

Delivering a new way to play real estate

PropTech Group (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, 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, the company also completed a \$15.5m share placement and 1-for-8.57 accelerated non-renounceable entitlements offer. Since relisting PTG has acquired H1, Harcourts' CRM system, real estate agent focused website company WebsiteBlue and digital marketing group Designly and most recently independent and 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 PropPay which will allow real estate agency operators and third party platforms to offer payments and buy now, pay later solutions to their customers for real estate services. We initiate coverage of PropTech Group with a base case valuation of \$1.10/share, which implies a 15.1x multiple on FY21 sales & 9.3x multiple on our FY22 sales forecast.

Business model

PropTech Group operates a subscription-based, software as a service (SaaS) model for both business to business (B2B) and business to consumers (B2C) customers in the residential property markets in Australia, New Zealand and the UK. The company generates the bulk of its sales revenue (~90% of revenues in FY21) from real estate agents, and we expect that to increase to ~90% over time. Around 40% of agencies 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.

FY21 result delivers a small taste of the opportunities to come

The restructure of Real Estate Investar and subsequent acquisitions both pre- and post-relisting have transformed the company into a profitable, high growth enterprise. The combined group reported revenues of \$11.17m in FY21, gross profit of \$10.0m and underlying EBITDA of \$1.9m. We are anticipating that FY22 will be a year of investment in product, people and business lines, in particular property management, which represents a bigger revenue opportunity than real estate CRM on a stand-alone basis, and transactional services. We are forecasting a 62% increase in revenue in FY22 (with more half this growth organic and the remainder a result of the Eagle Software acquisition completed July 2021) and an EBITDA loss of \$1.8m with a significant (~110%) increase in investment in people. This investment, we anticipate, will be recouped in FY23 and beyond.

Valuation of \$168.7m or \$1.10/share

In our view, the discounted cashflow methodology is the most appropriate method to value PropTech Group given its relatively early stage in its lifecycle. Our base case valuation of \$1.10/share is derived from a WACC of 12.0% (beta 1.5, terminal growth rate 2.2%), and implies an EV/Sales multiple of 15.1x FY21 revenues and 9.3x our FY22 revenue forecasts. The Australia proptech peers are trading on a median forward EV/Sales multiple of 9.7x, which applied to our FY22 sales implies a peer valuation of \$1.23/share. At the current share price, PropTech Group is trading at a significant (~53%) discount to this peer group.

Historical earnings and RaaS Advisory estimates

Year end	Revenue (A\$m)	Gross Profit (A\$m)	EBITDA Adj (A\$m)	NPAT Adj (A\$m)	EPS* (c)	EV/Sales (x)	EV/EBITDA (x)
06/21a	11.2	10.0	1.9	(0.5)	(0.5)	6.1	35.4
06/22e	18.1	16.1	(1.8)	(3.9)	(2.6)	4.4	n.m.
06/23e	24.8	22.2	0.0	(2.0)	(1.3)	3.6	n.m.
06/24e	32.1	28.8	4.0	1.5	0.3	2.7	3.0

Source: Company data, RaaS Advisory Estimates for FY22e, FY23e, FY24e

Real Estate Services

13 September 2021

Share details

ASX Code	PTG
Share price	\$0.605
Market Capitalisation	\$90.4M
Shares on issue	149.5M
Net cash (est Sept)	~\$14.5M
Free float	~55.2%

Share performance (since relisting)



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 the CRM/Property Management
- Limited history on the impact of a downturn on real estate marketing spend

Board of Directors

Simon Baker	Non-Executive Chairman
Joe Hanna	Managing Director/CEO
Georg Chmiel	Non-Executive Director
Sam Plowman	Non-Executive Director
Scott Wulff	Executive Director

Company contacts

Joe Hanna (MD/CEO)	+61 417 334 001
joe@proptech-group.com	
Michael Fiorenza (CFO)	+61 403 337 112
michael@proptech-group.com	

RaaS Advisory contacts

Finola Burke	+61 414 354 712
finola.burke@raasgroup.com	

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PropTech Group Limited

PropTech Group, formerly known as Real Estate Investar Group (ASX:REV), has been listed on the ASX since December 2015. As Real Estate Investar, the company was focused on its B2C subscription platform targeting Australian and New Zealand property investors looking for assistance in identifying, analysing, acquiring, tracking and accounting for their residential investment properties. In March 2020, the company entered into a transformational series of transactions to secure a significant presence in the B2B real estate customer relationship management (CRM) and property management (PM) market. The company entered into an implementation agreement to acquire Real Estate CRM Pty Ltd, the owner of VaultRE, for scrip. In turn, Real Estate CRM had entered into a share purchase agreement to acquire Commerce Australia Pty Ltd, the owner of MyDesktop, from Domain Holdings Ltd (ASX:DHG). Following shareholder approval of the transactions, a \$10.6m capital raise at \$0.25/share, a 20-for-1 share consolidation and name change in September 2020, PropTech Group relisted on the ASX in November 2020 under its new name and code (ASX:PTG). Since relisting, the company has acquired three additional businesses which have extended its presence with real estate agencies across Australia and New Zealand, where it now holds a ~40% share of the agencies and an estimated 50% share of market in terms of existing property transactions.

Investment case

In our view, PropTech Group Limited has the opportunity to achieve success for the following reasons:

- The company is the market leader in delivering client relationship management (CRM) systems to real estate agencies in Australia and New Zealand;
- PropTech's board and senior management team is arguably the most experienced in both Australia and internationally in building property technology SaaS businesses;
- Around 90% of revenues are SaaS subscription-based on a recurring, monthly basis;
- An estimated 80% of revenues are generated from real estate agents for systems which make up the DNA of any agency;
- VaultRE's architecture is such that additional modules/features can be easily added as agents require, giving PTG the opportunity to generate additional ARPA from premium add-ons;
- This is a highly scalable business with the opportunity to both expand geographically (UK) and across product lines (property management, data analytics and big data, agent marketing and property finance);
- The acquisition of Eagle Software provides an opportunity for PTG to deliver a CRM platform tailored to single and small boutique firms that previously were not serviced by VaultRe/MyDesktop, thereby extending its market share in Australia and New Zealand;
- As a listed proptech, the company has the opportunity to use its scrip to make complementary acquisitions as they emerge;
- CRM and PM systems are the DNA of real estate agencies and, as a consequence, once committed to a platform, these B2B clients are very sticky with low churn;
- PropTech Group has the opportunity to develop new features and services and upsell these to its existing client base;
- The new PropPay JV, in which PTG holds a 20% share, is a good example of the opportunity to upsell services to the client base – PropPay is a pay now, pay in instalments or pay later payments platform which will allow agencies and platform partners to offer multiple payment options for any real estate related transaction whether in buying, selling or renting a property;

- The B2C property tools platform has low penetration of its member base and therefore has the opportunity to convert members to its subscription services;
- The company is well capitalised with an estimated \$14.5m cash in hand following a share placement and non-renounceable 1-for-8.57 rights offer in early July.

Valuation methods considered in this report

We are of the view that the discounted cashflow methodology is the most appropriate for valuing PTG at this point in its business lifecycle. However, we have also, in this report, considered the trading multiples of its ANZ listed proptech peers and the growth profile implied in the company's current share price.

We have considered the following valuation methods:

- Discounted cash flow
- Peer group multiple analysis
- Expected cash flow profile implicit in the current share price

Our base case DCF is \$1.10/share based on a weighted average cost of capital (WACC) of 12.0% (beta 1.5, terminal growth rate 2.2%). This implies an EV/Revenue multiple on our FY22 sales forecast of 9.3x. We have dimensioned an upside case based on variables 20% above our base case estimates and this derives a valuation of \$2.51/share, using the same WACC. A downside case, based on variables 20% below our base case gives us a valuation of \$0.26/share. We have also undertaken a reverse DCF to determine the cashflow growth profile implied in the current share price and this yields a 10-year CAGR of 47.8%. After considering the ANZ listed proptech peers, we arrive at a forward peer multiple of 9.7, which applied to our FY22 forecasted revenues delivers a valuation of \$1.23/share.

Exhibit 1: Valuation methodologies addressed in this report

Valuation method	Discount rate	EV/Rev (x) (FY22)	CAGR in FCF	Value in A\$m	Value per share
Base case DCF valuation	12.0%	9.3	48.1%	169.3	\$ 1.10
An upside case DCF	12.0%	20.3	50.0%	387.2	\$ 2.52
A downside case DCF	12.0%	2.3	43.8%	39.4	\$ 0.26
Reverse DCF	12.0%	5.1	47.8%	93.0	\$ 0.61
ANZ Peer Group EV/Sales multiple		9.7		189.2	\$ 1.23

Source: RaaS analysis

Business Model

PropTech Group operates a predominantly Software as a Service subscription model across both its business to business (B2B) and business to consumer (B2C) platforms. The company generates revenue from multiple sources including SaaS subscription-based recurring monthly fees, one-off fees, pay-as-you-go usage fees and referral fees and commissions. Subscription-based recurring monthly revenues account for ~90% of revenues and real estate agents make up about 80% of total revenues.

