

# Rent.com.au Ltd

## Results commentary

### New RentPay SafetyNet facility in place, launch in Q4

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 announced that it has entered into an agreement with SkyCredit Pty Ltd to provide a SafetyNet facility to digital wallets that will allow renters to draw down one week's rent in an emergency. The SafetyNet facility is designed to help alleviate financial pressure on renters and maintain their payment record. SkyCredit is the parent company of Fair Go Finance, Rent.com.au's finance provider for RentBond. The company noted that as a result of putting this agreement in place, the launch date for RentPay had been pushed out 4-6 weeks. The company previously had flagged the end of Q3 FY21 for the launch. We anticipate it will now be mid-Q4 FY21, however it is worth noting that we have factored in little by way of revenue from RentPay in FY21. As we flagged in our recent initiation report, we view RentPay as a transformative initiative for Rent.com.au, giving 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.

### RentPay launch in Q4, Q3 outlook for record revenue

Rent.com.au has announced that it is on track for another record revenue quarter for the core rent.com.au portal business with significant growth over the previous corresponding period, despite the expected seasonality being more subdued than normal in Q3. At the same time, the company has materially completed the development of RentPay for launch, except for the additional feature of the SafetyNet facility which will now be included in the 1<sup>st</sup> phase of RentPay's rollout. The inclusion of SafetyNet has pushed out RentPay's launch by 4-6 weeks, but the company sees the facility as an opportunity to actively improve renters' financial wellbeing as it will help those who use it maintain a consistent payment record. The arrangement with SkyCredit will maintain mutual exclusivity on this product for 5 years.

### 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)	33.1	nm
06/21e	3.0	1.9	(0.7)	(1.1)	(0.4)	34.5	nm
06/22e	6.0	3.4	0.2	(0.2)	(0.0)	17.0	nm
06/23e	13.9	7.4	2.8	1.6	0.4	7.1	35.0

Source: RaaS Advisory Estimates, Company Data

## Software & services

22<sup>nd</sup> March 2021

### Share details

ASX Code	RNT
Share price (22 Mar)	\$0.27
Market Capitalisation	\$107.4M
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 takeover 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

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**Exhibit 1: Financial Summary**

