

# Rent.com.au Ltd

## Positioning Paper

### Transitioning from search to transactions

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 been listed on the ASX since June 2015, at the time raising \$5m at \$0.20/share to give it a market capitalisation of \$17.6m. FY20 was a transformative year for the company, during which it partnered with AGL Energy (ASX:AGL) to provide easy access to utility connections, launched its buy-now-pay-later (BNPL) RentBond product to help renters bridge bond rental costs between properties, and forged a partnership with digital payments platform Novatti (ASX:NOV) to provide a digital wallet for rental payments. This soon-to-be-launched product, RentPay, will extend the company's relationship with renters into the life of the tenancy, and represents an opportunity for Rent.com.au to deliver other payments products such as utilities bill smoothing and insurance payments. Longer term, RentPay has the potential to provide banking and finance products and to this end has recently forged a relationship with ANZ Bank (ASX:ANZ). Operationally, RNT is also transforming, with a 27% year on year (YoY) lift in quarterly revenue and positive operating cashflow from the core portal business reported in Q2 FY21. The company has also secured a strategic investor in tech entrepreneur Bevan Slattery, who acquired a 10.07% stake in the company as part of the recently completed \$2.75m share placement. We initiate coverage with a base case valuation of \$0.35/share and see considerable upside in the opportunities presented by the rollout of RentPay.

### 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 soon-to-be-launched RentPay app platform will allow 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.

### Profitable core business, RentPay expected to drive growth

Rent.com.au delivered a 27% year on year increase in quarterly revenue to \$0.73m in Q2 FY21, following a record month in October and strong advertising sales in what is seasonally the slowest quarter. The core rent.com.au portal business delivered its second consecutive quarter of positive EBITDA of \$0.007m. The company ended the quarter with \$1.8m cash and has subsequently undertaken a \$2.75m share placement at \$0.05/share.

### Base case DCF valuation is \$0.35/share

We have used the discounted cashflow methodology to value Rent.com.au using a WACC of 12.0% (beta 1.7, terminal growth rate of 2.2%) and this derives an equity value of \$0.35/share on the current share count. If we include in the money options and performance rights, the valuation is \$0.32/share. Our model is predicated on RentPay securing a 20% share of the total rental market by FY30 and median ARPU of \$8.45, which in our view is entirely achievable. We have also dimensioned the opportunity at a higher penetration rate and higher ARPU which represent considerable upside to our base case.

#### Historical earnings and RaaS forecasts

Year end	Total Revenue (A\$m)	Gross Profit (A\$m)	EBITDA (A\$m)	NPAT (A\$m)	EPS (c)	EV/Sales (x)
06/20a	2.5	1.5	(0.8)	(1.7)	(0.6)	29.4
06/21e	3.0	1.8	(0.7)	(1.2)	(0.3)	30.6
06/22e	6.0	3.4	0.2	(0.2)	(0.0)	15.1
06/23e	13.9	7.4	2.8	1.6	0.4	6.3

Source: Company data for historical earnings, RaaS estimates for FY21e, FY22e and FY23e

## Software & Services

23 February 2021

### Share details

ASX Code	RNT
Share Price (22 Feb 2021)	\$0.24
Market Capitalisation	\$95.5M
Shares on issue	397.7M
In the money options/performance rights	29.5M
Net Cash Dec 31, 2020	\$1.8M
Free float	~68%

### 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

- Evidence of takeover 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 contacts

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## Rent.com.au Ltd

**Rent.com.au Ltd is the go-to website for renters, which make up 32% of all households in Australia. The company's platform attracts more than 700,000 renters per month. The company listed on the ASX in June 2015 via a backdoor listing through Select Exploration after raising \$5m at \$0.20/share to give it a market capitalisation of \$17.6m. Prior to listing, more than \$10m had been invested in the platform. RNT has additionally raised \$1.15m at \$0.042/share in November 2018, \$2.5m at \$0.05/share in November 2019, and \$1.5m at \$0.045/share in September 2020. In February 2021, it placed 40m shares at \$0.05/share to raise \$2.0m in a strategic placement to Capital (b) Trust, an early stage investment vehicle controlled by Australian tech entrepreneur Bevan Slattery and the Slattery family. An additional 15m shares at \$0.05/share were placed with institutional and wholesale investors. This endorsement by Bevan Slattery resulted in a share price rerating from \$0.05/share to a intraday high of \$0.37/share on February 8. The \$2.75m raising proceeds will fund RentPay's rollout.**

### Investment case

In our view, Rent.com.au has the opportunity to achieve success for the following reasons:

- Rent.com. is a purpose-led company, focused on delivering the best outcomes for its audience, renters. This differentiates the company from other online real estate marketplaces such as Domain and Realestate.com.au which are agent/landlord focused;
- RNT has become the go to website for renters in Australia, with more than 700,000 unique visitors to its site each month and now more than 1m renter resumes delivering more than 50 data points of information per resume;
- The company has a proven track record of adding revenue streams to its core listings and advertising revenues, delivering innovative products such as RentBond, a move now, pay later loan product to ease the financial pressure when transferring from one property to another; RentCheck which allows renters to get a competitive edge on other applicants with ID verification, checks against the National Tenancy Database and endorsements from past property managers; and RentConnect, which ensures easy connection to utilities at new properties while providing partner, AGL with new utility connections at a substantially lower cost of acquisition;
- The relaunch of RentPay as a renter-focused transaction platform (as opposed to the agency focus of RentPay Mark 1) has come about because Rent.com.au has listened to its audience which wants choice of timing of rental payments, recognition for good payment history and payment confirmation;
- RentPay represents an opportunity to extend the relationship with renters from the current 4-6 weeks before new tenancies to throughout the life of the tenancy and beyond, into lifestyle and lifecycle events. Instead of engaging with just the 5% of renters looking at moving each month, RentPay delivers the opportunity to engage with the entire renter market, ie 2.5m households;
- We see RentPay creating an eco-system of renters getting the benefit of a large community buying group through lower energy, telecommunications, and insurance costs while taking the complexity out of rental transactions for agents and lowering customer acquisition costs for telcos, insurance companies, utilities and banks by delivering pre-qualified customers;
- The company has a board and management team experienced in building early stage businesses into market leaders;
- The endorsement of tech entrepreneur Bevan Slattery through the recent \$2.75m placement of which Mr Slattery's Capital (b) Trust took \$2m, has focused the market's attention on Rent.com.au and delivered significant price discovery.

## DCF valuation of \$0.35/share predicated on RentPay rollout

Valuing early stage companies is always a subjective exercise, particularly when considering the rollout of new opportunities, the timing of takeover and success. We have sought to apply conservative estimates in our modelling, giving regard to Rent.com.au's commentary on potential valuations for RentPay at various market shares using a target average revenue per user (ARPU) of \$8.00 per month.<sup>1</sup> These valuations were based on 5 x revenue at FY23.

In our view, the discounted cashflow methodology is the most appropriate method for valuing Rent.com.au given it is on the cusp of positive free cashflows and at an early stage of commercialisation of RentPay. We have applied a WACC of 12.0% (beta 1.7, terminal growth rate 2.2%) to capture the high risk/high return nature of the investment. This derives a base valuation of \$0.35/share with \$0.20/share in the terminal value, implying a 10-year CAGR in free cashflows of 37.6%. Our valuation is predicated on Rent.com.au attracting 5% of its target market to its RentPay platform by FY23 with these customers spending an average revenue per user (ARPU) of \$7.50 per month. Longer term our modelling contemplates Rent.com.au securing 20% of its target market by FY30 with an average ARPU of \$8.83/month.

Our base case valuation captures what we consider is a conservative evaluation of the first stage of RentPay's opportunity. A more bullish assessment of this first stage, a 10% share of its target market by FY23 and 30% by FY30 and median ARPU per month of \$11.29 derives a valuation of \$0.77/share. We feel it is too early to include estimates for expanded payments opportunities in our base case valuation but believe it is entirely feasible that as RentPay captures a growing share of its target market it will convert other revenue opportunities. We have dimensioned a scenario using 30% of its target market by FY30 and capturing other payments opportunities (utilities, mortgages, telcos and insurance) to deliver a higher median ARPU per month of \$32.50 with ARPU at FY30 at \$50.00/month. This delivers a potential valuation of \$2.75/share.

We set out our base case valuation and the two upside cases defined above in the following table.