PTG generates subscription based revenues across both its B2B real estate agency products and B2C property tools. The products in the B2B suite are VaultRE, MyDesktop, Eagle Software, Rentfind Inspector, Designly, and WebsiteBlue. H1, which was acquired by PTG from Harcourts, is being supported by PTG while Harcourts' Australian and New Zealand franchisees migrate to VaultRE. Real Estate Investar is the brand under which the property tools sit and was the basis for the original listed entity. MyDesktop, over time, will be phased out as its customers migrate to the more sophisticated and up to date VaultRE platform while Eagle Software will sit alongside the VaultRE platform to provide a simpler but attractive alternative for boutique, individual and satellite real estate agencies in larger franchise platforms.

Exhibit 21: PropTech Group's SaaS portfolio



Source: Company data

The sources of revenue are set out below.

Exhibit 3: Sources of revenue by business unit

Revenue source	B2B/Real Estate Agency Products	B2C/Property tools
Subscription Revenue (90% of revenues)	<p>Monthly fee to use the platform</p> <p>Rate charged per month depends on number of users/offices, features used and length of contract period. Key drivers are number of offices/agencies and Average Revenue Per Agency (ARPA)</p> <p>Over time ARPA is increased through additional product features and price increases</p>	<p>Monthly fee to use the platform - ranging from \$99 per month for the basic package to \$248pm for the advanced package. Can be paid month to month or annually with a 20% discount</p> <p>Basic package gives subscribers access to property search and analyser, portfolio tracker and suburb performance reports</p> <p>Advanced subscription adds in CoreLogic data and mobile app</p> <p>Professional subs adds in aspects of the Archistar AI engine for finding development sites</p> <p>Average Revenue Per User (ARPU) is the key driver along with conversion of members to paying subscribers and number of subscribers.</p>
One off fees	Charged to agencies for training, consulting and some customised development of the platform, usually at the franchise group level	
Pay as you go user fees	Add on products such as SMS charged on a pay as you go basis	
Referral/commission fees	Third party products offered to agencies on a referral or commission sharing basis	

Source: Company prospectus, RaaS analysis

What does a CRM platform do?

A sales CRM is the central hub within any real estate agency, managing the sale of real estate or managing rental properties. The key features of a sales CRM platform include:

- Marketing & leads management
- Contact management
- Listing and sales management
- Trust accounting and sales commissions
- Reporting & analytics
- Franchise management and
- Integration with third parties including data and portal (eg Realestate.com.au/domain.com.au) integrations

What does a property management platform do?

A property management platform focuses on the management of rental properties within a residential real estate agency. The key features of a PM platform include:

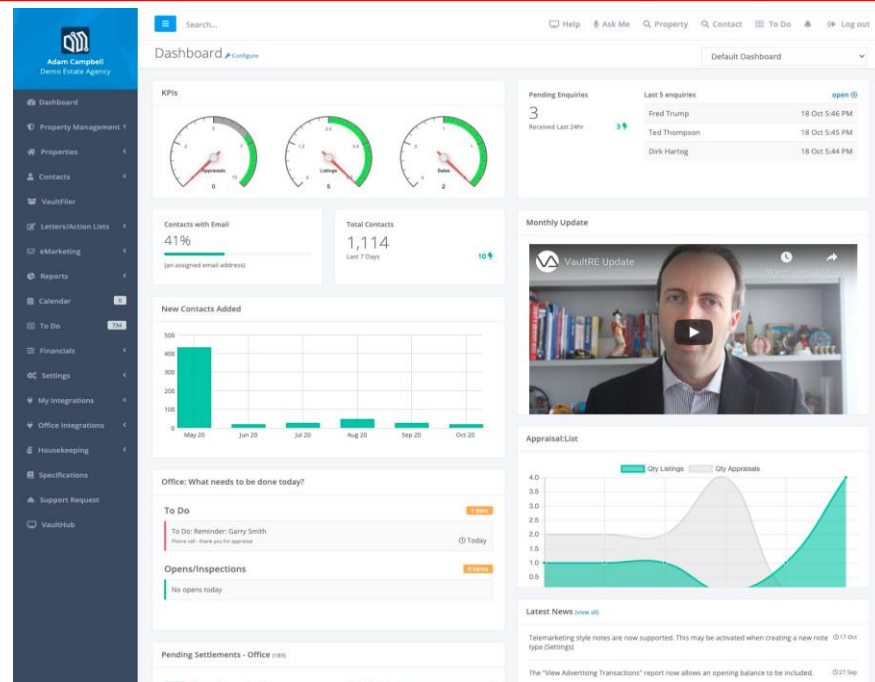
- Tenant and owner management
- Rentals trust accounting
- Legals, invoicing and auto receipting
- Inspections and maintenance
- Communications and administration
- Reporting and analytics
- And Integration with third party platforms such as the property portals.

Sales CRMs and PM platforms are business critical applications used by all real estate agents to track and manage property leads, sales and rentals. PropTech Group owns two of the leading sales CRMs in the Australian and New Zealand markets – My Desktop, which was launched in 1997 and acquired by Domain Group in 2007, and VaultRE, a next generation platform that incorporates both a sales CRM and property management functionality. Vault RE was developed by the same founders and developers of MyDesktop.

VaultRE has been built using open API architecture which enables third party products to be seamlessly integrated into the system. The VaultRE sales CRM has been developed from the base-up using a modular approach to allow agents to easily turn features on and off according to the requirements and workflows of their business. The feature set offered also extends beyond the traditional sales CRM so that there is less need for agencies to buy products from multiple providers as these can be easily incorporated into the platform. The core of the VaultRE sales CRM is the fully customisable agency dashboard which we feature in exhibit 4 on the following page.

VaultRE released property management functionality on its platform in early 2020 to existing clients and more broadly later in the year. The additional functionality allows VaultRE to operate seamlessly across both the sales and rentals businesses within real estate agents, providing one view of the business and enabling agencies to understand the performance of their business and identify any issues requiring attention.

Exhibit 4: VaultRE sales CRM dashboard



Source: VaultRE platform courtesy of PropTech Group

PropPay – adding transactional services to the platform

PTG announced with its FY21 results that it had formed a joint venture with payments technology company, Flip Money Pty Ltd, diversified financial services group BC Investment Group Pty Ltd, and real estate cashflow financing solutions provider Convin Pty Ltd to create PropPay Holdings, a transactions platform aiming at simplifying payments when buying, selling or renting a property. PTG will hold 20% of PropPay with the right to earn in additional equity-based on its revenue contribution performance.

The platform is aiming to provide the following solutions:

- Pay now and pay later options to vendors, delivering flexibility to the \$1.5-\$2b addressable market for vendor paid advertising
- Early pay options to Agents to access the \$14b market for commission funding
- Provide exclusive payments integration across the 4,900+ agencies on the PropTech Group's platforms
- Access a mature and growing base of agencies with multiple repeat transactions within their property management portfolios.

PTG delivers to the JV access to more than 260,000+ property sales per year within its agency universe with average vendor paid advertising of \$4,500 per property sale as well as the agency network using the VaultRE, MyDesktop and Eagle Software platforms.

Our forecasts do not incorporate anything for this JV at this point given that it has only just been formed.

Company history

PropTech Group was formed through the course of 2020, bringing together the then-listed Real Estate Investar with Real Estate CRM which owned VaultRE and Rentfind Inspector and which had reached agreement with Domain Holdings Ltd to acquire MyDesktop for \$14m (with 50% of this contingent on conditions precedent including the ongoing retention of an agreed customer base and the retention of a key customer licensing MyDesktop via a current global enterprise agreement). The company's history is set out in the following table. Key to the company's future success is its ability to both extend its market leadership in Australia/New Zealand and build its position in the UK.

Exhibit 5: PropTech Group timeline

Year	Event
1997	MyDesktop launched by Scott Wulff and Adam Campbell
2007	Fairfax Media acquires 75% of My Desktop
2010	Fairfax Media acquires remaining 25% of MyDesktop
2010	Real Estate Investar launches property investment platform
2010	Rentfind Inspector launched
2015	Real Estate Investar lists on the ASX
2017	Scott Wulff and Adam Campbell set up VaultRE
2018	VaultRE launched ANZ in 2018
2019	VaultRE and Rentfind Inspector launched in UK
2020	Domain Holdings announces sale of MyDesktop to Real Estate CRM for \$14m, 50% contingent of achieving a number of conditions in 2021.
2020	Real Estate Investar issues an Implementation Deed to acquire 100% of Real Estate CRM Pty Ltd, the holding company of Commerce Australia Pty Ltd (My Desktop) and Vault Group Pty Ltd (Vault RE) - the deal is scrip based
2020	Real Estate Investar changes its name to PropTech Group Ltd, launches prospectus to raise \$10.6m (before costs) at \$0.25/share. Funds to be used for payment of deferred consideration (\$2m and up to \$7.0m contingent liability) for MyDesktop, growth capital and unpaid accrued remuneration entitlements
2021	Signs Century 21 UK to use Vault Sales CRM Software delivering 40 UK offices
2021	Ray White Group renews CRM agreement for another two years, migrating franchisees sales CRM systems to VaultRE from MyDesktop
2021	23 February PropTech agrees to buy Website Blue and Designly for \$0.75m (\$0.15m cash, \$0.6m shares) with 2 deferred considerations of \$0.375m payable 12 months and 24 months after completion and providing Website Blue's SaaS revenue meets thresholds.
2021	PropTech acquires H1 from Harcourts and Harcourts International endorses VaultRE as the CRM across its Australasian network of 600 offices in Australia and NZ, cementing PropTech as the market leader in ANZ with 34% market share
2021	June 2021 Announces acquisition of Eagle Software for \$7.5m (\$4.1m cash and \$3.4m scrip) with an additional conditional cash based earnout of \$7.5m in 12 months' time. Announces a raising of \$17.5m, including an institutional placement of \$7.1m and a 1 for 8.57 accelerated non-renounceable entitlement offer to raise \$10.4m
2021	July 2021 completed acquisition of Eagle Software; completes \$15.5m share placement and entitlements offer. Has capacity to place an additional \$2.5m at a later date; engages three new executives Bill Nikolouzakakis, Chief Revenue Officer, Mark Levin, Group Head of Sales, Leesa Sinn, General Manager Property Management and announces 65% quarterly growth in VaultRe's new sales orders and record sales for Eagle Software
2021	August 2021, PTG announces a Joint Venture with Flip Money, BC Investment Group and Convinvi to create payments platform PropPay, to simplify the payments experience when buying, selling or renting a property

