

# Rent.com.au Ltd

## Q2 FY23 Results Analysis

### Good cost control in the face of seasonal weakness

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 reported a positive Q2 operating cashflow of \$0.385m due to a \$0.68m R&D tax credit. The underlying result demonstrated good cost control in the face of a seasonally weaker market and slippage in advertising revenue as a result of tough economic conditions for the home building sector. Cash receipts for the quarter were \$0.764m to bring total cash receipts for the half to \$1.683m, which is below our forecast for \$1.9m for the period. However, costs were also \$0.2m below our expectations so on a net basis the underlying cash result was in line with our expectations. The core Rent.com.au business delivered its 10<sup>th</sup> consecutive quarter of positive EBITDA of \$0.03m while the investment in the RentPay platform was \$0.561m for the quarter to deliver an EBITDA loss of \$0.55m in the period. RentPay now has 4,096 active customers transacting payments on the platform, a 250% increase on the number of active customers a year ago. The company ended the quarter with \$3.8m in cash, having completed its \$2.9m rights issue during the quarter. We have made no changes to our forecasts following the Q2 result and will wait to refine our forecasts at the interim result. Our base case DCF valuation is \$100.4m or \$0.20/share and is predicated on RentPay securing 5% of renters on its platform by FY24 and 20% by FY30.

### 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 Origin; and from RentBond, RNT's "move now pay later" product, which helps renters bridge the gap from one rental property to another by financing their bond online. The company's growing RentPay app platform allows renters total financial flexibility in terms of how they make their rent payments while giving agents and landlords surety of payments on time. It also aligns Rent.com.au to the tenancy period, giving it an opportunity to engage with its audience for longer and extend the relationship into other revenue lines including insurance, telecommunications, loan and finance products.

### Strong growth in RentPay customers

Rent.com.au delivered Q2 FY23 revenues of \$0.61m, a decline of 20.7% on the pcq due to seasonality and falling advertising sales impacted by the economic challenges in the new build home construction sector. Advertising accounts for half of the Rent.com.au portal revenue. The portal delivered its tenth consecutive positive EBITDA quarter of \$0.03m with group EBITDA a loss of \$0.55m due to the \$0.561m investment in RentPay. The transaction platform finished the quarter with 4,096 active customers transacting on the platform, up from 1,526 in Q2 FY22 and 3,433 in Q1 FY23. More than \$1.5m in rent per week is now being paid via RentPay. Rent.com.au has also secured an Australian Credit Licence from ASIC for the platform paving the way for other financial transaction opportunities. Average Revenue Per User (ARPU) increased to \$4.37 in the quarter from \$4.09 in Q1 and \$2.84 a year ago.

### Base-case DCF valuation of \$0.20/share

Our base-case DCF valuation for Rent.com.au is \$0.20/share and is predicated on our expectation that RentPay will secure 5% of renters on its platform by FY24 and 20% by FY30. Evidence of faster-than-forecast take-up 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 (in A\$ unless otherwise stated)

Year end	Sales revenues	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/22a	3.4	1.5	(1.6)	(2.7)	(0.6)	3.8
06/23f	4.6	2.6	(1.0)	(1.4)	(0.3)	3.2
06/24f	10.7	4.1	0.3	(0.6)	(0.1)	1.3
06/25f	19.4	10.4	6.4	3.5	0.8	0.6

Source: RaaS estimates for FY23f, FY24f and FY25f; Company data for historical earnings

### Software & Services

3 February 2023

#### Share Details

ASX code	RNT
Share price (2-Feb)	\$0.034
Market capitalisation	\$17.5M
Shares on issue (post entitlement offer)	513.7M
Options/performance rights	50.7M
Net cash (31-Dec-22)	\$3.8M

#### 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

#### Company Interview

[Rent.com.au \(ASX:RNT\) RaaS Outlook Interview](#)  
27 Jan 2023

#### Company Contacts

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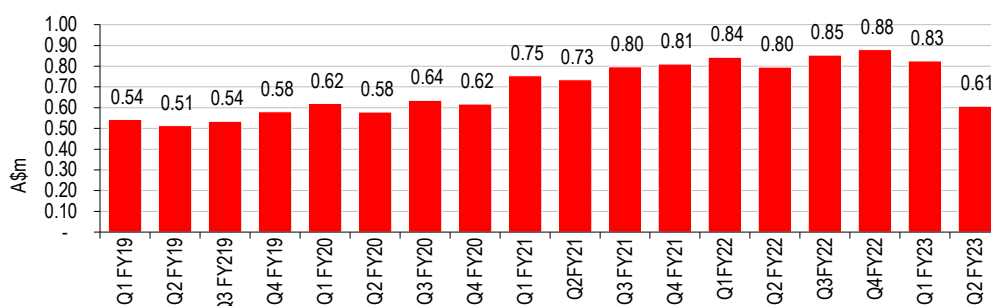
#### RaaS Advisory Contact

