

Rent.com.au Ltd

Q3 FY24 Results Analysis

Best ever revenue result, RentPay surpasses \$250m

Rent.com.au Limited (ASX:RNT) is a purpose-led company seeking to empower home renters through its technology platform and a growing number of aligned transactional services. The company has reported its best ever quarterly revenue result with total revenue increasing 41% on the previous corresponding period (pcp) to \$0.89m. The result was driven by a 25% year-on-year improvement in search portal revenue and a 144% increase in RentPay revenue. The company also added \$0.017m in RentPay partnership revenue. The search portal continued to improve quarterly EBITDA, reporting \$0.056m, up from \$0.047m in Q2 and a \$0.13m turnaround on Q3 FY23. Overall, the group EBITDA loss reduced to \$0.444m, an improvement of \$0.33m on the pcp. Rent.com.au also announced that the RentPay platform has now surpassed \$250m in transactions since it was relaunched in January 2022, with the most recent \$100m generated at twice the pace of the previous \$100m transacted through the platform. We have maintained our earnings forecasts following this result, which looks to be in line with our expectations for H2 FY24. Our valuation remains at \$0.12/share, fully diluted for options and performance shares on issue, and our expectation that the company will need to raise an additional \$2.5m in equity to reach break-even.

Business model

Rent.com.au generates revenue from advertising and from rental products, with revenue for the latter derived from RentCheck, which verifies a renter's identity and checks their record against the National Tenancy Database; from RentConnect, which delivers an integrated utility connection and \$100 gift card to renters in conjunction with Origin; 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.

Annuity income continues to grow, now 16% of total revenue

Rent.com.au reported an underlying EBITDA loss of \$0.444m, a 43% improvement on the pcp, with employee costs and operating costs lower than the same period a year ago and offsetting an increase in cost of sales. The costs result is tracking ahead of our expectations for H2 FY24. Cash receipts for the quarter were up 25% on the pcp to \$0.91m and in line with our expectations. The company reported that 16% of revenue is now derived from annuity or recurring sources, compared with 9% in Q3 FY23, with all of this derived through the RentPay platform. ARPU from RentPay customers increased to \$5.53 per month in Q3, up from \$5.10 per month in Q2 and \$4.75 per month in Q3 FY23.

Base-case DCF valuation of \$0.12/share, fully diluted

Our base-case DCF valuation for Rent.com.au remains at \$0.12/share, fully diluted for all performance shares and options and including estimated additional shares from forecasted capital raises. We estimate another \$2.5m will be raised before the company hits break-even. On the current share count, our valuation is \$0.17/share. Our long-term forecasts envisage RentPay securing 20% of the renting market on the platform. In our view, evidence of faster-than-forecast take-up of RentPay together with the expansion of RentPay into other transactional products should help underpin the company's share price.

Earnings history and RaaS's estimates (in \$m unless otherwise stated)

Year end	Sales revenue	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/22a	3.4	1.5	(1.6)	(2.7)	(0.6)	4.2
06/23a	2.8	0.9	(2.5)	(3.8)	(0.7)	6.3
06/24f	3.6	1.4	(1.8)	(2.8)	(0.6)	6.4
06/25f	6.2	2.7	(0.6)	(1.1)	(0.2)	4.4

Source: RaaS estimates for FY24f and FY25f; Company data for historical earnings

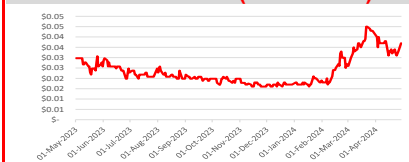
Software & Services

30 April 2024

Share Details

ASX code	RNT
Share price (29-Apr)	\$0.037
Market capitalisation	\$23.3M
Shares on issue	629.7M
Options/performance rights	123.7M
Net cash (31-Mar-2024)	\$1.14M

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 revenue 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 and Management

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
Jan Ferreira	Chief Financial Officer/ Chief Operating Officer

Company Interview

[Rent.com.au RaaS Interview 30 April 2024](#)

Company Contacts

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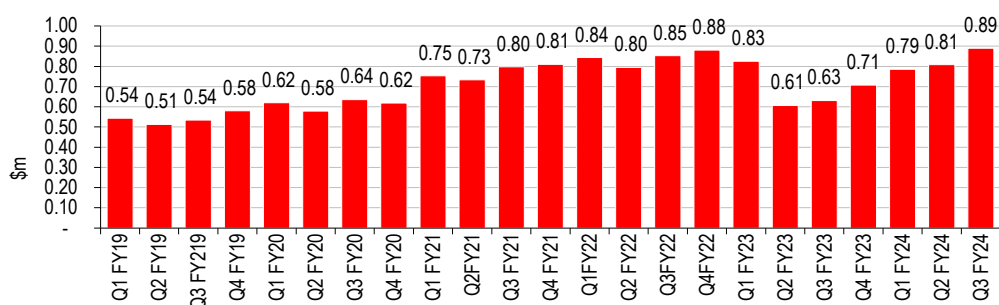
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Q3 FY24 Results Analysis