Source: Company data, RaaS analysis

The Residential Real Estate Industry

PropTech Group services the residential real estate agency sector which in turn participates in the most valuable asset class in Australia, New Zealand and the United Kingdom. Australia's housing market surpassed \$8.1tr in value in May 2021, according to CoreLogic¹, putting it at around 4x the size of Australian GDP and around \$1tr more than the combined value of all shares on the ASX, superannuation and commercial real estate. Similarly, New Zealand's residential housing market was valued by more than NZ\$1.3tr in July 2021, and is the biggest contributor to New Zealand's GDP, delivering 15% of GDP or NZ\$41b a year. The UK's housing stock hit a record high of £7.56tr in March 2021, according to Savills², having appreciated £1.33tr or 21.5% over the past five years. Despite the pandemic, transaction volumes across all three countries have surpassed previous records set in 2007, prior to the global financial crisis and median property prices are at an all-time high in all three countries. The following exhibit sets out the total residential property transactions in the year to June 30 2021 and the total transaction value generated in A\$ terms. Note that transaction volumes have increased 42% in Australia since 2019, 32% in New Zealand and 24% in the United Kingdom since 2019 which was the recent low point for transaction volumes.

¹ <https://www.corelogic.com.au/news/australian-housing-market-surpasses-8-trillion-valuation>

² <https://www.savills.com.au/insight-and-opinion/savills-news/311889/uk-housing-value-hits-record-%C2%A37.56-trillion-high>

Exhibit 6: Residential Real Estate Transaction Data, Australia, New Zealand, United Kingdom 2020-2021

Country	Total Transactions	Median property price	Total Transaction Value (A\$b)
Australia	582,900*	A\$779,000	454
New Zealand	99,240	NZ\$751,787	71
United Kingdom	1,462,270	£249,252	688

Source: CoreLogic July Home Value index, ABS Residential Property Price Index: Eight capital cities March 2021; REINZ, monthly property reports; HM Revenue & Customs, Office of National Statistics; RaaS analysis
*incorporates all new homes and off the plan sales

Frost & Sullivan estimates that the market size of services provided to the real estate industry to facilitate property transactions is more than A\$20b.³ These services consist of agency commissions, property management fees, property advertising, valuations, conveyancing, legal and taxation services, property inspections, mortgage commissions, insurance, utilities, removals, and repairs & maintenance on rental properties, with agency income accounting for just under 50% of this market. We set out in the following exhibit, Frost & Sullivan's estimates for the real estate industry across Australia, New Zealand and the United Kingdom for 2020. Based on sales commission rates, we anticipate that the record transactions generated in 2021 would have driven industry revenue higher than that generated in 2020. Frost & Sullivan estimates that in Australia, agency commissions from sales account for around 60% of revenue, which suggests that total industry revenue was closer to \$15b in 2021.

Exhibit 7: Real Estate Industry Snapshot, Australia, New Zealand, United Kingdom, 2020

Country	No of Offices	No of individual agents	Industry revenue (A\$b)	Typical sales commission %	Major Firms
Australia	11,000	35,000	9.4	2.0%	Ray White, LJ Hooker, Harcourts, McGrath, Raine & Home, Century21
New Zealand	1,200	14,000	2.6	3.0%	Harcourts, Ray White, Barfoot & Thompson, Bayleys, Professionals, First National
United Kingdom	25,000	51,000	20.2	1.4%	Savills, Re/Max, Keller Williams, Connells, Cushman & Wakefield, Countrywide

Source: Frost & Sullivan (from PropTech Group Prospectus, page 54), RaaS analysis

Real estate agencies remain the main model for managing the sale of residential properties across the three markets. New business models such as for sale by owner, or fixed fee online models, or hybrid models using online for sales but agents for valuations and support, have gained little traction over the past decade in Australia and New Zealand. In the UK, Frost & Sullivan estimates that online and hybrid agents had 8% share of property transactions in 2019.⁴

The Property Technology Sector

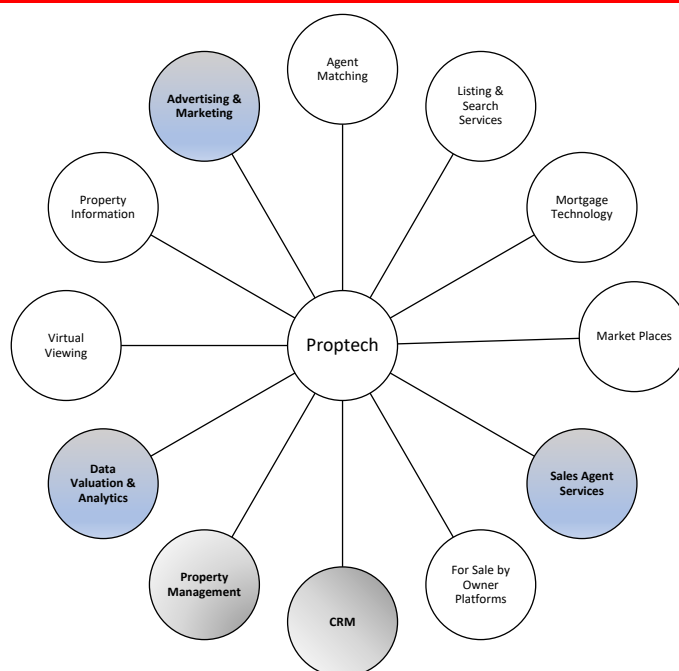
The notion of property technology, or proptech, is still relatively new to the market, despite the existence of online marketplaces for real estate for more than 20 years. Like fintech, edtech, healthtech, proptech is the alignment between technical innovation and those that adopt those innovations. PropTech is characterized by the massive implementation of emerging technology such as home/agent matching tools, drones, virtual viewing, building information modelling, data analytics, artificial intelligence (AI), Internet of Things (IoT), smart contracts, crowd funding, smart homes and fintechs related to real estate⁵. All these recent innovations, set out in the following exhibit, have the potential to improve productivity and competitiveness both within the real estate industry and potentially the broader economy. We have shaded in grey the applications that PTG predominantly operates in, namely CRM and Property Management, and in blue highlighted Marketing, Sales Agents Services and Data valuation and analytics which the company is extending into..

³ PropTech Group prospectus, Independent Market Report page 54

⁴ TwentyCI, Property and Homemover Report, Q4 2019

⁵ The impact of proptech on real estate industry growth, Nikolai Siniak et al 2020 IOP Conf. Ser.: Mater. Sci. Eng. 869 062041.

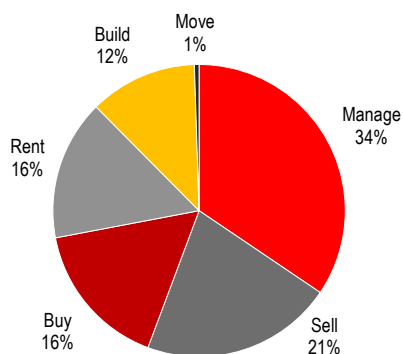
Exhibit 8: PropTech applications, Australia, 2021



Source: RaaS analysis

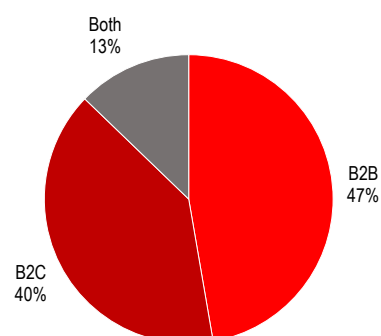
According to industry platform Unissu, there are now more than 380 PropTech companies in Australia and the industry has grown rapidly. Between 2013 and 2019, there was a 438% increase in proptech companies. Unissu has defined these companies by the property lifecycle and calculates that almost 35% of proptechs fall in the management of property. This is where CRM and PM both fall. Within residential real estate, B2B proptechs currently make up 47% of participants with 13% straddling both B2B and B2C applications.

