

# Rent.com.au Ltd

## FY22 Results Analysis

### Second consecutive year of positive EBITDA from search

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 announced record FY22 revenues of \$3.37m, an increase of 9.0% on the previous corresponding period (pcp) and in-line with our forecasts. The EBITDA loss for the year was \$1.60m, up from FY21's EBITDA loss of \$0.69m due to the \$1.8m investment in the RentPay platform. The loss was largely in line with our forecast for a \$1.56m EBITDA loss. The core Rent.com.au delivered positive EBITDA of \$0.22m, its second consecutive year of positive EBITDA, and a 90% increase on the EBITDA delivered in FY21. The company ended FY22 with \$2.23m in net cash. The RentPay platform had 3,147 active customers at the end of July transacting payments and the platform is now handling more than \$1.25m in rental payments a week (up from \$1m a week reported at its Q4). The company expects RentPay to make a meaningful revenue contribution in FY23 and new branding, content and a product refresh for the core rent.com.au search platform is scheduled for this half and expected to underpin continued positive performance. In our view, Rent.com.au is well positioned to leverage its investment in both RentPay and its renter products in FY23, particularly in light of the recently-announced Origin Energy Ltd (ASX:ORG) strategic partnership. We have made some adjustments to our FY23 forecasts, chiefly revenue projections from RentPay for the year, and our valuation is maintained at \$0.23/share, which is predicated on RentPay securing 5% of renters on its platform by FY24 and 20% on the platform by FY30.

### Business model

Rent.com.au generates revenues from advertising and from rental products, with revenues 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 ORG; 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 growing RentPay app platform allows renters total financial flexibility in terms of how they make their rent payments while giving agents and landlords surety of payments on time. It also aligns Rent.com.au to the tenancy period, giving it an opportunity to engage with its audience for longer and extend the relationship into other revenue lines including insurance, telecommunications, loan and finance products.

### Well-positioned to progress RentPay rollout

Rent.com.au reported FY22 revenues in line with our forecasts and up 9% on the pcp. The EBITDA loss (excluding non-cash share-based payments) was \$1.60m, down from the \$0.69m loss reported in FY21 and broadly in line with the \$1.56m we had forecast. We have made adjustments to our forecasts based on the number of users on the RentPay platform (3,147 at 31 July) and lowered our near-term ARPU expectations (now forecasting \$3.00 ARPU in H1 FY23 and \$4.20 in H2 FY23), which has resulted in a reduction in our FY23 forecasts. Our forecasts still anticipate that the platform will secure 5% of renters by the end of FY24.

### Base-case DCF valuation of \$0.23/share

Our base-case DCF valuation for Rent.com.au is \$0.23/share and predicated on our expectation that RentPay will secure 5% of renters on its platform by FY24 and 20% by FY30. Evidence of faster-than-forecast take-up of RentPay together with the expansion of RentPay into other transactional products will likely result in our forecasts being revisited.

#### Earnings history and RaaS' estimates (in A\$ unless otherwise stated)

Year end	Sales revenues	Gross profit	EBITDA adj.	NPAT adj.	EPS adj.(c)	EV/Sales (x)
06/22a	3.4	1.5	(1.6)	(2.7)	(0.6)	3.9
06/23f	4.6	2.6	(1.0)	(1.4)	(0.3)	3.4
06/24f	10.7	4.1	0.3	(0.6)	(0.1)	1.4
06/25f	18.7	10.0	6.0	3.2	0.8	0.6

Source: RaaS estimates for FY22f and FY23f; Company data for historical earnings

### Software & Services

31<sup>st</sup> August 2022

#### Share Details

ASX code	RNT
Share price (30-Aug)	\$0.035
Market capitalisation	\$15.8M
Shares on issue	440.3M
Options/performance rights	22.3M
Net cash (30-Jun)	\$2.23M

#### 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

- Further evidence of take-up of RentPay
- Expansion of RentPay into other products
- Ongoing evidence of operational momentum

#### Board of Directors

Garry Garside	Non-Executive Chairman
Sam McDonagh	Non-Executive Director
Phil Warren	Non-Executive Director
John Wood	Non-Executive Director
Greg Bader	Chief Executive Officer

