

FY23 refocus set to benefit future revenue generation

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 FY23 revenue of \$2.77m, down 17.8% on the previous corresponding period (pcp) but in line with our expectations. The EBITDA loss for the year was \$2.48m, an increase of 55.5% on the pcp and a little higher than our forecast for a \$2.3m EBITDA loss. The result was impacted by lower advertising sales revenue and the investment in the RentPay marketing campaign, which the company has flagged over the past two quarters. The company has moved to mitigate against the advertising sales decline by starting to diversify its advertiser base away from a reliance on new homes builders which represented 50% of advertising sales revenue in FY22. The company noted that the EBITDA loss from original portal business, rent.com.au, was \$0.065m in FY23 versus an EBITDA profit of \$0.22m the year before. The RentPay platform incurred an EBITDA loss of \$2.42m compared with \$1.82m in FY22, with most of the loss incurred in marketing expenses and platform development. The company ended FY23 with \$1.5m in cash and noted that it had been approved for an R&D refund. Management told investors on the results call that they would continue to look for strategic partnerships to drive growth in FY24. We have made negligible changes to our forecasts following the result and our base-case DCF valuation remains at \$0.17/share, which implies an EV/sales of 16x FY24f and 7.1x 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.

FY23 result confirms tough ad market, refocus in play

Rent.com.au delivered a FY23 result largely in line with our forecast, with revenues confirming the tough advertising conditions in the company's traditional core new homes market. The company however focused on strategic new advertisers in Q3, bringing in TPG Telecom which led to an improved outlook in Q4. RNT noted in its investor presentation that it would maintain the focus on rebuilding its advertising sales pipeline and extending arrangements with significant partners such as TPG Telecom. RNT also plans to continue the refresh of the core portal which it anticipates will further improve site performance and increase product revenue. The company highlighted that it was working on a new mortgage product to help renters build a deposit quicker and demonstrate they could service a mortgage. This addition to RentPay would likely add to ARPU growth and help compound its annuity income streams. Our forecasts for FY24 and FY25 remain intact following the FY23 result.

Base-case DCF valuation of \$0.17/share

Our base-case DCF valuation for Rent.com.au remains at \$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'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)	2.0
06/23a	2.8	0.9	(2.5)	(3.8)	(0.7)	3.2
06/24f	5.5	2.3	(2.2)	(2.2)	(0.6)	2.2
06/25f	12.4	6.4	1.7	0.2	0.1	0.9

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

Software & Services

30 August 2023

Share Details

ASX code	RNT
Share price (28-Aug)	\$0.02
Market capitalisation	\$10.3M
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 4 August 2023](#)

Company Contacts

Greg Bader (CEO)/	+61 8 6145 2602
Jan Ferreira (CFO/COO)	
investors@rent.com.au	

RaaS Contact

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

FY23 Results Analysis

There were no surprises in Rent.com.au's FY23 results. The company reported revenue of \$2.8m, in line with expectations and as per its quarterly results. Advertising revenue was down 39% to \$0.99m for the year due to advertising sales being impacted by a slowing in the home builder and property developer market with new home building approvals declining 18% in FY23. The tight rental market with fewer rental properties available and being advertised impacted the company's renter products revenue which declined by 3% to \$1.45m. RentPay however increased its revenue by 68% year on year to \$0.23m as the division grew both its customer base and ARPU. ARPU increased to \$4.83 in Q4 FY23 from \$3.98 in Q4 FY22 and active customers jumped to 6,066 by the end of FY23, more than double that at the end of FY22. More than \$120m in rent has been processed by RentPay since launch and more than \$2.3m a week in rent is being paid through the platform.

