

Positive response to RentPay in its first 30 days

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 provided an update on the first 30 days of its transaction engine RentPay with 2,400 downloads of the app to date and a 54% activation rate. This is in line with the company's expectations for the app at this point. Rent.com.au is targeting to have 200,000 paying customers on RentPay by June 2023, which is just under 10% of rental households. This is a higher penetration rate than we have applied to our base case valuation of \$0.35/share. The company also announced that it has appointed former New York based brand strategy director Hayley Parker as General Manager - Marketing for the company. In previous roles, Ms Parker launched JP Morgan Chase's US investing app, and led brand strategy at both US and Australian financial and consumer brands including eToro, National Australia Bank, Kmart and Macys. Ms Parker will now oversee a much broader marketing campaign for RentPay, initially focused on Rent.com.au's existing channel of 700,000 monthly users and then extending to the entire rental community of 2.5m+ households. In our view, the current share price of \$0.155/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 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, telco, loan & finance products.

Positive start to transactional transition

Rent.com.au has announced that in the first 30 days of RentPay, the app was rated 4.9 (out of 5 stars) in both the Google and Apple stores, that there had been 2,400 downloads of the app, 2,200 registered customers, 1,300 activating customers, and 100 paying customers. The company is now focusing on a faster conversion of activating to paying customers by streamlining the verification process (fraud and anti-money laundering) and customer security. RNT expects a significant lift in the number of paying customers through the balance of June and into July as it begins marketing to its existing customer base.

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

Our base case DCF valuation for Rent.com.au of \$0.35/share is predicated on our expectation that 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, particularly given the company's target for 200,000 RentPay customers by FY23. As we demonstrated in our report of [18 May 2021](#), if Rent.com.au achieves its ambitions, our base case valuation rises to \$0.91/share. Ongoing evidence of faster than forecast takeup together with the expansion of RentPay into other transactional products will likely result in our forecasts being revisited.

Earnings History and RaaS's 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)	18.9
06/21e	3.0	1.9	(0.7)	(1.1)	(0.2)	19.2
06/22e	6.0	3.4	0.2	(0.2)	(0.0)	9.5
06/23e	13.9	7.4	2.8	1.6	0.4	3.8

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

Software & Services

11th June 2021

Share details

ASX Code	RNT
Share price (intraday)	\$0.155
Market Capitalisation	\$61.6M
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

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Exhibit 1: Financial Summary

