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hipages Group FY22 Results

Disciplined execution delivers growth and strategic progress

hipages Group Holdings Limited (ASX: HPG) (“hipages Group” or “the Company”), Australia and New Zealand’s largest online tradie marketplace and Software-as-a-Service (SaaS) provider connecting tradies with residential and commercial consumers, today announces its financial results for the 12 months ended 30 June 2022 (**FY22**).

FY22 Highlights¹

- **Continued growth in revenue and key metrics in turbulent period for trades industry**
- **Total revenue up 11% (up 8% LFL), with recurring revenue up 11% to \$58.2m (up 10% LFL)**
- **Strong EBITDA margin of 17%, with further operational efficiencies driving 21% margin in H2**
- **Subscription tradies up 11% to 34.6k², with hipages Australia returning to growth in Q4**
- **Strong ARPU³ growth continues, up 11% with hipages Australia up 16% to \$1,789**
- **Strategic execution with rollout of Tradiecore and payments solution, first significant inorganic investments and next evolution of strategy to enhance user experience**
- **Efficient business model delivered positive free cash flow in Q4 after significant investment in product and technology to build platform for long-term growth**
- **Maintained strong balance sheet with \$13.2m cash and funds on deposit**
- **Uncertain macroeconomic environment expected to bring further balance to marketplace and drive accelerated growth due to countercyclicality of hipages Group model**

hipages CEO and Co-founder Roby Sharon-Zipser said: “In FY22 we faced a perfect storm for a marketplace business, with supply constricted by our tradie customers being unable to work due to COVID restrictions, then facing an unprecedented backlog of jobs driven by strong consumer demand. In this environment, the strength of our subscription model shone through, enabling us to deliver growth in revenues, subscription tradies and ARPU, while executing our strategy and consolidating our position as the #1 online tradie marketplace in both Australia and New Zealand.

“We are excited to launch hipages 3.0, the next evolution of our product strategy, which positions us strongly for the next stage of our growth journey by enabling us to better understand and price the intent of the consumer. This will ultimately provide an enhanced experience for our tradie customers and the consumers they serve.

“As we move into an uncertain macroeconomic environment, we expect balance to return to the marketplace, driving accelerated growth for our business. We remain committed to investing in our people, product and technology to achieve our long-term ambition of winning the tradie economy.”

¹ All comparisons refer to the prior corresponding period (pcp) unless otherwise stated

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

³ 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 \$1,707 is the blended result of hipages’ ARPU of \$1,789 and Builderscrack’s ARPU of \$883 for seven months post-completion.

Key Financial and Operating Metrics

| Financial Metrics | FY22 | FY21 | pcp% ⁴ | LFL% ⁵ |
|--|--------|--------|-------------------|-------------------|
| Total Revenue (\$m) | 61.9 | 55.8 | 11% | 8% |
| Recurring Revenue (\$m) | 58.2 | 52.7 | 11% | 10% |
| Recurring revenue % total | 94% | 94% | - | 2ppt |
| Operating expenses ⁶ (\$m) | (51.1) | (44.3) | 15% | 13% |
| EBITDA before significant items ⁶ (\$m) | 10.7 | 11.7 | (8%) | (13%) |
| EBITDA margin | 17% | 21% | (4ppt) | (4ppt) |
| NPAT (\$m) | (0.9) | 1.2 | N/A | N/A |

| Key Operational Metrics | | | | |
|--|-------|-------|-----|------|
| MRR (\$m) | 5.5m | 5.2m | 5% | 4% |
| Job volume (m) | 1.63m | 1.53m | 6% | 3% |
| Subscription tradies ⁷ (000s) | 34.6k | 31.2k | 11% | 0.3% |
| ARPU ² (\$) | 1,707 | 1,536 | 11% | 16% |

Subscription model delivers continued growth in revenue and key metrics

In H1, government-mandated lockdowns and COVID-19 restrictions on construction and home improvement meant tradies were unable to work for extended periods. The Omicron outbreak and extreme weather events on the east coast further delayed the industry's recovery.

As lockdowns eased in H2, COVID-related supply chain disruptions and record consumer demand from households saw tradies facing a significant backlog of work, with demand far outstripping supply.

Against that backdrop, hipages Group's subscription model delivered total revenue growth of 11%, with recurring revenue also growing by 11%. MRR increased by 5% to \$5.5m.

