

Q2 FY22 Quarterly Activities Report & Appendix 4C

hipages Group strengthens ANZ market leadership as investment drives record job volumes and brand awareness

hipages Group Holdings Limited (ASX:HPG) (“hipages Group” or “the Company”), owner of hipages, Australia’s largest online tradie marketplace and Software-as-a-Service (SaaS) provider connecting tradies with residential and commercial consumers, today provides its quarterly cash flow and activities summary for the period ended 31 December 2021.

Q2 FY22 Highlights

- **Continued brand investment drove record job volumes and brand awareness**
- **Builderscrack acquisition and strategic investment in Bricks + Agent increased TAM by ~\$45b**
- **Action to support tradie customers continued in Q2 amid ongoing COVID-19 uncertainty**
- **Total revenue up 10% on pcp to \$15.3m, up 8% on a LFL basis**
- **Recurring revenue up 11% on pcp to \$14.5m, with 95% of total revenue recurring**
- **ARPU¹ increased by 11% to \$1,723, with business model optimisation continuing to drive strong ARPU growth for hipages in Australia, up 18% to \$1,830**
- **Subscription tradies up 19% on pcp to 34.3k², up 7% on a LFL basis**
- **Balance sheet remains robust with cash and funds on deposit of \$15.4m and positive operating cash flow**

Table 1: Key Financial and Operating Metrics

	Q2 FY22 ³	Q2 FY21 ³	pcp % ⁴	LFL % ⁵
Total Revenue (\$m)	15.3	13.9	10%	8%
Recurring Revenue (\$m)	14.5	13.1	11%	11%
Recurring revenue % total	95%	94%	1pts	2pts
MRR (\$m)	5.3	4.6	15%	14%
Job volume (000s)	443	405	9%	8%
Subscription tradies ⁶ (000s)	34.3	28.8	19%	7%
ARPU ¹ (\$)	1,723	1,552	11%	18%

¹ Average Annual Revenue Per Unit (i.e. Tradie ARPU) is the annual operating revenue divided by the average of the opening and closing number of total hipages tradies and paying Builderscrack tradies for the period. hipages Group ARPU of \$1,723 is the blended result of hipages’ ARPU of \$1,830 and Builderscrack’s ARPU of \$704 for one-month post-completion.

² includes 3.3k New Zealand paying tradies acquired through the acquisition of Builderscrack.

³ Unaudited financial information.

⁴ Includes impact of one month of Builderscrack performance post-completion on 8 December 2021.

⁵ Presented on a like-for-like basis with hipages Group preceding the acquisition of Builderscrack.

⁶ Includes tradies committed to a monthly subscription product from hipages and Builderscrack paying tradies who generated at least one work invoice over the last 12 months.

hipages CEO and Co-founder Roby Sharon-Zipser said: “In the second quarter we continued to make good progress against our growth strategy with the acquisition of Builderscrack and a strategic investment in Bricks + Agent, which significantly increased our TAM and made us the Trans-Tasman market leader for online trade services.

“While the emergence of Omicron has caused further uncertainty for the trades industry, Australia’s appetite for home improvement remains robust, with record job volumes flowing to the hipages platform in the lead up to Christmas and continuing into the new year. We will continue to support our tradie customers and look forward to continuing to roll out our Tradiecore solution with enhanced functionality to help our tradie customers run their businesses more efficiently.”

Operational & Strategic Update

After lockdowns and industry-wide restrictions impacted job volumes in the first quarter, there was a strong bounce back in Q2. Job volumes on the hipages platform increased by 9% on pcp to a record 443k, including over 139k from new users, as consumers rushed to complete the backlog of jobs placed on hold by lockdowns ahead of the Christmas holiday period.

hipages Group continued to support its existing tradie customers with a range of measures including temporary contract pause, short term discounts and lead credit extensions, as well as targeted communication to inform tradies of restrictions and opportunities in their areas.

To enhance the experience for its tradie customers and increase retention over the long-term, hipages Group continues to optimise its products and pricing, while also rolling out enhanced functionality for the Tradiecore platform. Additional Tradiecore features such as scheduling will be launched in the coming weeks.

The strength of the hipages brand continues to be a key differentiator, with jobs from unpaid channels accounting for 82% of total jobs, and 68% of jobs coming from repeat customers in Q2. hipages Group’s platinum sponsorship of *The Block* contributed to brand awareness increasing by 2pts to its highest ever level of 58%, with top-of-mind awareness of 27% being 16pts ahead of the nearest competitor.

The Company continued its marketing efforts to acquire new tradie customers in Q2, with targeted radio, television and digital advertising, including on Fox Sports’ coverage of The Ashes cricket series between Australia and England.