Exhibit 9: PropTech lifecycle breakdown in Australia (381 industry participants)



Source: Unissu (<https://www.unissu.com/proptech-resources/proptech-in-australia>)

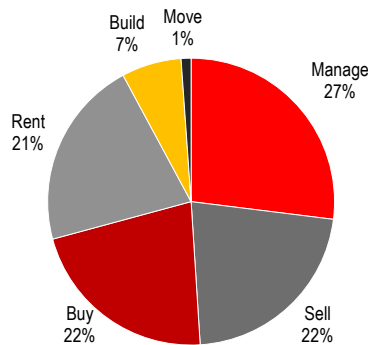
Exhibit 10: PropTech breakdown by target in residential real estate



Source: Unissu (<https://www.unissu.com/proptech-resources/proptech-in-australia>)

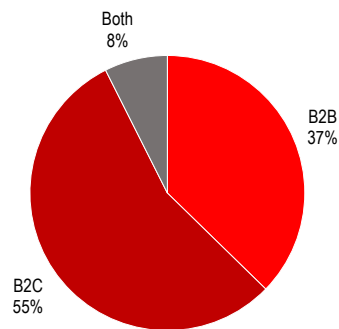
The UK proptech sector skews more to B2C applications (55%) and management tech accounts for 27% of the industry's 771 participants, with buy, sell and rent applications a much bigger proportion of participants.

Exhibit 11: Proptech lifecycle breakdown in UK (771 industry participants)



Source: Unissu (<https://www.unissu.com/proptech-resources/proptech-in-the-uk>)

Exhibit 12: Proptech business breakdown by target in residential real estate



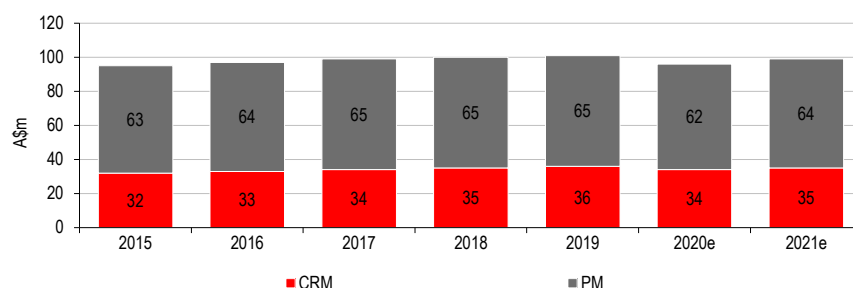
Source: Unissu (<https://www.unissu.com/proptech-resources/proptech-in-the-uk>)

Real estate agency software market

Frost & Sullivan estimates that Australian real estate agents spent \$101m on software applications in 2019⁶ with CRM accounting for \$36m of this expenditure and property management \$65m. The market was expected to fall in 2020 by 5% due to COVID-19 but recover this calendar year to \$99m. As the following exhibit demonstrates, expenditure by the industry on these applications has been relatively consistent since 2015 (CAGR of 1.5% for CRM, 0.3% for PM) which suggests that in order to grow in the space, players need to gain market share. To put this in perspective, the Australian real estate advertising market was \$444m in 2019, according to Nielsen and AdNews.⁷

The addressable market in Australia is estimated to be 10,000 offices, with around 10% of the total number of offices (11,000) using in-house systems, generic CRM software or basic excel spreadsheets. Frost & Sullivan identified the main players in the Australian CRM market in 2019 as MyDesktop/VaultRE (25% market share), Agentbox (18% market share), Rex Software (12% share), Box&Dice (9%), in-house and others (36%). In PM software, Rockend is the market leader in Australia (42%) followed by Console (27%).⁸ We discuss below the current CRM market across Australia and New Zealand combined and have found market share shift in the past two years.

Exhibit 13: Australian real estate agency CRM/PM market size 2015-2021e



Source: Frost & Sullivan

New Zealand's real estate agency software market is estimated by Frost & Sullivan to be NZ\$16.1m in 2019 and that it will be a similar level this year with CRM accounting for just under one-third of expenditure⁹. Around 1,080 offices make up the addressable market in New Zealand. From 2015 to 2021, the compound annual growth rate for CRM is estimated at 5.1% while PM is estimated at a CAGR of 3.4%. The main players

⁶ Frost & Sullivan Market Report, PropTech Group Prospectus

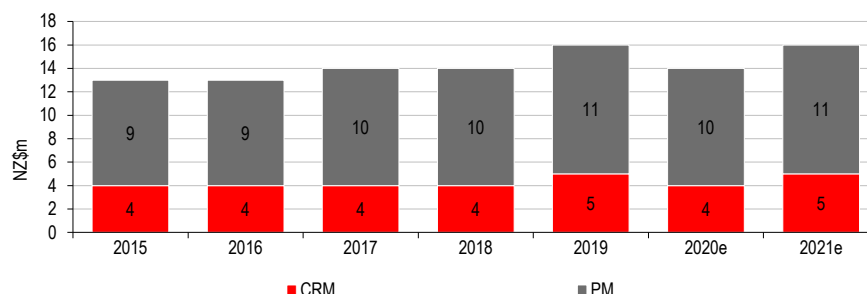
⁷ <https://www.adnews.com.au/news/nielsen-the-20-biggest-advertisers-by-industry-in-australia-2019>

⁸ Ibid

⁹ Frost & Sullivan Market Report, PropTech Group Prospectus

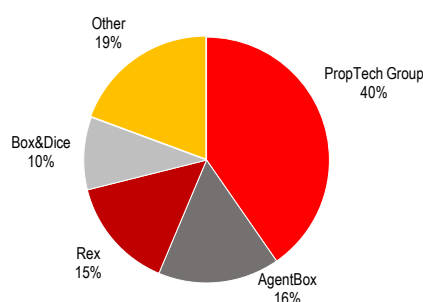
in the New Zealand market are MyDesktop/VaultRe, Console, Rockend, Rex Software as well as NZ based companies Palace and PropertySuite. In CRM, PropertySuite is estimated by Frost & Sullivan to be the market leader, followed by MyDesktop/VaultRE.¹⁰ In PM software, Palace is the market leader with a 50% share of market, with Console at 7% and Rockend 8%.¹¹

Exhibit 14: New Zealand real estate agency CRM/PM market size 2015-2021



Source: Frost & Sullivan

Exhibit 15: Australia and New Zealand by share of agencies



Source: PropTech presentations, company websites, RaaS analysis

We estimate that PropTech Group, as a result of its Eagle Software acquisition, now commands a combined 40% share of the Australia/New Zealand real estate agency CRM market, with AgentBox, Rex and Box&Dice the other main players. We see an opportunity for PropTech to extend this market share in both the CRM software market as well as the PM market, which is a smaller contributor to revenues.

We also see the UK as an expansion opportunity for PTG< where it holds an estimated 1% share.

The addressable market in the UK is around 22,500 of offices, with 10% of the total 25,000 offices using in house systems. Expenditure on CRM is much closer in market share to property management in the United Kingdom, where Frost & Sullivan estimates £104m was spent in 2019, of which CRM accounted for £50m¹². Frost & Sullivan identifies the main competitors as Zoopla, the market leader with 40% share, MRI Software (8%), Reapit (which owns AgentBox in Australia and holds 16% of the UK CRM market), Dezrez (12%) and Eurolink and VTUK.¹³

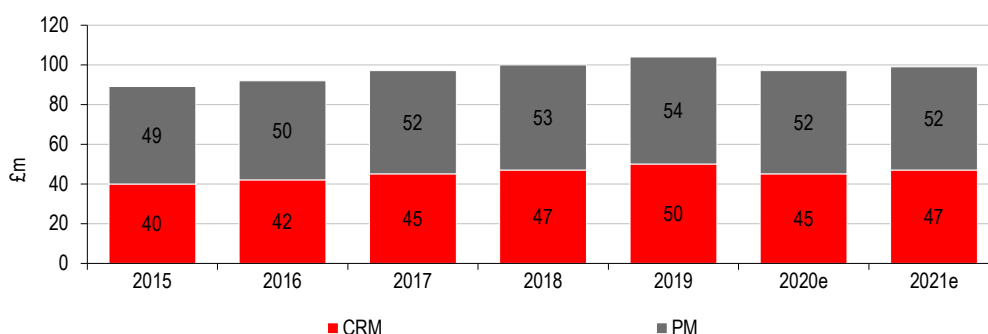
¹⁰ Ibid

¹¹ Ibid

¹² Frost & Sullivan Market Report, PropTech Group Prospectus

¹³ Ibid

Exhibit 16: United Kingdom real estate agency CRM/PM market size 2015-2021



Source: Frost & Sullivan (PropTech Group Prospectus)

We set out in the following exhibit, PropTech's key B2B competitors across all markets.

Exhibit 17: PropTech Group's key B2B competitors across all markets

Company	Headquartered	Markets served			Product range		Integrated CRM/PM?
		AU	NZ	UK	CRM	PM	
MyDesktop/Vault	AU						Built in
RE/Eagle		✓	✓	✓	✓	✓	
Reapit (inc Agentbox)	UK	✓		✓	✓	✓	Separate
Box + Dice	AU	✓			✓		
Console	AU	✓	✓			✓	
REX Software	AU	✓	✓	✓	✓		
Dezrez	UK			✓	✓	✓	Separate
MRI Software	US	✓	✓	✓	✓	✓	Separate
Palace	NZ	✓	✓			✓	
PropCo	UK			✓		✓	
PropertyMe	AU	✓				✓	
Property Suite	NZ	✓	✓		✓		
Tilt (RentPro)	UK			✓	✓	✓	
Zoopla	UK			✓	✓	✓	

Source: PropTech Group prospectus, page 22

Recent acquisitions in proptech

Proptech has been one of the most active sectors for M&A activity over the past five years and this has only accelerated with the advent of COVID-19. According to Software Equity Group, one of the leading M&A advisory groups in the space, real estate M&A activity was expected to reach 150 deals in 2020, a 25% increase over 2019¹⁴, making it the largest year on year increase since 2016 and the seventh consecutive year of record deal activity. Tech focused private equity firms accounted for around half the deals in 2020. Residential proptech deals made up around 39% of transactions.

