

RentPay making good progress with ARPU and customers

Rent.com.au Limited (ASX:RNT) is a purpose-led company seeking to empower home renters through their technology platform and a growing number of aligned transactional services. The company has reported H1 FY23 revenue of \$1.43m, down 12.6% on the previous corresponding period (pcp) and below our forecast for \$1.95m for the half. Underlying EBITDA was a loss of \$1.0m, compared with \$0.82m in H1 FY22. The EPS loss for the period was flat year on year. The decline in revenue was almost entirely attributable to weaker advertising conditions in the new homes market. Advertising revenue declined 35.5% to \$0.53m. Renter products revenue was up year-on-year as was revenue from the RentPay platform. The core Rent.com.au business delivered its 5th consecutive half of positive EBITDA of \$0.04m, although was down 50% on the pcp. The EBITDA loss from the RentPay platform was \$1.04m. RentPay now has 4,212 active customers transacting payments on the platform, a 150% increase on the number of active customers a year ago. More than \$1.7m in rent per week is now being processed by the platform. The company ended the half with \$3.8m in cash, having completed its \$2.9m rights issue in Q2. We have adjusted our FY23 forecasts to reflect the H1 actuals. Our base case DCF valuation remains unchanged at \$103.4m or \$0.20/share.

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 ARPU

Rent.com.au delivered H1 FY23 revenues of \$1.43m, a decline of 12.6% on the pcp 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 and its 35.5% half on half decline more than offset the gains made in renter products revenue and RentPay. The portal delivered its fifth consecutive positive EBITDA half year of \$0.04m with group EBITDA a loss of \$1.0m due to the \$1.04m investment in RentPay. The transaction platform finished the half with 3,875 active customers transacting on the platform, and this has already passed 4,200. More than \$1.7m 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) per month was \$4.23 for the half and is currently tracking at \$4.46 per month. This is ahead of our ARPU expectations for the half. We have incorporated H1 into our model, resulting in a downgrade to our FY23 forecasts but have left our forecasts largely unchanged in later years due to the better-than-forecast ARPU growth.

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)	3.7
06/23f	3.9	2.1	(1.4)	(2.4)	(0.5)	3.7
06/24f	10.3	4.0	0.2	(0.6)	(0.1)	1.4
06/25f	19.1	10.4	6.4	3.5	0.7	0.6

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

Software & Services

27 February 2023

Share Details

ASX code	RNT
Share price (24Feb)	\$0.036
Market capitalisation	\$18.5M
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](#)

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H1 FY23 Results Analysis

As flagged in the Q2 result, revenue has been impacted by seasonality and tougher advertising conditions with a 12.6% half-on-half decline in group revenue to \$1.43m. Renter products revenue increased 10.1% to \$0.75m and RentPay revenue also gained, but this was not enough to offset the 35.5% decline in advertising revenue. The core Rent.com.au business continued to build profitability, reporting EBITDA for the half of \$0.04m, although down 50% on pcp due to seasonality. During the half, the site underwent a significant upgrade to align it and the RentPay site and improve performance. 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. We expect this to continue to drive ARPU per month in the coming half.

Exhibit 1: H1 FY23 revenue by source versus H1 FY22 (in A\$m unless otherwise stated)

	H1 FY22	H1 FY23	% chg
Fees from Agents and Landlords	0.06	0.05	(11.47)
Renters Products revenue	0.68	0.75	10.12
Advertising Sales	0.83	0.53	(35.49)
RentPay (inc old RentPay)	0.07	0.09	36.83
Total sales revenue	1.64	1.43	(12.63)

Source: Company data

Underlying EBITDA was a loss for the half of \$1.0m as a result of the \$1.04 investment in RentPay. Since launch more than \$75m in rental payments have been processed by RentPay and the company has now passed 4,200 active users, having ended H1 with 3,875 active users. Further products are under development including mortgage builder to help renters transition into ownership, with an Australian Credit Licence awarded to allow the company to offer finance products. RentPay is also working towards delivering interest on wallet balances to incentivise renters to save through their RentPay wallets.

Exhibit 2: H1 FY23 result versus H1 FY22 (in A\$m unless otherwise stated)

	H1 FY22	H1 FY23	% chg
Sales revenue	1.64	1.43	(12.80)
Total Revenue	1.66	1.48	(10.84)
Gross Profit	0.62	0.71	14.52
EBITDA underlying	(0.82)	(1.00)	21.95
NPAT	(1.31)	(1.52)	16.03
EPS	(0.33)	(0.34)	3.03

Source: Company data

Earnings Adjustments

We have adjusted our forecasts to reflect the H1 result and this has resulted in a downgrade on our FY23 forecasts. We continue to forecast that penetration will reach 5% in FY24 and 20% by FY30. Our earnings adjustments are set out below.

