

PropTech Group Ltd

Q3 Update and Analysis

Tracking ahead of our H2 FY22 cashflow forecasts

PropTech Group (ASX:PTG) is a property technology SaaS company with a fast-growing and 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. PTG has reported a 70% increase in Q3 cash receipts to \$5.32m and positive operating cashflow of \$0.43m. Operating cash costs were \$4.89m for the quarter, with particularly good cost containment in employee and administrative/corporate expenses. Cash receipts are tracking a little ahead of our H2 FY22 forecasts and operating cash costs are tracking well below our forecasts for the half. PropTech Group ended the quarter with \$14.59m in net cash. We have made no adjustments to our forecasts for the quarter. As we discussed in our report of [7 April 2022](#), PropTech Group is trading at a significant discount to its listed Australian peers and to recent transactions in the sector. The peers are trading on an EV/Sales median, based on FY21 revenues, of 9.0x and a forward EV/Sales multiple of 7.4x. PTG is currently trading at a ~60% discount to both its peers on a forward multiple and recent transaction multiples, underscoring its relative value.

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 growth in annualised recurring revenues

PropTech Group has reported a 56% increase in annualised recurring revenues (ARR) to \$18.0m when compared to the same quarter in FY21 and a 6% increase over Q2 FY22. The company has also lifted average revenue per account (ARPA) by 30% to \$258 on the previous corresponding period (pcp) and unique accounts by 26% to 5,125 at the end of Q3 FY22. Both metrics are tracking a little ahead of our forecasts for H2 FY22 and underpin our confidence in our H2 FY22 forecasts, which remain unchanged. Products per account increased 3.2% to 1.91, up from 1.85 in Q2 FY22 and 1.05 in December 2020. Cash receipts for the quarter were \$5.32m, up 69% on the same quarter a year ago. Recurring cash receipts were \$4.7m and accounted for 90% of total cash receipts. Q3 was PropTech Group's fifth consecutive quarter of positive operating cashflow.

Base-case DCF valuation is \$1.27/share

We value PropTech Group using the discounted cashflow method given the relatively early stage in its lifecycle. Our base-case valuation implies an EV/Sales multiple of 9.0x FY22 revenues, however the current share price implies a forward multiple of 2.7x which is significantly below its peer group and recent private transactions.

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

Y/E	Sales revenues	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)	EV/EBITDA (x)
06/21a	11.2	10.0	1.9	(0.5)	(0.5)	4.3	24.8
06/22e	20.1	18.2	0.6	(1.8)	(0.9)	2.7	91.6
06/23e	25.8	23.3	1.7	(0.7)	(0.5)	2.4	35.9
06/24e	33.1	29.9	5.7	2.4	1.0	1.8	1.9

Source: Company data for historicals; RaaS estimates for FY22e, FY23e and FY24e

Software & Services

22nd April 2022

Share Details

ASX code	PTG
Share price (20-Apr)	\$0.44
Market capitalisation	\$67.3M
Shares on issue	150.8M
Net cash 31-Mar-2022	\$14.6M

Share Performance (12 months)



Upside Case

- Board and management are Australia's most experienced proptech team
- 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
- Successful rollout of JV payments solution RelloPay
- Evidence of market-share growth organically or by acquisition

Board of Directors & Management

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

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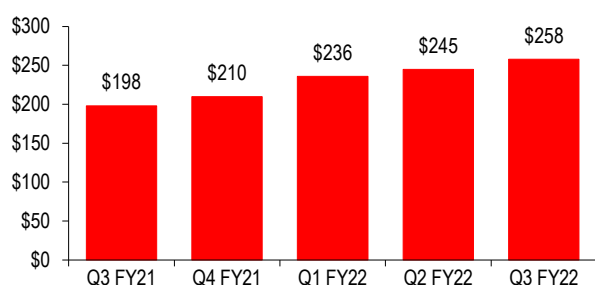
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Q3 Highlights

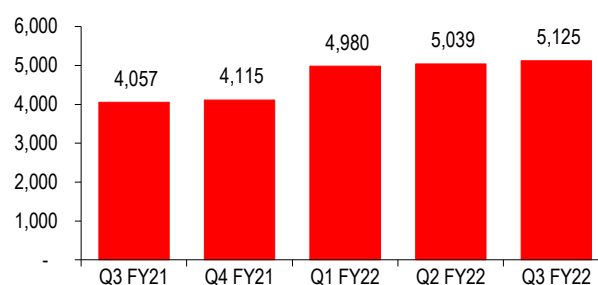
PropTech Group has reported significant growth in its core metrics of ARPA, unique accounts, ARR and products per account in Q3 FY22, underscoring the company's growing penetration of its target market. With 5,125 unique accounts at quarter end, PTG has now increased its market share of agencies using at least one of its products to 42%, up from 41% in Q2 FY22 and 33% in Q3 FY21. The quarter also saw increased yield per customer with 1.91 products now being subscribed to (up from 1.86 in Q2 FY22 and 1.05 in December 2020). APRA increased to \$258 per month in Q3 FY22, ahead of our forecast of \$257 per month for H2 FY22, and up 30% on the pcp. Unique accounts were up 26% q-o-q. ARR was \$18.0m at quarter end, an increase of 56% on the pcp and almost 6% up on Q2 FY22.