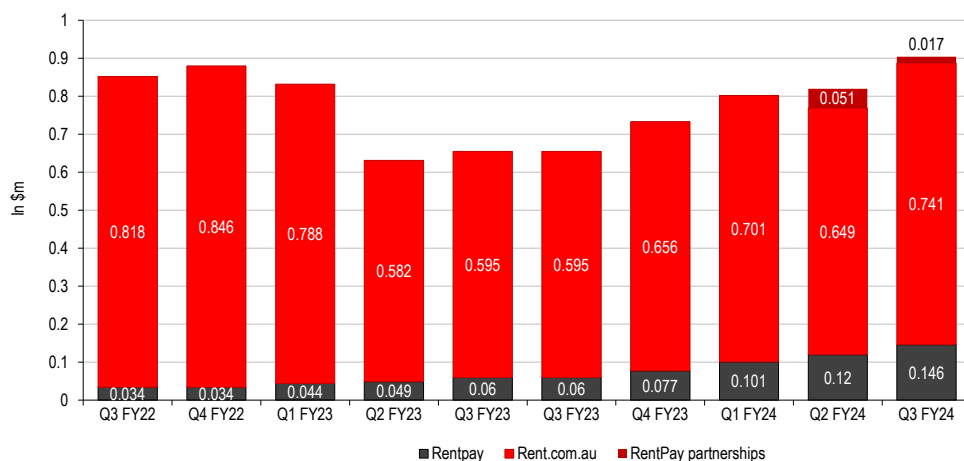
Rent.com.au reported revenue of \$0.89m for Q3 FY24, a record result, up 10% on the previous quarter and 41% on the pcp, driven by an improved performance across the board. RentPay delivered a 143% increase in revenue to \$0.146m on the pcp and 22% lift on Q2 revenue while the company posted \$0.017m in one-off partnership revenue in the quarter. The search engine saw a 25% increase in year-on-year revenue to \$0.741m and this helped the portal to retain its positive EBITDA for the quarter, posting a \$0.056m operating profit. The group EBITDA loss was \$0.444m, a \$0.01m improvement on the previous quarter and \$0.33m better than the pcp, with RentPay also posting a smaller EBITDA loss of \$0.5m for the quarter.

Exhibit 1: Rent.com.au revenue by quarter



Source: Company reports

Exhibit 2: Revenue break down by quarter, including intercompany adjustments



Source: Company reports

The company noted in its release that at the end of March, RentPay had 8,928 active customers transacting payments, an increase of 4% on the previous quarter and a 99% jump on the pcp. The increase came despite a number of property managers deferring onboarding activity due to the March quarter being the peak moving period. At the end of the quarter RentPay had signed agreements with agencies representing more than 4,000 tenancies which should be on-boarded onto RentPay over the coming quarters.

Q3 FY24 saw ARPU increase 8% to \$5.53 from the previous quarter and 16% on the pcp, with the company noting that the increase in ARPU was mostly driven by a 47% increase in card payments in the quarter as a result of RentPay's recently introduced 0.99% credit card fee for new customers paying their rent through the platform.

In March, RentPay launched a cash-back rewards offering via a partnership with PayLab which delivers instant cash rewards of up to 15% with several Australian retailers, including Woolworths and Coles. The company noted that more than 500 RentPay customers have activated the offer and that over the coming months, PayLab will be offered to Rent.com.au customers, creating a cross-over opportunity for RentPay. RentPay says it will also earn a referral fee for each customer that signs with PayLab, providing another source of revenue per user.

Cash receipts for the quarter were \$0.91m, up 25% on the pcq but down slightly on Q2 FY24. The company reported an operating cash loss of \$0.39m which was almost half the cash loss in the same period in FY23. Operating costs were \$1.32m for the quarter, down 7% on the same period in FY23 largely due to a decline in both operating costs and employee costs. Rent.com.au ended the quarter with \$1.14m in net cash.

Exhibit 3: Q3 FY24 versus Q3 FY23 and Q3 FY22 (in A\$m unless otherwise stated)

	Q3 FY22	Q3 FY23	Q3 FY24
Cash receipts	0.86	0.73	0.91
Product manufacturing and operating costs	(0.35)	(0.24)	(0.47)
Employee costs	(0.50)	(0.64)	(0.59)
Admin, corporate and other costs	(0.34)	(0.43)	(0.28)
Net interest	(0.01)	0.01	0.01
Net operating cash flow	(0.35)	(0.68)	(0.39)
Net cash at the end of the period	3.08	2.58	1.14

Source: Company data

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 \$105.7m or \$0.12/share, fully diluted for options and performance shares on issue, and additional forecasted capital raises. We have forecast that RNT will need to raise an additional \$2.5m (we have assumed at a 30% discount to the current \$0.037/share price) before the company reaches break-even. On the current share count of 629.7m the valuation is \$0.17/share.