During the quarter, the Company made its first significant inorganic investment, with \$6.25m invested for a 25% strategic interest in Bricks + Agent, one of Australia's leading property management technology platforms. It subsequently announced the acquisition of Builderscrack, New Zealand's leading online tradie marketplace, for \$11.8m in cash and equity, making hipages Group the trans-Tasman market leader for online tradie marketplaces⁷.

Both investments are in line with the Company's established strategy to increase its TAM, giving hipages Group exposure to significant new addressable markets and large pools of active tradies.

While uncertainty from COVID-19 persists, hipages remains committed to investing for growth to capture the significant long-term opportunity in the on-demand tradie economy.

Financial Update

Heading into Q2, hipages Group experienced a strong bounce back in platform activity, with record job volume and significantly reduced subscription credit issuance. As in previous years, new tradie registrations have rebounded strongly in January following the typically quiet December period.

Tradie churn has continued to reduce from its lockdown peak, and while the emergence of the Omicron strain of COVID-19 had an impact on Subscription Tradie growth, the Company expects this to normalise in the second half, notwithstanding any further unforeseen COVID-19 impacts or restrictions.

Total revenue and recurring revenue were impacted by retention initiatives in relation to COVID-19 and lower Subscription Tradie growth, with total revenue growing by 10% on pcp to \$15.3m and recurring revenue growing by 11% to \$14.5m to account for 95% of total revenue.

Excluding the impact of retention initiatives, recurring revenue growth for Q2 would have been 13%.

⁷ Based on home services jobs posted monthly on the hipages platform in Australia and on the Builderscrack platform in New Zealand.

Chart 2 shows continued growth of MRR, which increased by 15% on pcp to \$5.3m⁸ as tradies subscribe at higher average price points.

Chart 2: MRR growth continues

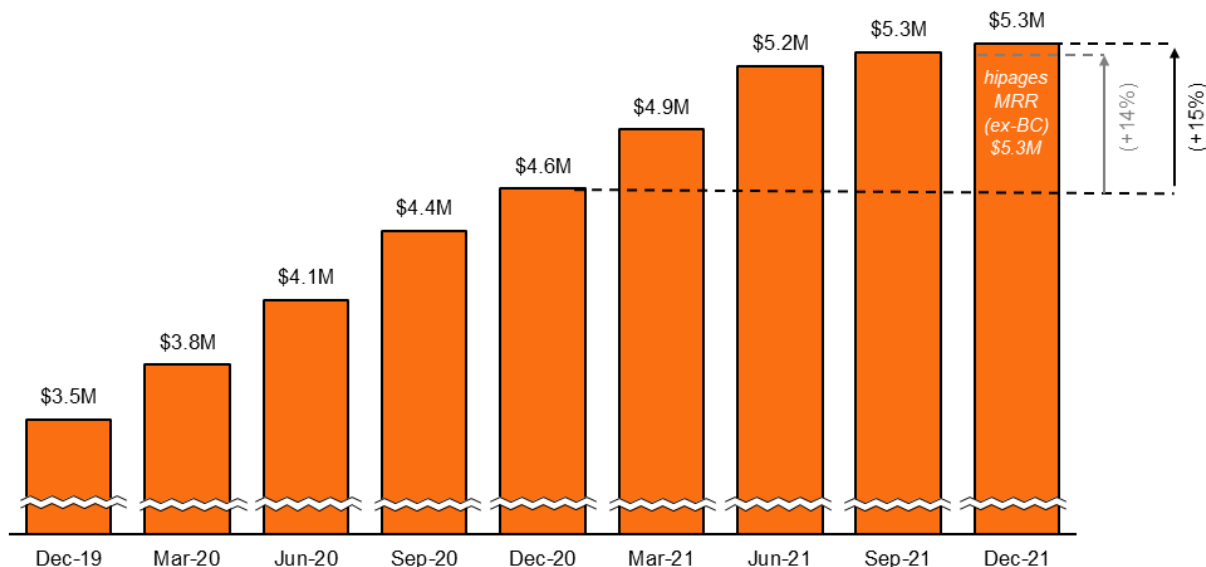
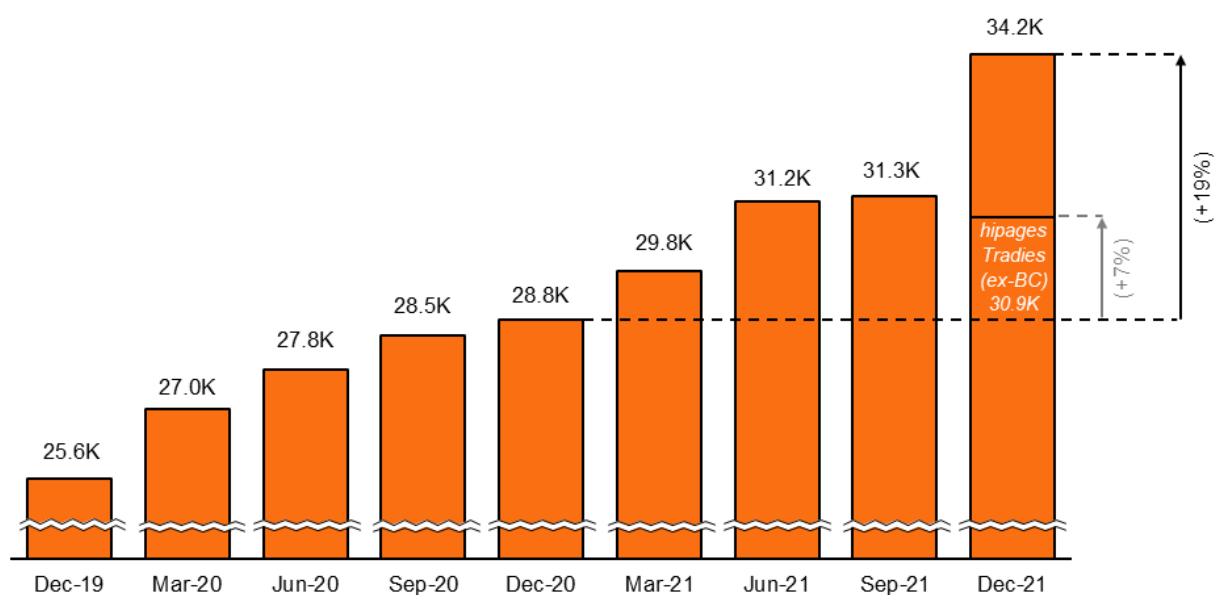


