

Strong across the board growth in revenue in Q2

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 a 33% year-on-year increase in Q2 FY24 revenue to \$0.808m, in what is seasonally the weakest quarter for the group. Search portal revenue grew 11% on the previous corresponding period (pcp) but, not unexpectedly, dropped 7% on Q1 due to seasonal factors. Payments' platform RentPay delivered a 122% year-on-year increase in revenue and 21% lift over Q1 while a new partner relationship generated non-recurring revenue of \$0.051m in the quarter. The search portal reported a positive EBITDA of \$0.047m for the quarter, up 57% on the pcp and 4% on Q1, while RentPay narrowed its loss to \$0.501m, an improvement of 11% on the pcp and 5% on the previous quarter. RNT reported that RentPay had surpassed 8,608 active customers at the end of December with Average Revenue Per User (ARPU) now at \$5.10 per month. Cash receipts for Q2 were \$0.941m, up 23% on the pcp and 12% on Q1. We will review our forecasts when the company reports its full interim accounts later this month. Our DCF valuation remains at \$86m or \$0.14/share.

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.

Better-than-forecast Q2 operating cashflow

Rent.com.au reported Q2 FY24 revenue of \$0.808m, a 3% improvement on Q1 FY24 and 33% lift on the previous corresponding period (pcp) in FY23. The company noted the search portal, Rent.com.au, grew revenue by 11% on the pcp to \$0.65m in what is a seasonally-quieter quarter. The search engine delivered positive EBITDA of ~\$0.05m. RentPay reported revenue of \$0.12m in Q2 FY24 and ended the quarter with 8,608 active customers. RentPay's EBITDA loss for the quarter was \$0.501m, including \$0.084m in marketing expenditure, which was an improvement on the \$0.528m loss reported in the previous quarter. Capitalised software development expenditure for the quarter was \$0.224m, up 15% on Q1 as the company added new features including click-to-pay functionality. Operating cashflow was a positive \$0.203m for Q2 which improves the operating cash loss for H1 FY24 to \$0.48m, versus our forecast for an operating cash loss of \$1.0m for the half. We will update our forecasts once the full accounts for H1 FY24 are released later this month.

Base-case DCF valuation of \$0.14/share

Our base-case DCF valuation for Rent.com.au remains at \$0.14/share or \$86m. In our view, evidence of faster-than-forecast take-up of RentPay together with the expansion of RentPay into other transactional products should help underpin the company's share price.

Earnings history and RaaS's 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)	1.7
06/23a	2.8	0.9	(2.5)	(3.8)	(0.7)	2.8
06/24f	5.5	2.3	(2.2)	(2.2)	(0.6)	1.9
06/25f	12.4	6.4	1.7	0.2	0.0	0.8

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

Software & Services

6 February 2024

Share Details

ASX code	RNT
Share price (5-Feb)	\$0.018
Market capitalisation	\$11.3M
Shares on issue	628.1M
Options/performance rights	50.7M
Net cash (31-Dec-2023)	\$2.05M

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 5 Feb 24](#)

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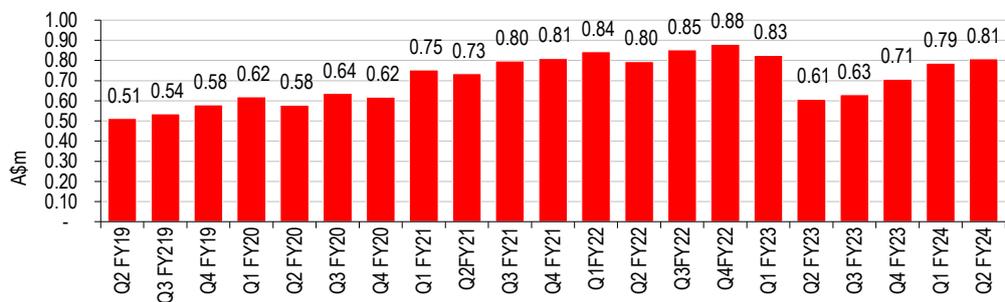
RaaS Contact