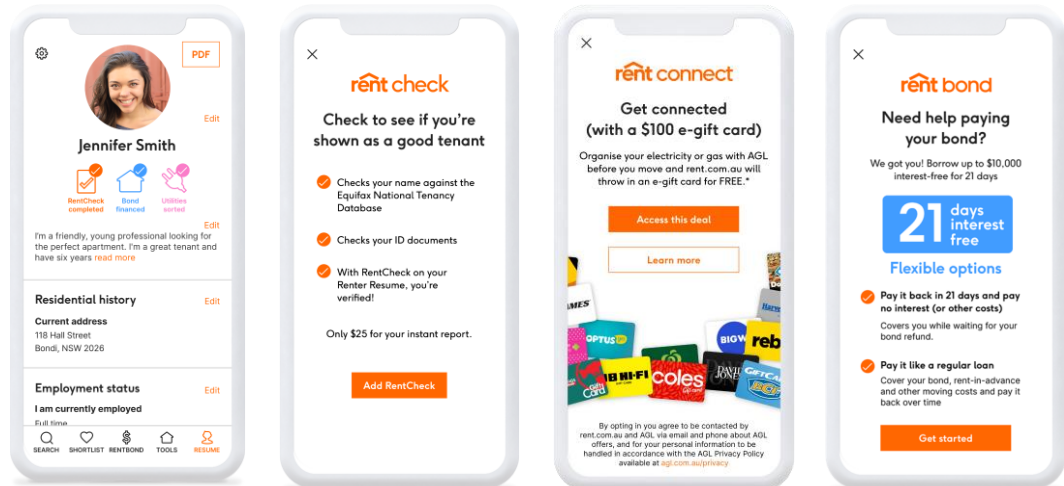
Exhibit 1: Base case valuation, revenue and EBITDA forecasts versus upside case on stage 1 of RentPay and potential upside case on expanded revenue opportunities				
	Base case (Stage 1)	Upside on Stage 1	Expanded opportunity	
DCF valuation/share (current count)	\$0.35	\$0.77	\$2.75	
DCF valuation A\$M	138.6	306.8	1,094.8	
RentPay penetration FY23	5.0%	10.0%	10.0%	
RentPay penetration FY30	20.0%	30.0%	30.0%	
Average APRU FY21-FY30	\$8.83	\$11.29	\$32.50	
Revenue FY21	3.0	3.2	3.2	
EBITDA FY21	(0.7)	(0.8)	(0.8)	
Revenue FY30	73.0	150.6	515.6	
EBITDA FY30	32.5	72.4	269.5	
10-year CAGR in Revenue %	37.6%	47.2%	66.4%	
10-year CAGR in Free cashflow%	57.6%	43.4%	62.2%	
Source: RaaS estimates				

<sup>1</sup> Rent.com.au Market Update August 2020, page 16

## Business Model

Rent.com.au has created a portal specifically for renters, which account for 32% of Australian households<sup>2</sup>. It provides tools such as Rent Check, an easy way for renters to verify their ID, check for any reported breaches in their tenancy history and secure endorsements from past property managers so as to get an edge on competing applicants; Renter and Pet Resumes, which allow renters to streamline the application process in their rental search; and unique search tools based on lifestyle requirements such as a Walkscore, rental insights for the suburb and local features including parks and cafes. These tools have built engagement with its audience with more than 1m renters creating their resumes on the site and one in 4 creating a pet resume. It also provides products such as Rent Bond, a “move now, pay later” product that helps renters bridge the gap from one rental bond to the next, and Rent Connect, a utility connection service offered in partnership with AGL designed to remove some of the hassle of moving by ensuring the electricity and hot water are connected seamlessly. Renters also receive a \$100 gift card when they use the Rent Connect service.

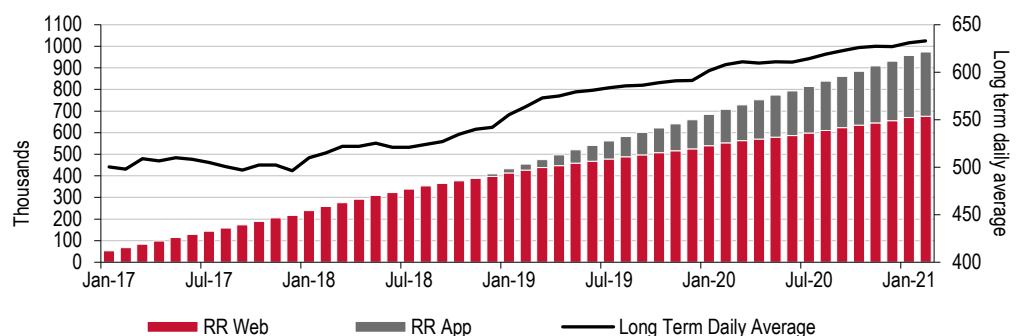
### Exhibit 2: Rent.com.au's current product suite from Renter Resume, Rent Check, Rent Connect, Rent Bond



Source: Rent.com.au media kit, RaaS analysis

Rent.com.au is gathering momentum with its target audience, as evidenced by the growth in Renter Resumes which in the past week surpassed 1m. The introduction of rent.com.au's Renter Resume App in August 2018 has increased that momentum with one-third of all resumes now created via the App. This has lifted the long-term daily average of resumes created. We see this auguring well for the launch of RentPay.

### Exhibit 3: Renter Resumes have grown rapidly since the introduction of the App



Source: Rent.com.au release, RaaS analysis

<sup>2</sup> Australian Bureau of Statistics, Housing Occupancy and Costs 2017-2018

The company generates revenue from listings by agents and landlords, advertising revenues and rental products, such as Rent Check, Rent Bond and Rent Connect. Exhibit 3 sets out the revenue breakdown for the past three years and demonstrates the consistent growth in products revenue. Fees, essentially listings revenue, has stabilised in the period, as have advertising sales, which are cyclical in nature.

<b>Exhibit 4: Breakdown of revenue sources (in A\$m unless otherwise stated)</b>			
<b>Year ending June 30</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Fees from Agents and Landlords	0.23	0.15	0.15
Renters Products revenue	1.12	1.23	1.31
Advertising Sales	0.96	0.78	0.99
Other	0.02	-	-
<b>Total Sales revenue</b>	<b>2.32</b>	<b>2.16</b>	<b>2.45</b>
Source: Company annual reports			

From the exhibit above, it is pretty obvious that while the core Rent.com.au is likely to deliver modest growth at best going forward and serves to highlight the importance of RentPay to Rent.com.au's investment case.

## RentPay

Rent.com.au acquired RentPay Mark 1 from MYOB in April 2018, acquiring the existing system, website and customer base (including 6,000+ renters) for \$0.425m. This business has been operating since 1999, reconciling renters' rental payments with agency's property management systems, and generating around \$0.15m in revenue a year.

In February 2020, Rent.com.au announced that digital wallet and payments service provider Novatti (ASX:NOV) had acquired a 2.5% stake in RentPay Technology for \$0.25m, giving RentPay a pre-launch valuation of \$10m. RentPay has entered into a Software as a Service (SaaS) arrangement with Novatti to utilise its digital wallet and payments platform in the launch of RentPay Mark 2.

The original RentPay business was confined to providing renters the ability to pay their rent via the RentPay platform using credit cards, direct debit, Australia Post or over the phone with RentPay matching up the payments with the agents' property management systems. It does not offer any time and value shifting functionality and required for the Agency to be "setup" as a RentPay customer before a renter could use it.

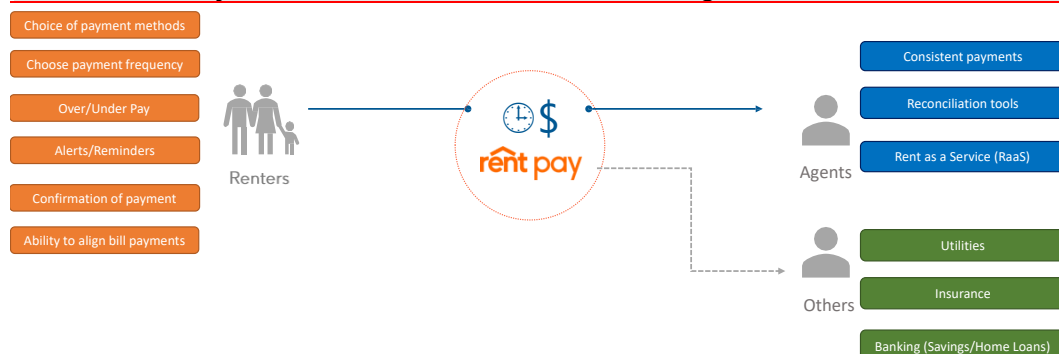
The relaunched RentPay business will be offering substantially more flexibility for renters, allowing them more choice of payment methods, greater choice of payment frequency, the ability to over/under pay and the ability to align their salary timing with bill payments. They will be able to do this as RentPay has created a new digital payments ecosystem using Novatti's digital wallet, Osko, BPay, ANZ Bank (ASX:ANZ) and Fair Go Finance for credit products. Phase 1 of the relaunch will focus on building the renter takeup of the wallet/payments platform and credit products. Phase 2 will see the introduction of utilities payments including bill smoothing and discounts and insurance products. Given Rent.com.au's existing relationship with AGL, it would be logical to offer renters the ability to pay their energy bills in line with their rent.

