

Advertising recovers, strong customer growth in RentPay

Rent.com.au Limited (ASX:RNT) is a purpose-led company seeking to empower home renters through its technology platform and a growing number of aligned transactional services. The company has reported Q4 FY23 revenue of \$0.71m, up 12% on the seasonally strongest March 2023 quarter, but down 20% on the previous corresponding period (pcp) of FY22. Underlying EBITDA was an estimated loss of \$0.71m, compared with an EBITDA loss of \$0.42m in Q4 FY22, with the bulk of the loss attributable to the investment in RentPay (\$0.679m). Advertising revenue recovered in Q4, increasing 19% on the March quarter as RNT diversified its advertiser base with TPG Telecom Group launching a new advertising campaign via the platform. Revenue was also underpinned by the RentBond product being opened up to new referral partners, resulting in a higher volume of loans and incremental sales. A record \$3.5m in RentBond loans were financed during the quarter. RentPay again delivered its best-ever revenue, up 124% on the pcp and 28% on the previous quarter to \$0.077m. RentPay now has 6,033 active customers transacting payments on the platform, a 102% increase on the number of active customers a year ago. More than \$2.5m in rent per week is now being processed by the platform. The company ended the year with \$1.5m in cash. We have incorporated the Q4 revenue and EBITDA into our FY23 forecasts which has had the effect of a 3.5-7.0% reduction in our revenue forecasts for the next two financial years. Our base-case DCF valuation is now \$85.2m or \$0.17/share (previously \$91.4m or \$0.18/share), which implies an EV/sales of 15x FY24f and 6.8x our FY25f forecast when we expect RNT to post its maiden NPAT.

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 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.

Q4 delivers an improved result driven by advertising/RentPay

Rent.com.au delivered Q4 FY23 revenue of \$0.707m, up 12% on Q3 with the previous weakness experienced in advertising sales halted with the introduction of new advertisers in categories outside the new build home sector. A 19% increase in advertising over Q3 resulted in the portal net loss for the quarter halving to \$0.034m. The overall EBITDA loss, including investment in RentPay, was ~\$0.713m for the quarter, which again was an improvement over the Q3 EBITDA loss of \$0.78m. The transaction platform finished the quarter with 6,066 active customers transacting on the platform, this was up 35% on Q3 and 101% on the pcp. More than \$2.5m in rent per week is now being paid via RentPay. We have adjusted our H2 FY23 forecasts to reflect the Q4 result and this has had the effect of reducing our FY24-FY25 forecasts by 7% and 3.5% respectively. We continue to model penetration of 20% of renters by FY30.

Base-case DCF valuation of \$0.17/share (previously \$0.18/sh)

Our base-case DCF valuation for Rent.com.au is now \$0.17/share and is predicated on our expectation that RentPay will secure 5% of renters on its platform by FY25 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 revenue	Gross profit	EBITDA	NPAT	EPS (c)	EV/Sales (x)
06/22a	3.4	1.5	(1.6)	(2.7)	(0.6)	2.2
06/23f	2.8	1.6	(2.3)	(3.2)	(0.7)	3.5
06/24f	5.5	2.3	(2.2)	(2.2)	(0.5)	2.3
06/25f	12.4	6.4	1.7	0.3	0.1	1.0

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

Software & Services

31 July 2023

Share Details

ASX code	RNT
Share price (28-Jul)	\$0.022
Market capitalisation	\$11.3M
Shares on issue (post entitlement offer)	513.7M
Options/performance rights	50.7M
Net cash (30-Jun-23)	\$1.5M

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

- 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 Interview 3 May 2023](#)

Company Contacts

Greg Bader (CEO) +61 8 6145 2602
Jan Ferreira (CFO/COO)

investors@rent.com.au

RaaS Advisory Contact

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

Q4 FY23 Results Analysis

Rent.com.au reported Q4 cash receipts of \$0.777m bringing year-to-date cash receipts to \$3.189m. Cash outflow was \$0.565m, bringing total cash outflow for the year to \$1.453m. Cash costs in Q4 were contained at \$1.35m, down from the \$1.41m reported in Q3, and a little ahead of the \$1.24m reported in the same quarter in FY22, largely due to increased employment costs for RentPay. Cash receipts for the quarter were \$0.73m, down 15% on the pcp but flat on the previous quarter. Rent.com.au ended the quarter with \$1.51m in net cash.