Exhibit 3: FY23 earnings adjustments (In A\$m unless otherwise stated)

	FY23 old	FY23 new
Sales revenue	4.6	3.9
Gross profit	2.5	2.2
EBITDA	(1.1)	(1.4)
NPAT	(1.5)	(2.4)
EPS	(0.3)	(0.5)

Source: RaaS estimates

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.

Exhibit 4: 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)	45.4
PV of terminal value (A\$m)	54.2
PV of enterprise	99.6
Net cash (post entitlement offer)	(3.8)
Net value - shareholder	103.4
No. of shares on issue (post entitlement offer)	513.7
NPV in A\$	\$ 0.20

Source: RaaS estimates

Exhibit 5: Financial Summary

Rent.com.au Ltd						Share price (24 February 2023)						A\$	0.036						
Profit and Loss (A\$m)						Interim (A\$m)													
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	H122A	H222A	H123F	H223F	H124F	H224F								
Sales Revenue	3.1	3.4	3.9	10.3	19.1	Revenue	1.7	1.7	1.5	2.4	3.5	6.8							
Gross Profit	1.8	1.5	2.1	4.0	10.4	EBITDA underlying	(0.8)	(0.8)	(1.0)	(0.5)	(0.6)	0.8							
EBITDA underlying	(0.7)	(1.6)	(1.4)	0.2	6.4	EBIT	(1.2)	(1.4)	(1.4)	(0.9)	(1.1)	0.3							
EBITDA reported	(1.0)	(1.8)	(1.4)	0.2	6.4	NPAT (normalised)	(1.2)	(1.4)	(1.4)	(0.9)	(0.8)	0.2							
Depn	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	Minorities	-	-	-	0.0	-	0.0							
Amort	(0.8)	(0.9)	(0.9)	(1.0)	(1.1)	NPAT (reported)	(1.3)	(1.5)	(1.6)	(0.9)	(0.8)	0.2							
EBIT	(1.6)	(2.6)	(2.3)	(0.8)	5.3	EPS (normalised)	(0.32)	(0.29)	(0.31)	(0.18)	(0.15)	0.04							
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	EPS (reported)	(0.34)	(0.32)	(0.34)	(0.18)	(0.15)	0.04							
Tax	(0.0)	0.0	0.0	0.3	(1.6)	Dividend (cps)	-	-	-	-	-	-							
Minorities	(0.0)	(0.1)	(0.0)	(0.0)	(0.2)	Imputation	-	-	-	-	-	-							
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Operating cash flow	(1.0)	(0.7)	(0.7)	(0.4)	(0.2)	1.6							
NPAT pre significant items	(1.0)	(2.5)	(2.4)	(0.6)	3.5	Free Cash flow	(0.7)	0.3	(0.4)	0.2	0.5	2.3							
Significant items	(0.3)	(0.2)	0.0	0.0	0.0	Divisions						H122A	H222A	H123F	H223F	H124F	H224F		
NPAT (reported)	(1.3)	(2.7)	(2.4)	(0.6)	3.5	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1							
Cash flow (A\$m)						Rental Products	0.7	0.8	0.8	0.9	0.8	0.9							
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	Advertising	0.8	0.8	0.5	0.9	0.6	0.9							
EBITDA	(0.7)	(1.6)	(1.4)	0.2	6.4	RentPay	0.1	0.1	0.1	0.7	2.1	4.9							
Interest	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	Total Revenue	1.6	1.7	1.4	2.4	3.5	6.8							
Tax	(0.0)	0.0	0.0	(0.1)	(1.6)	COGS	(1.0)	(0.9)	(0.7)	(1.1)	(2.2)	(4.0)							
Working capital changes	0.7	(0.0)	0.3	1.4	(0.1)	Gross profit	(0.90)	(0.87)	(0.60)	(0.39)	(0.15)	0.89							
Operating cash flow	(0.1)	(1.7)	(1.1)	1.4	4.7	Employment	(0.9)	(1.1)	(1.2)	(1.2)	(1.3)	(1.3)							
Mtce capex	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)	SGA&A	(0.5)	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)							
Free cash flow	(0.1)	(1.7)	(1.1)	1.3	4.6	EBITDA	(0.8)	(0.8)	(1.0)	(0.5)	(0.6)	0.8							
