

Rent.com.au Ltd

H1 FY22 Results Analysis

Record H1 FY22 operating profit for core search platform

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 delivered its best-ever EBITDA performance from its core search business, Rent.com.au, in H1 FY22. The platform delivered \$1.57m in revenues and EBITDA of \$0.137m in H1 FY22, an increase respectively of 11.7% and 552% on the previous corresponding period (pcp). On a group basis, the company announced H1 FY22 revenues of \$1.64m, an increase of 10.1% on the pcp. Including RentPay, the group underlying EBITDA loss was \$0.82m, up from the EBITDA loss of \$0.28m in H1 FY21 due to an increased investment in marketing and people for the RentPay start-up. The platform now has more than 2,500 active customers transacting payments out of a core universe of 9,000 registered customers and more than 16,000 app downloads. RNT also released a web version of the platform in the half, and this now accounts for around 50% of customer interactions. RentPay is currently handling >\$1m in rental payments a week and has attracted aggregate daily wallet balances of more than \$300,000. Progress has been slower than modelled and as a consequence, we have pushed out our expectation for RentPay to reach 5% of the renting population to June 2024 (previously June 2023). We still, however, anticipate that RNT will secure a 20% share of this target market by June 2030. This has resulted in our DCF-derived base case valuation reducing to \$0.26/share (previously \$0.29/share).

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 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 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.

Earnings adjustments made to timing of RentPay market share

Rent.com.au delivered its best-ever result from the core search platform with its third consecutive half of positive EBITDA of \$0.137m, a five-fold increase on the same period in H1 FY21. The result was driven by strong advertising revenues, up 51% to \$0.83m on the pcp, which offset a 14% decline in revenues from renter products to \$0.68m due to the slower, COVID-19-impacted rental market. The company noted that renter product-adoption rates had improved, helping renters stand out in a tough market, and that this would assist RNT as some normality returns to the market. The investment in RentPay generated an EBITDA loss of \$0.96m for the period, bringing the group EBITDA loss to \$0.82m (excluding non-cash and one-time payments). We have adjusted our FY22 and FY23 forecasts to push out the take-up of RentPay, with our revised forecasts now anticipating that RentPay will secure 5% of renters as customers by FY24 (previously FY23) and 20% by FY30.

Base-case valuation of \$0.26/share (previously \$0.29/share)

Our DCF valuation for Rent.com.au is \$0.26/share (previously \$0.29/share) after pushing out our forecasts for RentPay by 12 months. Evidence of faster-than-forecast take-up of RentPay together with expansion into other transactional products should underpin the share price.

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

Year end	Sales Revenue	Gross Profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/20a	2.5	1.5	(1.1)	(1.7)	(0.6)	6.0
06/21a	3.1	1.8	(0.7)	(1.0)	(0.4)	5.6
06/22e	3.6	1.6	(1.4)	(2.0)	(0.5)	5.4
06/23e	5.4	3.4	(0.3)	(0.8)	(0.2)	3.8

Source: RaaS estimates for FY22e and FY23e; Company data for historical earnings

Software & Services

28th February 2022

Share Details

ASX code	RNT
Share price (25-Feb)	\$0.051
Market capitalisation	\$26.4M
Shares on issue	439.3M
Performance rights	19.7M
Net cash (est. post-January raise)	\$3.2M

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

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H1 FY22 Results Analysis

Rent.com.au delivered 10.1% y-o-y growth in H1 FY22 revenues to \$1.68m, driven chiefly by a 51% lift in advertising revenues to \$0.83m. The group EBITDA loss of \$0.82m included the absorption of an investment of \$0.96m in the RentPay platform. This investment increased three-fold from a year ago. The company has also capitalised \$0.74m in development costs in the half (up from \$0.47m in H1 FY21) and expects to incur further development costs in H2 FY22 to complete improvements to the platform.

Costs, including cost of sales, increased 37% to \$2.42m in H1 FY22. Employee costs increased 17% to \$0.93m in the half, as expected, and sales and marketing expenses lifted more than two-fold to \$0.5m, reflecting the investment in RentPay.

