

NPV of \$0.91/share if RentPay secures 200k users by FY23

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 recently launched its transaction engine RentPay with an ambitious target of 200,000 users, which is just under 10% of rental households, and \$12 per month spend by June 2023. Our forecasts, which underscore our \$0.35/share DCF valuation, are predicated on 5% penetration (~120,000 users) and just under \$8 per month spend by its RentPay customers. We have applied the company's target to our forecasts with the scenario yielding a Net Present Value (NPV) of \$363m or \$0.91/share. In our view, the current share price of \$0.185/share houses little for the company's move to a transactions-based business.

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.

Company's RentPay ambitions translate into significant upside

Rent.com.au has a stated ambition to secure 200,000 RentPay customers by June 2023, with average revenue per user of \$12 per month. This equates to just under 10% of Australian rental households. We estimate that translates into an annualised revenue opportunity of \$29m. Our forecasts for RentPay have been significantly more conservative, with takeup by 5% of households, and ARPU of \$8 per month by June 2023, although we model 20% penetration by FY30. This underpins our DCF valuation of \$0.35/share or \$138m. Applying the company's target, we arrive at revenues of \$23.9m for RentPay for FY23 (\$29m annualised), based on 200,000 users by June 2023 and \$10-12 ARPU over the course of the year. This yields a Net Present Value of \$363m or \$0.91/share.

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

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 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	(0.8)	(1.7)	(0.6)	22.6
06/21e	3.0	1.9	(0.7)	(1.1)	(0.2)	23.2
06/22e	6.0	3.4	0.2	(0.2)	(0.0)	11.4
06/23e	13.9	7.4	2.8	1.6	0.4	4.7

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

Software & Services

18th May 2021

Share details

ASX Code	RNT
Share price (17 May)	\$0.185
Market Capitalisation	\$73.6M
Shares on issue	397.7M
In the money options/performance rights	29.5M
Net cash 31 Mar 2021	\$3.8M

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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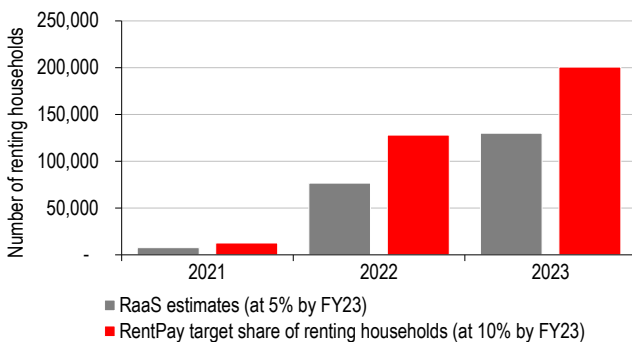
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Applying the company's stated target delivers a higher valuation

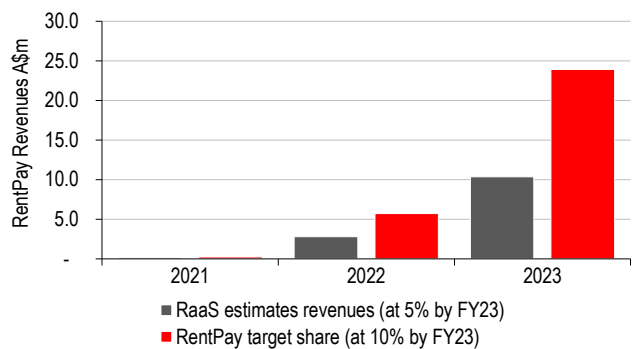
Rent.com.au has a stated ambition to 200,000 RentPay customers by June 2023 (Rent.com.au release 6 May 2021). The company has highlighted that it is aiming to get ARPU of \$10-12 per month, which we estimate could translate into annualised revenues of \$29m. We estimated that the FY23 revenue run rate for RentPay at that share and ARPU to be around \$24m (\$29m annualised), compared with our estimate of \$10m for RentPay for FY23. Our current estimate has the company getting to 5% penetration and ARPU of just under \$8 per month. We set out in exhibits 1, 2 and 3 the impact of applying the company's target to our financial forecasts. As these exhibits show, there is considerable upside from our current forecasts and we will be paying acute attention to the rollout and takeup of RentPay to assess when and whether we should rethink our forecasts.

Exhibit 1: RentPay forecasted customers (renting households) applying RaaS vs company targets



Source: RaaS analysis

Exhibit 2: RentPay estimated revenues based on market penetration and target ARPU



Source: RaaS analysis

Exhibit 3: Net Present Value per share and in \$m based on current RaaS estimates and company's targets extrapolated in this scenario analysis

	NPV \$/share	NPV A\$m
RentPay revenues (at 5% by FY23)	\$ 0.35	137.8
RentPay target share (at 200k or ~10% by FY23)	\$ 0.91	363.3

Source: RaaS analysis

Exhibit 4: Financial Summary

Rent.com.au Ltd						Share price (17 May 2021)						A\$	0.19				
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	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)	(0.2)	1.6	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)	(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	Margins, Leverage, Returns		FY19A	FY20A	FY21F	FY22F	FY23F					
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	8.1					
Equity	0.5	2.0	4.1	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	18.3	2.9					
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	0.0					
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%					
Balance sheet (A\$m)						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	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	4.4	5.3	10.0	EBIT growth pa		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	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				
Total non current assets	1.7	1.6	1.6	1.7	1.7	EPS growth (norm/dil)			n/a	n/a	n/a	n/a	nm				
Total Assets	2.2	2.7	6.0	7.0	11.7	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)			-	-	-	-	47.2				
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%)	155.0%				
Other non current liabs	0.0	0.0	0.0	0.0	0.0	EV/EBITDA			- 22.8	- 71.6	- 96.7	281.3	23.1				
Total long term liabilities	0.0	0.0	0.0	0.0	0.0	FCF/Share	cps		(0.8)	(0.2)	(0.0)	0.2	1.0				
Total Liabilities	0.8	0.9	1.1	2.3	5.3	Price/FCF share			- 24	- 74.1	- 393.7	74.4	17.7				
Net Assets	1.4	1.8	4.9	4.8	6.4	Free Cash flow Yield			(4.1%)	(1.3%)	(0.3%)	1.3%	5.6%				
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												
Total Shareholder funds	1.4	1.8	4.9	4.8	6.4												

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

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021



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