Chart 3 shows that Subscription Tradies grew by 19% on the pcp, reflecting growth in Australia of 7% in addition to 3.3k New Zealand tradies acquired as part of the acquisition of Builderscrack. There was a small quarter-on-quarter decline in Subscription Tradies due to the ongoing impact of COVID-19, which the Company expects to normalise in the second half.

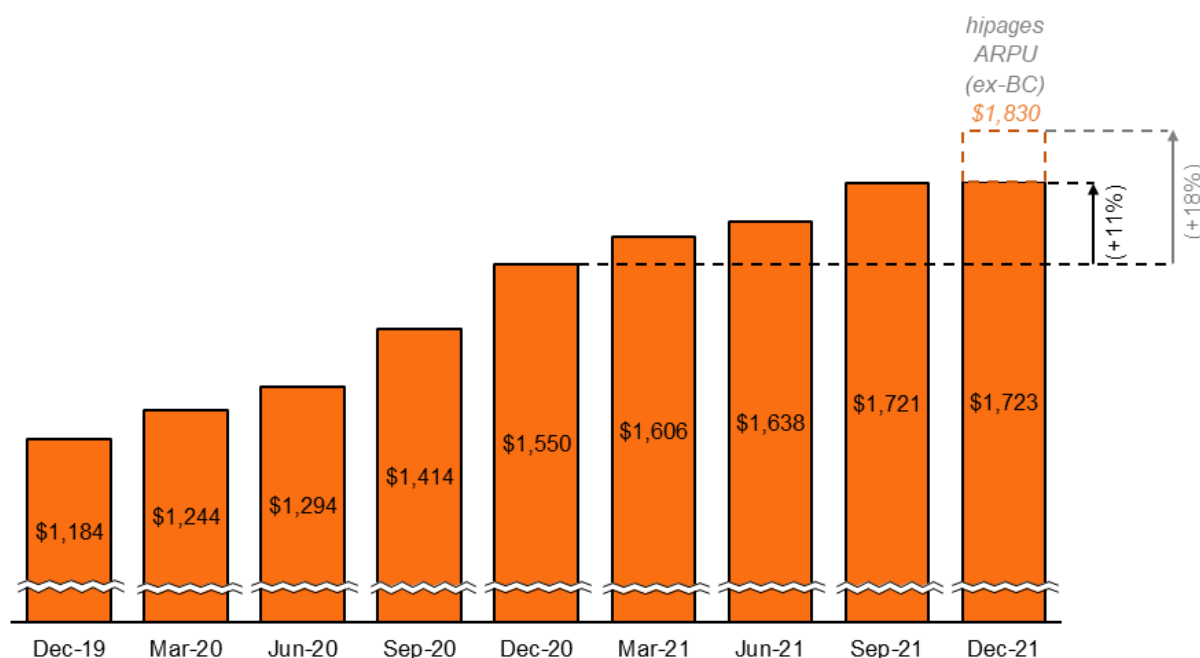
Chart 3: Growth in subscription tradies continues despite COVID-19 impact



⁸ Includes \$42k MRR contribution from Builderscrack.