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Q2 FY24 Results Analysis

Rent.com.au reported revenue of \$0.808m for Q2 FY24, up 3% on the previous quarter and 33% on the pcp, driven by RentPay and partnership revenue. RentPay delivered a 145% increase in revenue to \$0.12m on the pcp and 19% lift on Q1 revenue while the company posted \$0.051m in one-off partnership revenue in the quarter. The search engine saw an 11% increase in year-on-year revenue in what is usually the seasonally weakest quarter and this helped the portal to retain its positive EBITDA for the quarter, posting an estimated \$0.05m operating result. The group EBITDA loss was \$0.45m, a \$0.03m improvement on the previous quarter, with RentPay also posting a smaller EBITDA loss of \$0.501m for the quarter. The company noted that the annuity nature of RentPay’s business was helping to offset the seasonal impact of the December quarter in the search engine business.

Exhibit 1: Rent.com.au revenue by quarter



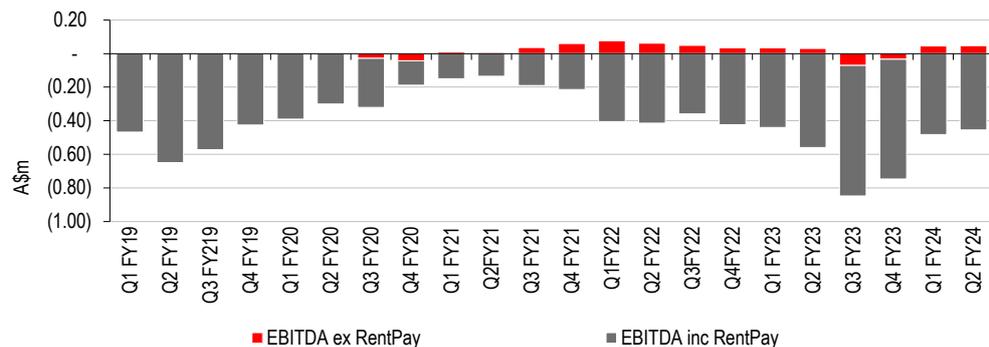
Source: Company reports

The company noted in its release that at the end of December, RentPay had 8,608 active customers transacting payments, an increase of more than 1,500 active customers on the previous quarter and a 122% jump on the pcp. RNT noted that just under two-thirds of new sign-ups during the quarter came from real estate agents who have signed agreements with Rent.com.au. Further, it commented that the recently announced partnership with MRI Software will potentially assist with integration with agents and improve the speed of future sign-ups.

The December quarter saw the first partnership revenue earned by RentPay, from Mastercard, which, alongside an advertising campaign on Rent.com.au, also engaged RentPay to promote click-to-pay via the app.

Q2 FY24 saw ARPU remain steady on \$5.10 with the company noting that it had managed to maintain overall ARPU while introducing the lower 0.99% credit card fee for new customers using credit cards to pay their rent. This has had the effect of ARPU from credit card customers reducing, although more customers using the app has offset this impact. RentPay’s net loss of \$0.501m for the quarter included \$0.084m in marketing spend.

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



Source: Company reports

Cash receipts for the quarter were \$0.94m, up 23% on the pcq and up 12% on the September quarter. The company reported an operating cash profit of \$0.203m after including a \$0.611m government R&D payment. Operating costs were \$1.34m for the quarter, up 27% on the same period in FY23 largely due to increased marketing costs largely associated with the RentPay platform, but down 12.5% on Q1. Rent.com.au ended the quarter with \$2.05m in net cash.

Exhibit 3: Q2 FY24 versus Q2 FY23 and Q2 FY22 (in A\$m unless otherwise stated)			
	Q2 FY22	Q2 FY23	Q2 FY24
Cash receipts	0.97	0.76	0.94
Product manufacturing and operating costs	(0.37)	(0.25)	(0.41)
Employee costs	(0.53)	(0.49)	(0.50)
Admin, corporate and other costs	(0.54)	(0.31)	(0.44)
Net interest	(0.01)	0.00	(0.01)
Other including government grants	0.62	0.68	0.61
Operating cashflow	0.19	0.39	0.20
Net cash at the end of the period	1.56	3.81	2.05

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 \$85.6m or \$0.14/share. Our forecasts in arriving at this valuation assume that RentPay will be used by 5% of the Australian rental market by FY25-end and 20% of the Australian rental market by FY32.

