

Rent.com.au Ltd

FY21 results analysis

Outperforming our forecasts and setting the tone for FY22

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 FY21 revenues of \$3.094m, an increase of 26.2% on the previous corresponding period (pcp) and ahead of our forecast for \$3.0m. The core Rent.com.au delivered its maiden operating profit in FY21 of \$0.117m, a significant achievement, in our view, in a year where COVID-19 hampered rental activity. The group EBITA loss for the year was \$0.69m, a 39% improvement on the loss reported in FY20 and despite the investment in the RentPay payments platform. We have upgraded our FY22 and FY23 forecasts by 1-2% following the result. Our base case DCF valuation of \$0.35/share is predicated on RentPay securing 120,000 paying customers by FY23.

Business model

Rent.com.au generates revenue from advertising and from rental products, with revenue for the latter derived from RentCheck, which verifies a renter's identity and checks their record against the National Tenancy Database, from RentConnect which delivers an integrated utility connection and \$100 gift card to renters in conjunction with AGL, and from RentBond, RNT's "move now pay later" product which helps renters bridge the gap from one rental property to another by financing their bond online. The company's 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. 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.

Top line a little higher, costs a little lower, forecasts upgraded

Rent.com.au delivered revenues a little ahead of our expectations and operating costs containment was also a feature of the result. COGS were a little higher (3.5%) than we had forecast but the total EBITDA loss for the year was \$0.69m, a 39% improvement on the \$1.13m loss reported in FY20 and better than our forecast for a \$0.72m loss. The core Rent.com.au business generated \$2.946m in FY21, an increase of 23% on pcp and reported its maiden operating (EBITDA) profit of \$0.117m, compared with the loss of \$0.772m in FY20. RentPay generated \$0.149m in revenue in FY21, including from its legacy system the customer base for which is being migrated onto the new platform. We have upgraded our FY22 and FY23 forecasts by 1-2% after taking into account the FY21 result. We expect to continue to address our forecasts as more detail on the RentPay rollout emerges.

Base case DCF valuation of \$0.35/share

Our base case DCF valuation for Rent.com.au is \$0.35/share (12% discount rate, 1.5 beta, 2.2% terminal growth rate). Our valuation is predicated on our expectation that Rent.com.au's new flagship product RentPay will secure 5% of renters on its platform by FY23 and 20% by FY30. In our view this is entirely achievable and may well prove too conservative. Ongoing evidence of faster than forecast takeup 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

Year end	Sales Revenue (A\$m)	Gross Profit (A\$m)	EBITDA(A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/20a	2.5	1.5	(1.1)	(1.7)	(0.6)	12.1
06/21a	3.1	1.8	(0.7)	(1.0)	(0.4)	11.9
06/22e	6.1	3.4	0.2	(0.4)	(0.1)	6.0
06/23e	14.1	7.5	2.9	1.3	0.3	2.4

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

Software & Services

31st August 2021

Share details

ASX Code	RNT
Share price (27 Aug)	\$0.10
Market Capitalisation	\$39.8M
Shares on issue	397.7M
In the money options/performance rights	22.3M
Net cash 30 June 2021	\$2.6M

Share performance (12 months)



Upside Case

- Purpose-led culture underpinning improving business metrics
- Opportunity to expand RentPay into other payments products
- Opportunity to upsell existing 700,000 monthly unique visitors into RentPay

Downside Case

- Advertising revenues exposed to cyclical trends
- Investment in RentPay and other products may require further capital
- Small player relative to other online portals

Catalysts

- Evidence of takeup of RentPay
- Expansion of RentPay into other products
- Further evidence of operational momentum

Board of Directors

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

Company contact

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FY21 analysis

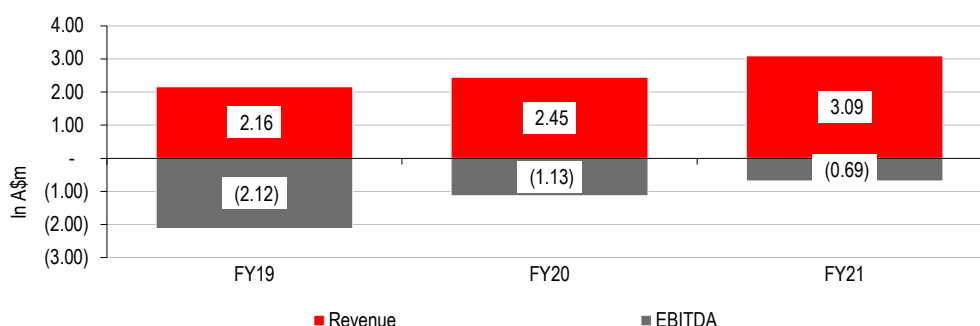
Rent.com.au delivered a better than expected FY21 result both in terms of revenue and the EBITDA loss. Sales grew 26.2% year on year to \$3.09m and ahead of our forecast for \$3.0m, while the EBITDA loss for the year narrowed to \$0.69m from \$1.13m the year before and in spite of the additional investment in the RentPay platform. The EBITDA loss also beat our forecast for a loss of \$0.72m. The net loss for the year was \$1.27m, 23.4% lower than the FY20 net loss of \$1.66m and in-line with our forecast.