Chart 4 shows that total tradie ARPU⁹ for hipages Group grew by 11% to \$1,723, incorporating the impact of the acquisition of Builderscrack, which had a lower ARPU of \$704, with significant potential upside through business model optimisation and adjacent opportunities. Excluding the impact of the Builderscrack acquisition, hipages ARPU grew by 18% on the pcp to \$1,830 as new tradies continued to join the platform at record yields.

Chart 4: Strong growth in Total Tradie ARPU continues



Net cash flows and use of funds

Operating cash receipts for the quarter were \$15.9m compared to \$15.6m in Q1 FY22 and \$15.0m in Q2 FY21, an increase of 6%¹⁰ on the pcp. Operating cash payments for the quarter were \$13.0m, compared to \$14.3m in Q1 FY22 and \$13.6m in Q2 FY21.

Operating cash payments of \$13.0m in Q2 FY22 included \$5.6m for advertising and marketing as hipages Group continued to invest aggressively towards growth and brand awareness, \$3.7m for staff costs, and \$3.7m for administrative and corporate costs. As a result of decreased spend on staff, administrative and corporate costs, net cash from operating activities was \$2.9m, up from \$1.3m in Q1 FY22.

⁹ Average Annual Revenue Per Unit (i.e. Tradie ARPU) is the annual operating revenue divided by the average of the opening and closing number of total hipages tradies and paying Builderscrack tradies for the period.

¹⁰ Operating cash receipts growth of 6% on pcp impacted by the timing of partnerships fees and sublease rental income in Q2 FY21, where the cash receipts were higher in pcp.

The net cash position of \$13.1m includes \$0.6m cash acquired in the acquisition of Builderscrack. The company has a robust financial position with cash and funds on deposit of \$15.4m and no debt.

There were no material changes in business activities from those described in the Prospectus dated 21 October 2020. hipages Group funded its \$6.7m strategic investment in Bricks + Agent and the \$7.8m¹¹ acquisition of Builderscrack using funds raised during the Initial Public Offering (IPO). Following the cash outflows associated with these transactions and ongoing investment in the hipages platform, hipages Group has fulfilled all commitments in relation to the use of funds from its IPO as disclosed in the Prospectus.

As noted in Appendix 4C, there were no payments made to related parties during the quarter.

Ends

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

Further Information

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About hipages Group

hipages Group creates effortless solutions that help tradies streamline and grow their business and delight their customers. It is the owner of Australia's largest online tradie marketplace and Software-as-a-Service (SaaS) provider, hipages, connecting tradies with residential and commercial consumers across the country. The platform helps tradies grow their business by providing job leads from homeowners and organisations looking for qualified professionals, while enabling them to optimise their business through our SaaS product. To date, over three million Australians have changed the way they find, hire and manage trusted tradies with hipages, ultimately providing more work to approximately 31,000 trade businesses subscribed to the platform. The hipages app is available for download on the App Store and Google Play. www.hipagesgroup.com.au

¹¹ Inclusive of transaction costs and net of cash acquired.

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 2021

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	15,895	31,514
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(5,630)	(11,301)
	(d) leased assets	-	-
	(e) staff costs	(3,677)	(8,333)
	(f) administration and corporate costs	(3,716)	(7,730)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	11	33
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	2,883	4,183

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities, net of cash acquired	(7,843)	(7,843)
	(b) businesses	-	-
	(c) property, plant and equipment	(160)	(225)
	(d) investments	(6,722)	(6,747)
	(e) intellectual property	-	-
	(f) other non-current assets	(2,813)	(5,107)
2.2	Proceeds from disposal of:		
	(g) entities	150	150
	(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 used in investing activities	(17,388)	(19,772)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-

3.9	Other – repayment of principal portion of leases	(765)	(1,584)
3.10	Net cash (used in)/from financing activities	(765)	(1,584)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	28,400	30,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,883	4,183
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17,388)	(19,772)
4.4	Net cash from / (used in) financing activities (item 3.11 above)	(765)	(1,584)
4.5	Effect of movement in exchange rates on cash held	(9)	(9)
4.6	Cash and cash equivalents at end of period¹²	13,121	13,121
5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	13,121	28,400
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)	13,121	28,400

¹²At 31 December 2021, hipages had cash and funds on deposit of \$15.4m comprising cash and cash equivalents of \$13.1m 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	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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	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.		
	N/A		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	2,883
8.2	Cash and cash equivalents at quarter end (item 4.6)	13,121
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	13,121
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
	<i>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.</i>	

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
	<i>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.</i>

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: **27 January 2022**

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