Growth capex	(1.6)	(1.2)	(0.9)	(1.2)	(1.2)	Margins, Leverage, Returns						FY21A	FY22A	FY23F	FY24F	FY25F			
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBITDA		(22.3%)	(47.5%)	(36.2%)	1.7%	33.4%							
Other	0.0	0.0	0.0	0.0	0.0	EBIT		(50.4%)	(77.7%)	(60.6%)	(8.1%)	27.7%							
Cash flow pre financing	(1.7)	(3.0)	(2.0)	0.1	3.4	NPAT pre significant items		(32.1%)	(75.4%)	(61.1%)	(5.8%)	18.1%							
Equity	4.2	2.5	2.7	0.0	0.0	Net Debt (Cash)			2.9	2.2	2.6	2.7							
Debt	(0.1)	(0.1)	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	15.9	1.0							
Dividends paid	0.0	0.0	0.0	0.0	0.0	ND/ND+Equity (%)	(%)	(143.6%)	(89.0%)	(112.2%)	(173.7%)	(316.3%)							
Net cash flow for year	2.4	(0.5)	0.6	0.1	3.4	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0							
Balance sheet (A\$m)						ROA		(36.4%)	(44.5%)	(38.0%)	(11.3%)	49.1%							
Y/E 30 June	FY21A	FY22A	FY23F	FY24F	FY25F	ROE		(37.9%)	(57.5%)	(49.6%)	(12.9%)	56.0%							
Cash	2.9	2.2	2.7	2.9	6.2	ROIC		nm	nm	nm	nm	nm							
Accounts receivable	0.5	0.5	0.6	1.7	3.1	NTA (per share)		0.01	0.00	0.00	0.00	0.01							
Inventory	0.0	0.0	0.0	0.0	0.0	Working capital		(0.2)	(0.1)	(0.3)	(1.7)	(1.6)							
Other current assets	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(7.5%)	(3.3%)	(7.9%)	(16.3%)	(8.1%)							
Total current assets	3.4	2.8	3.4	4.6	9.3	Revenue growth		26.2%	8.9%	14.7%	166.1%	85.4%							
PPE	0.0	0.1	0.1	0.2	0.3	Pricing						FY21A	FY22A	FY23F	FY24F	FY25F			
Intangibles and Goodwill	2.4	2.8	2.8	3.0	3.1	No of shares (y/e)	(m)	398	440	514	514	514							
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	355	417	514	514	514							
Deferred tax asset	0.0	0.0	0.0	0.3	0.3	EPS Reported	cps	(0.4)	(0.7)	(0.5)	(0.1)	0.7							
Other non current assets	0.0	0.3	0.2	0.2	0.2	EPS Normalised/Diluted	cps	(0.4)	(0.6)	(0.5)	(0.1)	0.7							
Total non current assets	2.5	3.1	3.1	3.7	3.9	EPS growth (norm/dil)		n/a	n/a	-18%	-71%	(599.9%)							
Total Assets	5.9	5.9	6.5	8.3	13.3	DPS	cps	-	-	-	-	-							
Accounts payable	0.7	0.7	0.9	3.3	4.6	EV/EBITDA	-	16.6	-	8.5	-	11.3	91.5	1.9					
Short term debt	0.0	0.0	0.1	0.1	0.1	FCF/Share	cps	(0.0)	-0.4	-0.2	0.3	0.9							
Tax payable	0.0	0.0	0.0	0.0	0.0	Price/FCF share	-	9,067.0	-	9.9	-	17.7	11.9	3.9					
Other current liabilities	0.2	0.3	0.3	0.3	0.3	Free Cash flow Yield		(0.0%)	(10.1%)	(5.7%)	8.4%	25.8%							
Total current liabilities	1.0	1.0	1.4	3.8	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	1.5	4.0	5.2														
Net Assets	4.9	4.6	4.9	4.3	8.0														
Share capital	41.5	43.8	46.5	46.5	46.5														
Accumulated profits/losses	(43.2)	(45.9)	(48.4)	(49.0)	(45.2)														
Reserves	6.6	6.8	6.9	6.9	6.9														
Minorities	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)														
Total Shareholder funds	4.9	4.6	4.9	4.3	8.0														

Source: RaaS estimates



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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

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