Exhibit 1: Annual recurring revenue per account per month (Q3 FY21 to Q3 FY22)



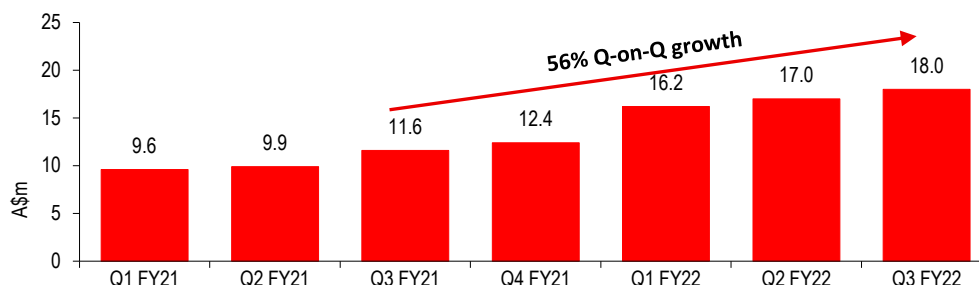
Source: Company data

Exhibit 2: Unique accounts at quarter end (Q3 FY21 to Q3 FY22)



Source: Company data

Exhibit 3: Annual Recurring Revenue at quarter end (Q1 FY21 to Q3 FY22)



Source: Company data

Peer Comparison

As we have highlighted in previous reports, we look to five ASX-listed proptech companies for a peer comparison: Domain Holdings Australia (ASX:DHG), Openn Negotiation (ASX:OPN), REA Group (ASX:REA), RMA Global (ASX:RMY) and Rent.com.au (ASX:RNT).

The peer group median EV/Sales multiple is currently 8.6x trailing and 7.1x forward. Note that the median gross profit margin of the group is 89%, in line with where SaaS businesses should expect to trade. At H1 FY22, PTG delivered a GP margin of 92% and we are forecasting 91% for the full year. On a forward EV/Sales basis the median for this group is 7.1x, which is at a substantial premium to PTG's implied EV/Sales multiple on FY22 of 2.7x. Using our FY22 sales forecast of \$20.1m, if we were to apply the forward median multiple of 7.1x, we arrive at a **peer group valuation of \$157m or \$1.04/share.**

While REA Group is substantially larger and more mature than the rest of the peer group, we feel it is important to include it in the peer comparison as it is still demonstrating above-GDP growth despite it being in its 26th year of operation.

If we were to exclude REA from this group, the median forward EV/Sales multiple is 5.7x, which is still at a substantial premium to PTG's current EV/Sales multiple. If we were to apply this multiple to our FY22 sales forecast, we arrive at a **peer valuation of \$129m or \$0.86/share**.

Exhibit 4: Proptech peer group

Company name	Ticker	Market cap. (A\$M)	Enterprise value (A\$M)	EV/Sales (LTM) x	EV/Sales (fwd) x	EV/EBITDA (LTM) x	EV/EBITDA (fwd) x	Gross profit margin	Sales CAGR (4 yrs)
Domain Holdings Australia	DHG	2,359	2,482	8.6	7.1	24.7	19.5	92%	0.3%
Openn Negotiation	OPN	33	33	31.5	nm	na	na	89%	na
REA Group	REA	17,071	17,398	17.3	15.1	32.1	25.6	92%	3.8%
RMA Global	RMY	82	73	6.4	nm	na	na	82%	11.2%
Rent.com.au*	RNT	23	21	6.6	5.7	na	na	75%	7.4%
Median				8.6	7.1	28.4	22.6	89%	5.6%
PropTech Group	PTG	67	53	4.3	2.7	24.8	91.6	89%	na

Source: Refinitiv Eikon (Prices at 6 April 2022); *Rent.com.au is also a RaaS client

DCF Valuation

We are of the view that the discounted cashflow valuation methodology is the most appropriate method for valuing PropTech Group given it's still early-stage nature. We use a WACC of 12.0% (beta 1.5 and terminal growth rate of 2.2%) which incorporates a 20% risk premium to the broader market. This is appropriate, in our view, given the company was profitable in FY21 and is forecasted to return to profitability in FY23 and beyond after a year of investment to scale the business. Our base-case valuation is \$195.7m or \$1.27/share, which implies an EV/Sales multiple of 9.0x FY22F.