Exhibit 1: FY21 P&L snapshot vs FY20 and RaaS fct (In A\$m unless otherwise stated)				
Year ending June 30	FY20	FY21	% chg	RaaS Fct
Sales revenue	2.45	3.09	26.2%	3.00
Total Revenue	2.81	3.66	30.4%	3.56
Gross Profit	1.52	1.83	20.2%	1.89
EBITDA (exc share based payments)	(1.13)	(0.69)	(39.0%)	(0.72)
NPAT (inc share based payments)	(1.66)	(1.27)	(23.4%)	(1.27)
EPS (cps)	(0.57)	(0.36)	(37.2%)	(0.33)

Source: Company data, RaaS estimates

Rent.com.au has consistently narrowed its operating losses and increased revenues over the past three financial years, essentially halving its loss each year, while accelerating revenues. Revenue in FY21 grew at twice the pace than the revenues posted in FY20.

Exhibit 2: Rent.com.au Group Revenue and EBITDA for FY19-FY21



Source: Company reports

FY21 saw a significant increase in advertising revenues in FY21 to \$1.26m while Rent.com.au's renter products revenue from RentBond and Rent Connect also grew strongly, at 24.2%. Fees from landlords and agents declined by 15.7% reflecting the lower rental activity and listings due to the pandemic. Revenues from the RentPay platform, launched as RentPay Mark 2 in May 2021, include revenues from the legacy system which provided a payments platform for agents. The new app-based platform gives renters total financial flexibility in terms of how they make their rent payments while giving agents and landlords surety of payments on time. Within 90 days of its 6 May 2021 launch the platform had 700 customers using these new features and augurs well for the platform's performance as new customers are onboarded.

Exhibit 3: Sales revenues by source				
Year ending 30 June	FY20	FY21	% chg	RaaS fct
Fees from Agents and Landlords	0.15	0.13	(15.7%)	0.15
Renters Products revenue	1.25	1.55	24.2%	1.61
Advertising Sales	0.99	1.26	28.2%	1.09
RentPay	0.06	0.15	135.0%	0.15
Total Sales revenue	2.45	3.09	26.2%	3.00

Source: Company data, RaaS estimates

The company noted in its Q4 release that at the end of July, RentPay had secured 700 paying customers, with 95% of these paying rent to a real estate agent, 5% to a private landlord, and 87% of these customers taking advantage of RentPay's scheduled payments features. Rent.com.au is currently migrating around 40 real estate agencies from its legacy rental payments platform, with the expectation that this should add another 1,500 customers in the September quarter. The company has a stated ambition of securing 200,000 customers on the RentPay platform by the end of FY23. The following exhibit sets out the two divisions' operational performance in FY21 over FY20.

Exhibit 4: Operational performance of Rent.com.au and RentPay (in A\$m)			
Year ending June 30	FY20	FY21	% chg
Revenue			
Rent.com.au	2.389	2.945	23.3%
RentPay	0.063	0.149	135.0%
EBITDA			
Rent.com.au	(0.772)	0.117	(115.2%)
RentPay	(0.362)	(0.807)	123.0%
Source: Company data			

Earnings adjustments

We have made some minor adjustments to our FY22 and FY23 forecasts after incorporating the FY21 actuals. Our forecasts are predicated on RentPay securing an average 120,000 paying users on its platform by June 2023 with average ARPU per month of ~\$8.00. We are forecasting that Rent.com.au will be EBITDA profitable as a group by H2 FY22 and NPAT positive in FY23.

Exhibit 5: Earnings adjustments to FY22 and FY23						
	FY22 old	FY22 new	% chg	FY23 old	FY23 new	% chg
Sales revenue	6.04	6.10	1.1%	13.93	14.07	1.0%
Gross Profit	3.40	3.43	0.7%	7.36	7.53	2.3%
EBITDA	0.25	0.25	1.7%	2.83	2.86	1.0%
NPAT	(0.45)	(0.44)	(1.9%)	1.37	1.33	(3.0%)
EPS	(0.11)	(0.11)	(1.9%)	0.34	0.35	1.3%
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 12.0% (Beta 1.5, terminal growth rate 2.2%) and derives a valuation of \$140m or \$0.35/share. Our forecasts in arriving at this valuation assume that RentPay will be used by 20% of the Australian rental market by FY30.