Exhibit 4: DCF valuation	
Parameters	Outcome
WACC	13.5%
Beta	1.5
Terminal growth rate	2.2%
Sum of PV (A\$m)	40.2
PV of terminal value (A\$m)	47.5
PV of enterprise	87.7
Net cash (A\$m)	(2.0)
Net value – shareholder (A\$m)	85.6
No. of shares on issue (M)	628.1
NPV in A\$	\$ 0.14

Source: RaaS estimates

Exhibit 5: Financial Summary

Rent.com.au Ltd						Share price (5 February 2024)						A\$	0.018				
Profit and Loss (A\$m)						Interim (A\$m)						H122A	H222A	H123A	H223A	H124F	H224F
Y/E 30 June	FY21A	FY22A	FY23A	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)	(0.9)	(1.5)	(1.4)	(0.8)					
Gross Profit	1.8	1.5	0.9	2.3	6.4	EBIT	(1.2)	(1.4)	(1.4)	(2.2)	(2.0)	(1.3)					
EBITDA underlying	(0.7)	(1.6)	(2.5)	(2.2)	1.7	NPAT (normalised)	(1.2)	(1.4)	(1.4)	(2.2)	(1.4)	(0.9)					
EBITDA reported	(1.0)	(1.8)	(2.5)	(2.2)	1.7	Minorities	-	-	(0.0)	(0.0)	(0.0)	(0.0)					
Depn	(0.1)	(0.1)	(0.1)	(0.0)	(0.0)	NPAT (reported)	(1.3)	(1.5)	(1.6)	(2.3)	(1.4)	(0.9)					
Amort	(0.8)	(0.9)	(1.1)	(1.0)	(1.1)	EPS (normalised)	(0.32)	(0.29)	(0.31)	(0.44)	(0.26)	(0.14)					
EBIT	(1.6)	(2.6)	(3.7)	(3.2)	0.6	EPS (reported)	(0.34)	(0.32)	(0.34)	(0.42)	(0.22)	(0.14)					
Interest	(0.0)	(0.0)	0.0	(0.0)	(0.1)	Dividend (cps)	-	-	-	-	-	-					
Tax	(0.0)	0.0	0.0	1.0	(0.1)	Imputation	-	-	-	-	-	-					
Minorities	(0.0)	(0.1)	(0.1)	0.1	(0.1)	Operating cash flow	(1.0)	(0.7)	(0.7)	(1.4)	(0.5)	(0.7)					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	0.3	(0.4)	(0.5)	0.3	(0.1)					
NPAT pre significant items	(1.0)	(2.5)	(3.5)	(2.2)	0.3	Divisions	H122A	H222A	H123A	H223A	H124F	H224F					
Significant items	(0.3)	(0.2)	(0.2)	0.0	0.0	Fees from Agents/Landlords	0.1	0.1	0.1	0.0	0.1	0.1					
NPAT (reported)	(1.3)	(2.7)	(3.8)	(2.2)	0.3	Rental Products	0.7	0.8	0.8	0.7	0.8	0.7					
Cash flow (A\$m)						Advertising	0.8	0.8	0.5	0.5	0.8	0.7					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	RentPay	0.1	0.1	0.1	0.1	0.5	1.9					
EBITDA	(0.7)	(1.6)	(2.5)	(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	(0.1)	COGS	(1.0)	(0.9)	(0.7)	(1.1)	(1.4)	(1.8)					
Tax	(0.0)	0.0	0.0	0.0	(0.2)	Gross profit	(0.90)	(0.87)	(0.60)	(1.00)	(0.86)	0.05					
Working capital changes	0.7	(0.0)	0.4	1.0	0.4	Employment	(0.9)	(1.1)	(1.1)	(1.2)	(1.6)	(1.6)					
Operating cash flow	(0.1)	(1.7)	(2.1)	(1.2)	1.7	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)	(0.9)	(1.5)	(1.4)	(0.8)					
Free cash flow	(0.1)	(1.7)	(2.1)	(1.3)	1.6	Margins, Leverage, Returns		FY21A	FY22A	FY23A	FY24F	FY25F					
Growth capex	(1.6)	(1.2)	(1.2)	(1.4)	(1.2)	EBITDA		(22.3%)	(47.5%)	(89.9%)	(40.1%)	13.5%					
Acquisitions/Disposals	0.0	0.0	0.0	0.0	0.0	EBIT		(50.4%)	(77.7%)	(132.2%)	(58.7%)	4.7%					
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		(32.1%)	(75.4%)	(126.7%)	(39.6%)	2.2%					