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## Q2 FY23 Results Analysis

Rent.com.au delivered positive operating cashflow for Q2 FY22 due to a \$0.677m R&D tax credit. Underlying cash outflow was \$0.3m, which was an improvement on the underlying cash outflow of \$0.42m in Q1 FY23 and \$0.43m in Q2 FY22. While cash receipts of \$0.76m were \$0.26m lower than forecast, costs were \$0.2m lower, delivering a net cash result largely in line with our numbers. Revenue for the quarter was also impacted by seasonality and tougher advertising conditions with a 20.7% quarter-on-quarter decline in group revenue to \$0.61m. The core Rent.com.au business continued to build profitability, reporting EBITDA of \$0.03m, although impacted by seasonality. The core portal's revenues declined 24% to \$0.582m driven down predominantly by reduced advertising sales. During the quarter the site underwent a significant upgrade to align it and the RentPay site. The company has now fully transitioned its RentConnect product to Origin Energy and customers that sign with Origin now have the option of receiving a one-off \$100 gift card via Rent.com.au or if bill-smoothing via RentPay, can receive up to \$5 a week or \$260 a year in cash back for taking both electricity and gas from Origin.

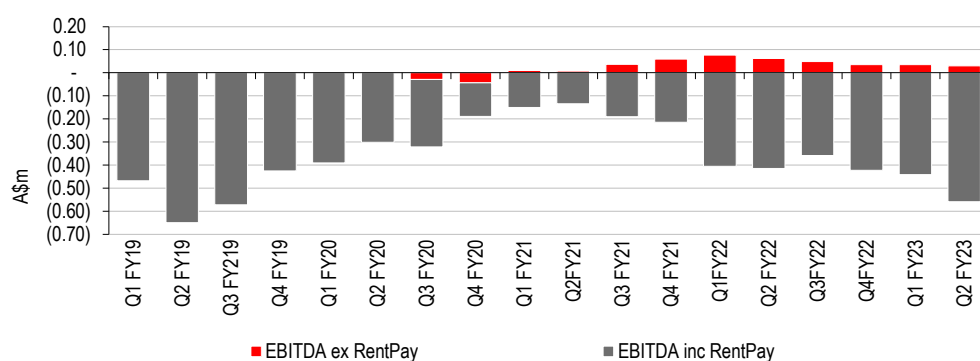
**Exhibit 1: Rent.com.au revenues by quarter**



Source: Company reports

The group EBITDA loss was \$0.559m as a result of RentPay's \$0.561m EBITDA loss, which was greater than the Q1 loss of \$0.441m as the company invested in the rollout of its Bill Smoothing product. This has paid off in increased ARPU and customers. ARPU in Q2 averaged \$4.37 per customer, compared with \$4.09 in Q1 and \$2.84 in Q2 FY22. Active RentPay customers increased to 4,096 in the quarter, up from 1,526 a year ago. There is now more than \$1.5m in rent per week being transacted through the platform, and the daily trust account balance sits in excess of \$1.4m. The company noted that it had signed several new agents to the platform and was currently finalising a marketing campaign, appointing Group M to lead.

**Exhibit 2: Rent.com.au group EBITDA and EBITDA excluding RentPay**



Source: Company reports

Cash receipts for the quarter were \$0.76m, down 21% on the pcip. Cash receipts came \$0.26m under our forecasts for the quarter but costs were also below our estimates. Operating costs were \$1.06m for the quarter, down 24% on the pcip and 21% on Q1 FY23. The company benefited from a \$0.677m R&D tax credit which delivered positive operating cashflow of \$0.39m for the quarter. Rent.com.au ended the quarter with \$3.81m in net cash.