We have set out some of the known transaction multiples paid for proptech companies over the past 5 years. SEG includes in its data three unnamed transactions that it has been involved with which were completed at 12.0x, 14.8x and 15.7x.

¹⁴ Software Equity Group Snapshot: 2020 Real Estate Software Year End Review, November 2020

Exhibit 18: EV/TTM Revenue Multiples paid in proptech transactions in the past 5 years

Company acquired	EV/TTM Revenue paid	EV (US\$M)	Year completed
On-Site	5.0	250	2017
Acxxerion	6.2	86	2019
Porch	9.2	523	2020
e-Builder	9.2	485	2018
Zoopla	9.6	3,136	2018
Aconex	9.7	1,200	2017
ClickPay	9.9	248	2018
Buildium	11.6	580	2019
PlanGrid	12.5	875	2018
Median	9.6		

Source: Software Equity Group November 2020 (TTM is trailing 12 months)

PropTech Group acquired Real Estate CRM (owner of VaultRE and Commerce Australia which owned MyDesktop) for 64.9m shares, which were issued at \$0.25/share. We estimate that the EV/Sales multiple, based on FY20 sales of ~\$9.7m was 1.7x. The EV/Sales multiple paid for Eagle Software was 4.6x based on the initial price paid together with the earnout. If Eagle Software's performance doesn't meet the earnout provisions, the multiple paid will be around 2.3x.

PropTech Group's historical earnings performance

The combined Real Estate Investar/VaultRE/MyDesktop presents a vastly different picture in terms of sales, gross profit and EBITDA to that presented just by Real Estate Investar. In FY20, Real Estate Investar reported sales revenue of \$1.0m, gross profit of \$0.8m and an EBITDA loss of \$0.8m. We have set out 2018-2020 on a pro forma basis and FY21 actuals to give a sense of the margins that this group can generate as a SaaS business. Note that FY21 only included REI from November 2021 whereas the previous years were presented as though 100% of the business were owned by PTG. As a combined group, the company was generating GP margins of around 90%. Revenue growth was static over this period reflecting the MyDesktop's lacklustre performance with the Domain Group. We expect that performance to improve with the transition of MyDesktop clients to VaultRE's platform.

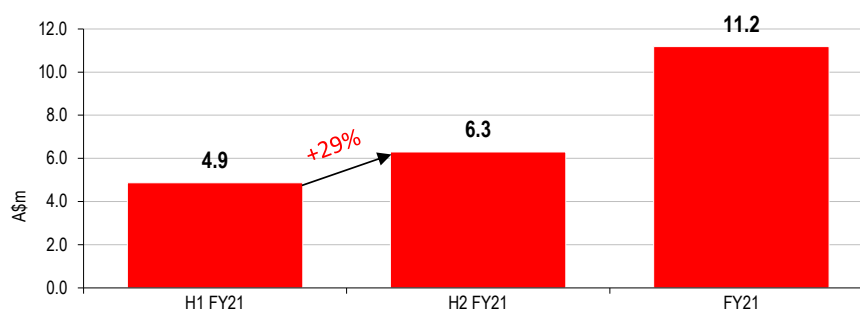
Exhibit 19: Proforma sales, gross profit and EBITDA FY18-FY21 (in A\$m)

Year ending June 30	2018	2019	2020	2021*
Sales Revenue	11.71	11.00	10.79	11.17
Gross Profit	9.97	9.86	9.68	10.00
GP Margin	85%	90%	90%	89%
EBITDA underlying	2.47	2.92	2.22	1.93
EBITDA margin	21%	27%	21%	17%

Source: Company prospectus, company presentation 28 June 2021, RaaS analysis 2021 only includes REI from November 2020 whereas 2018-2020 were proforma based on 100% ownership of whole group

FY21 results discussion

Exhibit 20: Operating revenue grew 29% half on half in FY21

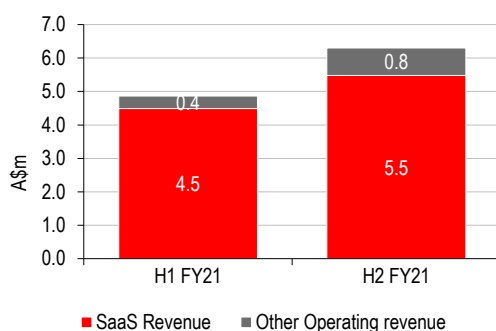


Source: Company data, RaaS analysis

PTG delivered revenues of \$11.2m in FY21, with second half revenues accelerating 29% over the first half. The company noted the increase was driven by an increase in market share in Australia and New Zealand (34% at June 30, up from 28% at December 2020) and annual revenue per agent (ARPA) which rose to \$210 per month in June, from \$199 in December 2020. PTG noted that ARPA rose to \$230 per agent per month in July and market share had listed to 41% with 4,980 agents now using PTG's platforms. Part of the growth in the July metrics is due to the acquisition of Eagle Software from July 1.

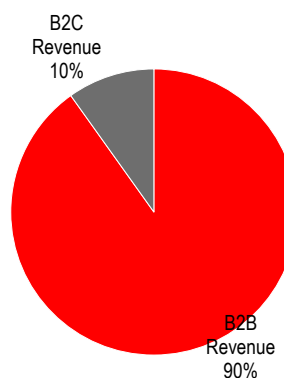
SaaS revenue made up 89% of total sales revenues in FY21 with H2 FY21 SaaS revenues at 87% of total sales. B2B Revenues, generated in Australia, NZ and UK accounted for 90% of sales.

Exhibit 21: SaaS Revenue versus other operating revenue by half year



Source: Company data

Exhibit 22: B2B revenue as a % of total versus B2C revenue



Source: Company data

Underlying EBITDA for FY21 was \$1.93m after excluding relisting and transaction costs, with 2H EBITDA at \$0.51m following a 143% increase in 2H employee costs to \$4.56m.

Exhibit 23: H2 FY21 versus H1 FY21

	H1 FY21	H2 FY21
SaaS Revenue	4.49	5.48
Total Sales Revenue	4.87	6.30
Gross Profit	4.40	5.59
% GP margin	87%	85%
Employee costs	1.87	4.56
Operating costs	1.27	0.58
Other costs	-	0.23
EBITDA	1.41	0.51

Source: Company reports

As the following exhibit highlights, B2B lifted its GP margin H2 over H1 to 93%. Underlying B2B EBITDA reduced in H2 reflecting an increased investment in people. Employee costs rose to an estimated \$3.34m in H2 from \$1.65m in H1.

Exhibit 24: Breakdown of H1 and H2 FY21 results based on B2B, B2C and Corporate revenue and costs

	H1 FY21				H2 FY21			
	B2B	B2C	Corporate	PropTech Group	B2B	B2C	Corporate	PropTech Group
SaaS Revenue	4.26	0.23	-	4.49	4.72	0.76	-	5.48
Other sales revenue	0.38	-	-	0.38	0.80	0.02	-	0.82
Total Sales Revenue	4.65	0.23	-	4.87	5.52	0.78	-	6.30
Gross Profit	4.24	0.16	-	4.40	5.13	0.45	-	5.58
% GP Margin	91%	71%	-	90%	93%	58%	-	89%
Underlying EBITDA	1.58	0.05	(0.22)	1.41	0.53	0.15	(0.17)	0.51
EBITDA margin %	34%	22%	na	29%	10%	19%	na	8%

Source: Company reports

RaaS's forward estimates

Our forecasts are predicated on PropTech Group retaining and growing its share of the Australia/New Zealand CRM/PM market from 40% share to 55% in 10 years' time. We are also forecasting that the company increase its share of the UK market from 2% to 8% in the same period.

Our forecasts assume robust growth in Average Revenue Per Agent (ARPA) in Australia/New Zealand. Real estate agencies on average spend around 10% of revenues on advertising and promotion (including CRM and PM systems), which equates to an estimated average of \$60,000 per annum per agency. PropTech Group's average ARPA per month in Australia/New Zealand in FY21 was A\$210 or \$2,520 per annum. We understand this is significantly below the ARPA of its competitors. We are forecasting this to grow by 140% to \$503 per month by FY25. We are forecasting for UK ARPA which was \$114 per month at June 2021 to grow to \$213 per month by FY25. **Of the almost \$7m uplift in revenues we are forecasting in FY22, we expect half to come from organic growth.** The B2C business contributed \$1.0m in revenues in FY21 from 1,326 paying subscribers at the period end. ARPU per month averaged \$104 across FY21. We are forecasting this to grow to an average ARPU of \$154 per month by FY25 from 1,400 subscribers at the end of FY25.

We see FY22 as a year of investment in people and platforms. Some of the growth in employee costs will come from absorbing the Eagle team but also expect the company to add more talent to drive future sales growth both in ANZ and the UK, hence we are forecasting a significant uplift in employees through the course of the year. Our forecast for employee costs in FY22 is \$13.7m (excluding non-cash share based payments) compared to the \$6.44m spent in FY21. This investment in human capital is expected to result in an operating (EBITDA) loss of \$1.8m. However, we expect PropTech to reap the benefit of this investment in FY23 with a marked increase in sales revenues and return to breakeven with acceleration of profitability in FY24. Note that our estimates do not include any assumptions for PropPay at this stage.