Exhibit 4: DCF valuation

Parameters	Outcome
WACC	13.5%
Beta	1.5
Terminal growth rate	2.2%
Sum of PV (\$m)	39.4
PV of terminal value (\$m)	65.2
PV of enterprise (\$m)	104.6
Net cash (\$m) at 31 March 2024	(1.1)
Net value – shareholder (\$m)	105.7
No. of shares on issue (m) including future raises and options/performance shares	901.2
NPV in \$	\$ 0.12
NPV at current shares on issue (629.7m)	\$ 0.17

Source: RaaS estimates

Exhibit 5: Financial Summary

Rent.com.au Ltd						Share price (29 April 2024)					A\$	0.037
Profit and Loss (A\$m)						Interim (A\$m)	H122A	H222A	H123A	H223A	H124A	H224F
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	Revenue	1.7	1.7	1.5	1.3	1.6	2.0
Sales Revenue	3.1	3.4	2.8	3.6	6.2	EBITDA underlying	(0.8)	(0.8)	(0.9)	(1.5)	(0.9)	(0.9)
Gross Profit	1.8	1.5	0.9	1.4	2.7	EBIT	(1.2)	(1.4)	(1.4)	(2.2)	(1.5)	(1.3)
EBITDA underlying	(0.7)	(1.6)	(2.5)	(1.8)	(0.6)	NPAT (normalised)	(1.2)	(1.4)	(1.4)	(2.2)	(1.5)	(1.3)
EBITDA reported	(1.0)	(1.8)	(2.5)	(1.8)	(0.6)	Minorities	-	-	(0.0)	(0.0)	(0.0)	(0.0)
Depn	(0.1)	(0.1)	(0.1)	(0.1)	(0.0)	NPAT (reported)	(1.3)	(1.5)	(1.6)	(2.3)	(1.6)	(1.3)
Amort	(0.8)	(0.9)	(1.1)	(1.0)	(0.9)	EPS (normalised)	(0.32)	(0.29)	(0.31)	(0.44)	(0.28)	(0.21)
EBIT	(1.6)	(2.6)	(3.7)	(2.8)	(1.5)	EPS (reported)	(0.34)	(0.32)	(0.34)	(0.42)	(0.30)	(0.21)
Interest	(0.0)	(0.0)	0.0	0.0	(0.1)	Dividend (cps)	-	-	-	-	-	-
Tax	(0.0)	0.0	0.0	0.0	0.5	Imputation	-	-	-	-	-	-
Minorities	(0.0)	(0.1)	(0.1)	(0.0)	0.0	Operating cash flow	(1.0)	(0.7)	(0.7)	(1.4)	(1.1)	(0.9)
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	0.3	(0.4)	(0.5)	(0.9)	(0.4)
NPAT pre significant items	(1.0)	(2.5)	(3.5)	(2.8)	(1.1)	Divisions	H122A	H222A	H123A	H223A	H124A	H224F
Significant items	(0.3)	(0.2)	(0.2)	0.0	0.0	Fees from Agents/Landlords	0.1	0.1	0.1	0.0	0.0	0.1
NPAT (reported)	(1.3)	(2.7)	(3.8)	(2.8)	(1.1)	Rental Products	0.7	0.8	0.8	0.7	0.7	0.8
Cash flow (A\$m)						Advertising	0.8	0.8	0.5	0.5	0.6	0.7
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	RentPay	0.1	0.1	0.1	0.1	0.2	0.5
EBITDA	(0.7)	(1.6)	(2.5)	(1.8)	(0.6)	Total Revenue	1.6	1.7	1.4	1.3	1.5	2.0
Interest	(0.0)	(0.0)	0.0	0.0	(0.1)	COGS	(1.0)	(0.9)	(0.7)	(1.1)	(0.9)	(1.3)
Tax	(0.0)	0.0	0.0	0.0	0.0	Gross profit	(0.90)	(0.87)	(0.60)	(1.00)	(0.71)	(0.80)
Working capital changes	0.7	(0.0)	0.4	(0.2)	0.1	Employment	(0.9)	(1.1)	(1.1)	(1.2)	(1.0)	(1.1)
Operating cash flow	(0.1)	(1.7)	(2.1)	(1.9)	(0.6)	SGA&A	(0.5)	(0.5)	(0.6)	(0.6)	(0.5)	(0.5)
Mtce capex	(0.0)	(0.1)	(0.0)	(0.0)	(0.1)	EBITDA	(0.8)	(0.8)	(0.9)	(1.5)	(0.9)	(0.9)
Free cash flow	(0.1)	(1.7)	(2.1)	(2.0)	(0.7)	Margins, Leverage, Returns		FY21A	FY22A	FY23A	FY24F	FY25F
Growth capex	(1.6)	(1.2)	(1.2)	(0.6)	(0.9)	EBITDA		(22.3%)	(47.5%)	(89.9%)	(49.5%)	(9.6%)
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(50.4%)	(77.7%)	(132.2%)	(79.5%)	(23.8%)