Exhibit 5: Base-case DCF valuation

Parameters	Outcome
Discount rate / WACC	12.0%
Beta	1.5
Terminal growth rate assumption	2.20%
CAGR in free cashflows in valuation	50.7%
Sum of PV	76.8
PV of terminal value	104.2
PV of enterprise (\$m)	181.1
Debt (cash) est. at 31-Mar-2022 (\$m)	(14.6)
Net value – shareholder (\$m)	195.7
No. of shares on issue (estimated at FY22 year-end)	153.9
NPV	\$1.27

Source: RaaS estimates

Exhibit 6: Financial Summary

PropTech Group						Share price (21 April 2022)						A\$	0.44
Profit and Loss (A\$m)						Interim (A\$m)		H121A	H221F	H122A	H222F	H123F	H223F
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	Revenue	5.0	6.6	9.7	10.4	12.1	13.8	
						EBITDA	1.4	0.5	0.8	0.1	0.6	1.1	
Sales Revenue	2.9	11.2	20.1	25.8	33.1	EBIT	0.2	(0.5)	(0.3)	(1.1)	(0.5)	(0.0)	
						NPAT (normalised)	0.0	(0.5)	(0.1)	(1.2)	(0.6)	(0.1)	
Gross Profit	2.6	10.0	18.2	23.3	29.9	Minorities	-	-	-	-	-	-	
EBITDA	0.5	1.9	0.6	1.7	5.7	NPAT (reported)	(0.0)	(1.0)	(0.5)	(1.2)	(0.6)	(0.1)	
Depn	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	EPS (normalised)	0.01	(0.47)	(0.07)	(0.80)	(0.40)	(0.07)	
Amort	(0.8)	(2.2)	(2.3)	(2.2)	(2.0)	EPS (reported)	(0.04)	(0.95)	(0.32)	(0.79)	(0.40)	(0.07)	
EBIT	(0.3)	(0.3)	(1.8)	(0.5)	3.6								
Interest	(0.0)	(0.0)	(0.0)	0.0	0.0	Operating cash flow	(0.1)	1.3	1.7	0.1	1.0	1.3	
Tax	(0.1)	(0.2)	0.3	0.0	(1.0)	Free Cash flow	(0.1)	2.1	3.1	1.0	1.8	2.2	
Minorities	0.0	0.0	0.0	0.0	0.0								
Equity accounted assoc	0.0	0.0	(0.1)	(0.2)	(0.2)	Divisions	H121A	H221F	H122A	H222F	H123F	H223F	
NPAT pre significant items	(0.4)	(0.5)	(1.7)	(0.7)	2.4	SaaS Revenues	4.5	5.5	8.2	9.1	10.7	12.4	
Significant items	0.0	(0.5)	(0.1)	0.0	0.0	Other operating revenues	0.4	0.8	1.5	1.3	1.4	1.4	
NPAT (reported)	(0.4)	(1.0)	(1.8)	(0.7)	2.4	Total Revenue	4.9	6.3	9.6	10.4	12.1	13.8	
Cash flow (A\$m)						COGS	(0.5)	(0.7)	(0.8)	(1.1)	(1.2)	(1.3)	
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	Gross Profit	4.4	5.6	8.8	9.4	10.9	12.4	
EBITDA	0.5	1.9	0.6	1.7	5.7	Employment	(1.9)	(4.6)	(5.6)	(6.7)	(7.5)	(8.5)	
Interest	0.0	(0.0)	0.0	0.0	0.0	Selling, General, Admin Costs	(1.3)	(0.6)	(2.5)	(2.6)	(2.7)	(2.9)	
Tax	(0.0)	(0.3)	0.1	0.0	(1.0)	Other costs	0.0	(0.2)	0.0	0.0	0.0	0.0	
Working capital changes	1.0	(0.5)	1.1	0.6	0.2	EBITDA	1.4	0.5	0.8	0.1	0.6	1.1	
Operating cash flow	1.5	1.1	1.8	2.3	4.9	Margins, Leverage, Returns							
Mtce capex	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	FY20A	FY21F	FY22F	FY23F	FY24F			
Free cash flow	1.5	1.0	1.6	2.1	4.7	EBITDA	18.2%	17.2%	2.9%	6.6%	17.2%		
Growth capex	0.0	(0.7)	(2.2)	(1.5)	(1.5)	EBIT	(10.6%)	(2.6%)	(9.1%)	(2.1%)	10.8%		
Acquisitions/Disposals	(4.9)	(5.8)	(7.3)	(7.5)	0.0	NPAT pre significant items	(13.4%)	(4.1%)	(8.5%)	(2.8%)	7.3%		