Beyond Phase 1 and 2, we see the AGL relationship potentially progressing to a group buy discount for Rent.com.au customers as more renters come on the platform. We also see the opportunity to build ARPU through extending the platform to telco deals, mortgages including new mortgages for owner occupied and investment properties and switching mortgages, and other loan products.

Our modelling of RentPay only includes forecasted ARPU from subscriptions/transaction fees for rent payments and a transaction fee for insurance and utilities payments as contemplated by the Phase 1 and 2 rollout. Anything beyond this is upside to our forecasts.

The following exhibit highlights the benefits for renters and agents and other potential opportunities for RentPay.

**Exhibit 5: RentPay – what’s in it for renters, what’s in it for agents and others**



Source: Rent.com.au presentations, RaaS analysis

**Company history**

In its 5+ years as a listed entity, Rent.com.au has forged a number of partnerships to power its offering to its target market, renters. We set these out in the following timeline.

**Exhibit 6: Historical timeline of events**

Year	Event
Jun-15	Listed on the ASX in June 2015 raising \$5 million in capital via a backdoor listing through Select Exploration.
Jul-15	In Jul 2015, Rent.com signed a digital marketing agreement with Accordant – a leader in full service digital optimisation, to drive visitor traffic for its website.
Nov-15	In Nov 2015, the Group signed a 5-year agreement with Certegy Ezi-Pay, a division of FlexiGroup, enhancing its RentBond offering within the Australian rental market. It also exceeded 500,000 unique visitors this month.
Apr-16	In Apr 2016, the company signed a 3-year agreement with Veda Group, improving financial metrics of RentCheck, through Veda as its service provider for RentCheck's utilities connection service.
Aug-16	In Aug 2016, Rent.com entered into a partnership agreement with Airbnb
Oct-16	The Group in Oct 2016, launched Resume Renter, leveraging RentCheck and RentConnect to provide change industry approach to rental applications.
Jul-17	In July 2017, Rent.com launched its "Local Ads" platform as a new revenue stream alongside its other advertising products.
Feb-18	Reached quarter of a million users of Renter Resume in 16 months since launch in Feb 2018.
Mar-18	In March 2018, Rent.com expanded its product and service offering with the launch of new contents insurance products, developed in partnership with Chubb.
Apr-18	The Group in late April 2018 acquired RentPay (subsidiary of MYOB), a leading rental payment system along with its website and customer base for \$425K cash and cash equivalent.
Aug-18	Released their IOS and Android app in Aug 2018
May-19	In May 2019, the Group entered a joint venture with Fair Go Finance to develop and fund financial products for its RENT app. It also entered into an unsecured, interest free loan agreement with Pinnacle Corporate Finance totalling \$200,000.
Oct-19	In Oct 2019, Rent.com launched "Move Now, Pay Later" Bond Loan Product – the first of its kind.
Dec-19	In Dec 2019, Rent.com entered into a partnership with AGL. AGL is selected as the Australian utility to build their rental energy offering
Mar-20	In Mar 2020, Rent.com.au entered a 36-month SaaS agreement with Novatti to power RentPay, via a 2.5% acquisition for \$250,000.
Oct-20	In Oct 2020, Rent.com entered into agreement with ANZ to help streamline and facilitate payments to the Australian rental market; also records its first positive quarterly EBITDA from core Rent.com.au business
Feb-21	Welcomes tech entrepreneur Bevan Slattery as a shareholder after placing \$2, @ \$0.05/share with Capital b Trust

Source: Company announcements



## Capital raising history

Rent.com.au has raised \$28.95m since listing in June 2015 and prior to listing, an estimated \$10m had been spent on developing the platform. We set out the capital raising history of the company in the following table. Our modelling assumes that no further capital raises will be required.

**Exhibit 7: Capital raised since listing**

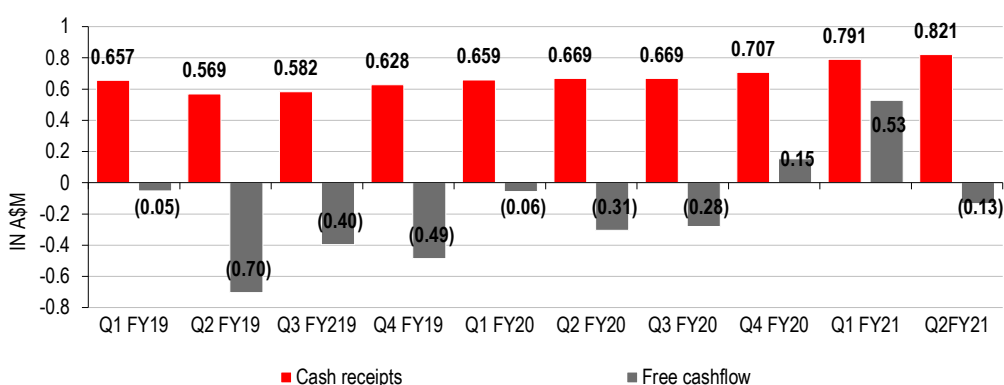
Date	Share price (A\$)	Shares issued (m)	Amount raised (A\$m)
23-Jun-15	0.200	25.000	5.000
18-Nov-15	0.280	13.170	3.688
5-May-16	0.150	36.368	5.456
26-Oct-16	0.100	37.000	3.700
26-Oct-16	0.100	13.000	1.300
4-May-18	0.077	29.976	2.308
22-May-18	0.077	6.494	0.500
7-May-19	0.038	13.158	0.500
22-Jul-19	0.036	41.583	1.497
20-Mar-20	0.045	11.556	0.520
16-Sep-20	0.045	33.333	1.500
9-Feb-21	0.050	55.000	2.750
<b>Total shares and capital raised</b>		<b>320.747</b>	<b>28.719</b>

Source: Company reports, RaaS analysis

## Historical operating Performance

Rent.com.au is an early-stage company still growing revenues from the portal it has created for renters. The company has demonstrated consistent growth in cash receipts over the past two years, with Q2 FY21 cash receipts increasing 4% over Q1 FY21 and 23% over Q2 FY20.

**Exhibit 8: Quarterly cash receipts and free cashflow generated in the quarter**



Source: Company data, RaaS analysis

As the following exhibit highlights, cash receipts have grown consistently on a quarter-on-quarter basis since Q2 FY19, reflecting the rollout of new products such as RentBond and RentConnect. The cost base has been reduced over the same period, despite investment in the RentPay relaunch. This demonstrates the operating leverage that Rent.com.au has as cash receipts build. The company has delivered positive free cashflow in two quarters in the past 12 months (Q4 FY20 and Q1 FY21), in part due to COVID 19 stimulus and government grants. Excluding this, RNT has been breakeven or close to breakeven with the Q2 FY21 operating cash loss improving on the cash loss in the corresponding period in FY20. We are forecasting ongoing positive free cashflows from Q3 FY22.



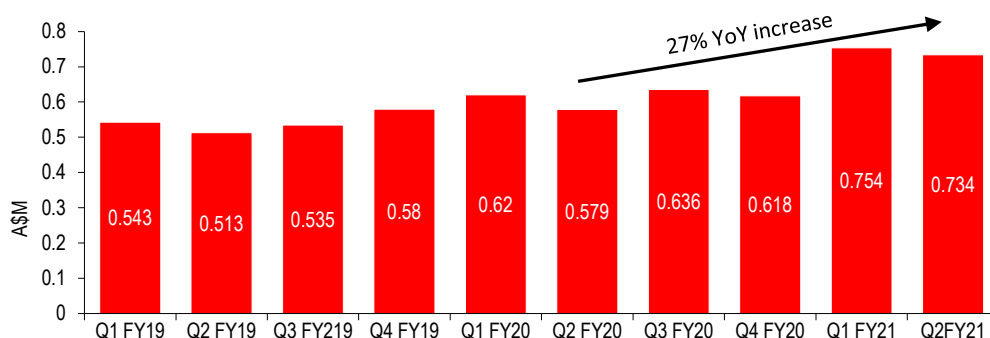
### Exhibit 9: Quarterly cashflows Q1 FY19-Q2 FY21

	Q1 FY19	Q2 FY19	Q3 FY19	Q4 FY19	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Q2 FY21
Cash receipts	0.66	0.57	0.58	0.63	0.66	0.67	0.67	0.71	0.79	0.82
Cash outflows	(1.06)	(1.28)	(0.98)	(1.11)	(1.20)	(0.97)	(0.95)	(0.71)	(0.93)	(1.01)
Net interest	0.01	0.00	0.00	-	0.00	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Other inc R&D grants	0.35	-	-	-	0.48	-	-	0.16	0.68	0.06
<b>Operating cashflow</b>	<b>(0.05)</b>	<b>(0.70)</b>	<b>(0.40)</b>	<b>(0.49)</b>	<b>(0.06)</b>	<b>(0.31)</b>	<b>(0.28)</b>	<b>0.15</b>	<b>0.53</b>	<b>(0.13)</b>
Capex	(0.24)	(0.20)	(0.26)	(0.21)	(0.19)	(0.21)	(0.16)	(0.21)	(0.27)	(0.31)
<b>Free cashflow after capex</b>	<b>(0.29)</b>	<b>(0.90)</b>	<b>(0.66)</b>	<b>(0.69)</b>	<b>(0.25)</b>	<b>(0.52)</b>	<b>(0.44)</b>	<b>(0.06)</b>	<b>0.26</b>	<b>(0.45)</b>

Source: Rent.com.au 4C reports, RaaS analysis

Reported quarterly revenues have also demonstrates year on year growth, although on a Q-on-Q basis it has jumped around on seasonal factors. Q2 FY21 revenues increased 27% on the corresponding quarter in FY20.