Exhibit 1: H2 FY22 versus H2 FY21 and RaaS forecast (In A\$m unless otherwise stated)

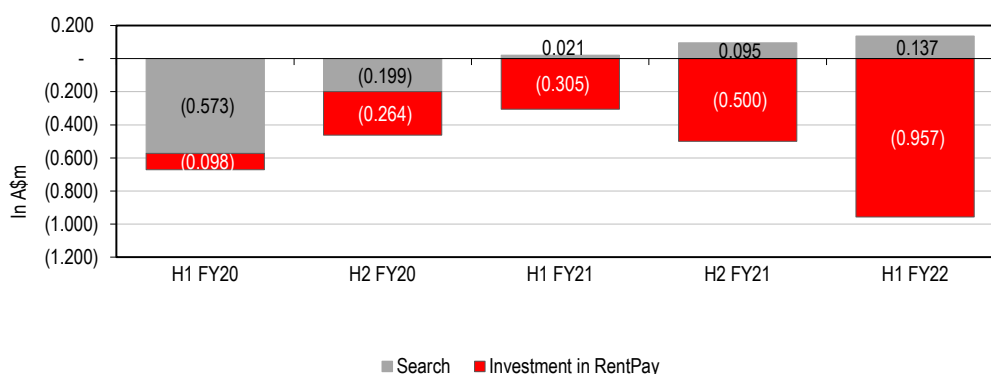
	H1 FY21	H1 FY22	% chg	RaaS forecast
Sales revenue	1.49	1.64	10.1%	1.77
Total revenue	2.05	1.66	(19.4%)	1.77
Gross profit	0.95	0.67	(29.5%)	0.81
EBITDA*	(0.28)	(0.82)	n.m	(0.65)
NPAT*	(0.19)	(1.27)	n.m	(0.75)
EPS*	(0.06)	(0.32)	n.m	(0.19)

Source: Company data, RaaS forecasts; *Excludes non-cash share-based payments and one-time items

Rent.com.au noted in its presentation that more than \$1.0m in rental payments a week were now being paid into the platform and that RentPay was handling aggregated daily wallet balances of more than \$0.3m. The company noted that currently more than 2,500 customers were actively using the platform and that it was in the process of onboarding real estate rent rolls, include 7,000 tenants managed by Rental Management Australia. In a presentation to shareholders, management noted that monthly revenue per user was now at around \$3, and that this was expected to grow as the platform added new features and products. RNT is aiming for monthly revenue per user of \$8.

The core Rent.com.au search business continued to build profitability, reporting its third consecutive half-year of positive EBITDA of \$0.137m, a five-fold increase on H1 FY21 and 44% increase in H2 FY21.

Exhibit 2: Rent.com.au group EBITDA and EBITDA excluding RentPay by half-year



Source: Company reports

Earnings Adjustments

We have taken into account the company's progress with RentPay, which is gaining good traction with agents, although not as quickly as we had envisaged. We have adjusted our forecasts to reflect our new view that RentPay will achieve 5% penetration of the renting population by the end of FY24, which is 12 months later than previously forecast. We continue to forecast that penetration will reach 20% by FY30. This is the sole change to our forecasts and has resulted in the earnings adjustments set out on the following page.

Exhibit 3: FY22 and FY23 earnings adjustments (In A\$m unless otherwise stated)

	FY22 old	FY22 new	FY23 old	FY23 new
Sales revenue	4.5	3.6	12.0	5.4
Gross profit	2.3	1.6	6.6	3.4
EBITDA	(0.8)	(1.4)	2.4	(0.3)
NPAT	(1.2)	(2.0)	1.0	(0.8)
EPS	(0.29)	(0.48)	0.25	(0.19)

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 12.0% (beta 1.5, terminal growth rate 2.2%) and derives a valuation of \$112.7m or \$0.26/share (previously \$0.29/share). Including performance rights, the valuation is \$0.25/share. Our forecasts in arriving at this valuation assume that RentPay will be used by 5% of the Australian rental market by FY24 end (previously FY23 end) and 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 FY23-FY30	36.93%
Sum of PV (A\$m)	31.4
PV of terminal value (A\$m)	78.1
PV of enterprise	109.5
Net cash (est. post January raise)	(3.2)
Net value - shareholder	112.7
No. of shares on issue	439.9
NPV in A\$	\$0.26