Exhibit 25: RaaS' earnings estimate for PropTech Group (in A\$m unless otherwise stated)					
Year ending June 30	2021a	2022e	2023e	2024e	2025e
SaaS Revenues	10.0	16.4	23.1	30.2	39.3
Other operating revenues	1.2	1.7	1.8	1.8	1.9
Total Sales Revenue	11.2	18.1	24.8	32.1	41.2
Gross Profit	10.0	16.1	22.2	28.8	37.1
GP margin	89%	89%	89%	90%	90%
EBITDA underlying	1.93	(1.75)	0.03	3.97	10.24
EBIT	(0.29)	(3.86)	(1.97)	2.06	8.39
NPAT	(0.46)	(3.86)	(1.98)	1.44	5.86
EPS	(0.46)	(2.56)	(1.29)	0.31	3.81

Source: RaaS analysis

The exhibit below sets out in more detail our forecasts for B2B, B2C and Corporate.

Exhibit 26: RaaS estimates by division FY22-FY25					
Year ending June 30	FY22	FY23	FY24	FY25	
B2B SaaS Revenues	14.64	21.09	28.03	36.76	
B2B Other revenues	1.65	1.72	1.79	1.86	
Total B2B Revenues	16.29	22.81	29.82	38.62	
Gross Profit	14.99	20.98	27.43	35.53	
GP Margin	92.0%	92.0%	92.0%	92.0%	
B2B EBITDA	1.18	2.91	6.92	13.24	
B2B EBITDA Margin	7.2%	12.7%	23.2%	34.3%	
B2C SaaS Revenues	1.78	1.97	2.21	2.50	
B2C Other Revenues	0.04	0.04	0.04	0.05	
Total B2C Revenues	1.82	2.02	2.26	2.55	
Gross Profit	1.09	1.21	1.35	1.53	
GP Margin	60.0%	60.0%	60.0%	60.0%	
B2C EBITDA	0.04	0.11	0.20	0.33	
B2C EBITDA Margin	2.4%	5.5%	9.0%	12.9%	
Corporate EBITDA	(2.98)	(2.99)	(3.15)	(3.33)	
Total EBITDA underlying	(1.75)	0.03	3.97	10.24	
Source: RaaS estimates					

Source: RaaS estimates

SWOT analysis

In our view the strengths and opportunities for PropTech Group outweigh the weaknesses and threats.

Exhibit 27: Strengths, Weaknesses, Opportunities, Threats

Strengths	Opportunities
Market leadership position in Australia and New Zealand	Opportunity to significantly scale in the UK
Board and management have significant skin in the game	Opportunity to further consolidate the sector in Australia/NZ
Largest real estate franchise groups are both clients and shareholders	Expanding reach into Property Management spend with new PM platform
Board and management are highly experienced in property technology and building early stage companies	Opportunity to significantly lift Average Revenue Per Agent (ARPA) with additional product offerings
Revenues are predominantly subscription based and recurring	
Weaknesses	Threats
Highly leveraged to the residential property market	New CRM entrants or existing competitors could deliver a superior solution and displace PropTech with its customers
Limited trading history as a combined group	A marked decline in the ANZ property market could result in agency contraction and loss of clients for PropTech
No guarantee that acquired businesses will deliver the uplift in revenues/earnings expected	Foreign currency risk increases with bigger presence in UK
Source: RaaS analysis	

Sensitivities

We highlight several sensitivities to PropTech's business:

- **Execution risk:** PropTech Group has a strategy to grow both market share in Australia/New Zealand and the United Kingdom and increase average revenue per agent (ARPA) by adding new features and operability to its platform. Our financial model assumes that PropTech Group will grow its market share in ANZ to 55% and that it will more than double ARPA over the next 10 years. We also assume that PTG's market share of the UK CRM/PM market will grow to 9% in 10 years. Our valuation will be lower if the metrics are not met.
- **Key person risk:** In our view, the success of the business is reliant on the continued engagement of the VaultRE/MyDesktop founders Scott Wulff as well as CEO Joe Hanna and Chairman Simon Baker. The board and senior management team bring extensive experience in building proptechs and without them, the company is likely to be impacted.
- **Cycle risk:** Property values in Australia and New Zealand are at all-time highs and in the UK they are at their highest level since 2007. There is potential risk for PTG in a cyclical downturn that real estate agency numbers decline or their expenditure on CRM/PM platforms reduce.
- **Competitor risk:** Some of PropTech's main competitors in Australia and New Zealand are owned by much larger international groups (UK-based and VC backed Reapit owns AgentBox, US Based MRI Software owns Rockend Technology). There is potential risk that competitors will start pricing wars to gain marketshare and also compete for acquisition targets, both actions would potentially impact PTG.
- **Technology risk:** PropTech Group's market growth is dependent on adding new features and functionality to its product offering. There is always a risk that a competing technology comes to market potentially winning clients from PTG.

Board and management

Directors

PropTech's board of directors brings extensive experience in property technology, online marketplaces and SaaS ventures. Several of the directors have worked together in previous successful ventures which, in our view, is highly beneficial to PropTech as it evolves and matures.

Simon Baker, Non-Executive Chairman, has been chairman of the company since its inception in 2010. Simon brings extensive experience in the property technology sector, having been the former Chief Executive Officer and Managing Director of the REA Group (ASX:REA) from 2001 to 2008, the former Chairman of iProperty Group (ASX:IPP) from 2009 to 2012 (iProperty was acquired by REA in 2016), and the former Chairman of property, auto and general online listings group, the Mitula Group (ASX:MUA) from 2015 to 2019 before it was acquired by Japan's Lifull Co (T:2120). He is also the founder and Executive Chairman of online media group Online Marketplaces Group which provides news, analysis and conferences in online autos, employment and property marketplaces including Property Portal Watch. Simon and his interests hold 11.16m shares in the company.

Joe Hanna, Managing Director and CEO has been a director of the company since 2015, in a non-executive capacity from that time until January 2019 when he assumed an executive role. Joe has more than 20 years' experience in property technology and digital classifieds, having been a founder and Director of a number of early stage technology companies including Mitula Group (ASX:MUA) and the privately owned xLabs and PredictiveMatch. He also previously served on the board of online autos marketplace Latam Autos (ASX:LAA) from August 2019 until it voluntarily delisted in May 2020 to reduce costs and focus on developing the business. Earlier in his career, Joe held several senior management and technology positions in Fairfax Media's digital division (ASX:FXJ) including what is now Domain Holdings Group (ASX:DHG). Joe holds 4.53m shares in PropTech Group and 200,000 options with an exercise price of \$0.024 and expiry of 27 January 2023.

Georg Chmiel, Non-Executive Independent Director, brings extensive leadership experience in online marketplaces, property technology and the real estate industry in both Australia and offshore. Georg is currently the Executive Chairman of Juwai IQI Holdings, the Chairman of iCarAsia (ASX:ICQ), the leading online auto marketplace for Malaysia, Thailand and Indonesia, a Non-Executive Director of Centrepont Alliance (ASX:CAF) a leading wealth management network across Australia, and a Non-Executive Director of recently listed SMWE invoice financing group Butn (ASX:BTN). Georg previously was a Non-Executive Director of the Mitula Group (ASX:MUA), Managing Director and CEO of iProperty Group (ASX:IPP) from 2014-2016 and a Non-Executive Director at iProperty from 2011-2014, the Managing Director and CEO of LJ Hooker Group and the CFO and General Manager of REA Group from 2005 to 2010. Georg holds 0.32m shares in the company.

Sam Plowman, Non-Executive Director, has been a director of the company since January 2019 and brings more than 25 years' corporate experience across the proptech, fintech and digital sector. Sam is the current CEO and Co-Principal of fintech payments platform Payment Logic. He has previously been CEO and COO of loan origination, mobile and internet banking fintech Sandstone Technology, was Executive General Manager Direct Banking for NAB, Head of Online Banking at ANZ and General Manager Online Real Estate for Fairfax Digital, where he led the acquisition of My Desktop in the late 2000s. Sam and his interests own 5.78m shares in the company and 200,000 options with an exercise price of \$0.024 and expiry of 27 January 2023.

Scott Wulff, Executive Director and General Manager, CRM, is one of the founders of Vault Group Pty Ltd, the developer of VaultRE and Rentfind Inspector. Prior to founding Vault, Scott was the Managing Director of Commerce Australia, which developed the MyDesktop system, serving in that role for 20 years from January 1997. Scott holds 5.16m shares in PropTech Group.

Management

In addition to Joe Hanna and Scott Wulff, PropTech Group has a strong management leadership team with an emphasis on property technology. Many members of the senior leadership team are also shareholders.

Adam Campbell, Technology Director, has over 23 years' experience in PropTech sector. He was the co-founder and developer of MyDesktop in 1997 (with Scott Wulff) before the MyDesktop business was acquired by Fairfax/Domain in the late 2000s. After leaving Fairfax/Domain in 2016, Adam & Scott developed VaultRE as a next-generation real estate CRM and PM platform. Adam has close working relationships with the major real estate franchise groups across ANZ. Adam holds 4.87m shares in the company.