<b>Exhibit 3: Q2 FY23 versus Q2 FY22 and Q1 FY23 (in A\$m unless otherwise stated)</b>			
	<b>Q2 FY22</b>	<b>Q1 FY23</b>	<b>Q2 FY23</b>
Cash receipts	0.97	0.92	0.76
Product manufacturing and operating costs	(0.40)	(0.35)	(0.25)
Employee costs	(0.46)	(0.65)	(0.49)
Admin, corporate and other costs	(0.54)	(0.33)	(0.31)
Net interest	(0.01)	(0.00)	0.00
Taxes	-	-	-
Other (government grant/R&D credits)	0.62	-	0.68
<b>Operating cashflow</b>	<b>0.19</b>	<b>(0.42)</b>	<b>0.39</b>
Net cash at the end of the period	1.56	1.28	3.81
Source: Company data			

## DCF Valuation

We are of the view that the discounted cashflow methodology is the most appropriate method for valuing Rent.com.au given the still early stage of its lifecycle. Our valuation uses a WACC of 13.5% (beta 1.5, terminal growth rate 2.2%) and derives a valuation of \$104m or \$0.20/share. Our forecasts in arriving at this valuation assume that RentPay will be used by 5% of the Australian rental market by FY24-end and 20% of the Australian rental market by FY30.

<b>Exhibit 4: DCF valuation (In A\$m unless otherwise stated)</b>	
<b>Parameters</b>	<b>Outcome</b>
WACC	13.5%
Beta	1.5
Terminal growth rate	2.2%
Sum of PV (A\$m)	46.0
PV of terminal value (A\$m)	54.4
PV of enterprise	100.3
Net cash (post entitlement offer)	(3.9)
Net value - shareholder	104.2
No. of shares on issue (post entitlement offer)	513.7
<b>NPV in A\$</b>	<b>\$ 0.20</b>
Source: RaaS estimates	