Rent.com.au Ltd						Share price (11 June 2021)						A\$	0.16								
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	EBITDA underlying	(0.7)	(0.3)	(0.3)	(0.4)	(0.2)	0.5		
Sales Revenue	2.2	2.5	3.0	6.0	13.9	EBIT	(1.2)	(0.7)	(0.7)	(0.7)	(0.5)	0.2	Minorities	0.0	0.0	0.0	-	-	-		
Gross Profit	0.8	1.5	1.9	3.4	7.4	NPAT (normalised)	(1.0)	(0.7)	(0.2)	(0.7)	(0.3)	0.2	NPAT (reported)	(0.9)	(0.7)	(0.4)	(0.7)	(0.3)	0.1		
EBITDA underlying	(2.0)	(0.8)	(0.7)	0.2	2.8	EPS (normalised)	(0.3)	(0.2)	(0.1)	(0.2)	(0.08)	0.03	Dividend (cps)	0.0	0.0	0.0	-	-	-		
EBITDA reported	(1.9)	(0.8)	(0.9)	0.2	2.8	EPS (reported)	(0.3)	(0.2)	(0.1)	(0.2)	(0.08)	0.03	Imputation	0.0	0.0	0.0	-	-	-		
Depn	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	Dividend cash flow	(0.6)	(0.1)	0.2	(0.1)	(0.0)	1.0	Operating cash flow	(0.6)	(0.1)	0.2	(0.1)	(0.0)	1.0		
Amort	(0.5)	(0.8)	(0.7)	(0.5)	(0.5)	Free Cash flow	(0.5)	0.2	0.3	0.1	0.2	1.2	Divisions	H120A	H220A	H121A	H221F	H122F	H222F		
EBIT	(2.6)	(1.7)	(1.6)	(0.3)	2.3	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1	Rental Products	0.6	0.7	0.8	0.8	0.8	0.9		
Interest	0.0	(0.0)	0.0	0.0	0.1	Advertising	0.5	0.0	0.5	0.5	0.7	0.6	RentPay	0.0	0.0	0.1	0.1	0.5	2.3		
Tax	0.0	0.0	(0.0)	0.1	(0.7)	Total Revenue	1.2	0.8	1.5	1.5	2.1	3.9	COGS	(0.5)	(0.5)	(0.5)	(0.6)	(0.9)	(1.7)		
Minorities	0.0	(0.0)	0.0	0.0	(0.1)	Gross profit	(0.48)	(0.46)	(0.46)	(0.49)	(0.40)	0.56	Employment	(1.0)	(0.9)	(0.8)	(1.0)	(1.0)	(1.3)		
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	SGA&A	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	EBITDA	(0.7)	(0.3)	(0.3)	(0.4)	(0.2)	0.5		
NPAT pre significant items	(2.6)	(1.7)	(1.1)	(0.2)	1.6	Margins, Leverage, Returns	FY19A	FY20A	FY21F	FY22F	FY23F	EBITDA	(93.4%)	(31.5%)	(24.0%)	4.1%	20.3%				
Significant items	0.1	0.0	0.0	0.0	0.0	EBIT	(119.6%)	(67.6%)	(54.9%)	(4.8%)	16.6%	EBIT pre significant items	(119.2%)	(67.9%)	(35.7%)	(2.9%)	11.2%				
NPAT (reported)	(2.5)	(1.7)	(1.1)	(0.2)	1.6	Net Debt (Cash)	0.1	0.6	4.0	4.5	8.1	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	18.3	2.9			
Cash flow (A\$m)	FY19A	FY20A	FY21F	FY22F	FY23F	ND/ND+Equity (%)	(%)	(10.0%)	(52.4%)	(426.6%)	(1635.6%)	472.2%	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0		
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	ROA	(78.3%)	(68.1%)	(37.8%)	(4.4%)	24.7%	ROE	(174.6%)	(103.5%)	(31.8%)	(3.6%)	27.9%				
EBITDA	(2.0)	(0.8)	(0.7)	0.2	2.8	ROIC	nm	334.7%	(323.1%)	121.2%	(80.7%)	NTA (per share)	n/a	0.00	0.01	0.01	0.01				
Interest	0.0	(0.0)	0.0	0.0	0.1	Working capital	(0.3)	(0.2)	(0.5)	(1.2)	(3.2)	WC/Sales (%)	(12.9%)	(7.1%)	(15.1%)	(20.3%)	(23.0%)				
Tax	0.0	0.0	(0.0)	(0.1)	(0.7)	Revenue growth	(6.9%)	13.3%	22.2%	101.5%	130.8%	EBIT growth pa	n/a	n/a	n/a	n/a	nm				
Working capital changes	0.1	0.0	0.5	0.8	2.0	Pricing	FY19A	FY20A	FY21F	FY22F	FY23F	No of shares (y/e)	(m)	249	303	398	398	398			
Operating cash flow	(1.9)	(0.8)	(0.2)	1.0	4.2	Weighted Av Dil Shares	(m)	238	292	313	398	398	EPS Reported	cps	(1.1)	(0.6)	(0.3)	(0.0)	0.4		
Mtce capex	(0.0)	(0.0)	0.0	0.0	0.0	EPS Normalised/Diluted	cps	(1.1)	(0.6)	(0.2)	(0.0)	0.4	EPS growth (norm/dil)	n/a	n/a	n/a	n/a	nm			
Free cash flow	(1.9)	(0.8)	(0.2)	1.0	4.2	DPS	cps	-	-	-	-	-	DPS Growth	n/a	n/a	n/a	n/a	n/a			
Growth capex	(0.6)	(0.5)	(0.3)	(0.5)	(0.5)	Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	Dividend imputation	0	0	0	0	0	0		
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	PE (x)	-	-	-	-	-	39.5	PE market	18.5	18.5	18.5	18.5	18.5			
Other	0.0	0.0	(0.4)	0.0	0.0	Premium/(discount)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	113.6%	EV/EBITDA	-	19.1	-	59.8	-	80.2	232.7	18.9	
Cash flow pre financing	(2.5)	(1.2)	(0.8)	0.5	3.7	FCF/Share	cps	(0.8)	(0.2)	(0.0)	0.2	1.0	Price/FCF share	-	20	-	62.1	-	329.9	62.4	14.8
Equity	0.5	2.0	4.1	0.0	0.0	Free Cash flow Yield	(4.9%)	(1.6%)	(0.3%)	1.6%	6.7%										
Debt	(0.0)	(0.1)	(0.0)	0.0	0.0																
Dividends paid	0.0	0.0	0.0	0.0	0.0																
Net cash flow for year	(2.0)	0.7	3.3	0.5	3.7																
Balance sheet (A\$m)	FY19A	FY20A	FY21F	FY22F	FY23F																
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F																
Cash	0.2	0.6	4.0	4.5	8.2																
Accounts receivable	0.3	0.4	0.4	0.8	1.8																
Inventory	0.0	0.0	0.0	0.0	0.0																
Other current assets	0.0	0.0	0.0	0.0	0.0																
Total current assets	0.5	1.0	4.4	5.3	10.0																
PPE	0.0	0.0	0.0	0.0	0.0																
Intangibles and Goodwill	1.7	1.5	1.5	1.5	1.5																
Investments	0.0	0.0	0.0	0.0	0.0																
Deferred tax asset	0.0	0.0	0.0	0.1	0.1																
Other non current assets	0.0	0.1	0.1	0.1	0.1																
Total non current assets	1.7	1.6	1.6	1.7	1.7																
Total Assets	2.2	2.7	6.0	7.0	11.7																
Accounts payable	0.6	0.6	0.8	2.0	5.0																
Short term debt	0.0	0.0	0.0	0.0	0.0																
Tax payable	0.0	0.0	0.0	0.0	0.0																
Other current liabilities	0.2	0.3	0.2	0.2	0.2																
Total current liabilities	0.8	0.8	1.1	2.2	5.2																
Long term debt	0.0	0.0	0.0	0.0	0.0																
Other non current liabs	0.0	0.0	0.0	0.0	0.0																
Total long term liabilities	0.0	0.0	0.0	0.0	0.0																
Total Liabilities	0.8	0.9	1.1	2.3	5.3																
Net Assets	1.4	1.8	4.9	4.8	6.4																
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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- how we transact with you
- how we are paid, and
- complaint processes

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