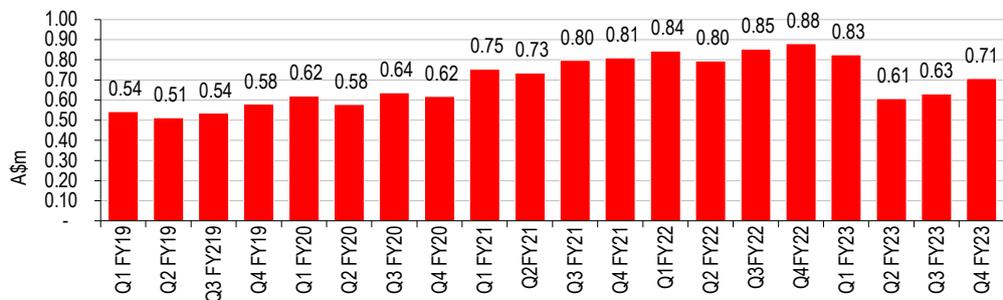
Exhibit 1: Q4 FY23 versus Q4 FY22 and Q3 FY23 (in A\$m unless otherwise stated)

	Q4 FY22	Q3 FY23	Q4 FY23
Cash receipts	0.94	0.73	0.78
Product manufacturing and operating costs	(0.37)	(0.24)	(0.35)
Employee costs	(0.53)	(0.64)	(0.65)
Admin, corporate and other costs	(0.33)	(0.53)	(0.35)
Net interest	(0.00)	0.01	0.01
Taxes	-	-	-
Other (government grant/R&D credits)	-	-	-
Operating cash flow	(0.31)	(0.68)	(0.57)
Net cash at the end of the period	2.23	2.58	1.51

Source: Company data

Revenue for the quarter improved when compared with Q3, driven by the company's decision to diversify its advertiser base. The boost came from the commencement of a campaign by the TPG Telecom Group, which helped drive up advertising by 19% for the quarter. The core portal business also saw an increase in RentBond volumes, after opening up the product to referral partners, resulting in more than \$3.5m in loans financed in Q4. As a consequence, the core Rent.com.au business posted revenue of \$0.656m for Q4 and was able to retrace half the losses posted in Q3 to post an EBITDA loss of \$0.034m.

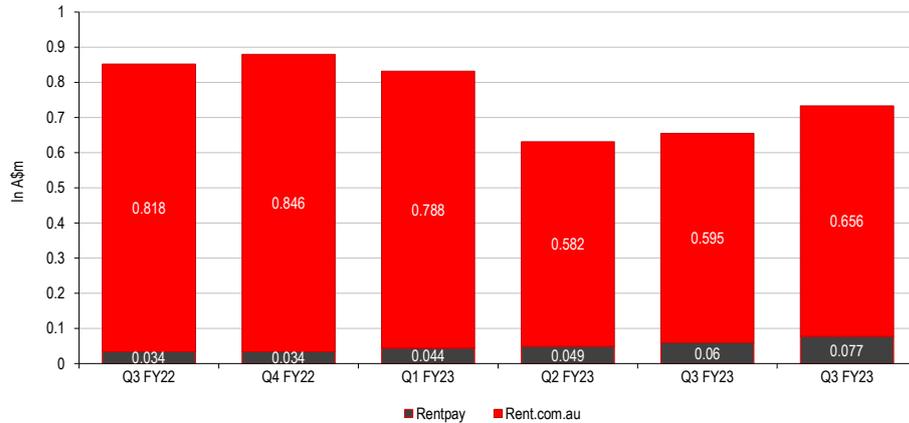
Exhibit 2: Rent.com.au revenue by quarter



Source: Company reports

RentPay again delivered its best-ever revenue, up 124% on the pcp and 28% on the previous quarter to \$0.077m. The platform posted a record number of active customers in the quarter, with 1,570 additional customers joining. RentPay now has 6,066 active customers transacting payments on the platform, a 102% increase on the number of active customers a year ago. More than \$2.5m in rent per week is now being processed by the platform.