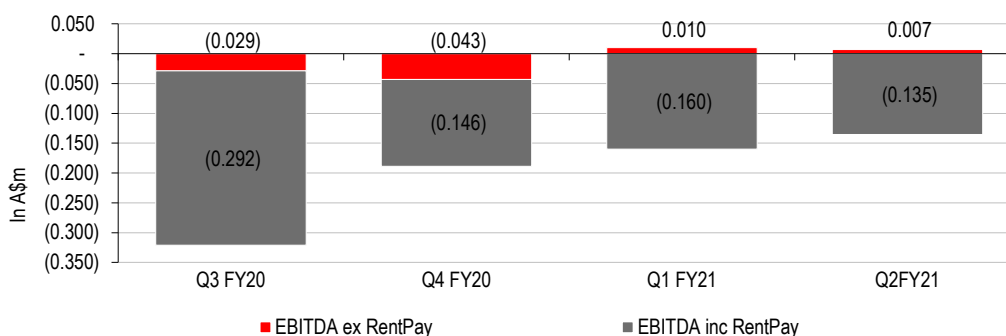
### Exhibit 10: Rent.com.au's quarterly revenues



Source: Company data

Rent.com.au's traditional portal business (search and advertising) has demonstrated improving profitability over the past four quarters, with Q1 FY21 and Q2 FY21 both reporting positive EBITDA. Overall, EBITDA remains in the red due to the investment in RentPay, although these losses have also been reducing over the past four quarters.

### Exhibit 11: EBITDA by quarter (last four reported quarters)

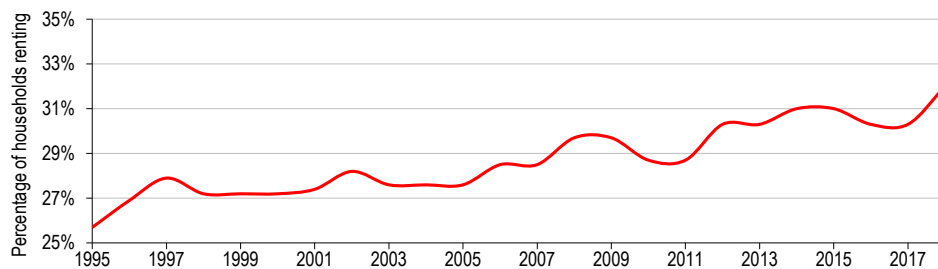


Source: Company 4C reports, RaaS analysis

## The Australian Rental Market

Total residential rentals in Australia now account for 32% of households, the highest level since 1995, according to the Australian Bureau of Statistics' 2018 Housing Occupancy and Costs report. Despite Australia's obsession with home ownership, the country's rental profile is now looking very similar to other nations where renting is not necessarily considered a second-class option.

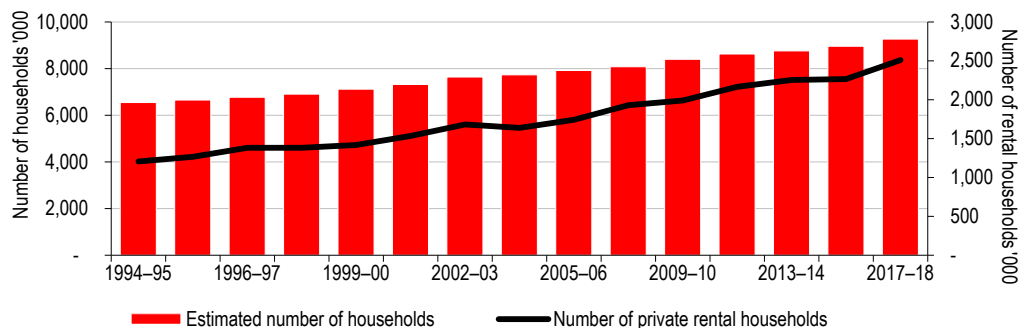
### Exhibit 12: Proportion of Australian households renting (public and private rentals)



Source: Australian Bureau of Statistics, 2017-2018 Housing Occupancy and Costs

Australia's rental households as a proportion of total household population compares similarly to the US, where, according to rental listings site, RentCafé, 34.0% of the population rent their primary residence. Statista notes that 34.8% of people rent in the UK while the Canadian Rental Housing Index estimates that 34.9% of Canadians are renting their homes. In New Zealand its 34%, according to Statistics NZ.

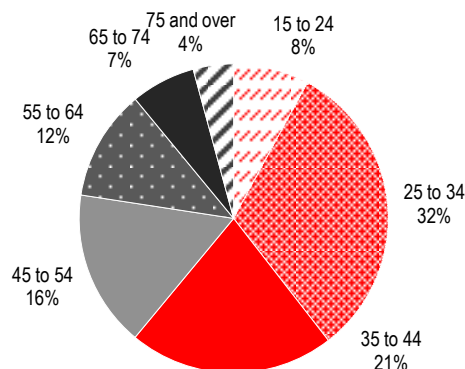
### Exhibit 13: Total Australian households and private rental households



Source: ABS, 2017-2018 Housing Occupancy and Costs (Catalogue 41300), RaaS analysis

Private (or non-government) rentals in Australia are also at an all-time high of 27.1% or 2.51m households.

### Exhibit 14: Breakdown of private rental market by age group

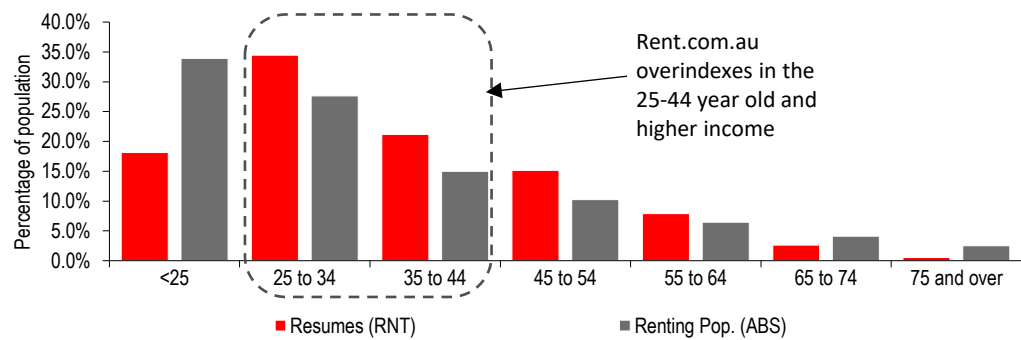


Source: ABS, RaaS analysis

Millennials, 25-44 years old, make up the biggest proportion of private rentals, which 25-34's accounting for 32% of this market, and 35-44s making up 21%.

Statistically, Rent.com.au delivers more Millennials and at a higher income than the broader renting population defined by the Australian Bureau of Statistics (ABS). This should position it well with advertisers and partners seeking to engage with this audience.

**Exhibit 15: Renter Resumes (Rent Population) versus ABS Renting Population data**



Source: Rent.com.au, ABS

The proportion of Millennials households renting is not dissimilar to the US where 65% of under 35-year-old households rent while 41% of 35-44s rent (according to RentCafé). In Australia, according to the ABS, 60.8% of couples and 72% of singles under the age of 35 rent, while 30.8% of couples aged 35-54 and 49.9% of singles in the same age group rent their homes.

## Competitive landscape – Search and advertising

There are more than 80,000 residential rental properties listed each month and each month, Rent.com.au attracts more than 700,000 unique visitors a month to its app and website. In FY20, 7.5m unique visitors used Rent.com.au, up 25% on FY19. While Rent.com.au is not the biggest site for rentals, it is unique in its focus on renters rather than agents.

REA-Group's flagship search site, realestate.com.au, claims the most listings and the highest number of unique visitors per year with 18% of visitors to the site looking for rentals<sup>3</sup>. REA noted in its H1 FY21 results presentation that monthly unique visits across all its platforms and for all property enquiries was 12.3m, up from 8.8m in H1 FY20. REA has also re-launched its rental marketplace, with a goal of delivering property managers a streamlined rental application to quickly evaluate a renter's ID, their ability to pay and automated references. This platform is very much skewed to the agent not renters but given REA's pre-dominance with agents, it may become a challenge to RNT's Renter Resume. REA has not provided any detail on the number of rental applications in its system.