Cash flow pre financing	(1.7)	(3.0)	(3.3)	(2.6)	0.4	Net Debt (Cash)		2.9	2.2	1.5	0.6	1.0					
Equity	4.2	2.5	2.9	2.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	0.6					
Debt	(0.1)	(0.1)	(0.1)	1.1	0.0	ND/ND+Equity (%)	(%)	(143.6%)	(89.0%)	(66.6%)	(19.0%)	(33.8%)					
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	0.2					
Net cash flow for year	2.4	(0.5)	(0.5)	0.4	0.4	ROA		(36.4%)	(44.5%)	(67.4%)	(54.6%)	7.5%					
Balance sheet (A\$m)						ROE		(37.9%)	(57.5%)	(90.3%)	(60.4%)	7.4%					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROIC		nm	nm	nm	nm	nm					
Cash	2.9	2.2	1.5	1.7	2.1	NTA (per share)		0.01	0.00	0.00	0.00	0.00					
Accounts receivable	0.5	0.5	0.4	0.9	2.0	Working capital		(0.2)	(0.1)	(0.4)	(0.8)	(1.2)					
Inventory	0.0	0.0	0.0	0.0	0.0	WC/Sales (%)		(7.5%)	(3.3%)	(13.2%)	(14.7%)	(9.7%)					
Other current assets	0.0	0.0	0.0	0.0	0.0	Revenue growth		26.2%	8.9%	(17.9%)	99.0%	125.0%					
Total current assets	3.4	2.8	1.9	2.5	4.1	Pricing		FY21A	FY22A	FY23A	FY24F	FY25F					
PPE	0.0	0.1	0.0	0.1	0.2	No of shares (y/e)	(m)	398	440	514	628	628					
Intangibles and Goodwill	2.4	2.8	2.9	3.0	3.2	Weighted Av Dil Shares	(m)	355	417	480	628	628					
Investments	0.0	0.0	0.0	0.0	0.0	EPS Reported	cps	(0.4)	(0.7)	(0.8)	(0.6)	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)	(0.6)	0.1					
Other non current assets	0.0	0.3	0.2	0.2	0.2	EPS growth (norm/dil)		n/a	n/a	23%	-23%	(109.4%)					
Total non current assets	2.5	3.1	3.1	4.3	4.6	DPS	cps	-	-	-	-	-					
Total Assets	5.9	5.9	5.0	6.8	8.7	EV/EBITDA		(6.2)	(3.6)	(3.1)	(4.9)	6.2					
Accounts payable	0.7	0.7	0.8	1.7	3.2	FCF/Share	cps	(0.0)	(0.4)	(0.4)	(0.2)	0.3					
Short term debt	0.0	0.0	0.0	0.0	0.0	Price/FCF share		nm	nm	nm	nm	6.2					
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		(0.0%)	(20.3%)	(22.6%)	(10.3%)	16.2%					
Other current liabilities	0.2	0.3	0.4	0.4	0.4	PE Market	x	18.0	18.0	18.0	18.0	18.0					
Total current liabilities	1.0	1.0	1.2	2.1	3.6	PER		nm	nm	nm	nm	32.9					
Long term debt	0.0	0.0	0.0	1.1	1.1												
Other non current liabs	0.0	0.2	0.1	0.1	0.1												
Total long term liabilities	0.0	0.2	0.1	1.2	1.2												
Total Liabilities	1.0	1.2	1.3	3.3	4.8												
Net Assets	4.9	4.6	3.7	3.5	3.9												
Share capital	41.5	43.8	46.5	48.3	48.3												
Accumulated profits/losses	(43.2)	(45.9)	(49.7)	(51.9)	(51.6)												
Reserves	6.6	6.8	7.0	7.4	7.4												
Minorities	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)												
Total Shareholder funds	4.9	4.6	3.7	3.5	3.9												

Source: RaaS estimates, Company data for actuals



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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of

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Effective Date: 6th May 2021



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