Rent.com.au Ltd						Share price (22 March 2021)						A\$	0.27				
Profit and Loss (A\$m)						Interim (A\$m)						H120A	H220A	H121A	H221F	H122F	H222F
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	Revenue	1.2	1.3	1.5	1.5	2.1	3.9					
Sales Revenue	2.2	2.5	3.0	6.0	13.9	EBITDA underlying	(0.7)	(0.3)	(0.3)	(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)	(0.9)	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)	(0.2)	(0.08)	0.03					
EBIT	(2.6)	(1.7)	(1.6)	(0.3)	2.3	EPS (reported)	(0.3)	(0.2)	(0.1)	(0.2)	(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)	(1.1)	(0.2)	1.6	<b>Divisions</b>	<b>H120A</b>	<b>H220A</b>	<b>H121A</b>	<b>H221F</b>	<b>H122F</b>	<b>H222F</b>					
Significant items	0.1	0.0	0.0	0.0	0.0	Fees from Agents/Landlords	0.1	0.1	0.1	0.1	0.1	0.1					
NPAT (reported)	(2.5)	(1.7)	(1.1)	(0.2)	1.6	Rental Products	0.6	0.7	0.8	0.8	0.8	0.9					
<b>Cash flow (A\$m)</b>						Advertising	0.5	0.0	0.5	0.5	0.7	0.6					
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	RentPay	0.0	0.0	0.1	0.1	0.5	2.3					
EBITDA	(2.0)	(0.8)	(0.7)	0.2	2.8	Total Revenue	1.2	0.8	1.5	1.5	2.1	3.9					
Interest	0.0	(0.0)	0.0	0.0	0.1	COGS	(0.5)	(0.5)	(0.5)	(0.6)	(0.9)	(1.7)					
Tax	0.0	0.0	(0.0)	(0.1)	(0.7)	Gross profit	(0.48)	(0.46)	(0.46)	(0.49)	(0.40)	0.56					
Working capital changes	0.1	0.0	0.5	0.8	2.0	Employment	(1.0)	(0.9)	(0.8)	(1.0)	(1.0)	(1.3)					
Operating cash flow	(1.9)	(0.8)	(0.2)	1.0	4.2	SGA&A	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)					
Mtce capex	(0.0)	(0.0)	0.0	0.0	0.0	EBITDA	(0.7)	(0.3)	(0.3)	(0.4)	(0.2)	0.5					
Free cash flow	(1.9)	(0.8)	(0.2)	1.0	4.2	<b>Margins, Leverage, Returns</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21F</b>	<b>FY22F</b>	<b>FY23F</b>						
Growth capex	(0.6)	(0.5)	(0.3)	(0.5)	(0.5)	EBITDA	(93.4%)	(31.5%)	(24.0%)	4.1%	20.3%						
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT	(119.6%)	(67.6%)	(54.9%)	(4.8%)	16.6%						
Other	0.0	0.0	(0.4)	0.0	0.0	NPAT pre significant items	(119.2%)	(67.9%)	(35.7%)	(2.9%)	11.2%						
Cash flow pre financing	(2.5)	(1.2)	(0.8)	0.5	3.7	Net Debt (Cash)		0.1	0.6	4.0	4.5	8.1					
Equity	0.5	2.0	4.1	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	18.3	2.9					
Debt	(0.0)	(0.1)	(0.0)	0.0	0.0	ND/ND+Equity (%)	(%)	(10.0%)	(52.4%)	(426.6%)	(1635.6%)	472.2%					
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	0.0					
Net cash flow for year	(2.0)	0.7	3.3	0.5	3.7	ROA	(78.3%)	(68.1%)	(37.8%)	(4.4%)	24.7%						
<b>Balance sheet (A\$m)</b>						ROE	(174.6%)	(103.5%)	(31.8%)	(3.6%)	27.9%						
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	ROIC	nm	334.7%	(323.1%)	121.2%	(80.7%)						
Cash	0.2	0.6	4.0	4.5	8.2	<b>NTA (per share)</b>	n/a	0.00	0.01	0.01	0.01						
Accounts receivable	0.3	0.4	0.4	0.8	1.8	<b>Working capital</b>	(0.3)	(0.2)	(0.5)	(1.2)	(3.2)						
Inventory	0.0	0.0	0.0	0.0	0.0	<b>WC/Sales (%)</b>	(12.9%)	(7.1%)	(15.1%)	(20.3%)	(23.0%)						
Other current assets	0.0	0.0	0.0	0.0	0.0	<b>Revenue growth</b>	(6.9%)	13.3%	22.2%	101.5%	130.8%						
Total current assets	0.5	1.0	4.4	5.3	10.0	<b>EBIT growth pa</b>	n/a	n/a	n/a	n/a	nm						
PPE	0.0	0.0	0.0	0.0	0.0	<b>Pricing</b>	<b>FY19A</b>	<b>FY20A</b>	<b>FY21F</b>	<b>FY22F</b>	<b>FY23F</b>						
Intangibles and Goodwill	1.7	1.5	1.5	1.5	1.5	No of shares (y/e)	(m)	249	303	398	398	398					
Investments	0.0	0.0	0.0	0.0	0.0	Weighted Av Dil Shares	(m)	238	292	313	398	398					
Deferred tax asset	0.0	0.0	0.0	0.1	0.1	EPS Reported	cps	(1.1)	(0.6)	(0.3)	(0.0)	0.4					
Other non current assets	0.0	0.1	0.1	0.1	0.1	EPS Normalised/Diluted	cps	(1.1)	(0.6)	(0.2)	(0.0)	0.4					
Total non current assets	1.7	1.6	1.6	1.7	1.7	EPS growth (norm/dil)		n/a	n/a	n/a	n/a	nm					
<b>Total Assets</b>	<b>2.2</b>	<b>2.7</b>	<b>6.0</b>	<b>7.0</b>	<b>11.7</b>	DPS	cps	-	-	-	-	-					
Accounts payable	0.6	0.6	0.8	2.0	5.0	DPS Growth		n/a	n/a	n/a	n/a	n/a					
Short term debt	0.0	0.0	0.0	0.0	0.0	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%					
Tax payable	0.0	0.0	0.0	0.0	0.0	Dividend imputation		0	0	0	0	0					
Other current liabilities	0.2	0.3	0.2	0.2	0.2	PE (x)		-	-	-	-	68.8					
Total current liabilities	0.8	0.8	1.1	2.2	5.2	PE market		18.5	18.5	18.5	18.5	18.5					
Long term debt	0.0	0.0	0.0	0.0	0.0	Premium/(discount)		(100.0%)	(100.0%)	(100.0%)	(100.0%)	272.1%					
Other non current liabs	0.0	0.0	0.0	0.0	0.0	EV/EBITDA		- 33.3	- 104.8	- 143.7	419.0	35.0					
Total long term liabilities	0.0	0.0	0.0	0.0	0.0	FCF/Share	cps	(0.8)	(0.2)	(0.0)	0.2	1.0					
<b>Total Liabilities</b>	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>2.3</b>	<b>5.3</b>	Price/FCF share		- 36	- 108.2	- 574.6	108.7	25.9					
<b>Net Assets</b>	<b>1.4</b>	<b>1.8</b>	<b>4.9</b>	<b>4.8</b>	<b>6.4</b>	Free Cash flow Yield		(2.8%)	(0.9%)	(0.2%)	0.9%	3.9%					
Share capital	35.3	37.1	41.4	41.4	41.4												
Accumulated profits/losses	(40.2)	(41.9)	(43.0)	(43.1)	(41.5)												
Reserves	6.3	6.6	6.5	6.5	6.5												
Minorities	0.0	0.0	0.0	0.0	0.0												
<b>Total Shareholder funds</b>	<b>1.4</b>	<b>1.8</b>	<b>4.9</b>	<b>4.8</b>	<b>6.4</b>												

Source: RaaS Advisory



# FINANCIAL SERVICES GUIDE

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**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: 26<sup>th</sup> November 2018**



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

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