

# Real Estate Investar Group

Q3 update

Q3 saw higher volume of property transactions

Software & comp services

Real Estate Investar (REV) saw Q317 revenue growth of 63% y-o-y with a substantial pick-up in property transactions. The company continues to execute on its strategy to capitalise on its growing membership base of property investors in order to generate property-related transaction revenues. We leave our forecasts substantially unchanged and continue to forecast EBITDA break-even in H217.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/15	4.0	(1.1)	(5.2)	0.0	N/A	N/A
06/16	4.9	(1.5)	(2.4)	0.0	N/A	N/A
06/17e	6.0	(1.3)	(1.6)	0.0	N/A	N/A
06/18e	7.2	(0.1)	(0.1)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Q317 revenue update

REV reported Q317 revenues of A\$1.5m, +63% y-o-y/+57% q-o-q. Cash receipts were A\$1.25m in the quarter, +62% y-o-y/+22% q-o-q. The company ended Q317 with a subscriber base of 255,644, up from 250,124 at the end of Q217. Receipt of an R&D tax credit in the quarter resulted in a net cash position of A\$0.33m at the end of Q317 (down from \$0.56m at end H117). REV facilitated 37 property transactions in the quarter, compared to 20 in H117 and eight in Q316.

## Outlook and changes to forecasts

The company restructured its cost base during Q217, which should deliver annual fixed cost savings of \$650k. It has also hired a new commission-based sales team and head of sales with a focus on selling premium memberships. We leave our revenue and cost forecasts unchanged, with a small increase in interest income to reflect the higher than expected cash position. We note that to achieve FY17 revenues of A\$6.0m, REV will need to generate Q417 revenues of A\$2.3m (which we estimate would require c 47 property transactions). We continue to forecast REV reaching EBITDA break-even in H217.

## Valuation: EBITDA break-even key to upside

REV is an early-stage company so it is not possible to be definitive on valuation. Our 10-year DCF, based on a WACC of 13.5% and long-term growth of 2%, results in a base case valuation of 7.0c per share – significantly above the current share price. If REV is able to successfully transition to a transaction-driven business model and achieve EBITDA break-even in line with our forecasts, we see scope for significant share price appreciation. Key data points that will evidence such progress include transaction volumes growing on a quarterly basis (particularly direct property sales), increasing penetration of the membership base for paid subscription services and good control of operating costs.

30 May 2017

**Price** **A\$0.044**  
**Market cap** **A\$3.7m**

Net cash (A\$m) at end Q317e	0.3
Shares in issue	84.5m
Free float	35%
Code	REV
Primary exchange	ASX
Secondary exchange	N/A

## Share price performance



## Business description

Real Estate Investar provides integrated online services to Australian and New Zealand property investors to help them identify and manage suitable properties.

## Next event

FY17 results August 2017

## Analysts

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**Exhibit 1: Financial summary**

	A\$'000	2015	2016	2017e	2018e
30 June		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		4,023	4,904	6,011	7,225
Cost of Sales		(2,137)	(2,811)	(2,631)	(2,786)
Gross Profit		1,886	2,092	3,379	4,438
EBITDA		(773)	(1,046)	(840)	301
Operating Profit (before amort. and except.)		(1,068)	(1,461)	(1,311)	(119)
Intangible Amortisation		0	(2)	(8)	(8)
Exceptionals		0	202	0	0
Other		0	0	0	0
Operating Profit		(1,068)	(1,261)	(1,319)	(127)
Net Interest		(37)	(34)	3	3
Profit Before Tax (norm)		(1,105)	(1,495)	(1,307)	(116)
Profit Before Tax (FRS 3)		(1,105)	(1,295)	(1,316)	(124)
Tax		(989)	(70)	0	0
Profit After Tax (norm)		(2,094)	(1,565)	(1,307)	(116)
Profit After Tax (FRS 3)		(2,094)	(1,365)	(1,316)	(124)
Average Number of Shares Outstanding (m)		39.9	65.3	84.5	84.5
EPS - normalised (c)		(5.2)	(2.4)	(1.6)	(0.1)
EPS - normalised and fully diluted (c)		(5.2)	(2.4)	(1.6)	(0.1)
EPS - (IFRS) (c)		(5.2)	(2.1)	(1.6)	(0.1)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross Margin (%)		46.9	42.7	56.2	61.4
EBITDA Margin (%)		-19.2	-21.3	-14.0	4.2
Operating Margin (before GW and except.) (%)		-26.5	-29.8	-21.8	-1.6
<b>BALANCE SHEET</b>					
Fixed Assets		1,838	2,751	2,538	2,158
Intangible Assets		1,656	1,619	1,442	1,313
Tangible Assets		45	89	116	195
Investments		136	1,043	981	650
Current Assets		824	4,325	3,268	3,583
Stocks		0	0	0	0
Debtors		695	2,053	2,615	2,600
Cash		129	2,272	653	984
Other		0	0	0	0
Current Liabilities		(4,548)	(3,191)	(2,661)	(2,660)
Creditors		(3,841)	(2,951)	(2,423)	(2,422)
Short term borrowings		(706)	(241)	(238)	(238)
Long Term Liabilities		(140)	(113)	(68)	(128)
Long term borrowings		(6)	0	0	0
Other long term liabilities		(134)	(113)	(68)	(128)
Net Assets		(2,026)	3,771	3,078	2,954
<b>CASH FLOW</b>					
Operating Cash Flow		(252)	(2,160)	(1,115)	316
Net Interest		(11)	3	5	3
Tax		0	0	0	0
Capex		(552)	(205)	(124)	(320)
Acquisitions/disposals		0	(143)	(382)	0
Financing		164	4,549	0	0
Dividends		0	0	0	0
Net Cash Flow		(651)	2,043	(1,615)	(1)
Opening net debt/(cash)		(68)	583	(2,031)	(415)
HP finance leases initiated		0	0	0	0
Other		0	571	(0)	331
Closing net debt/(cash)		583	(2,031)	(415)	(746)

Source: Real Estate Investar, Edison Investment Research

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