Exhibit 6: DCF valuation	
Parameters	Outcome
WACC	12.0%
Beta	1.5
Terminal growth rate	2.2%
CAGR in FCF FY22-FY30	31.51%
Sum of PV (A\$m)	55.6
PV of terminal Value (A\$m)	81.7
PV of Enterprise	137.3
Net Debt (30 June)	(2.9)
Net Value - Shareholder	140.2
No of shares on issue	397.7
NPV in A\$	\$0.35
Source: RaaS estimates	

Exhibit 7: Financial Summary

Rent.com.au Ltd						Share price (30th August 2021)						A\$		0.10	
Profit and Loss (A\$m)						Interim (A\$m)		H121A	H221A	H122F	H222F	H123F	H223F		
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Revenue	1.5	1.6	2.0	4.1	6.3	7.8			
						EBITDA underlying	(0.3)	(0.4)	(0.3)	0.6	1.1	1.8			
Sales Revenue	2.2	2.5	3.1	6.1	14.1	EBIT	(0.7)	(0.8)	(0.7)	0.1	0.6	1.3			
Gross Profit	0.8	1.5	1.8	3.4	7.5	NPAT (normalised)	(0.2)	(0.8)	(0.5)	0.1	0.5	1.0			
EBITDA underlying	(2.1)	(1.1)	(0.7)	0.2	2.9	Minorities	0.0	-	-	-	0.0	0.0			
EBITDA reported	(2.0)	(1.1)	(1.0)	0.2	2.9	NPAT (reported)	(0.4)	(0.9)	(0.5)	0.1	0.4	1.0			
Depn	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	EPS (normalised)	(0.1)	(0.3)	(0.13)	0.02	0.11	0.24			
Amort	(0.5)	(0.8)	(0.8)	(0.9)	(0.9)	EPS (reported)	(0.1)	(0.2)	(0.13)	0.02	0.11	0.24			
EBIT	(2.7)	(2.0)	(1.6)	(0.6)	1.9	Dividend (cps)	0.0	-	-	-	-	-			
Interest	0.0	(0.0)	(0.0)	0.0	0.0	Imputation	0.0	-	-	-	-	-			
Tax	0.0	0.0	(0.0)	0.2	(0.5)	Operating cash flow	0.2	(0.3)	0.3	1.0	1.9	2.4			
Minorities	0.0	(0.0)	(0.0)	0.0	(0.1)	Free Cash flow	0.6	1.0	0.8	1.5	2.4	2.9			
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Divisions	H121A	H221A	H122F	H222F	H123F	H223F			
NPAT pre significant items	(2.6)	(1.7)	(1.0)	(0.4)	1.3	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1			
Significant items	0.1	0.0	(0.3)	0.0	0.0	Rental Products	0.8	0.8	0.9	0.9	1.0	0.9			
NPAT (reported)	(2.5)	(1.7)	(1.3)	(0.4)	1.3	Advertising	0.5	0.7	0.7	0.9	0.7	0.9			
Cash flow (A\$m)						RentPay	0.1	0.1	0.4	2.3	4.5	5.9			
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Total Revenue	1.5	1.6	2.0	4.1	6.3	7.8			
EBITDA	(2.1)	(1.1)	(0.7)	0.2	2.9										
Interest	0.0	(0.0)	(0.0)	0.0	0.0	COGS	(0.5)	(0.7)	(0.9)	(1.7)	(2.9)	(3.7)			
Tax	0.0	0.0	(0.0)	(0.0)	(0.5)	Gross profit	(0.46)	(0.66)	(0.58)	0.52	1.60	2.24			
Working capital changes	0.2	0.4	0.7	1.0	1.9	Employment	(0.8)	(0.8)	(0.9)	(1.2)	(1.7)	(1.8)			
Operating cash flow	(1.9)	(0.8)	(0.1)	1.2	4.3	SGA&A	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)			
Mtce capex	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)										
Free cash flow	(1.9)	(0.8)	(0.1)	1.1	4.2	EBITDA	(0.3)	(0.4)	(0.3)	0.6	1.1	1.8			
Growth capex	(0.6)	(0.5)	(1.6)	(1.0)	(1.0)	Margins, Leverage, Returns		FY19A	FY20A	FY21A	FY22F	FY23F			
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBITDA		(97.9%)	(46.0%)	(22.3%)	4.1%	20.4%			
Other	0.0	0.0	0.0	0.0	0.0	EBIT		(124.1%)	(82.0%)	(50.4%)	(10.2%)	13.8%			
Cash flow pre financing	(2.5)	(1.2)	(1.7)	0.1	3.2	NPAT pre significant items		(120.4%)	(67.9%)	(32.1%)	(7.3%)	9.4%			