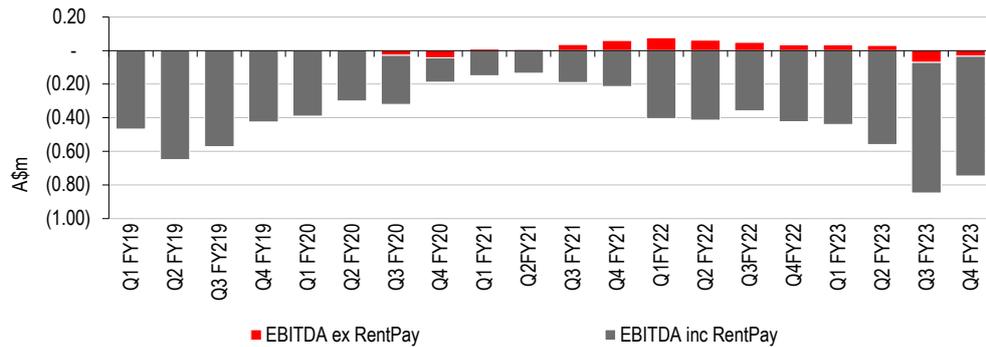
Exhibit 3: Revenue split for the past six quarters



Source: Company reports

The group EBITDA loss was ~\$0.713m as a result of RentPay's \$0.679m EBITDA loss, which was less than the Q3 loss of \$0.708m as the investment in marketing paid off in increased customers. ARPU in Q4 averaged \$4.83 per customer, compared with \$4.75 in Q3 and \$3.98 in Q4 FY22.

Exhibit 4: Rent.com.au group EBITDA and EBITDA excluding RentPay



Source: Company reports

Earnings Adjustments

We have adjusted our forecasts to take into account the Q4 revenue reported by Rent.com.au and the investment in RentPay. This has resulted in small adjustments to our FY24 and FY25 forecasts.

Exhibit 5: FY23-FY25 earnings adjustments (in A\$m unless otherwise stated)

	FY23 old	FY23 new	FY24 old	FY24 new	FY25 old	FY25 new
Sales revenue	3.1	2.8	5.9	5.5	12.8	12.4
Gross profit	1.8	1.6	2.4	2.3	6.5	6.4
EBITDA	(1.8)	(2.3)	(1.5)	(2.2)	2.4	1.7
NPAT	(2.8)	(3.2)	(1.8)	(2.3)	0.8	0.3
EPS (cents per share)	(0.6)	(0.7)	(0.39)	(0.5)	0.2	0.1

Source: RaaS estimates

DCF Valuation

We are of the view that the discounted cash-flow 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 \$86.3m or \$0.17/share (previously \$91.4m or \$0.178/share). Our forecasts continue to assume that RentPay will be used by 5% of the Australian rental market by FY25-end and 20% of the Australian rental market by FY30.