Second largest real estate search site, Domain claims a digital monthly audience of 3.3m but makes no mention of the proportion of its audience seeking rentals.

Our analysis of rental listings by website on 6 February shows realestate.com.au with the most listings, with Domain second and Rent.com.au third. The next largest site by rental listings is realestateview.com.au but this is substantially behind Rent.com.au. There is obvious duplication between these listings across the various sites.

3 Realestate.com.au Media Kit 2019, page 12

#### Exhibit 16: Number of rental listings by website as at 6 February 2021

Real estate website	Number of Listings
Realestate.com.au	92,128
Domain.com.au	81,436
Rent.com.au	73,316
Realestateview.com.au	27,753

Source: Websites, RaaS analysis

Rent.com.au and its competitors generate advertising revenue from their search functionality. In its Australian Entertainment & Media Outlook for 2020-2024, PWC has forecasted that having been impacted by COVID-19 in 2020 with flat revenues, internet advertising was expected to recover to 2024 with a predicted CAGR of 4.38% on PWC's mid-point forecast scenario. The search market is predicted to grow at a slightly lower rate of 2.8% to just over \$4b while internet display advertising is predicted to grow at a CAGR of 7.65% to 2024 to \$4.5b.

### Competitive landscape - transactions

Australia has a growing number of payments service providers, in part spurred by the move to open banking but also in response to consumer and business demand for online payments. The current payments system is outdated with transactions slow to settle and often hard to reconcile. Rent.com.au has identified that this is especially so in rental payments with its predominantly Millennial audience demanding greater transparency on their payments and greater recognition from agents for those payments. A recent report by PWC, *The Future of Payments in Australia – the future of transaction banking and payments in 2020*, found one of the key drivers for change in payments was customer demand for greater personalisation; that with digital, mobile and social media integrating finance into the consumer's daily life, people are demanding a more personalised experience from their finance providers similar to that delivered by Apple or Vend.

Digital Payments are projected to reach A\$101b (US\$77.8b) in 2021, according to Statista, with total transaction value forecasted to grow at a CAGR of 15.5% to A\$244b (US\$138b) by 2025. Bill payment services dominate digital payment methods with 56.2% of total payments in 2019, according to Roy Morgan.

The New Payments Platform (NPP), backed by industry and government, has now been launched in Australia and allows consumers to make real-time transfers between different banks and providers. Instead of the old method of taking three days for a transfer payment to hit a bank account, payments are now settled immediately. BPay-created Osko, which Rent.com.au has already locked in for RentPay, provides the backbone for instant payments, delivering payment options such as PayID as well as the old-fashioned BSB and account number. The Osko system also provides better descriptions on the transaction, allowing for up to 280 characters rather than the traditional 18 characters in bank transfers.

### Purpose-led companies

Rent.com.au is a purpose-led company and as such we think it is important to address just what that means for investors and stakeholders. In its *2020 Global Marketing Trends* report, Deloitte Insights found that companies that embody a clear purpose ie articulate why the organisation exists, what problems it exists to solve and what it wants to be to each human it touches, witness higher market share gains and grow on average three times faster than their competitors. Deloitte's report also found that purpose-oriented companies have higher productivity and growth rates along with a more satisfied workforce and that such companies report 30% higher levels of innovation and 40% higher levels of workforce retention than their competitors.

The Business of Purpose website ([www.businessofpurpose.com](http://www.businessofpurpose.com)) provides several pertinent statistics on purpose led companies including:

- Kantor's 2018 Purpose Study found that purpose-led brands had seen their valuation increase 175% over 12 years versus a rate of 70% for brands that don't state their goal;
- Babson professor and Whole Foods adviser, Raj Sisodia, studied 28 companies from 1996-2013 and concluded that purpose driven companies grew 1,681% compared with the S&P average of 118%;
- Ipsos's 2017 study found that globally, 67% of people agree that it is more important for brands to choose to make a positive contribution to society, beyond providing a good service or product;
- 79% of respondents in Cone/Porter Novelli's Purpose Study said they're more loyal to purpose brands, and 73% said they would defend them. 78% said they would tell others to buy from their companies and 73% would share content about that company.

## Earnings forecasts

Our forecasts are predicated on Rent.com.au successfully rolling out the RentPay platform and attracting 5% of Australia's 2.5m rental households by FY23 and 20% share of rental households by 2030. We have given regards to the detail in the company's presentations (August 2020 and October 2020) in relation to the opportunity presented by a relaunched RentPay. Our forecasts assume that over time ARPU per customer will rise from \$5/month in H2 21 to \$7.50/month by FY23 and \$10.09/month by FY30 to give a median APRU over the forecasted period of \$8.83/month. Rent.com.au's analysis of the RentPay opportunity discusses an \$8/month ARPU.

Our expectation is that \$3.50 per month will be generated from subscription/transaction revenue relating to rent payments, that finance products will add an additional \$2.25/\$2.50 per month while utilities payments another \$2.25/\$2.50 per month.

We are forecasting that rental products revenue will grow at a CAGR of 6.6% from FY21-FY25 while advertising revenue is forecast to grow at a CAGR of 7.0%. In our view, success with RentPay will deliver a flow on effect to products and advertising revenue, hence the slightly higher than industry forecast growth rates.

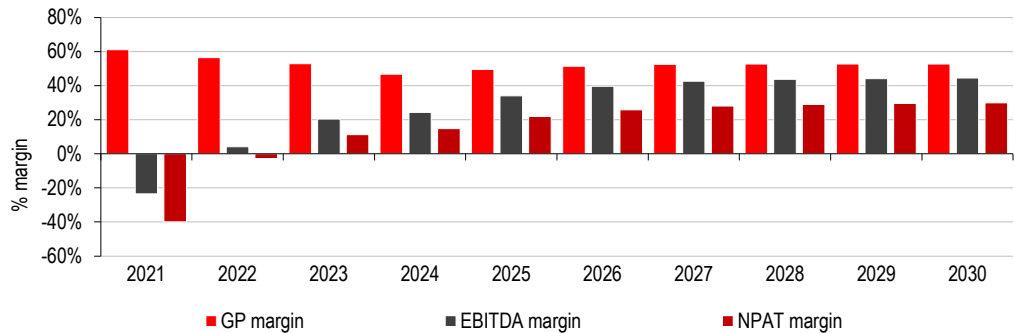
**Exhibit 17: Breakdown of RaaS assumptions and forecasts (in A\$m unless otherwise stated)**

Year ending June 30	FY21	FY22	FY23	FY24	FY25
RentPay customers at year end (No.)	7,536	76,641	129,907	224,596	322,467
% penetration	0.3%	3.0%	5.0%	8.5%	12.0%
Average Revenue Per User (ARPU) per Month	\$5.00	\$7.50	\$7.96	\$8.44	\$8.70
RentPay revenue	0.15	2.80	10.38	17.45	28.10
Rental Products revenue	1.70	1.94	2.12	2.23	2.34
Advertising revenue	1.13	1.30	1.43	1.51	1.58
<b>Total Revenue</b>	<b>2.98</b>	<b>6.04</b>	<b>13.93</b>	<b>21.18</b>	<b>32.02</b>
Gross Profit RentPay	(0.08)	1.23	4.98	7.40	13.23
Gross Profit Rent.com.au	1.90	2.17	2.38	2.50	2.62
EBITDA RentPay	(0.75)	(0.03)	2.39	4.65	10.34
EBITDA Rent.com.au	0.23	0.66	0.83	0.90	0.98
<b>NPAT</b>	<b>(1.20)</b>	<b>(0.24)</b>	<b>2.28</b>	<b>4.57</b>	<b>10.19</b>

Source: RaaS estimates

At present Rent.com.au is only just EBITDA positive on the core business. Over time we are forecasting for Gross Profit margins to average 53% with EBITDA margins forecast to average 37%, although grow to 44% by FY30 and NPAT margins to average 24% but grow to 30% by FY30. We set out our forecasted operating marketing in the following exhibit.

**Exhibit 18: Forecasted operating margins – Gross Profit, EBITDA, NPAT**

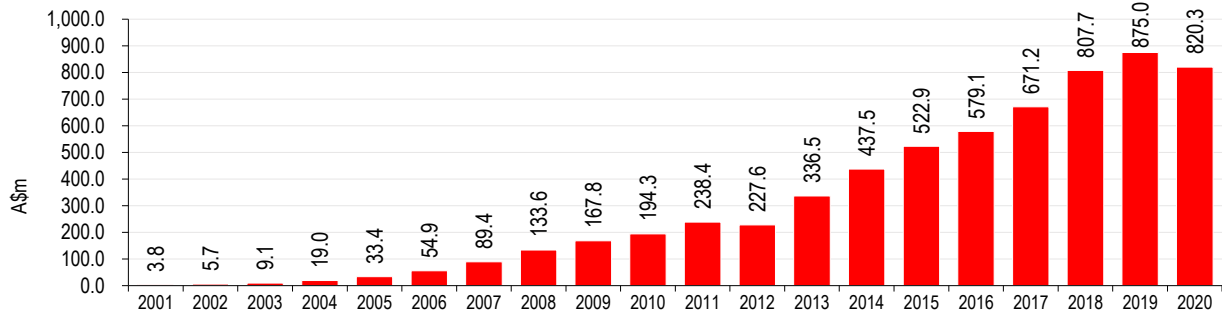


Source: RaaS estimates

### What's to be gleaned from REA Group's operating margins

We have examined REA Group's historical revenue and EBITDA performance to get a sense of the leverage an online marketplace can derive over time as it gains share of market and adds new functionality and products. REA is a SaaS business which has matured over the past 20 years. The company was still loss making in the early 2000s but from 2012 its revenues outperformed our forecasts (set in 2010) by 50% or more. Moreover, the business demonstrates the leverage that an online marketplace can deliver.

