY21 as expected, focus is on RentPay

Rent.com.au delivered an interim result largely in line with our expectations. Revenues for the half year were in line with our expectations, although Renters' products revenue was 10% ahead of our forecasts at \$0.88m, and 43% ahead of H1 FY20. The operating (EBITDA) loss for the period was \$0.28m, compared with a loss of \$0.67m a year before and our forecast for a loss of \$0.27m. This result draws a line in the sand between Rent.com.au as a search portal and Rent.com.au, a transactions based business. The imminent launch of RentPay is expected to deliver transformative opportunities for the company as it extends its relationship with renters from the traditional 4-6 weeks before a lease is signed to a financial platform used by renters throughout the term of the lease and potentially beyond.

### DCF valuation is \$0.35/share

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. We have dimensioned more optimistic cases which add considerable upside in our recent initiation report [Transitioning from search to transactions](#).

#### 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)	EV/EBITDA (x)
06/20a	2.5	1.5	(0.8)	(1.7)	(0.6)	29.4	nm
06/21e	3.0	1.9	(0.7)	(1.1)	(0.4)	30.5	nm
06/22e	6.0	3.4	0.2	(0.2)	(0.0)	15.1	nm
06/23e	13.9	7.4	2.8	1.6	0.4	6.3	30.79

Source: RaaS Advisory Estimates, Company Data

#### Share details

ASX Code	RNT
Share price (25 Feb)	\$0.245
Market Capitalisation	\$97.4M
Shares on issue	397.7M
In the money options/performance rights	29.5M
Net cash 31 Dec 2020	\$1.8M
Free float	~68%

#### 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

- Evidence of take up 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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**Exhibit 1: Financial Summary**

Rent.com.au Ltd						Share price (25 February 2021)						A\$	0.245				
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	<b>Divisions</b>						<b>H120A</b>	<b>H220A</b>	<b>H121A</b>	<b>H221F</b>	<b>H122F</b>	<b>H222F</b>
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					
<b>NPAT (reported)</b>	<b>(2.5)</b>	<b>(1.7)</b>	<b>(1.1)</b>	<b>(0.2)</b>	<b>1.6</b>	Rental Products	0.6	0.7	0.8	0.8	0.8	0.9					
<b>Cash flow (A\$m)</b>						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	<b>Margins, Leverage, Returns</b>						<b>FY19A</b>	<b>FY20A</b>	<b>FY21F</b>	<b>FY22F</b>	<b>FY23F</b>	
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	4.5					
Equity	0.5	2.0	4.1	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a		18.3					
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	-					
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%					
<b>Balance sheet (A\$m)</b>						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	<b>NTA (per share)</b>	n/a		0.00	0.01	0.01	0.01					
Accounts receivable	0.3	0.4	0.4	0.8	1.8	<b>Working capital</b>			(0.3)	(0.2)	(0.5)	(1.2)					
Inventory	0.0	0.0	0.0	0.0	0.0	<b>WC/Sales (%)</b>			(12.9%)	(7.1%)	(15.1%)	(20.3%)					
Other current assets	0.0	0.0	0.0	0.0	0.0	<b>Revenue growth</b>			(6.9%)	13.3%	22.2%	101.5%					
<b>Total current assets</b>	<b>0.5</b>	<b>1.0</b>	<b>4.4</b>	<b>5.3</b>	<b>10.0</b>	<b>EBIT growth pa</b>	n/a	n/a	n/a	n/a	n/a	nm					
PPE	0.0	0.0	0.0	0.0	0.0	<b>Pricing</b>			<b>FY19A</b>	<b>FY20A</b>	<b>FY21F</b>	<b>FY22F</b>	<b>FY23F</b>				
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				
<b>Total non current assets</b>	<b>1.7</b>	<b>1.6</b>	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>	EPS growth (norm/dil)			n/a	n/a	n/a	n/a	nm				
<b>Total Assets</b>	<b>2.2</b>	<b>2.7</b>	<b>6.0</b>	<b>7.0</b>	<b>11.7</b>	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)			-	-	-	-	-				
<b>Total current liabilities</b>	<b>0.8</b>	<b>0.8</b>	<b>1.1</b>	<b>2.2</b>	<b>5.2</b>	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				
<b>Total long term liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	FCF/Share	cps		(0.8)	(0.2)	(0.0)	0.2	1.0				
<b>Total Liabilities</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>2.3</b>	<b>5.3</b>	Price/FCF share			-	32	-	98.1	-	521.4			
<b>Net Assets</b>	<b>1.4</b>	<b>1.8</b>	<b>4.9</b>	<b>4.8</b>	<b>6.4</b>	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												
<b>Total Shareholder funds</b>	<b>1.4</b>	<b>1.8</b>	<b>4.9</b>	<b>4.8</b>	<b>6.4</b>												

# 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: 26<sup>th</sup> November 2018**

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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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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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