Source: RaaS estimates

Exhibit 6: Financial Summary

Rent.com.au Ltd						Share price (25 February 2022)						A\$	0.05
Profit and Loss (A\$m)						Interim (A\$m)							
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	Revenue	H121A	H221A	H122A	H222F	H123F	H223F	
Sales Revenue	2.2	2.5	3.1	3.6	5.4	EBITDA underlying	(0.3)	(0.4)	(0.8)	(0.6)	(0.5)	0.2	
Gross Profit	0.8	1.5	1.8	1.6	3.4	EBIT	(0.7)	(0.8)	(1.2)	(1.0)	(0.9)	(0.3)	
EBITDA underlying	(2.1)	(1.1)	(0.7)	(1.4)	(0.3)	NPAT (normalised)	(0.2)	(0.8)	(1.2)	(0.7)	(0.6)	(0.2)	
EBITDA reported	(2.0)	(1.1)	(1.0)	(1.4)	(0.3)	Minorities	0.0	-	-	-	-	0.0	-
Depn	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	NPAT (reported)	(0.4)	(0.9)	(1.3)	(0.7)	(0.6)	(0.2)	
Amort	(0.5)	(0.8)	(0.8)	(0.8)	(0.9)	EPS (normalised)	(0.1)	(0.3)	(0.32)	(0.16)	(0.14)	(0.05)	
EBIT	(2.7)	(2.0)	(1.6)	(2.2)	(1.2)	EPS (reported)	(0.1)	(0.2)	(0.34)	(0.16)	(0.14)	(0.05)	
Interest	0.0	(0.0)	(0.0)	(0.0)	0.0	Dividend (cps)	0.0	-	-	-	-	-	
Tax	0.0	0.0	(0.0)	0.3	0.0	Imputation	0.0	-	-	-	-	-	
Minorities	0.0	(0.0)	(0.0)	(0.0)	0.0	Operating cash flow	0.2	(0.3)	(1.0)	(0.2)	(0.6)	0.0	
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	0.6	1.0	(0.7)	0.4	(0.0)	0.6	
NPAT pre significant items	(2.6)	(1.7)	(1.0)	(2.0)	(0.8)	Divisions							
Significant items	0.1	0.0	(0.3)	0.0	0.0	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1	
NPAT (reported)	(2.5)	(1.7)	(1.3)	(2.0)	(0.8)	Rental Products	0.8	0.8	0.7	0.8	0.7	0.8	
Cash flow (A\$m)						Advertising	0.5	0.7	0.8	0.9	0.9	0.9	
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	RentPay	0.1	0.1	0.1	0.2	0.6	1.3	
EBITDA	(2.1)	(1.1)	(0.7)	(1.4)	(0.3)	Total Revenue	1.5	1.6	1.6	1.9	2.3	3.1	
Interest	0.0	(0.0)	(0.0)	(0.0)	0.0	COGS	(0.5)	(0.7)	(1.0)	(1.0)	(1.0)	(1.1)	
Tax	0.0	0.0	(0.0)	0.0	0.0	Gross profit	(0.46)	(0.66)	(0.90)	(0.77)	(0.33)	0.23	
Working capital changes	0.2	0.4	0.7	0.2	(0.2)	Employment	(0.8)	(0.8)	(0.9)	(1.0)	(1.2)	(1.2)	
Operating cash flow	(1.9)	(0.8)	(0.1)	(1.2)	(0.5)	SGA&A	(0.4)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)	
Mtce capex	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	EBITDA	(0.3)	(0.4)	(0.8)	(0.6)	(0.5)	0.2	
Free cash flow	(1.9)	(0.8)	(0.1)	(1.2)	(0.6)	Margins, Leverage, Returns							
Growth capex	(0.6)	(0.5)	(1.6)	(0.8)	(1.0)	FY19A	FY20A	FY21A	FY22F	FY23F			
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBITDA	(97.9%)	(46.0%)	(22.3%)	(38.3%)	(5.2%)		
Other	0.0	0.0	0.0	0.0	0.0	EBIT	(124.1%)	(82.0%)	(60.4%)	(62.8%)	(21.2%)		
Cash flow pre financing	(2.5)	(1.2)	(1.7)	(2.0)	(1.6)	NPAT pre significant items	(120.4%)	(67.9%)	(32.1%)	(55.4%)	(15.0%)		