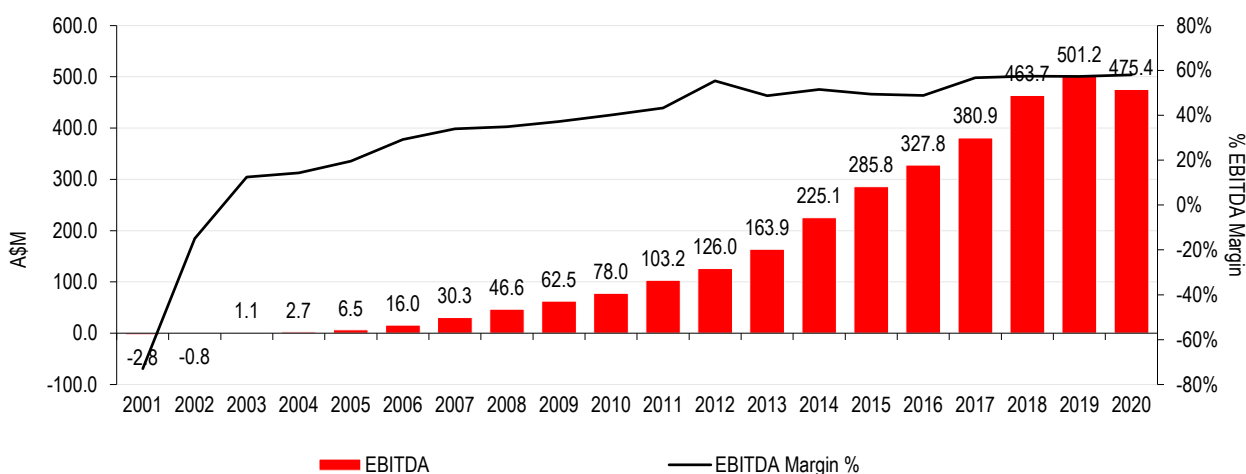
**Exhibit 19: Revenue performance of REA Group from 2001-2020**



Source: REA Group annual reports, RaaS analysis

This leverage is evident in the consistent EBITDA margins, ~50%, delivered by the business from early in its lifecycle. Our margin forecasts for Rent.com.au are more conservative than this, averaging 35% over the next 10 years and at 44% by FY30.

**Exhibit 20: REA Group's EBITDA and EBITDA Margin from 2001-2020**



Source: REA Group, RaaS estimates

## SWOT analysis

In our view the strengths and opportunities for Rent.com.au outweigh the weaknesses and threats.

### Exhibit 21: SWOT Analysis

Strengths	Opportunities
High proportion of users only use Rent.com.au for their rental search	Opportunity to expand RentPay into more financial products including mortgages
Highly scalable business model with predominantly fixed cost base	Opportunity to leverage buying power of Millennials to secure better deals on utility bills, telecoms, insurance
Targeting and resonating with Millennials, a highly sought after population segment	Opportunity to partner with other purpose-led companies such as AirBNB, Uber, to deliver benefits to customers
Culture of tight cost control	
Purpose-led company with demonstrated commitment to its target market	
Board and management team experienced in building early stage companies into profitable mid to large sized businesses	
Supported by new strategic investor will help underpin the share price	
Weaknesses	Threats
RentPay Mark 2 has yet to prove it will be adopted by Rent.com.au's audience	REA Group has launched its own agent-focused ID verification and application process
The market has already factored in a large part of the early opportunity for RentPay	Larger players with deeper pockets could seek to replicate Rent.com.au's transaction play

Source: RaaS Analysis

## Sensitivities

We highlight several sensitivities to Rent.com.au's business:

- **Execution risk:** Our forecasts and valuation are predicated on the company's ability to attract renters to its RentPay platform. We are forecasting that by the end of FY23 the company has a market share of rental households of 5% and 20% by FY30, delivering a median ARPU of \$8.83 over the period. Lower penetration and/or ARPU will result in reduced earnings forecasts and a lower valuation.
- **Key person risk:** We see the senior management team as crucial to the success outcome of the company's strategy. Loss of the CEO, CFO/COO would impact on Rent.com.au's ability to execute the business plan.
- **Competitor risk:** There is always the risk that the two market leaders in online real estate search, REA Group and Domain, decide to adopt Rent.com.au's business strategy for developing a rental eco-system.



## Board and management

### Directors

**Dr Garry Garside, Non-Executive Chairman**, has extensive corporate experience having founded and operated several companies. He is managing director of property development company Watersun Property. He also chairs a range of unlisted investment syndicates and companies. Dr Garside founded Prime Health Group in 1988 before merging it with Westpoint Healthcare in 2000 to create Endeavour Healthcare. He remained the group's managing director until 2002. He is a qualified medical practitioner and specialist in occupational medicine. Dr Garside also holds a Master of Business Administration from the University of Western Australia.

**John Wood, Non-Executive Director** brings wide-ranging experience in property, sales and marketing, business management, tourism and retail. He was the founder and managing director of National Lifestyle Village, a company he created in 1999. The firm received the 2007 Telstra WA Business of the Year award and he received the Rothwell's Young Entrepreneur Award and the West Australian Young Achievers Award. Prior to founding National Lifestyle Villages, Mr Wood established and managed the growth of Fleetwood Corporation's manufactured homes division. He grew this business to be a market leader in the 1990s.

**Sam McDonagh, Non-Executive Director**, is a Chartered Accountant with more than 20 years' experience in leadership roles at companies including eBay (Southeast Asia), iiNet Ltd and most recently as Airbnb's Australia and New Zealand manager. Mr McDonagh was also a founding director of Quickflix and previously general manager, adviser and investor in the US-based Dollar Shave Club's Australian business.

**Phillip Warren, Non-Executive Director**, brings more than 20 years' experience in finance and corporate roles in Australia and Europe. He has specialised in mergers and acquisitions, company valuations, capital raisings, debt raisings and corporate governance across several company roles. He is currently Managing Director of Grange Consulting Group and is a non-executive director of Family Zone Cyber Safety (ASX:FZO) and Cassini Resources Ltd (ASX:CZI).

### Management

**Greg Bader, Chief Executive Officer**, was appointed CEO in July 2016 and has been instrumental for the company's focus on developing new business streams to unlock the full potential of a marketplace dedicated to and for renters. Mr Bader has a proven track record of driving corporate growth, most recently at iiNet where he held the positions of Chief Business Officer and Chief Technology Officer from 2003 to 2015. Under his hand as Chief Business Officer, iiNet's business services division grew revenues to more than \$200m. He holds a Master of Business Administration and Master of Science from Murdoch University and a RAAF Associate Degree in Electronic and Communications Engineering.

**Jan Ferreira, Chief Financial Officer/Chief Operating Officer/Co-Company Secretary**, brings more than two decades of financial leadership positions to his role, having previously led ASX-listed online consumer finance business ThinksSmart Ltd's finance team as the Group Chief Financial Officer and Company Secretary. There, he led a project to establish a \$200m securitisation ready funding platform to seed and launch new products. He also previously led Verve Energy's Finance Management team before it merged with Synergy and has held senior finance positions at Alinta Ltd, SITA Suez in the UK and Investec Asset Management in the UK.

**Scott Waters, General Manager – Products & Services** is a digital product and marketing specialist with more than 15 years' experience across media, telecoms and banking. He was most recently Head of Digital for News Corp in WA where he oversaw the development and commercialisation of its online news platform PerthNow.com.au. He previously held senior marketing roles at iiNet and Bankwest.

**Lee Swanson – Head of Development** has worked in software development across a number of industries for over 20 years. With in-depth knowledge of many areas of software engineering, he has held diverse technical roles locally and in Asia within organisations such as Commonwealth Bank (Bankwest and CBA International Financial Services), Fujitsu and Wesfarmers.

**Sandra Antipas, Manager – Customer Care** has more than 20 years' experience leading customer-facing teams in finance and technology businesses, including as Operations Manager at ThinkSmart Ltd and Flexigroup.