Record job volumes throughout the year drove overall job volumes up by 6%. Subscription tradies grew by 11%, or up slightly excluding tradies added as part of the acquisition of Builderscrack.

ARPU grew by 16% to \$1,789⁸ for hipages in Australia, or 11% overall. hipages Group believes double-digit ARPU growth is sustainable over the medium-term.

After peaking in Q3 due to the impacts of COVID, tradie churn reduced in Q4 to its lowest point in FY22 and continued to trend towards more normal levels.

EBITDA before significant items was \$10.7m. The strong EBITDA margin of 17% was achieved despite the revenue shortfall and the introduction of customer support initiatives in response to COVID-19, with

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 Pro-Forma EBITDA and NPAT in H1 FY21 adjusted for one-off IPO related costs and non-recurring interest on debt retired on IPO.

⁷ 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.

⁸ hipages Group ARPU of \$1,707 is the blended result of hipages' ARPU of \$1,789 and Builderscrack's ARPU of \$883 for one-month post-completion.

tight cost control and operational efficiencies delivering a margin of 21% in H2. The strength of the brand drove good growth from organic channels, with jobs from paid channels representing only 21% of total jobs, with 69% of jobs coming from repeat consumers in the second half.

Investing for growth

hipages Group's strong brand awareness is a key differentiator, and the Company continues to invest on both sides of the marketplace.

Marketing activity throughout the year was again anchored by the Company's platinum sponsorship of *The Block*, now in its fourth year, with additional integration with Channel Nine's *Space Invaders* program helping to drive total consumer awareness increasing up to 60% at year-end, up 5ppt on FY21. Tradie brand activity drove a strong 8ppt increase in total tradie awareness to 67%.

Effective brand investment and improved customer experience drove record outcomes for jobs from organic channels and jobs coming from repeat consumers. This enabled the Company to refocus its marketing efforts in H2 to balance the marketplace, generating strong tradie registration volumes in H2.

Technology development spend increased as flagged, as the Company continued investing in its development team and technology architecture to support its growth and strategic execution.

Executing and evolving the strategy

hipages Group made significant operational and strategic progress this year, continuing to build out the ecosystem.

The rollout of Tradiecore, the Company's job management solution which is a key part of the evolution to a SaaS model, was successfully completed in FY22. Enhanced functionality and new features including scheduling, self-service options, and personalised documentation have been well received by users. Tradie uptake has benefited from free trial subscriptions for hipages customers, with Tradiecore now included as part of all hipages subscription packages.

Stripe was selected as the Company's payments partner, with the payment solution now available in iOS and Android and compatible with Apple Pay and Android Pay. It will be made available in Tradiecore in H2 FY23, which is expected to further accelerate uptake.

The Company also made its first strategically significant inorganic investments, acquiring 100% of Builderscrack, New Zealand's leading online tradie marketplace, to become the trans-Tasman market leader. The Company also acquired 25% of Bricks & Agent, one of Australia's leading property management technology platforms.

hipages Group is constantly evolving its strategy to ensure it is fit for purpose in a rapidly changing market. The next evolution of the strategy, hipages 3.0, is focused around enhancing user experience on both sides of the marketplace through product improvements and better demonstrating the value proposition.

By gaining a more developed understanding of the intent of the consumer, the Company can enhance the customer journey and more accurately price jobs, ultimately delivering a better experience for both tradies and consumers, while increasing ARPU.

Strong cash flow and balance sheet

hipages Group reported strong Operating Cash Flow (OCF) of \$12.6m. EBITDA to OCF conversion was 125%. Receipts from customers increased by 8% to \$65.2m.

