

Rent.com.au Ltd

Results commentary

A line in the sand result

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 delivered a 24% lift in revenue in H1 FY21 to \$1.49m, and better than forecast Gross Profit of \$0.95m, an increase of 31% on the previous corresponding period and ahead of our forecast for \$0.88m. The underlying EBITDA loss was \$0.28m, in line with our expectations, and an improvement on the \$0.67m loss reported a year ago. We have made very minor adjustments to our FY21 forecasts to incorporate the result. As we flagged in our recent initiation report, Rent.com.au is about to enter a transformative period with the launch of RentPay, which will give the company an opportunity to extend its relationship with renters into the rental tenancy period and beyond with transactional products such as telecoms, loans and finance products. Our base case valuation of \$0.35/share is unchanged.

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.

H1 FY21 as expected, focus is on RentPay

Rent.com.au delivered an interim result largely in line with our expectations. Revenues for the half year were in line with our expectations, although Renters' products revenue was 10% ahead of our forecasts at \$0.88m, and 43% ahead of H1 FY20. The operating (EBITDA) loss for the period was \$0.28m, compared with a loss of \$0.67m a year before and our forecast for a loss of \$0.27m. This result draws a line in the sand between Rent.com.au as a search portal and Rent.com.au, a transactions based business. The imminent launch of RentPay is expected to deliver transformative opportunities for the company as it extends its relationship with renters from the traditional 4-6 weeks before a lease is signed to a financial platform used by renters throughout the term of the lease and potentially beyond.

DCF valuation is \$0.35/share

Our base case DCF valuation for Rent.com.au is \$0.35/share. Our valuation is predicated on our expectation that Rent.com.au's new flagship product RentPay will secure 5% of renters on its platform by FY23 and 20% by FY30. In our view this is entirely achievable. We have dimensioned more optimistic cases which add considerable upside in our recent initiation report [Transitioning from search to transactions](#).

Earnings History and RaaS' Estimates

| Year end | Sales Revenue(A\$m) | Gross Profit (A\$m) | EBITDA(A\$m) | NPAT (A\$m) | EPS (c) | EV/Sales (x) | EV/EBITDA (x) |
|----------|---------------------|---------------------|--------------|-------------|---------|--------------|---------------|
| 06/20a | 2.5 | 1.5 | (0.8) | (1.7) | (0.6) | 29.4 | nm |
| 06/21e | 3.0 | 1.9 | (0.7) | (1.1) | (0.4) | 30.5 | nm |
| 06/22e | 6.0 | 3.4 | 0.2 | (0.2) | (0.0) | 15.1 | nm |
| 06/23e | 13.9 | 7.4 | 2.8 | 1.6 | 0.4 | 6.3 | 30.79 |

Source: RaaS Advisory Estimates, Company Data

Software & services

26th February 2021

Share details

| | |
|---|---------|
| ASX Code | RNT |
| Share price (25 Feb) | \$0.245 |
| Market Capitalisation | \$97.4M |
| Shares on issue | 397.7M |
| In the money options/performance rights | 29.5M |
| Net cash 31 Dec 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 take up of RentPay
- Expansion of RentPay into other products
- Further evidence of operational momentum

Board of Directors

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

Company contact

| | |
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RaaS Advisory contacts

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Exhibit 1: Financial Summary