#### Company Contacts

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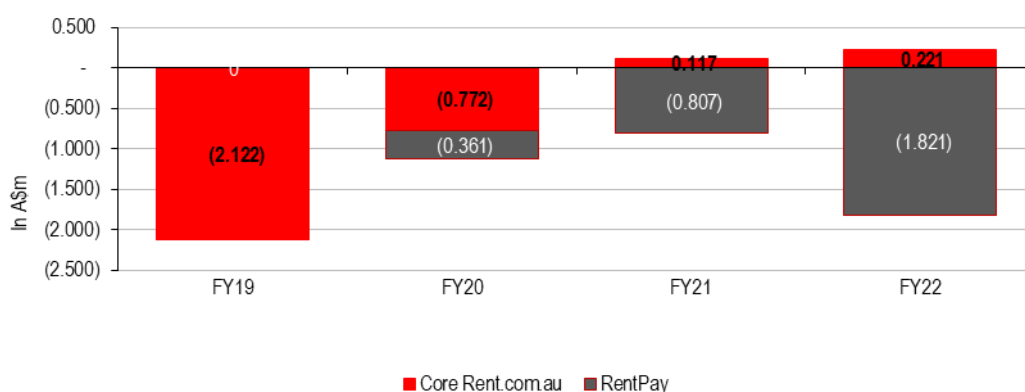
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## FY22 Results Analysis

Rent.com.au delivered 9.0% y-o-y growth in FY22 revenues to \$3.37m and its best-ever annual result. The standout was advertising which saw a 29% increase in year on year sales to \$1.62m, offsetting a 4% decline in renter product revenues to \$1.5m as a result of the tight rental market. The group also delivered its second consecutive year of positive EBITDA from the core search business, with a 90% increase in EBITDA to \$0.22m. Overall the EBITDA loss for the year was \$1.60m after absorbing the \$1.82m investment in RentPay. Including non-cash share-based payments of \$0.2m, the operating loss for the year was \$1.78m and the reported net loss was \$2.74m, compared with a \$1.27m reported net loss a year ago.

**Exhibit 1: Rent.com.au EBITDA FY19-FY22**



Source: Company reports

Operationally the result was largely in line with our forecasts, although non-cash charges such as amortisation were a little ahead of our expectations. This resulted in a higher net loss than our expectations, and as a consequence, a higher EPS loss.

**Exhibit 2: FY22 revenue breakdown versus FY21 and RaaS forecasts (in A\$m unless otherwise stated)**

	FY21	FY22	% chg	RaaS fct
Fees from Agents and Landlords	0.13	0.11	(12.5%)	0.12
Renters Products revenue	1.55	1.50	(3.6%)	1.46
Advertising Sales	1.26	1.62	28.6%	1.69
RentPay	0.15	0.14	(8.4%)	0.10
<b>Total Sales revenue</b>	<b>3.09</b>	<b>3.37</b>	<b>8.9%</b>	<b>3.37</b>
Total Revenue	3.66	3.39	(7.4%)	3.39
Gross Profit	1.83	1.46	(19.0%)	1.44
EBITDA (adj)*	(0.69)	(1.60)	132.4%	(1.56)
NPAT (adj)*	(0.99)	(2.54)	155.9%	(2.11)
EPS (adj)*	(0.36)	(0.63)	75.1%	(0.51)

Source: Company data \*adjusted for non-cash items including share based payments and one-time items

## Earnings Adjustments

Our forecasts have been adjusted for higher amortisation rates and for lower than previously forecast ARPU in the near-term from RentPay. This may prove too conservative on our part as the company highlighted in its post results presentation that it is pursuing new partnership opportunities for the platform. Rent.com.au also expects that RentPay will provide a meaningful contribution to revenue in FY23. Our revised expectation is that the platform will generate revenues of \$1.1m in F23. We have this rising to \$7.1m in FY24 and \$15.6m in FY25, making it the main revenue driver within the business beyond the current financial year.

**Exhibit 3: FY23 earnings adjustments (In A\$m unless otherwise stated)**

	FY23 old	FY23 new
Fees from Agents and Landlords	0.1	0.1
Renters Products revenue	1.6	1.6
Advertising Sales	1.8	1.8
RentPay	2.0	1.1
<b>Sales revenue</b>	<b>5.4</b>	<b>4.6</b>
Gross profit	3.4	2.6
EBITDA	(0.3)	(1.0)
NPAT	(0.8)	(1.4)
EPS	(0.2)	(0.3)

Source: RaaS estimates

## DCF Valuation

We are of the view that the discounted cashflow methodology is the most appropriate method for valuing Rent.com.au given the still early stage of its lifecycle. Our valuation uses a WACC of 13.5% (beta 1.5, terminal growth rate 2.2%) and derives a valuation of \$102.5m or \$0.23/share. Including performance rights, the valuation is \$0.22/share. Our forecasts in arriving at this valuation assume that RentPay will be used by 5% of the Australian rental market by FY24-end and 20% of the Australian rental market by FY30.

