

ASX / Media Release 29 January 2021

Q2 FY21 Quarterly Activities Report & Appendix 4C

hipages Group Holdings Limited (ASX:HPG) (“hipages” or “the Company”) today provides its quarterly cash flow and activities summary for the period ended 31 December 2020. hipages is a leading Australian-based online platform and Software-as-a-Service (SaaS) provider that connects tradies with residential and commercial customers.

Highlights

Successful listing on the Australian Securities Exchange (ASX) on 12 November 2020

- Initial Public Offering (IPO) raised \$100.4m
- Primary IPO proceeds of \$40m received during Q2 FY21 used to pay offer costs of \$7.3m, \$1.9m cash redemption of convertible notes and repayment of debt of \$14m

Strong Q2 FY21 performance across all key metrics as a shift to subscription-only model and buoyant home improvement market led to greater demand for trade services

- COVID-19 Update: hipages continues to perform strongly with no noticeable impact from recent outbreaks in Victoria, NSW and Brisbane
- Strong revenue growth continued into Q2 FY21 with total revenue up 18% on previous corresponding period (pcp) and recurring revenue growth of 26%¹. Revenue growth driven by;
 - Monthly Recurring Revenue (MRR)² of \$4.6m (including GST)² up 31% vs pcp underpins strong recurring revenue growth (FY21 Prospectus MRR forecast @ June 2021 \$5m, up 21%)
 - Total subscription tradies up 12% to 28.8K; FY21 prospectus forecast growth of 7%
 - Average Annual Revenue Per Tradie (Total Tradie ARPU)³ of \$1,550² up 31% on Q2 FY 20; ahead of FY21 prospectus ARPU forecast of \$1,449 and growth of 21%
 - Jobs growth of 13% vs FY21 prospectus forecast of 10%. Jobs from unpaid channels up 37% with jobs from paid channels only 19% of all jobs posted on platform
- H1 FY21 total revenue growth of 18% and recurring revenue growth of 27%² ahead of FY21 Prospectus forecast⁴ for total revenue growth of 15% and recurring revenue growth of 20%

Strong financial position with cash and funds on deposit of \$31.5m⁵ and no debt

- Operating cash receipts for Q2 FY21 were \$15m, compared to \$12.7m in Q2 FY20
- Net cash from operating activities was \$2.6m excluding non-recurring IPO transaction costs attributable to the secondary raise and interest costs associated with the venture debt and convertible notes that were retired on IPO.

¹ Unaudited financial information

² Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue hipages will recognise from subscription-based agreements (inclusive of GST).

³ Average Annual Revenue Per Tradie (Total Tradie ARPU) is the annual operating revenue divided by the average of the opening and closing number of total tradies for the period.

⁴ Pro Forma FY20 Historical and FY21 Forecasts, hipages Group Holdings Prospectus

⁵ Comprising cash and cash equivalents of \$29.2m and funds on deposit of \$2.3m.

Table 1: Key Pro Forma Financial and Operating Metrics

	Q2 FY21 ⁶	Q2 FY20	Var (%)	FY21f	Var (%)
Total Revenue (\$m)	13.9	11.8	18%	53.9	15%
Recurring Revenue (\$m)	13.1	10.4	26%	50.5	20%
Recurring revenue % total	94%	88%	7%	94%	4%
MRR (\$m) ⁷	4.6	3.5	31%	5.0	21%
Job volume (000s)	405	358	13%	1,500	10%
Subscription tradies (000s)	28.8	25.6	12%	30.0	7%
Total Tradie ARPU ⁸ (\$)	1,550	1,184	31%	1,449	21%

hipages Co-founder and CEO Roby Sharon-Zipser said: “FY21 is proving to be an exciting year for hipages with our recent ASX listing giving us the financial flexibility to drive future growth, while our shift to a subscription-only model continued to pay off with a strong performance across our key metrics. Demand for trade services remained strong as consumers increased their investment in home improvement and COVID-19 accelerated online adoption.

“The business has performed ahead of expectations with 26% growth in recurring revenue in the December quarter due to a significant increase in ARPU and tradie subscriptions. A 31% lift in ARPU was driven by new subscribers joining the platform at a higher price point and existing subscribers upgrading to higher price tiers in order to claim more jobs.

“hipages had another successful season as sponsor of *The Block* which delivered a further step up in brand awareness reinforcing our position as brand leader in the on-demand tradie economy. This resulted in further tradie acquisition and jobs growth as new consumers were attracted to our platform, fuelling a ‘flywheel’ effect as the double-sided marketplace enables us to unlock more value per subscriber.

