

15th June 2021

Small Cap

Rent.com.au Limited: On Track for Another Record Revenue Quarter

Reading Time: 5 Mins

By Team Ace Investors

Stock Code	ASX: RNT
Shares O/S	397.65 million
Closing Price	AUD 0.16
Market Cap	65.61 million
52 High/Low	0.395/0.031
One Year Stock Performance	318.92%
Avg volume (TTM)	2.87 million
EPS (TTM)	-0.004
P/E	-
Annual Dividend Yield	-
Franking	-
Last Dividend Ex-Date	-
Last Dividend Pay Date	-
DPS (AUD)	-
ROE %	-

COMPANY OVERVIEW

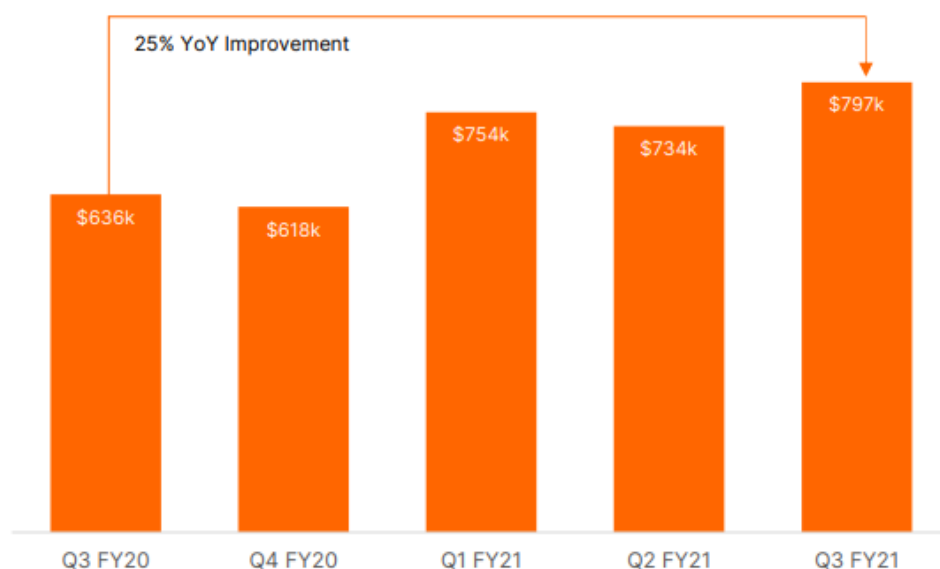
Rent.com.au Limited ("**RNT**" or the "**Company**") is made for renters. Rent.com.au's biggest goal is to make renting an alternative to home ownership. Rent.com.au has delivered marketing-leading products and services that have improved this experience, such as Renter Resume, which more than 1 million Australians use to help them stand out from the crowd.

On 30th April 2021, the Company reported its quarterly activities report for the quarter ended 31st March 2021. The Company reported record revenue of \$797k, 25% YoY improvement. RNT achieved a record result for Advertising Sales and the 2nd best ever quarter for Renter Products.

Google data indicates that rental search volume was down as much as 20% in the quarter compared to the same quarter in the prior year, however, with various COVID-induced moratoriums/restrictions expiring at the end of March, Rent.com.au has seen an increase in market activity again towards the end of the quarter.

The Company's record revenue result has driven an increase in profitability of its core rent.com.au business, with EBITDA increasing to \$36k, marking the third successive quarter of positive EBITDA.

Quarterly Revenue



Source – Company's Report

INVESTMENT RATIONALE/CONCERNS

- **Strong Growth Across Product Categories** – The Company's RentConnect (AGL utilities) product continues to drive most of the Renter Product growth, with the month of March setting a new record for the number of AGL utility connections through rent.com.au. The Company estimates that around 10% of AGL's new consumer electricity and gas connections nationally are now via referral from Rent.com.au, which demonstrates the value of its renter channel to strategic, embedded partners. RentCheck, its ID verification product, also posted good growth over the prior year. RentBond, which has struggled in recent quarters due to low demand has turned a corner, with a record number of bond loans settled in the month of March, representing over \$1 million in loan value settled and with strong volumes continuing into April.
- Advertising revenue has also continued to improve, with March 2021 being a new record month and the quarterly revenue setting a new quarterly record of \$331k (33% up on the same quarter in FY20). The Company focus continues to be on developing long term advertising partner relationships because it believes this helps unlock better value for both RNT and the advertiser.
- **Strong Focus on Investment** – With its core rent.com.au business continuing to build its profitability, and given the size of the RentPay opportunity, the Company has continued to invest in developing RentPay. In addition to software development costs of \$517k which were capitalised, the Company spent a net \$227k during the quarter on pre-launch branding/marketing, research and compliance activities for RentPay.
- **Strong Launch of RentPay** – On 9th June 2021, the Company provided an update to market following the launch of RentPay in May 2021. The Company received overwhelmingly positive customer feedback (4.9 rating in both Google and Apple stores) and 2,400 downloads of the app to date, in line with expectations for this phase. The Company updated that it has confidence to achieve its target of 200,000 paying RentPay customers by 30 June 2023.



Source – Company's Report

ACE's RECOMMENDATION

The Company will continue to innovate and drive the profitability of RentPay business. The Company see RentPay as a platform providing a broad range of services that renters want and need to manage their renting experience, rather than simply just a payments mechanism. RentPay is a long-term ecosystem that the Company believes will change not only its business, but also the entire renting market. The Company sees it as a platform which will grow with new products, services, and partners over the years to come.

The Company's partnership with SkyCredit allows it to offer emergency funding to renters should they require it. Renters take pride in maintaining a consistent payment history so having a SafetyNet facility attached to their wallet that will allow them to draw down a week's rent in an emergency. Finalising this agreement provides the opportunity to include additional product functionality into its launch of RentPay. The Company is gaining increased traction in the market and this has allowed it to post significant growth in revenue and profitability, as higher proportions of people use their product and expects that this growth trajectory to continue into the final quarter of the financial year. We recommend the stock as **SPECULATIVE BUY** at closing price of \$0.16.

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