**Exhibit 4: DCF valuation**

Parameters	Outcome
WACC	13.5%
Beta	1.5
Terminal growth rate	2.2%
Sum of PV (A\$m)	46.0
PV of terminal value (A\$m)	54.3
PV of enterprise	100.3
Net cash (30-Jun)	(2.2)
Net value - shareholder	102.5
No. of shares on issue	440.3
<b>NPV in A\$</b>	<b>\$ 0.23</b>

Source: RaaS estimates

## Exhibit 5: Financial Summary

Rent.com.au Ltd						Share price (30 August 2022)						A\$	0.035							
Profit and Loss (A\$m)						Interim (A\$m)		H122A	H222A	H123F	H223F	H124F	H224F							
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Revenue	1.7	1.7	1.9	2.6	3.9	6.8								
						EBITDA underlying	(0.8)	(0.8)	(0.6)	(0.4)	(0.6)	0.8								
Sales Revenue	3.1	3.4	4.6	10.7	19.4	EBIT	(1.2)	(1.4)	(1.1)	(0.9)	(1.1)	0.3								
Gross Profit	1.8	1.5	2.6	4.1	10.4	NPAT (normalised)	(1.2)	(1.4)	(0.8)	(0.7)	(0.8)	0.2								
EBITDA underlying	(0.7)	(1.6)	(1.0)	0.3	6.4	Minorities	-	-	-	0.0	-	0.0								
EBITDA reported	(1.0)	(1.8)	(1.0)	0.3	6.4	NPAT (reported)	(1.3)	(1.5)	(0.8)	(0.7)	(0.8)	0.2								
Depn	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	EPS (normalised)	(0.32)	(0.29)	(0.18)	(0.15)	(0.18)	0.05								
Amort	(0.8)	(0.9)	(1.0)	(1.1)	(1.1)	EPS (reported)	(0.34)	(0.32)	(0.18)	(0.15)	(0.18)	0.05								
EBIT	(1.6)	(2.6)	(2.0)	(0.8)	5.3	Dividend (cps)	-	-	-	-	-	-								
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	Imputation	-	-	-	-	-	-								
Tax	(0.0)	0.0	0.6	0.2	(1.6)	Operating cash flow	(1.0)	(0.7)	(0.4)	(0.4)	0.1	1.6								
Minorities	(0.0)	(0.1)	0.0	(0.0)	(0.2)	Free Cash flow	(0.7)	0.3	0.2	0.2	0.7	2.3								
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Divisions	H122A	H222A	H123F	H223F	H124F	H224F								
NPAT pre significant items	(1.0)	(2.5)	(1.4)	(0.6)	3.5	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1								
Significant items	(0.3)	(0.2)	0.0	0.0	0.0	Rental Products	0.7	0.8	0.7	0.9	0.8	0.9								
NPAT (reported)	(1.3)	(2.7)	(1.4)	(0.6)	3.5	Advertising	0.8	0.8	0.9	0.9	0.9	0.9								
Cash flow (A\$m)						RentPay	0.1	0.1	0.3	0.9	2.1	5.0								
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Total Revenue	1.6	1.7	1.9	2.6	3.9	6.8								
EBITDA	(0.7)	(1.6)	(1.0)	0.3	6.4	COGS	(1.0)	(0.9)	(0.8)	(1.2)	(2.6)	(4.1)								
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	Gross profit	(0.90)	(0.87)	(0.52)	(0.30)	(0.45)	0.92								
Tax	(0.0)	0.0	0.0	(0.1)	(1.6)	Employment	(0.9)	(1.1)	(1.2)	(1.2)	(1.3)	(1.3)								
Working capital changes	0.7	(0.0)	0.2	1.5	(0.2)	SGA&A	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)								
Operating cash flow	(0.1)	(1.7)	(0.9)	1.7	4.7	EBITDA	(0.8)	(0.8)	(0.6)	(0.4)	(0.6)	0.8								
Mtce capex	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	Margins, Leverage, Returns						FY21A	FY22A	FY23F	FY24F	FY25F				
Free cash flow	(0.1)	(1.7)	(1.0)	1.6	4.6	EBITDA		(22.3%)	(47.5%)	(22.7%)	2.5%	33.1%								
Growth capex	(1.6)	(1.2)	(1.2)	(1.2)	(1.2)	EBIT		(50.4%)	(77.7%)	(44.4%)	(7.6%)	27.3%								
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		(32.1%)	(75.4%)	(31.5%)	(5.3%)	17.9%								