Equity	0.5	2.0	4.2	2.5	0.0	Net Debt (Cash)		0.1	0.6	2.9	3.2	1.6	
Debt	(0.0)	(0.1)	(0.1)	(0.1)	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	n/a	
Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(10.0%)	(52.4%)	(143.6%)	(154.9%)	(56.2%)	
Net cash flow for year	(2.0)	0.7	2.4	0.4	(1.6)	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	n/a	
Balance sheet (A\$m)						ROA		(81.2%)	(82.8%)	(36.4%)	(35.1%)	(17.8%)	
Y/E 30 June	FY19A	FY20A	FY21A	FY22F	FY23F	ROE		(176.4%)	(103.5%)	(37.9%)	(38.7%)	(16.7%)	
Cash	0.2	0.6	2.9	3.2	1.6	ROIC		nm	nm	nm	nm	nm	
Accounts receivable	0.3	0.4	0.5	0.6	0.9	NTA (per share)		n/a	0.00	0.01	0.01	0.00	
Inventory	0.0	0.0	0.0	0.0	0.0	Working capital		(0.3)	(0.2)	(0.2)	(0.5)	(0.2)	
Other current assets	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(12.9%)	(7.1%)	(7.5%)	(12.8%)	(3.9%)	
Total current assets	0.5	1.0	3.4	3.8	2.5	Revenue growth		(6.9%)	13.3%	26.2%	15.1%	52.7%	
PPE	0.0	0.0	0.0	0.1	0.1	EBIT growth pa		n/a	n/a	n/a	n/a	nm	
Intangibles and Goodwill	1.7	1.5	2.4	2.4	2.6	Pricing							
Investments	0.0	0.0	0.0	0.0	0.0	FY19A	FY20A	FY21A	FY22F	FY23F			
Deferred tax asset	0.0	0.0	0.0	0.3	0.6	No of shares (y/e)	(m)	249	303	398	440	440	
Other non current assets	0.0	0.1	0.0	0.3	0.3	Weighted Av Dil Shares	(m)	238	292	313	435	440	
Total non current assets	1.7	1.6	2.5	3.1	3.6	EPS Reported	cps	(1.1)	(0.6)	(0.4)	(0.5)	(0.2)	
Total Assets	2.2	2.7	5.9	6.9	6.1	EPS Normalised/Diluted	cps	(1.1)	(0.6)	(0.4)	(0.5)	(0.2)	
Accounts payable	0.6	0.6	0.7	1.0	1.1	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	0.3	0.3	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%	
Total current liabilities	0.8	0.8	1.0	1.3	1.4	Dividend imputation		0	0	0	0	0	
Long term debt	0.0	0.0	0.0	0.0	0.0	PE (x)		-	-	-	-	-	
Other non current liab	0.0	0.0	0.0	0.2	0.2	PE market		18.5	18.5	18.5	18.5	18.5	
Total long term liabilities	0.0	0.0	0.0	0.2	0.2	Premium/discount		(100.0%)	(100.0%)	(100.0%)	(100.0%)	(100.0%)	
Total Liabilities	0.8	0.9	1.0	1.6	1.6	EV/EBITDA		-	5.9	-	13.1	-	73.4
Net Assets	1.4	1.8	4.9	5.3	4.4	FCF/Share	cps	(0.8)	(0.2)	(0.0)	-0.3	-0.1	
Share capital	35.3	37.1	41.5	43.9	43.9	Price/FCF share		-	7	-	20.4	-	51.4
Accumulated profits/losses	(40.2)	(41.9)	(43.2)	(45.2)	(46.0)	Free Cash flow Yield		(14.9%)	(4.9%)	(0.0%)	(5.0%)	(1.9%)	
Reserves	6.3	6.6	6.6	6.7	6.7								
Minorities	0.0	0.0	(0.0)	(0.0)	(0.0)								
Total Shareholder funds	1.4	1.8	4.9	5.3	4.4								

Source: RaaS estimates

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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

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