Michael Fiorenza, Group Chief Financial Officer, joined the group in November 2018 when it was still Real Estate Investar. Michael is a member of the Chartered Accountants Australia and New Zealand and has more than 13 years' international experience in finance and accounting for a range of companies with the last five years focused on the proptech sector. He was previously CFO of the proptech and online marketplaces focused VC fund, CAV Investment Group, which was founded by Chairman, Simon Baker, and Property Portal Accelerators. Earlier in his career, Michael held a range of Australian and UK finance roles including stints at Aurizon (ASX:AZI), Suncorp (ASX:SUN) and Mattel (NASDAQ:MAT). Michael holds 0.45m shares in the company.

Bill Nikolouzakis, Group Chief Operating Officer & Chief Revenue Officer, brings more than 19 years' experience in property, finance and technology. Bill joined the company in January 2021 as Chief Operating Officer and added Chief Revenue Officer to his remit in July 2021. His past roles include CEO and Director of Resa Group, formerly iBuyNew Group, (ASX:RE1), founder and Director of Nyko Property, and Director of Mortgages for R Finance. Bill is also a founder and Director of property group Urban Seed Projects.

Mark Levin, Group Head of Sales, was appointed in July 2021 and is a senior sales professional with more than 20 years' experience in SaaS, with much of that time selling technology to the real estate industry. Previous roles include leadership positions at Trustpilot, the global online rating and reviews agency, where he was Sales Manager APAC, Openn Negotiation, an online property auction platform where he was Senior Manager - Sales Business Development, and REA Group, where he was National Sales Manager, Melbourne and Sales Manager in Perth prior to that role.

Matthew Healy, Chief Technology Officer, is a co-founder of the VaultRE platform and is responsible for the third party technology integrations, commercial property systems requirements and franchise management systems. Matthew was also the co-developer of MyDesktop from 2007 to 2016. Matthew holds 4.56m shares in the company.

David James, General Manager – Rentfind Inspector, has been a director of the company since 2015, in a non-executive capacity from that time until January 2019 when he assumed an executive role. Joe has more than 20 years' experience in property technology and digital classifieds, including David holds 4.87m shares in PropTech Group.

Leesa Sinn, General Manager Property Management, was appointed in July 2021 and joins PropTech Group from Real Estate Dynamics, where she was Chief Resource Officer. Leesa brings more than 20 years' experience in the real estate sector, spanning property management technology and training.

Christian Scandurra, Sales Director – UK, brings more than 15 years' property technology experience in Australia and the UK. Christian served as MyDesktop's Sales Manager from 2007 to 2014 before relocating to the UK to launch Rentfind Inspector and VaultRE into that market. His early career saw Christian gain experience as a real estate agent in both Europe and Australia.

Zaac Woodhead, M&A and Strategic Partnerships, has more than 20 years' technology experience in director, advisory and investor roles driving product innovation and scale up across startup, middle market and enterprise in both B2B and B2C. He is previously the cofounder and director of business development of PortPlus, a SaaS real estate business which was acquired and listed as Onthehouse Holdings (subsequently taken over by CoreLogic).

Institutional Support

PropTech has attracted several institutional investors to its register including Perennial Value and Capital H Management, both focused on emerging growth companies, as well as industry-based investors, Songpan Investments (Sam White) and the Real Estate Institute of Western Australia. Insiders hold an estimated 27% of the company.

Exhibit 28: Top 16 shareholders

Investor Name	% Outstanding	Position (M)
Simon Baker	7.50%	11.16
Propplat Pty Ltd	6.05%	9.05
Songpan Investments Pty. Ltd.	5.28%	7.90
Sam Plowman	3.76%	5.78
Real Estate Institute of WA	3.73%	5.58
Scott Wulff	3.36%	5.16
Lawson Macnee Pty. Ltd.	3.34%	5.00
A & N Campbell Pty. Ltd.	3.25%	4.87
David James	3.25%	4.87
Capital H Management Pty Ltd	3.20%	4.75
Matthew Healy	2.97%	4.56
Joe Hanna	2.95%	4.53
Perennial Value Management Ltd.	2.83%	4.34
RL & HL Pty. Ltd.	1.11%	1.70
Lymer Pty. Ltd.	0.94%	1.45
Georg Chmiel	0.21%	0.32

Source: Refinitiv Eikon, Company's 2021 annual report, RaaS analysis

Peer Comparison

There are five proptech companies listed on the ASX and we have used these in our peer comparison. We set out below a description of each of these companies:

Domain Holdings Australia (ASX:DHG) is a leading property technology and services company with one of the largest portfolios of property brands in Australia, including Domain, Allhomes, Commercial Real Estate and CommercialView. The portfolio also includes real estate agent products Homepass (a product which directs agent data to its preferred CRM), Pricfinder (which collates property data from multiple sources) and Real Time Agent (a digital point of sale experience for agents). It also owns consumer solution products Domain Loan Finder and Domain Insure.

Openn Negotiation (ASX:OPN) listed on the ASX on July 19. OPN is a property technology company focused on improving transparency of property sale transactions for buyers and sellers in Australia and New Zealand and established a pilot program in North America. Openn is a cloud-based software platform that facilitates real time negotiation, digital contracting and file management for property sales.

REA Group (ASX:REA) is the dominant property tech company in Australia and owner of the leading real estate listings sites, realestate.com.au and realcommercial.com.au, and the leading share property site Flatmates.com.au. REA Group also owns Smartline Home Loans, Mortgage Choice Ltd (one of Australia's largest mortgage broking franchise groups), and PropTrack (property data services). The company owns operations globally including a controlling interest in India's Elara Technologies which owns Housing.com, Makaan.com and PropTiger.com, and leading portals squarefoot.com.hk (Hong Kong) and myfun.com (China). REA Group also owns strategic investments both in Australia and offshore in several proptech companies servicing various aspects of the sector.

RMA Global (ASX:RMY) is an online digital marketing business providing extensive data on residential property sale results for residential real estate agents and agencies as well as reviews of agent performance from vendors and buyers of residential real estate. Under the brand, Ratemyagent, this data can be used by agents to market themselves and build their profile or by vendors to compare agents and find an agent/agency to sell their property. The product offering also allows for rating agencies which lease properties. RMA Global operates in Australia, New Zealand and the USA.

Rent.com.au (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. 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. (Rent.com.au is a RaaS research client).

We set out the EV/Sales multiples and EV/EBITDA multiples on both a last 12 months' basis and forward 12 months' basis (where there are earnings estimates). Note that the median gross profit margin of the group is 89%, in line with where SaaS businesses should expect to trade. On a forward EV/Sales basis the median for this group is 10.2x, which is at a substantial premium to PTG's implied EV/Sales multiple on FY22 of 4.6x. Using our FY22 sales forecast of \$18.1m, if we were to apply the median multiple of 9.7x, we arrive at a **peer group valuation of \$189m or \$1.23/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 EV/Sales multiple is 8.3x, 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, we arrive at a peer valuation of **\$163m or \$1.07/share**, which is largely in line with our DCF valuation.

Exhibit 29: 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 Ltd	DHG	3,032	3,155	10.9	9.7	31.4	26.5	92%	0.3%
Openn Negotiation Ltd	OPN	25	24	23.1	23.1	na	na	89%	na
REA Group Ltd	REA	20,511	20,838	20.7	19.5	38.5	32.6	92%	3.8%
RMA Global Ltd	RMV	108	99	8.6	6.8	na	na	82%	11.2%
Rent.com.au Ltd*	RNT	39	36	11.5	6.4	na	na	75%	7.4%
Median				11.5	9.7	34.9	29.5	89%	5.6%

Source: Refinitiv Eikon (Prices at 10 September 2021) *Rent.com.au is 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 \$60.8m or \$1.05/share, which implies an EV/Sales multiple of 14.4x FY21a and 8.6x FY22f, still below the median peer multiples discussed above.

Exhibit 30: 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	62.2%
Sum of PV	63.0
PV of terminal Value	92.2
PV of Enterprise (\$m)	155.2
Debt (Cash) est at 31 Dec 2021 (\$m)	(13.5)
Net Value – Shareholder (\$m)	168.7
No of shares on issue (estimated at FY22 year end)	153.7
NPV	\$1.10
Source: RaaS estimates	

Reverse DCF valuation

Using the same discount rate as our base case valuation, we have applied a reverse DCF to determine the implied CAGR (47.8%) in free cashflows in the current share price of \$0.61/share.

Exhibit 31: Reverse DCF	
Parameters	Outcome
Discount Rate / WACC	12.0%
Beta	1.5
Terminal growth rate assumption	2.20%
Implied CAGR in free cashflows in current share price	47.8%
Sum of PV	18.2
PV of terminal Value	61.3
PV of Enterprise	79.5
Debt (Cash) at 31 Dec 2021	(13.5)
Net Value - Shareholder	93.0
No of shares on issue (estimated at FY22 year end)	153.7
NPV	\$0.61
Source: RaaS estimates	

Scenario analysis

Our financial model applies a downside case and an upside case scenario to our forecasts and valuation. Our downside case assumes business parameters at 20% below our base case forecasts while the upside case assumes business parameters at 20% above base case.