Exhibit 6: DCF valuation (in A\$m unless otherwise stated)

Parameters	Outcome
WACC	13.5%
Beta	1.5
Terminal growth rate	2.2%
Sum of PV (A\$m)	31.5
PV of terminal value (A\$m)	53.3
PV of enterprise	84.8
Net cash 31-Mar-23	(1.5)
Net value - shareholder	86.3
No. of shares on issue	513.7
NPV in A\$	\$0.17

Source: RaaS estimates

Exhibit 7: Financial Summary

Rent.com.au Ltd						Share price (28 July 2023)						A\$	0.022				
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	1.5	1.3	2.2	3.3					
Sales Revenue	3.1	3.4	2.8	5.5	12.4	EBITDA underlying	(0.8)	(0.8)	(1.0)	(1.4)	(1.4)	(0.8)					
Gross Profit	1.8	1.5	1.6	2.3	6.4	EBIT	(1.2)	(1.4)	(1.4)	(1.8)	(1.9)	(1.3)					
EBITDA underlying	(0.7)	(1.6)	(2.3)	(2.2)	1.7	NPAT (normalised)	(1.2)	(1.4)	(1.4)	(1.8)	(1.4)	(0.9)					
EBITDA reported	(1.0)	(1.8)	(2.3)	(2.2)	1.7	Minorities	-	-	-	0.0	-	0.0					
Depn	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	NPAT (reported)	(1.3)	(1.5)	(1.6)	(1.8)	(1.4)	(0.9)					
Amort	(0.8)	(0.9)	(0.9)	(1.0)	(1.1)	EPS (normalised)	(0.32)	(0.29)	(0.31)	(0.36)	(0.26)	(0.18)					
EBIT	(1.6)	(2.6)	(3.2)	(3.2)	0.6	EPS (reported)	(0.34)	(0.32)	(0.34)	(0.36)	(0.26)	(0.18)					
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	Dividend (cps)	-	-	-	-	-	-					
Tax	(0.0)	0.0	0.0	1.0	(0.2)	Imputation	-	-	-	-	-	-					
Minorities	(0.0)	(0.1)	(0.0)	0.1	(0.1)	Operating cash flow	(1.0)	(0.7)	(0.7)	(1.4)	(1.2)	(0.4)					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	0.3	(0.4)	(0.8)	(0.6)	0.2					
NPAT pre significant items	(1.0)	(2.5)	(3.2)	(2.2)	0.3	Divisions						H122A	H222A	H123F	H223F	H124F	H224F
Significant items	(0.3)	(0.2)	0.0	0.0	0.0	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1					
NPAT (reported)	(1.3)	(2.7)	(3.2)	(2.2)	0.3	Rental Products	0.7	0.8	0.8	0.8	0.8	0.8					
Cash flow (A\$m)						Advertising	0.8	0.8	0.5	0.4	0.8	0.6					
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	RentPay	0.1	0.1	0.1	0.1	0.5	1.9					
EBITDA	(0.7)	(1.6)	(2.3)	(2.2)	1.7	Total Revenue	1.6	1.7	1.4	1.3	2.2	3.3					
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	COGS	(1.0)	(0.9)	(0.7)	(0.5)	(1.4)	(1.8)					
Tax	(0.0)	0.0	0.0	0.0	(0.3)	Gross profit	(0.90)	(0.87)	(0.60)	(0.39)	(0.86)	0.07					
Working capital changes	0.7	(0.0)	0.2	0.6	0.4	Employment	(0.9)	(1.1)	(1.2)	(1.6)	(1.6)	(1.6)					
Operating cash flow	(0.1)	(1.7)	(2.1)	(1.6)	1.8	SGA&A	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)					
Mtce capex	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	EBITDA	(0.8)	(0.8)	(1.0)	(1.4)	(1.4)	(0.8)					
Free cash flow	(0.1)	(1.7)	(2.1)	(1.7)	1.7	Margins, Leverage, Returns						FY21A	FY22A	FY23F	FY24F	FY25F	
Growth capex	(1.6)	(1.2)	(0.9)	(1.2)	(1.2)	EBITDA		(22.3%)	(47.5%)	(82.8%)	(40.4%)	13.4%					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(50.4%)	(77.7%)	(116.7%)	(58.7%)	4.7%					
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		(32.1%)	(75.4%)	(116.9%)	(39.7%)	2.6%					