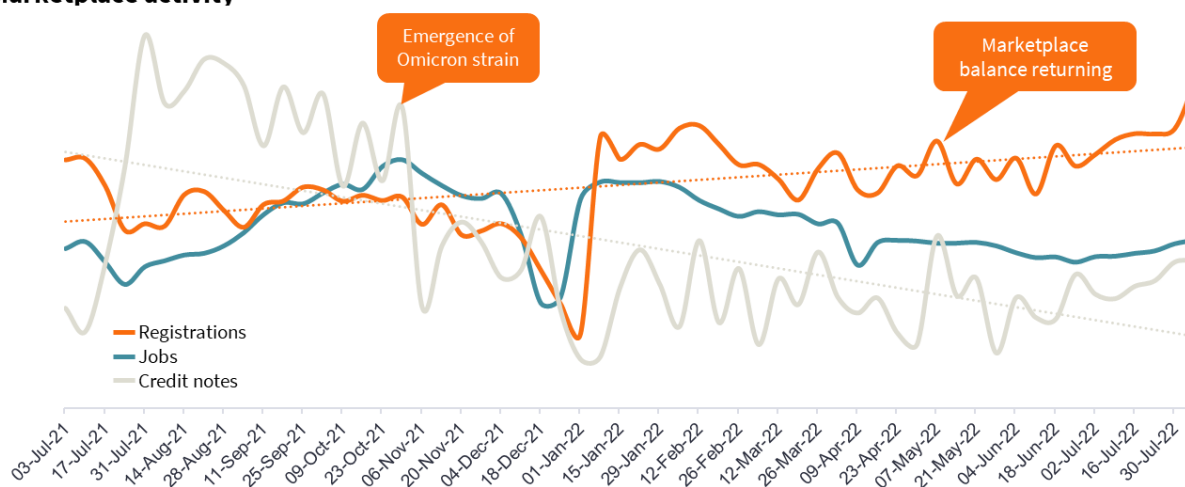
Net cash outflow was (\$3.7m) for FY22 and (\$0.2m) for H2 FY22 excluding one-off payments in relation to M&A activity. The Company reported a positive free cash flow of \$0.3m in Q4, highlighting the efficiency of the Company’s operating model and management’s focus on preserving cash.

At 30 June 2022, hipages Group had a robust financial position with cash and funds on deposit of \$13.2m and no debt.

Outlook

hipages Group exited Q4 with good momentum, with registration volumes continuing to improve and credit note issuance⁹ normalising as balance continues to return to the marketplace.

Marketplace activity



Moving further into an uncertain macroeconomic environment, with rising inflation and interest rates, the Company expects balance to return to the marketplace, driving accelerated growth due to the countercyclicality of the hipages Group model.

Acknowledging the ongoing economic uncertainty, hipages Group provides the following outlook for FY23:

- H1 revenue growth is expected to remain at similar levels reported in H2 FY22, before the growth rate increases to the mid-teens in the second half.

⁹ hipages issues credit notes to tradie subscribers as a retention tool in certain instances including where tradies may request to descend to a lower package or pause their contract due to being too busy.

- While churn improved in Q4, partly due to seasonality, it remains elevated above pre-COVID levels and is not expected to normalise until H2 FY23.
- The FY23 EBITDA margin is expected to be slightly ahead of FY22, with the first half margin to be impacted by the timing of marketing expenditure.
- hipages Group will continue to invest in technology to build a platform for long-term growth and expects the higher level of capitalised development spend to continue for the next two years, before reducing in FY25.
- Continued rollout of Tradiecore functionality and further strategic progress towards building out the hipages Group ecosystem.
- Having delivered positive free cash flow in Q4 FY22, the Company has a clear path towards sustainable free cash flow generation while still investing to deliver growth and execute strategy, while remaining committed to maintaining a strong balance sheet.

Commenting on the outlook, Roby Sharon-Zipser said: “Looking ahead, I am very excited about the future for hipages Group. The countercyclical nature of our model means that we are well positioned to benefit from economic uncertainty in the near-term, while the opportunity in our existing markets and new adjacencies is significant. Our efficient operating model gives us the confidence to continue to invest with a clear pathway to ongoing positive free cash flow. We remain highly focused on executing our strategy and investing to build the foundations for long-term profitable growth.”

Ends

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

Investor conference call

hipages Group will host a webcast and Q&A session for investors and analysts at **10.00am AEST today (25 August 2022)**. To register, please visit <https://webcast.openbriefing.com/8902/>

Further information

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About hipages Group (ASX:HPG)

hipages Group creates effortless solutions that help tradies streamline and grow their business and delight their customers. As Australia and New Zealand’s largest online tradie marketplace and Software-as-a-Service (SaaS) provider, hipages Group connects tradies with residential and commercial consumers through its platforms, hipages and Builderscrack. The Company helps tradies grow their business by providing job leads from homeowners and organisations looking for qualified professionals, while enabling them to optimise their business. To date, over three million Australians and New Zealanders have used hipages Group to change the way they find, hire and manage trusted tradies, providing more work to over 34,500 subscribed trade businesses. Also part of the hipages Group ecosystem is Tradiecore, workflow management software that eases the burden of everyday admin for tradie businesses, and Bricks & Agent, the market-leading property maintenance platform in which the Company has a minority ownership.