Equity	0.5	2.0	4.2	0.0	0.0	Net Debt (Cash)		0.1	0.6	2.9	3.0	6.2			
Debt	(0.0)	(0.1)	(0.1)	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	12.2	2.2			
Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(10.0%)	(52.4%)	(143.6%)	(214.8%)	1904.1%			
Net cash flow for year	(2.0)	0.7	2.4	0.1	3.2	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0			
Balance sheet (A\$m)						ROA		(81.2%)	(82.8%)	(36.4%)	(9.8%)	21.7%			
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	ROE		(176.4%)	(103.5%)	(37.9%)	(9.5%)	25.7%			
Cash	0.2	0.6	2.9	3.1	6.2	ROIC	nm	406.6%	(148.9%)	(129.6%)	(120.5%)				
Accounts receivable	0.3	0.4	0.5	0.8	1.8	NTA (per share)	n/a	0.00	0.01	0.00	0.01				
Inventory	0.0	0.0	0.0	0.0	0.0	Working capital		(0.3)	(0.2)	(0.2)	(1.2)	(3.2)			
Other current assets	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(12.9%)	(7.1%)	(7.5%)	(20.4%)	(22.5%)			
Total current assets	0.5	1.0	3.4	3.9	8.1	Revenue growth		(6.9%)	13.3%	26.2%	97.3%	130.5%			
PPE	0.0	0.0	0.0	0.1	0.2	EBIT growth pa	n/a	n/a	n/a	n/a	nm				
Intangibles and Goodwill	1.7	1.5	2.4	2.6	2.7	Pricing		FY19A	FY20A	FY21A	FY22F	FY23F			
Investments	0.0	0.0	0.0	0.0	0.0	No of shares (y/e)	(m)	249	303	398	398	398			
Deferred tax asset	0.0	0.0	0.0	0.2	0.2	Weighted Av Dil Shares	(m)	238	292	313	398	398			
Other non current assets	0.0	0.1	0.0	0.0	0.0										
Total non current assets	1.7	1.6	2.5	2.9	3.1	EPS Reported	cps	(1.1)	(0.6)	(0.4)	(0.1)	0.3			
Total Assets	2.2	2.7	5.9	6.8	11.1	EPS Normalised/Diluted	cps	(1.1)	(0.6)	(0.4)	(0.1)	0.3			
Accounts payable	0.6	0.6	0.7	2.0	5.0	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	nm			
Short term debt	0.0	0.0	0.0	0.0	0.0	DPS	cps	-	-	-	-	-			
Tax payable	0.0	0.0	0.0	0.0	0.0	DPS Growth		n/a	n/a	n/a	n/a	n/a			
Other current liabilities	0.2	0.3	0.2	0.2	0.2	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%			
Total current liabilities	0.8	0.8	1.0	2.3	5.2	Dividend imputation		0	0	0	0	0			
Long term debt	0.0	0.0	0.0	0.0	0.0	PE (x)		-	-	-	-	28.7			
Other non current liabs	0.0	0.0	0.0	0.0	0.0	PE market		18.5	18.5	18.5	18.5	18.5			
Total long term liabilities	0.0	0.0	0.0	0.0	0.0	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	55.0%			
Total Liabilities	0.8	0.9	1.0	2.3	5.2	EV/EBITDA	-	11.7	26.2	53.5	147.0	11.7			
Net Assets	1.4	1.8	4.9	4.5	5.9	FCF/Share	cps	(0.8)	(0.2)	(0.0)	0.3	1.1			
Share capital	35.3	37.1	41.5	41.5	41.5	Price/FCF share	-	13	40.1	25,152.1	30.1	9.1			
Accumulated profits/losses	(40.2)	(41.9)	(43.2)	(43.6)	(42.2)	Free Cash flow Yield		(7.6%)	(2.5%)	(0.0%)	3.3%	10.9%			
Reserves	6.3	6.6	6.6	6.6	6.6										
Minorities	0.0	0.0	(0.0)	(0.0)	(0.0)										
Total Shareholder funds	1.4	1.8	4.9	4.5	5.9										

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: 6th May 2021

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

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