Other	0.0	(0.2)	(0.1)	0.0	0.0	Net Debt (Cash)	2.5	6.6	13.3	6.4	9.6		
Cash flow pre financing	(3.4)	(5.7)	(7.9)	(6.9)	3.2	Net debt/EBITDA (x)	(x)	4.8	3.4	22.7	3.8	1.7	
Equity	6.0	10.6	15.5	0.0	0.0	ND/ND+Equity (%)	(%)	(18.6%)	(29.5%)	(40.4%)	(16.4%)	(25.0%)	
Debt	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	
Dividends paid	0.0	0.0	0.0	0.0	0.0	ROA			(0.9%)	(3.7%)	(0.9%)	6.4%	
Net cash flow for year	2.5	4.9	7.6	(6.9)	3.2	ROE			(4.5%)	(4.8%)	(1.6%)	5.1%	
Balance sheet (A\$m)						ROIC			(2.6%)	(11.7%)	(3.2%)	28.7%	
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	NTA (per share)	n/a	n/a		0.01	0.01	0.03	
Cash	2.5	6.6	13.3	6.4	9.6	Working capital		(0.9)	(2.1)	(2.4)	(3.0)	(3.2)	
Accounts receivable	0.2	0.5	1.1	1.4	1.8	WC/Sales (%)		(30.3%)	(19.1%)	(12.1%)	(11.7%)	(9.7%)	
Inventory	0.0	0.0	0.0	0.0	0.0	Revenue growth		167.2%	290.6%	79.5%	28.8%	28.2%	
Other current assets	0.2	0.8	1.2	1.2	1.2	EBIT growth pa	n/a	n/a	n/a	n/a	n/a	-769%	
Total current assets	2.8	8.0	15.7	9.1	12.7	Pricing							
PPE	0.0	0.4	0.3	0.5	0.6	FY20A	FY21F	FY22F	FY23F	FY24F			
Intangibles and Goodwill	24.5	29.4	44.6	43.9	43.4	No of shares (y/e)	(m)	233	124	152	154	154	
Investments	0.0	0.0	0.0	(0.2)	(0.4)	Weighted Av Dil Shares	(m)	53	124	153	154	154	
Deferred tax asset	0.6	0.4	0.2	0.2	0.2	EPS Reported	cps	(0.7)	(1.0)	(1.1)	(0.5)	1.0	
Other non current assets	0.0	0.0	0.8	0.8	0.8	EPS Normalised/Diluted	cps	(0.7)	(0.5)	(0.9)	(0.5)	1.0	
Total non current assets	25.1	30.2	45.9	45.2	44.6	EPS growth (norm/dil)		n/a	nm	n/a	nm	-313%	
Total Assets	27.9	38.2	61.6	54.3	57.3	DPS	cps	-	-	-	-	-	
Accounts payable	1.0	2.7	3.5	4.4	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	0.1	0.0	0.0	0.0	0.0	Dividend imputation		30	30	30	30	30	
Other current liabilities	6.2	4.2	9.3	9.3	9.3	PE (x)		-	-	-	-	43.6	
Total current liabilities	7.3	6.9	12.8	13.7	14.3	PE market		18.0	18.0	18.0	18.0	18.0	
Long term debt	0.0	0.0	0.0	0.0	0.0	Premium/(discount)	nm	nm	nm		(100.0%)	142.4%	
Other non current liabs	4.8	2.4	2.5	(5.0)	(5.0)	EV/EBITDA		nm	24.8	nm	35.9	10.2	
Total long term liabilities	4.8	2.4	2.5	(5.0)	(5.0)	FCF/Share	cps	0.7	1.0	1.3	1.6	3.3	
Total Liabilities	12.1	9.2	15.3	8.7	9.3	Price/FCF share		66.9	43.1	nm	26.8	13.2	
Net Assets	15.8	28.9	46.3	45.6	48.0	Free Cash flow Yield		1.5%	2.3%	2.8%	3.7%	7.5%	
Share capital	16.2	30.3	49.2	49.2	49.2								
Accumulated profits/losses	(0.4)	(1.4)	(3.1)	(3.8)	(1.4)								
Reserves	0.0	0.0	0.2	0.2	0.2								
Minorities	0.0	0.0	0.0	0.0	0.0								
Total Shareholder funds	15.8	28.9	46.3	45.6	48.0								

Source: Company data, RaaS estimates

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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AFSL 456663

Effective Date: 6th May 2021

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