Cash flow pre financing	(1.7)	(3.0)	(3.0)	(2.9)	0.5	Net Debt (Cash)			2.9	2.2	1.6	(1.3)	(0.9)				
Equity	4.2	2.5	2.7	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	(0.5)					
Debt	(0.1)	(0.1)	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(143.6%)	(89.0%)	(66.0%)	43.2%	28.7%					
Dividends paid	0.0	0.0	0.0	0.0	0.0	EBIT interest cover (x)	(x)		n/a	n/a	n/a	0.0					
Net cash flow for year	2.4	(0.5)	(0.4)	(2.9)	0.5	ROA		(36.4%)	(44.5%)	(58.2%)	(69.0%)	11.6%					
Balance sheet (A\$m)						ROE		(37.9%)	(57.5%)	(75.1%)	(75.7%)	16.8%					
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	ROIC		nm	nm	nm	nm	nm					
Cash	2.9	2.2	1.7	(1.2)	(0.7)	NTA (per share)		0.01	0.00	0.00	n/a	n/a					
Accounts receivable	0.5	0.5	0.4	0.9	2.0	Working capital		(0.2)	(0.1)	(0.2)	(0.8)	(1.2)					
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(7.5%)	(3.3%)	(7.3%)	(14.7%)	(9.6%)					
Other current assets	0.0	0.0	0.0	0.0	0.0	Revenue growth		26.2%	8.9%	(17.7%)	97.8%	125.4%					
Total current assets	3.4	2.8	2.2	(0.3)	1.3	Pricing						FY21A	FY22A	FY23F	FY24F	FY25F	
PPE	0.0	0.1	0.1	0.2	0.3	No of shares (y/e)	(m)	398	440	514	514	514					
Intangibles and Goodwill	2.4	2.8	2.8	3.0	3.1	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)	(0.7)	(0.5)	0.1					
Deferred tax asset	0.0	0.0	0.0	1.0	1.1	EPS Normalised/Diluted	cps	(0.4)	(0.6)	(0.7)	(0.5)	0.1					
Other non current assets	0.0	0.3	0.2	0.2	0.2	EPS growth (norm/dil)		n/a	n/a	10%	-20%	(114.4%)					
Total non current assets	2.5	3.1	3.1	4.4	4.7	DPS	cps	-	-	-	-	-					
Total Assets	5.9	5.9	5.3	4.1	5.9	EV/EBITDA		(8.5)	(4.7)	(4.2)	(5.7)	7.3					
Accounts payable	0.7	0.7	0.6	1.7	3.2	FCF/Share	cps	(0.0)	(0.4)	(0.4)	(0.3)	0.4					
Short term debt	0.0	0.0	0.1	0.1	0.1	Price/FCF share		nm	nm	nm	nm	6.0					
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		(0.0%)	(16.6%)	(18.1%)	(13.5%)	16.7%					
Other current liabilities	0.2	0.3	0.3	0.3	0.3	Shareholder Funds											
Total current liabilities	1.0	1.0	1.1	2.1	3.6	Share capital	41.5	43.8	46.5	46.5	46.5						
Long term debt	0.0	0.0	0.0	0.0	0.0	Accumulated profits/losses	(43.2)	(45.9)	(49.3)	(51.5)	(51.1)						
Other non current liabs	0.0	0.2	0.2	0.2	0.2	Reserves	6.6	6.8	6.9	6.9	6.9						
Total long term liabilities	0.0	0.2	0.2	0.2	0.2	Minorities	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)						
Total Liabilities	1.0	1.2	1.3	2.3	3.8	Total Shareholder funds	4.9	4.6	4.0	1.7	2.1						
Net Assets	4.9	4.6	4.0	1.7	2.1												

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: 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 commissioned by Rent.com.au Ltd and prepared and issued by RaaS Advisory Pty Ltd. RaaS Advisory has been paid a fee to prepare this report. 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. This research is issued in Australia by RaaS Advisory 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.

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 2023 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.