“During the second half of FY2021, we will remain focused on ensuring we have the right mix of jobs on our platform and the highest quality tradie network in Australia. At the same time, we will continue our evolution to a SaaS model extending the capabilities of our platform and delivering an end-to-end product offering for tradies and consumers.”

Operational & Strategic Update

A number of marketing initiatives and the completion of a second season as platinum sponsor of *The Block*, contributed to a substantial increase in brand awareness from 46% to 56%, which is more than double the 27% recorded in July 2018. Investment in marketing has been a key strategic focus for the Company and critical to building greater awareness of hipages’ brand and value proposition. It was also instrumental in driving jobs growth of 13% in Q2 FY21 vs pcpc with

⁶ Unaudited financial information

⁷ Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue hipages will recognise from subscription-based agreements (inclusive of GST). FY21 Prospectus forecast is based on MRR for the month of June 2021.

⁸ Average Annual Revenue Per Tradie (Total Tradie ARPU) is the annual operating revenue divided by the average of the opening and closing number of total tradies for the period.

jobs from unpaid channels up 37% yoy. Jobs from paid channels represent only 19% of total jobs on the platform compared to 33% in Q2 FY20 reflecting ongoing improvements in marketing spend efficiency.

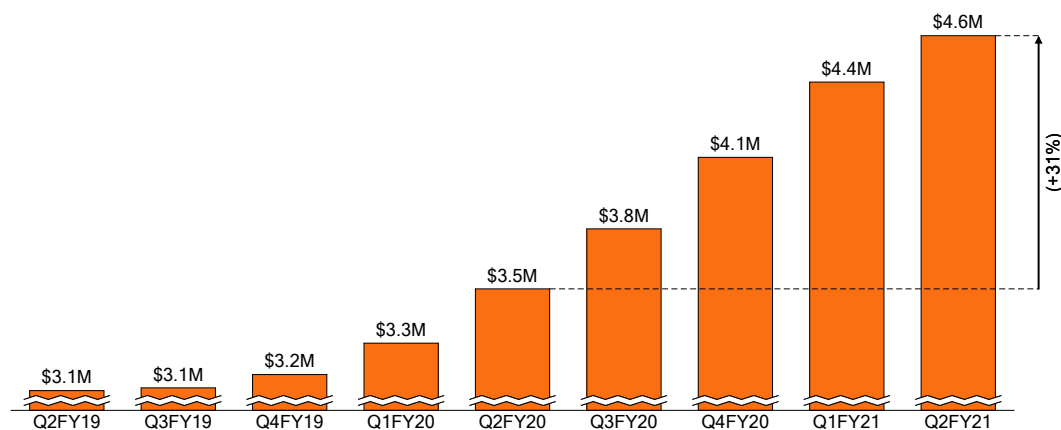
During the quarter, hipages continued to execute on its strategic plan optimising and expanding new job channels via partnerships in the retail, government and real estate sectors. The roll out of the field service software solution and evolution to a Software-as-a-Service (SaaS) model continues and will enhance the end-to-end product experience for both consumers and tradies. It will also enable hipages to expand its eco-system via channel expansion and the activation of additional ancillary services which will further enhance the value proposition and accelerate the growth of the business.

Financial Update

Q2 FY21 marks a year since hipages shifted to a subscription-only model with new tradies required to enter into 6 or 12-month contracts from November 2019. In Q2 FY21, total revenue was \$13.9m, an increase of 18% vs pcp, driven by strong recurring revenue growth of 26% which now accounts for 94% of total revenue (Q2 FY20: 88%). Q2 FY21 revenue growth was ahead of FY21 Prospectus forecasts for total revenue growth of 15% and recurring revenue growth of 20%.

Monthly recurring revenue (MRR) increased by 31% to \$4.6m in Q2 FY21 vs pcp. The chart below shows the acceleration in MRR over recent quarters as more tradies have subscribed to the platform with a significant proportion ascending to higher price points.

Chart 1: Strong growth in MRR⁹ in Q2 FY21



In Q2 FY21, subscription tradies increased by 12% to 28.8k and average revenue per tradie increased by 31% to \$1,550 demonstrating the value that is being unlocked as the Company shifts from the legacy transactional pay-per-lead model.

⁹ Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue hipages will recognise from subscription-based agreements (inclusive of GST). FY21 Prospectus forecast is based on MRR for the month of June 2021.