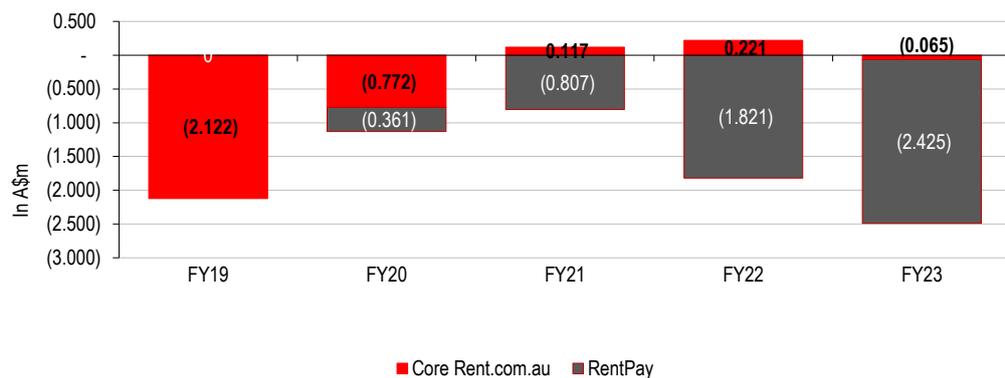
Exhibit 1: FY23 result versus FY22 and RaaS forecast (in A\$m unless otherwise stated)

	FY22a	FY23a	% chg	RaaS fct
Fees from agents	0.11	0.10	(10.7)	0.10
Renter products	1.50	1.45	(3.4)	1.51
Advertising	1.62	0.99	(38.9)	0.93
RentPay	0.14	0.23	68.2	0.23
Sales revenue	3.37	2.77	(17.9)	2.77
Total Revenue	3.9	2.81	(17.2)	2.81
Gross Profit	1.46	0.93	(36.2)	1.59
EBITDA	(1.60)	(2.49)	55.5	(2.30)
NPAT Adj.	(2.54)	(3.51)	38.1	(3.24)
EPS Adj.	(0.61)	(0.75)	23.0	(0.67)

Source: Company data

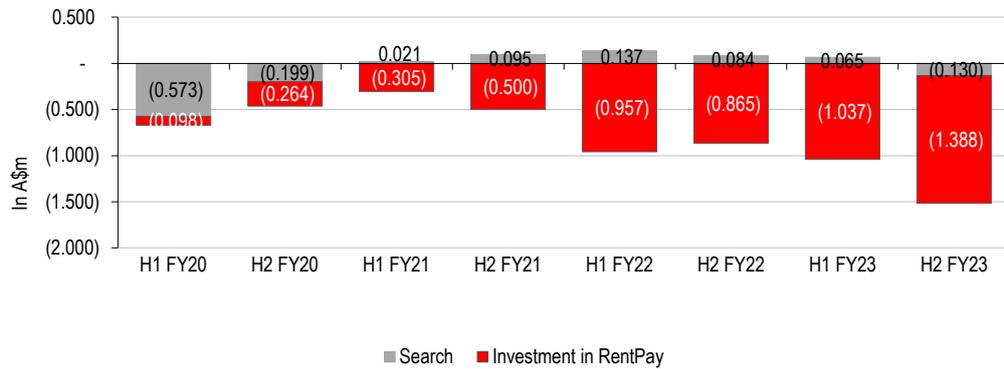
Gross margin for FY23 declined 36% to \$0.93m due in large part to increased marketing expenditure on RentPay and the relaunch of the core portal. Marketing costs increased 16% to \$1.0m while COGs declined 20% to \$0.84m. The EBITDA loss from the core portal was \$0.065m with the H2 loss of \$0.13m reversing the gains made in H1. RentPay posted an operating loss of \$2.425m, with investment in marketing and the platform increasing in FY23. The company noted that its cash burn has started to slow, with reductions in discretionary spend. The company ended FY23 with \$1.5m in net cash and it is anticipating receipt of R&D grants to bolster cash reserves in the coming 12 months.