## Exhibit 5: Financial Summary

Rent.com.au Ltd						Share price (2 February 2023)						A\$		0.034
Profit and Loss (A\$m)						Interim (A\$m)		H122A	H222A	H123F	H223F	H124F	H224F	
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Revenue	1.7	1.7	1.9	2.6	3.9	6.8		
						EBIT DA underlying	(0.8)	(0.8)	(0.6)	(0.4)	(0.6)	0.8		
Sales Revenue	3.1	3.4	4.6	10.7	19.4	EBIT	(1.2)	(1.4)	(1.1)	(0.9)	(1.1)	0.3		
Gross Profit	1.8	1.5	2.6	4.1	10.4	NPAT (normalised)	(1.2)	(1.4)	(0.8)	(0.7)	(0.8)	0.2		
EBIT DA underlying	(0.7)	(1.6)	(1.0)	0.3	6.4	Minorities	-	-	-	0.0	-	0.0		
EBIT DA reported	(1.0)	(1.8)	(1.0)	0.3	6.4	NPAT (reported)	(1.3)	(1.5)	(0.8)	(0.7)	(0.8)	0.2		
Depn	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	EPS (normalised)	(0.32)	(0.29)	(0.18)	(0.13)	(0.15)	0.04		
Amort	(0.8)	(0.9)	(1.0)	(1.1)	(1.1)	EPS (reported)	(0.34)	(0.32)	(0.15)	(0.13)	(0.15)	0.04		
EBIT	(1.6)	(2.6)	(2.0)	(0.8)	5.3	Dividend (cps)	-	-	-	-	-	-		
Interest	(0.0)	(0.0)	0.0	0.0	0.0	Imputation	-	-	-	-	-	-		
Tax	(0.0)	0.0	0.5	0.2	(1.6)	Operating cash flow	(1.0)	(0.7)	(0.4)	(0.4)	0.1	1.6		
Minorities	(0.0)	(0.1)	0.0	(0.0)	(0.2)	Free Cash flow	(0.7)	0.3	0.2	0.2	0.7	2.3		
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Divisions	H122A	H222A	H123F	H223F	H124F	H224F		
NPAT pre significant items	(1.0)	(2.5)	(1.4)	(0.6)	3.5	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1		
Significant items	(0.3)	(0.2)	0.0	0.0	0.0	Rental Products	0.7	0.8	0.7	0.9	0.8	0.9		
NPAT (reported)	(1.3)	(2.7)	(1.4)	(0.6)	3.5	Advertising	0.8	0.8	0.9	0.9	0.9	0.9		
Cash flow (A\$m)						RentPay	0.1	0.1	0.3	0.9	2.1	5.0		
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Total Revenue	1.6	1.7	1.9	2.6	3.9	6.8		
EBIT DA	(0.7)	(1.6)	(1.0)	0.3	6.4	COGS	(1.0)	(0.9)	(0.8)	(1.2)	(2.6)	(4.1)		
Interest	(0.0)	(0.0)	0.0	0.0	0.0	Gross profit	(0.90)	(0.87)	(0.52)	(0.30)	(0.45)	0.92		
Tax	(0.0)	0.0	0.0	(0.1)	(1.6)	Employment	(0.9)	(1.1)	(1.2)	(1.2)	(1.3)	(1.3)		
Working capital changes	0.7	(0.0)	0.2	1.5	(0.2)	SGA&A	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)		
Operating cash flow	(0.1)	(1.7)	(0.8)	1.7	4.7	EBITDA	(0.8)	(0.8)	(0.6)	(0.4)	(0.6)	0.8		
Mtce capex	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)	Margins, Leverage, Returns								
Free cash flow	(0.1)	(1.7)	(0.9)	1.6	4.6	EBIT DA		FY21A	FY22A	FY23F	FY24F	FY25F		
Growth capex	(1.6)	(1.2)	(1.2)	(1.2)	(1.2)	EBIT DA		(22.3%)	(47.5%)	(22.7%)	2.5%	33.1%		
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(50.4%)	(77.7%)	(44.4%)	(7.6%)	27.3%		
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		(32.1%)	(75.4%)	(31.4%)	(5.3%)	17.9%		
Cash flow pre financing	(1.7)	(3.0)	(2.1)	0.4	3.4	Net Debt (Cash)		2.9	2.2	2.8	3.2	6.6		
Equity	4.2	2.5	2.9	0.0	0.0	Net debt/EBIT DA (x)	(x)	n/a	n/a	n/a	12.0	1.0		
Debt	(0.1)	(0.1)	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(143.6%)	(89.0%)	(90.6%)	(145.9%)	(260.0%)		
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	-		
Net cash flow for year	2.4	(0.5)	0.8	0.4	3.4	ROA		(36.4%)	(44.5%)	(30.4%)	(9.5%)	44.3%		
Balance sheet (A\$m)						ROE		(37.9%)	(57.5%)	(27.3%)	(10.1%)	48.0%		
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	ROIC		nm	nm	nm	nm	nm		
Cash	2.9	2.2	2.9	3.2	6.6	NTA (per share)		0.01	0.00	0.01	0.00	0.01		
Accounts receivable	0.5	0.5	0.7	1.7	3.1	Working capital		(0.2)	(0.1)	(0.3)	(1.8)	(1.6)		
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(7.5%)	(3.3%)	(6.5%)	(16.7%)	(8.4%)		
Other current assets	0.0	0.0	0.0	0.0	0.0	Revenue growth		26.2%	8.9%	36.1%	134.1%	80.3%		
Total current assets	3.4	2.8	3.6	5.0	9.7	Pricing								
PPE	0.0	0.1	0.2	0.2	0.3	No of shares (y/e)	(m)	398	440	514	514	514		
Intangibles and Goodwill	2.4	2.8	3.0	3.1	3.2	Weighted Av Dil Shares	(m)	355	417	514	514	514		
Investments	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(0.4)	(0.7)	(0.3)	(0.1)	0.7		
Deferred tax asset	0.0	0.0	0.5	0.9	0.9	EPS Normalised/Diluted	cps	(0.4)	(0.6)	(0.3)	(0.1)	0.7		
Other non current assets	0.0	0.3	0.3	0.3	0.3	EPS growth (norm/dil)		n/a	n/a	-50%	-71%	(908.7%)		
Total non current assets	2.5	3.1	3.9	4.5	4.7	DPS	cps	-	-	-	-	-		
Total Assets	5.9	5.9	7.6	9.5	14.4	EV/EBIT DA	-	15.4	-	8.0	-	14.1		
Accounts payable	0.7	0.7	1.0	3.5	4.8	FCF/Share	cps	(0.0)	-0.4	-0.1	0.3	0.9		
Short term debt	0.0	0.0	0.0	0.0	0.0	Price/FCF share	-	8,563.3	-	9.3	-	23.3		
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		(0.0%)	(10.7%)	(4.3%)	10.2%	27.4%		
Other current liabilities	0.2	0.3	0.3	0.3	0.3									
Total current liabilities	1.0	1.0	1.4	3.9	5.1									
Long term debt	0.0	0.0	0.0	0.0	0.0									
Other non current liabs	0.0	0.2	0.2	0.2	0.2									
Total long term liabilities	0.0	0.2	0.2	0.2	0.2									
Total Liabilities	1.0	1.2	1.6	4.1	5.3									
Net Assets	4.9	4.6	5.9	5.4	9.1									
Share capital	41.5	43.8	46.6	46.6	46.6									
Accumulated profits/losses	(43.2)	(45.9)	(47.4)	(47.9)	(44.2)									
Reserves	6.6	6.8	6.8	6.8	6.8									
Minorities	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)									
Total Shareholder funds	4.9	4.6	5.9	5.4	9.1									

Source: RaaS estimates

# 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: 6<sup>th</sup> May 2021**

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

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  - Securities

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

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