| Rent.com.au Ltd | | | | | | Share price (25 February 2021) | | | | | | A\$ | 0.245 |
|-----------------------------|--------|--------|--------|--------|--------|--------------------------------|----------|----------|----------|----------|-----------|---------|-------|
| Profit and Loss (A\$m) | | | | | | Interim (A\$m) | | | | | | | |
| Y/E 30 June | FY19A | FY20A | FY21F | FY22F | FY23F | Revenue | H120A | H220A | H121A | H221F | H122F | H222F | |
| Sales Revenue | 2.2 | 2.5 | 3.0 | 6.0 | 13.9 | EBITDA | (0.7) | (0.3) | (0.5) | (0.4) | (0.2) | 0.5 | |
| Gross Profit | 0.8 | 1.5 | 1.9 | 3.4 | 7.4 | EBIT | (1.2) | (0.7) | (0.7) | (0.7) | (0.5) | 0.2 | |
| EBITDA underlying | (2.0) | (0.8) | (0.7) | 0.2 | 2.8 | NPAT (normalised) | (1.0) | (0.7) | (0.2) | (0.7) | (0.3) | 0.2 | |
| EBITDA reported | (1.9) | (0.8) | (0.4) | 0.2 | 2.8 | Minorities | 0.0 | 0.0 | 0.0 | - | - | - | |
| Depn | (0.0) | (0.1) | (0.0) | (0.0) | (0.0) | NPAT (reported) | (0.9) | (0.7) | (0.4) | (0.7) | (0.3) | 0.1 | |
| Amort | (0.5) | (0.8) | (0.7) | (0.5) | (0.5) | EPS (normalised) | (0.3) | (0.2) | (0.1) | (0.18) | (0.08) | 0.03 | |
| EBIT | (2.6) | (1.7) | (1.1) | (0.3) | 2.3 | EPS (reported) | (0.3) | (0.2) | (0.1) | (0.17) | (0.08) | 0.03 | |
| Interest | 0.0 | (0.0) | 0.0 | 0.0 | 0.1 | Dividend (cps) | 0.0 | 0.0 | 0.0 | - | - | - | |
| Tax | 0.0 | 0.0 | (0.0) | 0.1 | (0.7) | Imputation | 0.0 | 0.0 | 0.0 | - | - | - | |
| Minorities | 0.0 | (0.0) | 0.0 | 0.0 | (0.1) | Operating cash flow | (0.6) | (0.1) | 0.2 | (0.1) | (0.0) | 1.0 | |
| Equity accounted assoc | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Free Cash flow | (0.5) | 0.2 | 0.3 | 0.1 | 0.2 | 1.2 | |
| NPAT pre significant items | (2.6) | (1.7) | (0.5) | (0.2) | 1.6 | Divisions | | | | | | | |
| Significant items | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | H120A | H220A | H121A | H221F | H122F | H222F | | |
| NPAT (reported) | (2.5) | (1.7) | (0.5) | (0.2) | 1.6 | Fees from Agents/Landlords | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | |
| Cash flow (A\$m) | | | | | | Rental Products | 0.6 | 0.7 | 0.8 | 0.8 | 0.8 | 0.9 | |
| Y/E 30 June | FY19A | FY20A | FY21F | FY22F | FY23F | Advertising | 0.5 | 0.0 | 0.5 | 0.5 | 0.7 | 0.6 | |
| EBITDA | (2.0) | (0.8) | (0.7) | 0.2 | 2.8 | RentPay | 0.0 | 0.0 | 0.1 | 0.1 | 0.5 | 2.3 | |
| Interest | 0.0 | (0.0) | 0.0 | 0.0 | 0.1 | Total Revenue | 1.2 | 0.8 | 1.5 | 1.5 | 2.1 | 3.9 | |
| Tax | 0.0 | 0.0 | (0.0) | (0.1) | (0.7) | COGS | (0.5) | (0.5) | (0.5) | (0.6) | (0.9) | (1.7) | |
| Working capital changes | 0.1 | 0.0 | 0.5 | 0.8 | 2.0 | Gross profit | (0.48) | (0.46) | (0.46) | (0.49) | (0.40) | 0.56 | |
| Operating cash flow | (1.9) | (0.8) | (0.2) | 1.0 | 4.2 | Employment | (1.0) | (0.9) | (1.0) | (1.0) | (1.0) | (1.3) | |
| Mtce capex | (0.0) | (0.0) | 0.0 | 0.0 | 0.0 | SGA&A | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | (0.4) | |
| Free cash flow | (1.9) | (0.8) | (0.2) | 1.0 | 4.2 | EBITDA | (0.7) | (0.3) | (0.5) | (0.4) | (0.2) | 0.5 | |
| Growth capex | (0.6) | (0.5) | (0.3) | (0.5) | (0.5) | Margins, Leverage, Returns | | | | | | | |
| Acquisitions/Disposals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | FY19A | FY20A | FY21F | FY22F | FY23F | | | |
| Other | 0.0 | 0.0 | (0.4) | 0.0 | 0.0 | EBITDA | (93.4%) | (31.5%) | (24.0%) | 4.1% | 20.3% | | |
| Cash flow pre financing | (2.5) | (1.2) | (0.8) | 0.5 | 3.7 | EBIT | (119.6%) | (67.6%) | (35.9%) | (4.8%) | 16.6% | | |
| Equity | 0.5 | 2.0 | 4.1 | 0.0 | 0.0 | NPAT pre significant items | (119.2%) | (67.9%) | (16.8%) | (2.9%) | 11.2% | | |