Exhibit 2: EBITDA performance by division FY19-FY23



Source: Company reports

Exhibit 3: EBITDA split by half years



Source: Company reports

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 \$88.2m or \$0.17/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 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)	40.6
PV of terminal value (A\$m)	47.5
PV of enterprise	88.2
Net cash 31-Mar-23	(1.5)
Net value - shareholder	86.7
No. of shares on issue	513.7
NPV in A\$	\$0.17

Source: RaaS estimates

Exhibit 5: Financial Summary

Rent.com.au Ltd						Share price (29 August 2023)						A\$	0.020				
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					
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)	(0.27)	(0.18)					
EBIT	(1.6)	(2.6)	(3.7)	(3.2)	0.6	EPS (reported)	(0.34)	(0.32)	(0.34)	(0.42)	(0.27)	(0.18)					
Interest	(0.0)	(0.0)	0.0	(0.0)	(0.2)	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)	(1.0)	(0.8)					
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Free Cash flow	(0.7)	0.3	(0.4)	(0.5)	(0.4)	(0.1)					
NPAT pre significant items	(1.0)	(2.5)	(3.5)	(2.2)	0.2	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)	0.2	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)	(0.2)	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	0.4	0.4	Employment	(0.9)	(1.1)	(1.1)	(1.2)	(1.6)	(1.6)					
Operating cash flow	(0.1)	(1.7)	(2.1)	(1.8)	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)	(1.9)	1.5	Margins, Leverage, Returns						FY21A	FY22A	FY23A	FY24F	FY25F	
Growth capex	(1.6)	(1.2)	(1.2)	(1.2)	(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%)	4.6%					
Other	0.0	0.0	0.0	0.0	0.0	NPAT pre significant items		(32.1%)	(75.4%)	(126.7%)	(40.2%)	1.7%					
Cash flow pre financing	(1.7)	(3.0)	(3.3)	(3.1)	0.3	Net Debt (Cash)			2.9	2.2	1.5	(1.6)					
Equity	4.2	2.5	2.9	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	(0.8)					
Debt	(0.1)	(0.1)	(0.1)	2.0	0.0	ND/ND+Equity (%)	(%)	(143.6%)	(89.0%)	(66.6%)	53.9%	43.5%					
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	0.3					
Net cash flow for year	2.4	(0.5)	(0.5)	(1.1)	0.3	ROA		(36.4%)	(44.5%)	(67.4%)	(60.9%)	8.8%					
Balance sheet (A\$m)						ROE		(37.9%)	(57.5%)	(90.3%)	(87.0%)	13.9%					
Y/E 30 June	FY21A	FY22A	FY23A	FY24F	FY25F	ROIC		nm	nm	nm	nm	nm					
Cash	2.9	2.2	1.5	0.4	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)	(0.4)	(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	1.3	2.7	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	514	514					
Intangibles and Goodwill	2.4	2.8	2.9	3.0	3.2	Weighted Av Dil Shares	(m)	355	417	480	514	514					
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%	-18%	(108.9%)					
Total non current assets	2.5	3.1	3.1	4.3	4.7	DPS	cps	-	-	-	-	-					
Total Assets	5.9	5.9	5.0	5.6	7.4	EV/EBITDA		(7.4)	(4.1)	(3.5)	(5.4)	6.9					
Accounts payable	0.7	0.7	0.8	1.7	3.2	FCF/Share	cps	(0.0)	(0.4)	(0.4)	(0.3)	0.3					
Short term debt	0.0	0.0	0.0	0.0	0.0	Price/FCF share		nm	nm	nm	nm	5.8					
Tax payable	0.0	0.0	0.0	0.0	0.0	Free Cash flow Yield		(0.0%)	(18.3%)	(20.3%)	(16.6%)	17.2%					
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	36.5					
Long term debt	0.0	0.0	0.0	2.0	2.0												
Other non current liabs	0.0	0.2	0.1	0.1	0.1												
Total long term liabilities	0.0	0.2	0.1	2.1	2.1												
Total Liabilities	1.0	1.2	1.3	4.2	5.7												
Net Assets	4.9	4.6	3.7	1.4	1.7												
Share capital	41.5	43.8	46.5	46.5	46.5												
Accumulated profits/losses	(43.2)	(45.9)	(49.7)	(51.9)	(51.7)												
Reserves	6.6	6.8	7.0	7.0	7.0												
Minorities	(0.0)	(0.1)	(0.2)	(0.2)	(0.2)												
Total Shareholder funds	4.9	4.6	3.7	1.4	1.7												

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



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

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