Other	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)		2.9	2.2	0.0	0.4	3.7								
Cash flow pre financing	(1.7)	(3.0)	(2.2)	0.4	3.4	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	1.4	0.6								
Equity	4.2	2.5	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(143.6%)	(89.0%)	(0.9%)	(17.6%)	(148.5%)								
Debt	(0.1)	(0.1)	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		(36.4%)	(44.5%)	(38.4%)	(14.2%)	57.8%								
Net cash flow for year	2.4	(0.5)	(2.2)	0.4	3.4	ROE		(37.9%)	(57.5%)	(37.1%)	(20.1%)	78.3%								
Balance sheet (A\$m)						ROIC		nm	nm	nm	nm	nm								
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	NTA (per share)		0.01	0.00	0.00	n/a	0.01								
Cash	2.9	2.2	0.1	0.4	3.8	Working capital		(0.2)	(0.1)	(0.3)	(1.8)	(1.6)								
Accounts receivable	0.5	0.5	0.7	1.7	3.1	WC/Sales (%)		(7.5%)	(3.3%)	(6.5%)	(16.7%)	(8.4%)								
Inventory	0.0	0.0	0.0	0.0	0.0	Revenue growth		26.2%	8.9%	36.1%	134.1%	80.3%								
Other current assets	0.0	0.0	0.0	0.0	0.0	Pricing						FY21A	FY22A	FY23F	FY24F	FY25F				
Total current assets	3.4	2.8	0.8	2.2	6.9	No of shares (y/e)	(m)	398	440	440	440	440								
PPE	0.0	0.1	0.2	0.2	0.3	Weighted Av Dil Shares	(m)	355	417	440	440	440								
Intangibles and Goodwill	2.4	2.8	3.0	3.1	3.2	EPS Reported	cps	(0.4)	(0.7)	(0.3)	(0.1)	0.8								
Investments	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	(0.4)	(0.6)	(0.3)	(0.1)	0.8								
Deferred tax asset	0.0	0.0	0.6	0.9	0.9	EPS growth (norm/dil)		n/a	n/a	-46%	-68%	(898.9%)								
Other non current assets	0.0	0.3	0.3	0.3	0.3	DPS	cps	-	-	-	-	-								
Total non current assets	2.5	3.1	3.9	4.5	4.7	EV/EBITDA							-	16.0	-	8.3	-	14.8	56.5	1.8
Total Assets	5.9	5.9	4.8	6.7	11.6	FCF/Share							cps	(0.0)	-0.4	-0.2	0.4	1.1		
Accounts payable	0.7	0.7	1.0	3.5	4.8	Price/FCF share							-	8,815.1	-	9.6	-	20.5	8.7	3.2
Short term debt	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield								(0.0%)	(10.4%)	(4.9%)	11.5%	31.1%		
Tax payable	0.0	0.0	0.0	0.0	0.0															
Other current liabilities	0.2	0.3	0.3	0.3	0.3															
Total current liabilities	1.0	1.0	1.4	3.9	5.1															
Long term debt	0.0	0.0	0.0	0.0	0.0															
Other non current liabs	0.0	0.2	0.2	0.2	0.2															
Total long term liabilities	0.0	0.2	0.2	0.2	0.2															
Total Liabilities	1.0	1.2	1.6	4.1	5.3															
Net Assets	4.9	4.6	3.1	2.6	6.3															
Share capital	41.5	43.8	43.8	43.8	43.8															
Accumulated profits/losses	(43.2)	(45.9)	(47.4)	(48.0)	(44.3)															
Reserves	6.6	6.8	6.8	6.8	6.8															
Minorities	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)															
Total Shareholder funds	4.9	4.6	3.1	2.6	6.3															

Source: RaaS estimates

# FINANCIAL SERVICES GUIDE

**RaaS Advisory Pty Ltd**

**ABN 99 614 783 363**

**Corporate Authorised Representative, number 1248415**

**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**

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

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

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