Chart 2: Subscription tradie base continues to expand

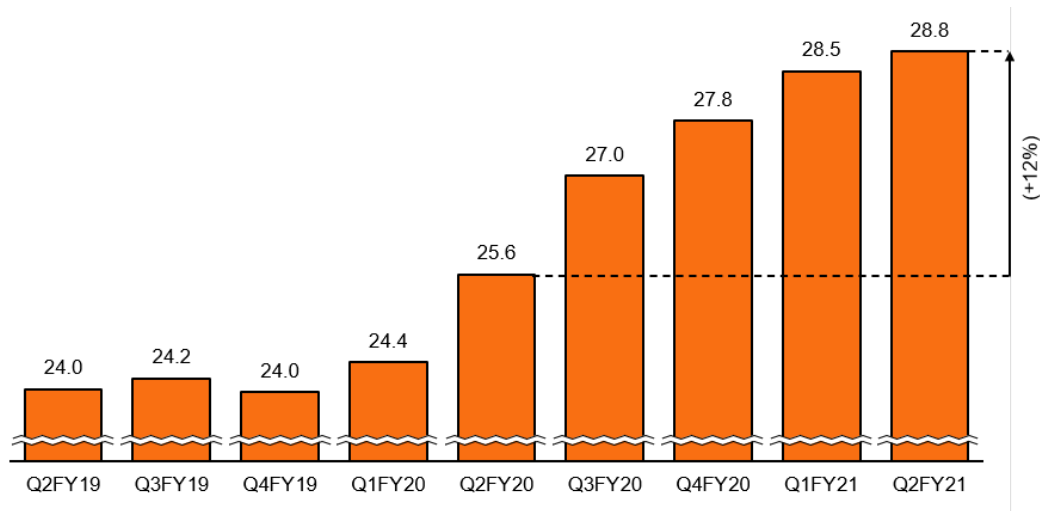
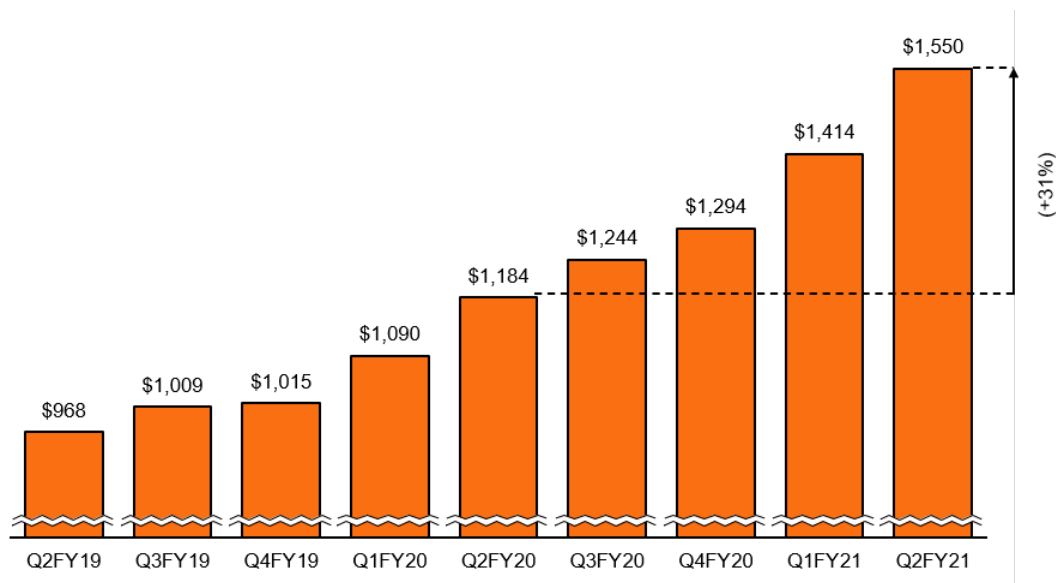


Chart 3: Driving growth in Total Tradie ARPU¹⁰



Net cash flows and use of funds

Operating cash receipts for the quarter were \$15m compared to \$12.7m in Q2 FY20. Operating cash payments for the quarter were \$12.5m, compared to \$10.2m in Q2 FY20. Net cash from operating activities was \$2.6m excluding non-recurring IPO transaction costs attributable to the secondary raise and interest costs associated with venture debt and convertible notes that were retired on IPO. Net Cash used in operations in Q2 FY21 was (\$2.3m) including these one-off costs.

¹⁰ Average Annual Revenue Per Tradie (Total Tradie ARPU) is the annual operating revenue divided by the average of the opening and closing number of total tradies for the period.

Primary IPO proceeds of \$40m received during Q2 FY21 was used to pay offer costs of \$7.3m, \$1.9m cash redemption of convertible notes and repayment of debt of \$14m leaving hipages with a strong financial position with cash and funds on deposit of \$31.5m¹¹ and no debt.

