

PropTech Group Ltd

Another way to play the real estate game

PropTech Group Ltd (ASX:PTG) is a property technology SaaS company with a market-leading position in customer-relationship management (CRM) systems with Australian and New Zealand residential real estate agents, and a small but growing position in the UK market. The company, previously known as Real Estate Investar, relisted in November 2020, having acquired CRM platforms VaultRE from its founders and MyDesktop from Domain Holdings Ltd (ASX:DHG) and after raising \$10.6m at \$0.25/share. In July 2021, the company completed a \$17.5m share placement and 1-for-8.57 accelerated non-renounceable entitlements offer at \$0.72/share. Since relisting, PTG has acquired H1, Harcourts' CRM system, real estate agent-focused website company WebsiteBlue, digital marketing group Designly and independent, boutique CRM platform Eagle Software. The company has also forged a joint venture with Flip Money, BC Investment Group and Convini to create a payments services platform RelloPay which will allow real estate agent and third-party platforms to offer payments and buy now, pay later solutions to their customers for real estate services. PTG recently reported a 98% increase in H1 FY22 revenues, with 41% of that growth coming from like-for-like operations. The H1 FY22 result was ahead of our forecasts and resulted in an upgrade to our forecast revenues, underlying EBITDA and NPAT (see report published [17 February 2022](#)).

Business model

PropTech Group operates a subscription-based, software-as-a-service (SaaS) model for both business-to-business (B2B) and business-to-consumer (B2C) customers in the residential property markets in Australia, New Zealand and the UK. PropTech is also leveraging its role in the real estate lifecycle to develop new revenue streams from payments (via its PropPay JV) and ancillary services. The company generates the bulk of its sales revenues (~90% of revenues in FY21) from real estate agents. Around 41% of agency offices in Australia and New Zealand use one or more of PropTech's products. In the UK, it's just under 1% of agents. We estimate PropTech's share of transactions flowing through its platform is closer to 50% of the ANZ market.

Strong H1 FY22 revenue growth and ARR up 71% to \$17m

PropTech delivered a better-than-forecast H1 FY22 result from both a top-line and operating profit perspective. Operating revenue increased 98% to \$9.7m, with 41% of that growth coming from like-for-like operations. ARR increased 71% to \$17.0m, which was ahead of our forecasts, and gross profit for the half increased 101% to \$8.9m as a result of an expanded margin. Underlying EBITDA for the half was \$0.8m, down 44% on the previous corresponding period (pcp) as a result of absorbing additional costs from its three acquisitions in 2021 and investing in people and products to capture a greater share of the real estate SaaS market. The product and development team increased to 42 in the half, up from 14 in the same period in FY21, with total employees now at 125 across the group, compared with 51 at the November 2020 relisting, and this is reflected in the 200% increase in employment costs half-on-half.

RaaS valuation is \$1.27/share, trading at a discount to peers

We value PropTech Group using the discounted cashflow method given its relatively early stage in its lifecycle. Our base-case valuation is \$1.27/share (WACC 12.0%, terminal growth rate 2.2%), and this implies an EV/Sales multiple of 9.0x FY22 revenues. At the current share price, the company is trading at a >50% discount to its domestic peers.

Historical earnings and RaaS forecasts (In A\$m unless otherwise stated)

Year End	Revenue	Gross Profit	EBITDA adj.	NPAT adj.	EPS adj. (c)	EV/Sales (x) ^A
06/20a	2.9	2.6	0.5	(0.4)	(0.7)	16.5
06/21a	11.2	10.0	1.9	(0.5)	(0.5)	4.2
06/22e	20.1	18.2	0.6	(1.8)	(0.9)	2.4
06/23e	25.8	23.3	1.7	(0.7)	(0.5)	1.8

Source: Company data, RaaS forecasts for FY22e and FY23e *EBITDA, NPAT and EPS adjusted for one-time, non-cash items ^Acalculated from current enterprise value

Software & Services

11th March 2022

Share Details

ASX code	PTG
Share price	\$0.415
Market capitalisation	\$62.0M
Shares on issue	149.5M
Net cash at 31-Dec-2021	\$14.8M
Free float	46.5%

Share Performance (12 months)



Upside Case

- Highly-experienced board and management
- Highly-scalable business model
- Considerable upside in UK market presence

Downside Case

- Integration risk from recent acquisitions
- Industry heavyweight REA Group deploys resources into CRM/property management
- Limited history on the impact of a downturn on real estate marketing spend

Catalysts

- Continued growth in ARPA
- Evidence of market-share growth

Comparable Companies (Aust/NZ)

Openn Negotiation (ASX:OPN), RMA Global (ASX:RMY), Rent.com.au (ASX:RNT)

Board and Management

Simon Baker	Non-Executive Chair
Joe Hanna	Managing Director/CEO
Scott Wulff	Executive Director
Sam Plowman	Non-Executive Director
Georg Chmiel	Non-Executive Director
Michael Fiorenza	Chief Financial Officer

Company Contact

Dave Platter (IR) +61 432 814 888
dave.platter@proptech-group.com

RaaS Contact

Finola Burke +61 414 354 712
finola.burke@raasgroup.com



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

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

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

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

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

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

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

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd trading as Research as a Service ("RaaS"). This research is issued in Australia by RaaS and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2022 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.