## Peer Comparison

Rent.com.au is a single purpose, purpose-led portal generating revenue from products and advertising. The company is seeking to move its business model to be transactions-based. We have examined two groups of companies for our peer analysis – payments companies and online search/marketplaces.

### Online search/marketplace companies:

**Carsales.com Ltd** is Australia's dominant online auto (automotive, motorcycle and marine) classifieds business with operations across the Asia Pacific and interests in online automotive classified businesses in Brazil, South Korea, Malaysia, Indonesia, Thailand and Mexico. It generates revenue from online display and classifieds (listings) advertising in Australia and internationally as well as from data and research services. Data, Research and Services-Australia, International Segments, Latin America (LATAM) and Asia.

**Domain Holdings Australia Limited** (Domain) is a real estate technology and services business focused on the Australian property market. Domain offers residential and commercial property marketing services via its listing portals on desktop and mobile, and via social media and print magazines. In addition to operating residential and commercial real estate portals, Domain provides data and technology services to real estate agencies through customer relationship management (CRM) services, property data and research subscriptions, and property inspection management tools. The print segment includes real estate newspaper and magazine publishing.

**iCarAsia**, is an Australian listed but ASEAN focused network of automotive classifieds portals with operations in Malaysia, Indonesia and Thailand. The company allows both motor vehicle dealers and private individuals to list cars for sale. The company's online properties currently reach more than 4.8m car buyers and sellers a month.

**REA-Group Ltd** is a leading global digital business specialising in property. The company owns the leading residential property portal in Australia, realestate.com.au, and commercial property portal, realcommercial.com.au, as well as the leading share property site, flatmates.com.au. The company also owns property portals in Malaysia, iproperty.com.my, in Hong Kong, squarefoot.com.hk, in China, myfun.com, and in Thailand, thinkofliving.com. The company has also expanded into transactional services, with the ownership of Smartline Home Loans, a mortgage broking franchise group, and Hometrack Australia, a provider of property data services. REA also owns holdings in several property websites in other markets.

As the following exhibit shows, this peer group is currently trading on a median forward EV/Rev of 12.8x, forward EV/EBITDA of 35.0x and forward PER of 63.4x, high multiples considering the established position of these companies and the relatively modest revenue growth they have delivered over the past five years.

**Exhibit 22: Online search portals**

Company Name	Code	Market Cap (A\$m)	EV (A\$m)	EV/Rev last (x)	EV/Rev Fwd (x)	EV/EBITDA last (x)	EV/EBITDA Fwd (x)	PER Last (x)	PER Fwd (x)	5 Year Rev growth	5 year EBITDA margin
Carsales.Com	CAR.AX	5,248	5,673	14.3	13.2	26.8	23.1	38.8	37.6	3%	52%
Domain Hlgs	DHG.AX	2,834	2,989	11.2	10.5	35.0	30.7	134.3	94.4	18%*	31%*
Icar Asia	ICQ.AX	153	147	9.9	10.3	na	na	na	na	19%	na
REA-Group	REA.AX	20,293	20,398	23.1	22.9	41.5	38.0	75.8	63.4	9%	55%
Median		<b>4,041</b>	<b>4,331</b>	<b>12.8</b>	<b>11.8</b>	<b>35.0</b>	<b>30.7</b>	<b>75.8</b>	<b>63.4</b>	<b>13%</b>	<b>52%</b>

Source: Refinitiv Eikon, RaaS analysis, prices at 19 Feb 2021. "Last" refers to the last reported, Fwd refers to consensus forward estimates \*based on 4 years

In comparison, we are forecasting a 5-year CAGR in revenue from FY21-FY25 of 61% for Rent.com.au with a median EBITDA margin of 20% over the same period as the company moves from operating losses to profitability. Over time, however, we expect Rent.com.au's operating margins to grow to 44%.

## Transaction based peers:

Given Rent.com.au is moving towards a transaction based business, we believe it is appropriate to examine a peer group in this category.

**EML Payments** provides payment card technology solutions. The Company offers prepaid disbursements and funding card programs for gaming payouts, government disbursements, healthcare reimbursements, and commission payouts. EML Payments serves customers worldwide.

**IOUPay** formerly Isentric, provides mobile banking and digital purchase and payments to South East Asia's banking and corporate sectors. It is particularly focused on Malaysia and Indonesia. It also works with telecommunication network providers to provide mobile over-the-top (OTT) services.

**Novatti Group** provides payments processing solutions including cross border payments, vouchers and digital wallets and billing systems. Novatti is Rent.com.au's partner in developing RentPay.

**OFX Group** is a provider of international payments and foreign exchange services. The Company provides international payment services in defined geographic regions based on client location and international payment solutions globally.

**Plenti Group**, formerly Ratesetter, is a technology-led consumer lending and investment business. Plenti seeks to provide borrowers with efficient, simple and competitive loans, delivered via seamless digital experiences.

**Pushpay** is a software business that facilitates electronic donations. It provides tools and a community app for its clients. It's particularly focused on the large and medium US church sector – there is large amount of money donated each year in this area. We have included it in this analysis as it is profitable and has a demonstrated history of growth across its payments platform.

**Wisr** is a purpose-led neo-lender targeting Millennials. The company's purpose is to help everyday Australians access smarter and fairer credit. The company has developed a number of tools to assist its customers including credit scores and the Wisr app to help consumers round up digital spare change to pay down their debt.

As the following table demonstrates, the transaction peers trade at a forward EV/Revenue of 10.1x, EV/EBITDA of 25.4x, and PER of 56.6x although it should be noted that only three of these peers are profitable and most of these companies are considered still early stage. Revenue growth is higher than search peers given the early stage nature of these businesses.

We are not going to attempt to put Rent.com.au on a peer multiple given the company is far less advanced than both peer groups and yet to rollout RentPay.

**Exhibit 23: Transaction based peers**

Company Name	Code	Market Cap (A\$m)	EV (A\$m)	EV/Rev last (x)	EV/Rev Fwd (x)	EV/EBITDA last (x)	EV/EBITDA Fwd (x)	PER Last (x)	PER Fwd (x)	5 Year Rev growth	5 year EBITDA margin
EML Payments	EML.AX	1,838	931	7.7	5.0	38.2	17.5	60.5	59.8	39%	20%
loupay	IOU.AX	277	276	43.3	na	na	na	1.2	na	na	4%
Novatti Group	NOV.AX	90	77	7.0	na	na	na	na	na	23%	na
OFX Group	OFX.AX	302	88	0.6	na	2.5	na	14.5	na	4%	25%
Plenti Group	PLT.AX	182	579	13.9	10.3	na	na	na	na	na	na
Pushpay Hldgs	PPH.AX	1,775	1,830	14.4	9.9	76.1	33.4	110.7	53.5	66%	na
WISR	WZR.AX	225	278	38.8	11.7	na	na	na	na	43%	na
Median		277	278	13.9	10.1	38.2	25.4	37.5	56.6	39%	20%

Source: Refinitiv Eikon, RaaS analysis, prices at 19 Feb 2021. "Last" refers to the last reported, Fwd refers to consensus forward estimates

## DCF Valuation

We have used the discounted cashflow methodology to value Rent.com.au arriving at a base case valuation of \$138.6m or \$0.35/share on the current share count. If we were to include in the money options and performance shares, the per share valuation is \$0.32/share. Our terminal value accounts for \$0.21/share in the valuation. The valuation captures a CAGR in free cash flows of 57.6% from FY22-FY30 and a 10% CAGR on revenues of 38% from FY21-FY30.

### Exhibit 24: DCF valuation

DCF valuation	Parameters
Discount Rate / WACC	12.0%
Beta	1.6
Equity Risk Premium	7.0%
Risk Free Rate	0.5%
Terminal growth rate	2.2%
<b>CAGR in FCF FY22-30</b>	<b>57.6%</b>
Sum of PV (A\$m)	55.6
PV of terminal Value (A\$m)	79.3
PV of Enterprise	134.8
Net Debt estimated at FY21 end	(3.8)
Net Value - Shareholder	138.6
No of shares on issue	397.7
<b>NPV in A\$</b>	<b>\$0.35</b>
Source: RaaS Analysis	

## Scenario analyses

We have explored a number of scenarios in our modelling, all of them subject to performance by Rent.com.au as is our base case valuation. These scenarios are set out below:

- A lower growth (downside) case in which RentPay takeover is 2.5% by FY23 and 15% by FY30 (compared to our base case of 5.0% in FY23 and 20% in FY30). This case assumes a lower median ARPU of \$8.16/month for the 10 years. This scenario points to a valuation of \$0.21/share using the same parameters set out above;
- An upside case in which RentPay's penetration of the renter market hits 10% by FY23 and 30% by FY30. We also assume higher median ARPU across the period. This scenario points to a valuation of \$0.77/share using the same valuation parameters outlined in the previous section;
- An expanded model which takes the penetration rates of the upside case above and incorporate an expanded revenue opportunity in which ARPU rises to \$50/month by FY30 on the back of transactions extending to telcos, group buying and discounts for utilities, fees from mortgages and other loans. Bear in mind that this expanded opportunity is highly speculative. It points to a potential valuation of \$2.75/share.