As noted in Appendix 4C, during the quarter \$45K in payments were made to a related party to the CEO in relation to services provided for website-related costs.

Investor conference call

hipages' Co-Founder and CEO Roby Sharon-Zipser and CFOO Melissa Fahey will host a conference call with the investment community including a Q&A session at **10am AEDT today (29 January 2021)**.

To register for the conference call and access dial in details, please follow the link below.

<https://s1.c-conf.com/diamondpass/10012201-p48dyc.html>

Ends

Authorised for release to the ASX by the Board of hipages Group Holdings Limited.

Further Information

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¹² Total IPO transaction costs were \$7.3m in the 6 months year to date. Section 1.8 includes one-off costs of \$4.3m in the current quarter and \$4.6m in the 6 months year to date related to the secondary raise which are included in Cash Flows from operating activities. Section 3.4 includes \$2.7m in the current quarter and \$2.7m in the 6 months year to date related to the primary proceeds raised and reflected in Cash flows from financing activities.

About hipages

hipages is the online platform that connects Australia with trusted tradies to simplify home improvement. As the leader in the On-Demand Tradie Economy, based on jobs posted, our aim is to create a seamless experience for both tradies and homeowners. For homeowners, hipages provides a better, smarter way to connect with local tradies to get the job done well. For tradies, the platform helps them grow their business by providing leads from customers looking for a specific trade. To date, over three million Australians have changed the way they find, hire and manage trusted tradies with hipages, ultimately providing more work to the 36,000 tradie members on the platform. The hipages app is available for download on the App Store and Google Play. www.hipagesgroup.com.au

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

hipages Group Holdings Ltd

ABN

67 644 430 839

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	14,994	29,528
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(5,136)	(7,651)
	(d) leased assets	-	-
	(e) staff costs	(3,757)	(8,345)
	(f) administration and corporate costs	(3,570)	(6,975)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	93	188
1.5	Interest and other costs of finance paid	(603)	(1,088)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material) ¹²	(4,306)	(4,616)
1.9	Net cash from / (used in) operating activities¹³	(2,285)	1,041

¹² Total IPO transaction costs were \$7.3m in the 6 months year to date. Section 1.8 includes one-off costs of \$4.3m in the current quarter and \$4.6m in the 6 months year to date related to the secondary raise which are included in Cash Flows from operating activities. Section 3.4 includes \$2.7m in the current quarter and \$2.7m in the 6 months year to date related to the primary proceeds raised and reflected in Cash flows from financing activities.

¹³ Net cash from operating activities would have been \$2.6m in the current quarter and \$6.7m in the 6 months year to date, excluding non-recurring IPO transaction costs attributable to the secondary raise (Section 1.8) and non-recurring interest costs (Section 1.5) associated with the venture debt and convertible notes that were retired on IPO.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(216)	(310)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(1,626)	(3,619)
2.2	Proceeds from disposal of:		
	(g) entities	70	70
	(h) businesses	-	-
	(i) property, plant and equipment	-	-
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,772)	(3,859)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	40,000	40,300
3.2	Proceeds from issue of convertible debt securities	-	3,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities ¹⁴	(2,692)	(2,703)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(15,941)	(15,978)

¹⁴ Total IPO transaction costs were \$7.3m in the 6 months year to date. Section 1.8 includes one-off costs of \$4.3m in the current quarter and \$4.6m in the 6 months year to date related to the secondary raise which are included in Cash Flows from operating activities. Section 3.4 includes \$2.7m in the current quarter and \$2.7m in the 6 months year to date related to the primary proceeds raised and reflected in Cash flows from financing activities.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayment of principal portion of leases	(638)	(1,412)
3.10	Net cash from / (used in) financing activities	20,729	23,207

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,539	8,822
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,285)	1,041
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,772)	(3,859)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	20,729	23,207
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period¹⁵	29,211	29,211

5.	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	29,211	12,539
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	29,211	12,539

¹⁵ At 31 December 2020, hipages had cash and funds on deposit of \$31.5m comprising cash and cash equivalents of \$29.2m and funds on deposit of \$2.3m.

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	45
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<p><i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i></p> <p><i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i></p>			
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p>		
	<p>N/A</p>		

8. Estimated cash available for future operating activities		\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(2,285)
8.2	Cash and cash equivalents at quarter end (item 4.6)	29,211
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	29,211
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	13

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: **29 January 2021**

Authorised by: **The Board of Directors of hipages Group Holdings Limited**