The downside case has PropTech's Australia/New Zealand market share at 35% by year 10, so essentially losing share and the 10-year CAGR in revenue is 11.7%, still solid but not what you would expect from a high-growth SaaS business. This results in a downside case valuation of \$0.26/share or \$39.4m, which derives an EV/Revenue multiple of 2.3x based on the FY22 downside case revenue forecast of \$17.3m.

Our upside case sees PropTech's Australia/New Zealand market share grow to 79% by year 10 to deliver revenues that year of \$175m and a 10 year revenue CAGR of 24.8%. The implied EV/Revenue multiple on FY22 sales of \$19.1m in the upside case is 20.3x.

Exhibit 32: Valuation by scenario (base, downside, upside)			
	Base	Downside	Upside
DCF valuation	\$1.10	\$0.26	\$2.52
DCF \$M	168.7	39.4	387.2
Revenue FY22	18.1	17.3	19.1
EBITDA FY22	(1.8)	(2.3)	(1.4)
Revenue FY30	96.8	52.4	175.4
EBITDA FY30	51.6	13.4	119.8
10 year CAGR in Revenue %	18.3%	11.7%	24.8%
10 year CAGR in EBITDA %	132.8%	nm	56.8%
ANZ market share at yr 10	55%	35%	79%
Implied EV/Revenue on FY22 sales (x)	9.3	2.3	20.3
Source: RaaS analysis			

Exhibit 33: Financial Summary

PropTech Group						Share price (10 September 2021)						A\$	0.61
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	Revenue	H121A	H221F	H122A	H222F	H123F	H223F	
						EBITDA	1.4	0.5	(1.0)	(0.7)	(0.3)	0.3	
Sales Revenue	2.9	11.2	18.1	24.8	32.1	EBIT	0.9	(1.2)	(2.1)	(1.7)	(1.3)	(0.7)	
Gross Profit	2.6	10.0	16.1	22.2	28.8	NPAT (normalised)	0.5	(1.0)	(2.1)	(1.7)	(1.3)	(0.7)	
EBITDA	0.5	1.9	(1.8)	0.0	4.0	Minorities	-	-	-	-	-	-	
Depn	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	NPAT (reported)	0.5	(1.5)	(2.1)	(1.7)	(1.3)	(0.7)	
Amort	(0.8)	(2.2)	(2.0)	(1.9)	(1.8)	EPS (normalised)	0.72	(1.18)	(1.41)	(1.14)	(0.84)	(0.44)	
EBIT	(0.3)	(0.3)	(3.9)	(2.0)	2.1	EPS (reported)	0.67	(1.67)	(1.38)	(1.13)	(0.84)	(0.44)	
Interest	(0.0)	(0.0)	0.0	0.0	0.0								
Tax	(0.1)	(0.2)	0.0	0.0	(0.6)	Operating cash flow	(0.1)	1.3	(1.1)	(0.1)	0.0	0.6	
Minorities	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.1)	2.1	(0.3)	0.8	0.9	1.4	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0								
NPAT pre significant items	(0.4)	(0.5)	(3.8)	(2.0)	1.5	Divisions							
Significant items	0.0	(0.5)	0.0	0.0	0.0	SaaS Revenues	4.5	5.5	7.4	9.0	10.6	12.5	
NPAT (reported)	(0.4)	(1.0)	(3.8)	(2.0)	1.5	Other operating revenues	0.4	0.8	0.8	0.9	0.9	0.9	
Cash flow (A\$m)						Total Revenue	4.9	6.3	8.2	9.9	11.5	13.4	
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	COGS	(0.5)	(0.7)	(0.9)	(1.1)	(1.2)	(1.4)	
EBITDA	0.5	1.9	(1.8)	0.0	4.0	Gross Profit	4.4	5.6	7.3	8.8	10.2	12.0	
Interest	0.0	(0.0)	0.0	0.0	0.0								
Tax	(0.0)	(0.3)	0.0	0.0	(0.6)	Employment	(1.9)	(4.6)	(6.2)	(7.5)	(8.4)	(9.5)	
Working capital changes	1.0	(0.5)	0.5	0.5	0.2	Selling, General, Admin Costs	(1.3)	(0.6)	(1.6)	(1.5)	(1.5)	(1.6)	
Operating cash flow	1.5	1.1	(1.2)	0.6	3.6	Other costs	0.0	(0.2)	(0.5)	(0.5)	(0.5)	(0.5)	
Mtce capex	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)	EBITDA	1.4	0.5	(1.0)	(0.7)	(0.3)	0.3	
Free cash flow	1.5	1.0	(1.4)	0.4	3.4								
Growth capex	0.0	(0.7)	(1.5)	(1.5)	(1.5)	Margins, Leverage, Returns							
Acquisitions/Disposals	(4.9)	(5.8)	(4.1)	(7.5)	0.0		FY20A	FY21F	FY22F	FY23F	FY24F		
Other	0.0	(0.2)	(3.0)	0.0	0.0	EBITDA		18.2%	17.2%	(9.7%)	0.1%	12.4%	
Cash flow pre financing	(3.4)	(5.7)	(10.0)	(8.6)	1.9	EBIT		(10.6%)	(2.6%)	(21.3%)	(7.9%)	6.4%	
Equity	6.0	10.6	17.5	0.0	0.0	NPAT pre significant items		(13.4%)	(4.1%)	(21.2%)	(7.9%)	4.5%	
Debt	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		2.5	6.6	13.2	4.6	6.5	
Dividends paid	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	4.8	3.4	n/a	158.7	1.6	
Net cash flow for year	2.5	4.9	7.4	(8.6)	1.9	ND/ND+Equity (%)	(%)	(18.6%)	(29.5%)	(44.3%)	(12.6%)	(18.0%)	
Balance sheet (A\$m)						EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	-	0.0
Y/E 30 June	FY20A	FY21F	FY22F	FY23F	FY24F	ROA			(0.9%)	(7.9%)	(3.5%)	3.9%	
Cash	2.5	6.6	13.2	4.6	6.5	ROE			(4.5%)	(10.7%)	(4.7%)	3.5%	
Accounts receivable	0.2	0.5	1.0	1.4	1.7	ROIC			(2.6%)	(27.4%)	(12.8%)	18.0%	
Inventory	0.0	0.0	0.0	0.0	0.0	NTA (per share)	n/a	n/a	n/a	n/a	n/a	n/a	
Other current assets	0.2	0.8	0.8	0.8	0.8	Working capital		(0.9)	(2.1)	(2.7)	(3.2)	(3.4)	
Total current assets	2.8	8.0	15.1	6.8	9.1	WC/Sales (%)		(30.3%)	(19.1%)	(14.7%)	(12.9%)	(10.6%)	
PPE	0.0	0.4	0.6	0.7	0.8	Revenue growth		167.2%	290.6%	62.1%	37.1%	29.2%	
Intangibles and Goodwill	24.5	29.4	43.9	43.5	43.1	EBIT growth pa	n/a	n/a	n/a	n/a	n/a	-205%	
Investments	0.0	0.0	0.0	0.0	0.0	Pricing		FY20A	FY21F	FY22F	FY23F	FY24F	
Deferred tax asset	0.6	0.4	0.4	0.4	0.4	No of shares (y/e)	(m)	233	124	152	154	154	
Other non current assets	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	53	124	153	154	154	
Total non current assets	25.1	30.2	44.8	44.5	44.3	EPS Reported	cps	(0.7)	(1.0)	(2.5)	(1.3)	0.3	
Total Assets	27.9	38.2	59.9	51.3	53.4	EPS Normalised/Diluted	cps	(0.7)	(0.5)	(2.5)	(1.3)	0.3	
Accounts payable	1.0	2.7	3.6	4.5	5.2	EPS growth (norm/dil)		n/a	nm	n/a	nm	-125%	
Short term debt	0.0	0.0	0.0	0.0	0.0	DPS	cps	-	-	-	-	-	
Tax payable	0.1	0.0	0.0	0.0	0.0	DPS Growth		n/a	n/a	n/a	n/a	n/a	
Other current liabilities	6.2	4.2	4.2	4.2	4.2	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Total current liabilities	7.3	6.9	7.8	8.7	9.4	Dividend imputation		30	30	30	30	30	
Long term debt	0.0	0.0	0.0	0.0	0.0	PE (x)		-	-	-	-	188.8	
Other non current liabs	4.8	2.4	9.0	1.5	1.5	PE market		18.0	18.0	18.0	18.0	18.0	
Total long term liabilities	4.8	2.4	9.0	1.5	1.5	Premium/(discount)	nm	nm	nm	(100.0%)	949.1%		
Total Liabilities	12.1	9.2	16.8	10.2	10.8	EV/EBITDA	nm	35.4	nm	3,051.7	21.8		
Net Assets	15.8	28.9	43.0	41.1	42.5	FCF/Share	cps	0.7	1.0	(0.7)	0.5	2.5	
Share capital	16.2	30.3	48.3	48.3	48.3	Price/FCF share		92.0	59.1	nm	119.9	24.7	
Accumulated profits/losses	(0.4)	(1.4)	(5.2)	(7.2)	(5.7)	Free Cash flow Yield		1.1%	1.7%	(1.1%)	0.8%	4.1%	
Reserves	0.0	0.0	0.0	0.0	0.0								
Minorities	0.0	0.0	0.0	0.0	0.0								
Total Shareholder funds	15.8	28.9	43.0	41.1	42.5								

Source: RaaS Advisory

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

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Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

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