| Debt | (0.0) | (0.1) | (0.0) | 0.0 | 0.0 | Net Debt (Cash) | | 0.1 | 0.6 | 4.0 | 4.5 | 8.1 | |
| Dividends paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Net debt/EBITDA (x) | (x) | n/a | n/a | n/a | 18.3 | 2.9 | |
| Net cash flow for year | (2.0) | 0.7 | 3.3 | 0.5 | 3.7 | ND/ND+Equity (%) | (%) | (10.0%) | (52.4%) | (426.6%) | (1635.6%) | 472.2% | |
| Balance sheet (A\$m) | | | | | | EBIT interest cover (x) | (x) | n/a | n/a | n/a | n/a | - | 0.0 |
| Y/E 30 June | FY19A | FY20A | FY21F | FY22F | FY23F | ROA | | (78.3%) | (68.1%) | (24.8%) | (4.4%) | 24.7% | |
| Cash | 0.2 | 0.6 | 4.0 | 4.5 | 8.2 | ROE | | (174.6%) | (103.5%) | (15.0%) | (3.6%) | 27.9% | |
| Accounts receivable | 0.3 | 0.4 | 0.4 | 0.8 | 1.8 | ROIC | nm | | 334.7% | (211.6%) | 121.2% | (80.7%) | |
| Inventory | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | NTA (per share) | n/a | | 0.00 | 0.01 | 0.01 | 0.01 | |
| Other current assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Working capital | | (0.3) | (0.2) | (0.5) | (1.2) | (3.2) | |
| Total current assets | 0.5 | 1.0 | 4.4 | 5.3 | 10.0 | WC/Sales (%) | | (12.9%) | (7.1%) | (15.1%) | (20.3%) | (23.0%) | |
| PPE | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Revenue growth | | (6.9%) | 13.3% | 22.2% | 101.5% | 130.8% | |
| Intangibles and Goodwill | 1.7 | 1.5 | 1.5 | 1.5 | 1.5 | EBIT growth pa | | n/a | n/a | n/a | n/a | nm | |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | Pricing | | | | | | | |
| Deferred tax asset | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | No of shares (y/e) | (m) | 249 | 303 | 398 | 398 | 398 | |
| Other non current assets | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | Weighted Av Dil Shares | (m) | 238 | 292 | 313 | 398 | 398 | |
| 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 | 6.0 | 7.0 | 11.7 | EPS Normalised/Diluted | cps | (1.1) | (0.6) | (0.2) | (0.0) | 0.4 | |
| Accounts payable | 0.6 | 0.6 | 0.8 | 2.0 | 5.0 | EPS growth (norm/dil) | | n/a | n/a | n/a | n/a | nm | |
| Short term debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | DPS | cps | - | - | - | - | - | |
| Tax payable | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | DPS Growth | | n/a | n/a | n/a | n/a | n/a | |
| Other current liabilities | 0.2 | 0.3 | 0.2 | 0.2 | 0.2 | Dividend yield | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Total current liabilities | 0.8 | 0.8 | 1.1 | 2.2 | 5.2 | Dividend imputation | | 0 | 0 | 0 | 0 | 0 | |
| Long term debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | PE (x) | | - | - | - | - | 62.5 | |
| 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%) | 237.7% | |
| Total Liabilities | 0.8 | 0.9 | 1.1 | 2.3 | 5.3 | EV/EBITDA | - | 30.2 | 95.0 | 129.9 | 378.5 | 31.5 | |
| Net Assets | 1.4 | 1.8 | 4.9 | 4.8 | 6.4 | FCF/Share | cps | (0.8) | (0.2) | (0.0) | 0.2 | 1.0 | |
| Share capital | 35.3 | 37.1 | 41.4 | 41.4 | 41.4 | Price/FCF share | - | 32 | 98.1 | 521.4 | 98.6 | 23.5 | |
| Accumulated profits/losses | (40.2) | (41.9) | (43.0) | (43.1) | (41.5) | Free Cash flow Yield | | (3.1%) | (1.0%) | (0.2%) | 1.0% | 4.3% | |
| Reserves | 6.3 | 6.6 | 6.5 | 6.5 | 6.5 | | | | | | | | |
| Minorities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | | | | | | | |
| Total Shareholder funds | 1.4 | 1.8 | 4.9 | 4.8 | 6.4 | | | | | | | | |

Source: RaaS Advisory

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: 26th November 2018

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- 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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