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		(32.1%)	(75.4%)	(126.7%)	(79.5%)	(17.1%)
Cash flow pre financing	(1.7)	(3.0)	(3.3)	(2.6)	(1.6)	Net Debt (Cash)		2.9	2.2	1.5	0.5	1.2
Equity	4.2	2.5	2.9	1.7	2.5	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	n/a
Debt	(0.1)	(0.1)	(0.1)	1.1	0.0	ND/ND+Equity (%)	(%)	(143.6%)	(89.0%)	(66.6%)	(24.0%)	(47.6%)
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	n/a
Net cash flow for year	2.4	(0.5)	(0.5)	0.2	0.9	ROA		(36.4%)	(44.5%)	(67.4%)	(55.1%)	(23.8%)
Balance sheet (A\$m)						ROE		(37.9%)	(57.5%)	(90.3%)	(90.7%)	(33.5%)
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROIC		nm	nm	nm	nm	nm
Cash	2.9	2.2	1.5	1.7	2.4	NTA (per share)		0.01	0.00	0.00	0.00	0.00
Accounts receivable	0.5	0.5	0.4	0.9	1.6	Working capital		(0.2)	(0.1)	(0.4)	(0.3)	(0.3)
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(7.5%)	(3.3%)	(13.2%)	(7.8%)	(5.3%)
Other current assets	0.0	0.0	0.0	0.0	0.0	Revenue growth		26.2%	8.9%	(17.9%)	28.7%	75.3%
Total current assets	3.4	2.8	1.9	2.6	4.0	Pricing		FY21A	FY22A	FY23A	FY24F	FY25F
PPE	0.0	0.1	0.0	0.1	0.1	No of shares (y/e)	(m)	398	440	514	630	778
Intangibles and Goodwill	2.4	2.8	2.9	2.5	2.5	Weighted Av Dil Shares	(m)	355	417	480	630	643
Investments	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(0.4)	(0.7)	(0.8)	(0.6)	(0.2)
Deferred tax asset	0.0	0.0	0.0	0.0	0.5	EPS Normalised/Diluted	cps	(0.4)	(0.6)	(0.7)	(0.6)	(0.2)
Other non current assets	0.0	0.3	0.2	0.1	0.1	EPS growth (norm/dil)		n/a	n/a	23%	-14%	(73.0%)
Total non current assets	2.5	3.1	3.1	2.7	3.3	DPS	cps	-	-	-	-	-
Total Assets	5.9	5.9	5.0	5.3	7.2	EV/EBITDA		(17.2)	(8.8)	(7.0)	(12.9)	(45.7)
Accounts payable	0.7	0.7	0.8	1.2	1.9	FCF/Share	cps	(0.0)	(0.4)	(0.4)	(0.3)	(0.1)
Short term debt	0.0	0.0	0.0	0.1	0.1	Price/FCF share		nm	nm	nm	nm	(51.3)
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		(0.0%)	(9.9%)	(11.0%)	(8.2%)	(1.9%)
Other current liabilities	0.2	0.3	0.4	0.4	0.4	PE Market	x	18.0	18.0	18.0	18.0	18.0
Total current liabilities	1.0	1.0	1.2	1.6	2.4	PER		nm	nm	nm	nm	nm
Long term debt	0.0	0.0	0.0	1.1	1.1							
Other non current liabs	0.0	0.2	0.1	0.0	0.0							
Total long term liabilities	0.0	0.2	0.1	1.1	1.1							
Total Liabilities	1.0	1.2	1.3	2.7	3.4							
Net Assets	4.9	4.6	3.7	2.6	3.8							
Share capital	41.5	43.8	46.5	48.3	50.7							
Accumulated profits/losses	(43.2)	(45.9)	(49.7)	(52.6)	(53.7)							
Reserves	6.6	6.8	7.0	7.1	7.1							
Minorities	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)							
Total Shareholder funds	4.9	4.6	3.7	2.6	3.8							

Source: RaaS estimates, Company data for actuals

FINANCIAL SERVICES GUIDE

RaaS Research Group 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: 26th March 2024

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