### Exhibit 25: Base case valuation, revenue and EBITDA forecasts versus downside/upside projections

	Base	Downside	Upside	Expanded Opportunity
DCF valuation/share (fully diluted)	\$0.35	\$0.21	\$0.77	\$2.75
DCF valuation A\$m	138.6	82.7	306.8	1,094.8
RentPay penetration FY23	5.0%	2.5%	10.0%	10.0%
RentPay penetration FY30	20.0%	15.0%	30.0%	30.0%
Average ARPU FY21-FY30	\$8.83	\$8.16	\$11.29	\$32.50
Revenue FY21	3.0	2.9	3.2	3.2
EBITDA FY21	(0.7)	(0.6)	(0.8)	(0.8)
Revenue FY30	73.0	49.7	150.6	515.6
EBITDA FY30	32.5	21.3	72.4	269.5
10-year CAGR in Revenue %	37.6%	32.8%	47.2%	66.4%
10-year CAGR in Free cashflow%	57.6%	nm	43.4%	62.2%

Source: RaaS estimates

**Exhibit 26: Financial Summary**

Rent.com.au Ltd						Share price (22 February 2021)						A\$		0.24
Profit and Loss (A\$m)						Interim (A\$m)		H120A	H220A	H121F	H221F	H122F	H222F	
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	Revenue	1.2	1.3	1.5	1.5	2.1	3.9		
						EBITDA	(0.5)	(0.3)	(0.3)	(0.4)	(0.2)	0.5		
Sales Revenue	2.2	2.5	3.0	6.0	13.9	EBIT	(1.0)	(0.7)	(0.5)	(0.7)	(0.5)	0.2		
Gross Profit	0.8	1.5	1.8	3.4	7.4	NPAT (normalised)	(1.0)	(0.7)	(0.5)	(0.7)	(0.3)	0.2		
EBITDA underlying	(2.0)	(0.8)	(0.7)	0.2	2.8	Minorities	-	-	-	-	-	-		
EBITDA reported	(1.9)	(0.8)	(0.7)	0.2	2.8	NPAT (reported)	(0.9)	(0.7)	(0.5)	(0.7)	(0.3)	0.1		
Depn	(0.0)	(0.1)	(0.0)	(0.0)	(0.0)	EPS (normalised)	(0.35)	(0.24)	(0.16)	(0.17)	(0.08)	0.04		
Amort	(0.5)	(0.8)	(0.5)	(0.5)	(0.5)	EPS (reported)	(0.33)	(0.23)	(0.15)	(0.17)	(0.08)	0.04		
EBIT	(2.6)	(1.7)	(1.2)	(0.3)	2.3	Dividend (cps)	-	-	-	-	-	-		
Interest	0.0	(0.0)	0.0	0.0	0.0	Imputation	-	-	-	-	-	-		
Tax	0.0	0.0	0.0	0.1	(0.7)	Operating cash flow	(0.6)	(0.1)	0.4	(0.4)	(0.1)	1.0		
Minorities	0.0	(0.0)	0.0	0.0	(0.1)	Free Cash flow	(0.5)	0.2	0.4	(0.1)	0.2	1.2		
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Divisions	H120A	H220A	H121F	H221F	H122F	H222F		
NPAT pre significant items	(2.6)	(1.7)	(1.2)	(0.2)	1.6	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1		
Significant items	0.1	0.0	0.0	0.0	0.0	Rental Products	0.6	0.7	0.7	0.8	0.8	0.9		
NPAT (reported)	(2.5)	(1.7)	(1.2)	(0.2)	1.6	Advertising	0.5	0.0	0.6	0.5	0.7	0.6		
Cash flow (A\$m)						RentPay	0.0	0.0	0.1	0.1	0.5	2.3		
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	Total Revenue	1.2	0.8	1.5	1.5	2.1	3.9		
EBITDA	(2.0)	(0.8)	(0.7)	0.2	2.8									
Interest	0.0	(0.0)	0.0	0.0	0.0	COGS	(0.5)	(0.5)	(0.6)	(0.6)	(0.9)	(1.7)		
Tax	0.0	0.0	(0.0)	(0.1)	(0.7)	Gross profit	(0.48)	(0.46)	(0.53)	(0.49)	(0.40)	0.56		
Working capital changes	0.1	0.0	0.6	0.7	2.0	Employment	(1.0)	(0.9)	(0.8)	(1.0)	(1.0)	(1.3)		
Operating cash flow	(1.9)	(0.8)	(0.1)	0.9	4.1	SGA&A	(0.4)	(0.4)	(0.3)	(0.4)	(0.4)	(0.4)		
Mtce capex	(0.0)	(0.0)	0.0	0.0	0.0									
Free cash flow	(1.9)	(0.8)	(0.1)	0.9	4.1	EBITDA	(0.5)	(0.3)	(0.3)	(0.4)	(0.2)	0.5		
Growth capex	(0.6)	(0.5)	(0.3)	(0.5)	(0.5)	Margins, Leverage, Returns		FY19A	FY20A	FY21F	FY22F	FY23F		
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBITDA		(93.4%)	(31.5%)	(23.5%)	4.1%	20.3%		
Other	0.0	0.0	(0.6)	0.0	0.0	EBIT		(119.6%)	(67.6%)	(41.3%)	(4.6%)	16.6%		
Cash flow pre financing	(2.5)	(1.2)	(0.9)	0.4	3.6	NPAT pre significant items		(119.2%)	(67.9%)	(39.9%)	(2.8%)	11.2%		
Equity	0.5	2.0	4.3	0.0	0.0	Net Debt (Cash)		0.1	0.6	3.8	4.2	7.8		
Debt	(0.0)	(0.1)	(0.0)	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	17.1	2.8		
Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(10.0%)	(52.4%)	(458.6%)	(1959.3%)	441.0%		
Net cash flow for year	(2.0)	0.7	3.3	0.4	3.6	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	- 0.0		
Balance sheet (A\$m)						ROA		(78.3%)	(68.1%)	(29.4%)	(4.4%)	25.7%		
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	ROE		(174.6%)	(103.5%)	(37.6%)	(3.7%)	29.9%		
Cash	0.2	0.6	3.8	4.2	7.8	ROIC	nm		334.7%	(275.5%)	255.7%	(83.9%)		
Accounts receivable	0.3	0.4	0.4	0.8	1.8	NTA (per share)	n/a		0.00	0.01	0.01	0.01		
Inventory	0.0	0.0	0.0	0.0	0.0	Working capital		(0.3)	(0.2)	(0.5)	(1.2)	(3.2)		
Other current assets	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(12.9%)	(7.1%)	(16.8%)	(20.3%)	(23.0%)		
Total current assets	0.5	1.0	4.1	5.0	9.7	Revenue growth		(6.9%)	13.3%	22.2%	101.5%	130.8%		
PPE	0.0	0.0	0.0	0.0	0.0	EBIT growth pa	n/a	n/a	n/a	n/a	n/a	nm		
Intangibles and Goodwill	1.7	1.5	1.5	1.5	1.5	Pricing		FY19A	FY20A	FY21F	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	0.1	0.1	Weighted Av Dil Shares	(m)	238	292	313	398	398		
Other non current assets	0.0	0.1	0.1	0.1	0.1									
Total non current assets	1.7	1.6	1.6	1.7	1.7	EPS Reported	cps	(1.1)	(0.6)	(0.3)	(0.0)	0.4		
Total Assets	2.2	2.7	5.8	6.7	11.4	EPS Normalised/Diluted	cps	(1.1)	(0.6)	(0.3)	(0.0)	0.4		
Accounts payable	0.6	0.6	0.9	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	0.3	0.3	0.3	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%		
Total current liabilities	0.8	0.8	1.2	2.3	5.3	Dividend imputation		0	0	0	0	0		
Long term debt	0.0	0.0	0.0	0.0	0.0	PE (x)		-	-	-	-	61.0		
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%)	229.8%		
Total Liabilities	0.8	0.9	1.2	2.3	5.3	EV/EBITDA	-	29.5	- 93.1	- 130.1	371.6	30.9		
Net Assets	1.4	1.8	4.6	4.4	6.1	FCF/Share	cps	(0.8)	(0.2)	(0.0)	0.2	1.0		
Share capital	35.3	37.1	41.1	41.1	41.1	Price/FCF share	-	32	- 96.1	- 1,315.6	102.0	23.0		
Accumulated profits/losses	(40.2)	(41.9)	(43.1)	(43.3)	(41.6)	Free Cash flow Yield		(3.2%)	(1.0%)	(0.1%)	1.0%	4.3%		
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	4.6	4.4	6.1									

# 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: 26<sup>th</sup> November 2018**



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

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  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

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Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

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

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