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hipages Group H1 FY23 Results

Strategic evolution from marketplace to platform as balance returns

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 six months ended 31 December 2022 (**H1 FY23** or **H1**).

H1 FY23 Highlights

- **Total revenue up 8%, with recurring revenue up 6% to \$30.6m and MRR¹ up 5% to \$5.6m**
- **Strong start to H2 trading, with positive momentum expected to continue**
- **Prudent expense management and operating leverage drive EBITDA² margin up to 18%**
- **Subscription tradies flat in H1 at 32.2k, with early H2 momentum driving growth to 34.4k by end January 2023**
- **Strong ARPU³ growth continues, up 11% to \$1,863**
- **New Tradiecore functionality rolled out, with payments solution to be delivered in H2**
- **Lead indicators show countercyclicality of model, with softening economic environment driving increased platform activity**
- **Strategic evolution from marketplace to platform progressing well**
- **Comfortably capitalised and targeting positive net cash flow by end FY24**

hipages CEO and Co-founder Roby Sharon-Zipser said: “In a softening economic environment, the countercyclicality of our model is becoming increasingly clear. As competition for jobs among tradies heats up, our key lead indicators are all turning green, with registrations from new and returning customers at record levels and utilisation and claim value increasing. We expect these lead indicators to flow through to our financial metrics in the second half.

“While this gives us a lot of confidence in the near-term, far more important for our long-term success is our evolution from a marketplace to a SaaS platform provider. We are creating an end-to-end platform to win the tradie ecosystem, and it is already delivering benefits for customer retention, with tradies four times stickier when using both hipages and Tradiecore. The growth opportunity from this evolution is huge, with a wide range of diversified revenue streams and significantly increased customer lifetime value.

“Having grown significantly over the last two years, we have now reached scale. Operating leverage will continue to emerge as we prudently manage our costs and focus our capitalised development. We expect positive trading momentum from early H2 to continue, delivering further revenue growth and margin expansion, and we are targeting positive net cash flow by the end of FY24.”

¹ Monthly recurring revenue inclusive of GST.

² Pro forma EBITDA (Earnings before interest, tax, depreciation and amortisation) before significant items.

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 \$1,863 is the blended result of hipages’ ARPU of \$1,978 and Builderscrack’s ARPU of \$786.

Key Financial and Operating Metrics

Financial Metrics	H1 FY23	H1 FY22	Var %
Total Revenue (\$m)	32.6	30.1	8%
Recurring Revenue (\$m)	30.6	28.8	6%
Recurring revenue % total	94%	95%	(1ppt)
Operating expenses ⁴ (\$m)	(26.8)	(25.9)	4%
EBITDA ⁵ before significant items(\$m)	5.8	4.2	38%
EBITDA margin	18%	14%	4ppts
NPAT (\$m)	(1.5)	(0.8)	(80%)
Key Operational Metrics			
MRR (\$m)	5.6	5.3	5%
Job volume (m)	0.74	0.80	(8%)
Subscription tradies ⁶ (000's)	34.2	34.3	-
ARPU (\$)	1,863	1,672	11%

Revenue growth and margin expansion as balance returns to marketplace

In the first half, hipages Group grew total revenue by 8% vs. pcp to \$32.6m, as marketplace imbalance impacted tradie retention. Recurring revenue grew by 6% and MRR increased by 5% to \$5.6m.

EBITDA before significant items increased by 38% to \$5.8m, with revenue growth, focused expense management and operating leverage driving EBITDA margin expansion of 4ppts to 18%.

After unprecedented consumer demand in FY22, a softening economic environment is resulting in job volumes normalising, bringing balance to the marketplace as expected. While subscription tradies were flat in H1, increased competition for jobs has driven growth already in H2, with 34.4k subscription tradies at the end of January.

ARPU grew by 11% to \$1,863, as tradies continue to join at higher yields. The Company expects continued ARPU growth over the medium-term, driven by price increases and additional services.

Operational efficiencies and scale benefits emerging

hipages Group's brand investment remains a key differentiator and continues to deliver marketing efficiencies and brand awareness.

In H1, marketing investment as % of revenue was 28%, 9ppts lower than the pcp, with jobs from paid channels representing only 19% of total jobs and 72% of jobs coming from repeat consumers. Record consumer and tradie brand awareness of 66% and 64% respectively was driven by the Company's

⁴ Pro forma operating expenses before significant items.

⁵ Pro forma EBITDA before significant items.

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.

effective marketing strategy, anchored by the platinum sponsorship of *The Block*, which was again the highest rating non-sport TV program in 2022.

Having reached operational scale, hipages Group is focusing its capitalised development and stabilising employment costs to deliver margin expansion ahead of schedule in FY24.

Strategic evolution from marketplace to platform

hipages Group's continued evolution from marketplace to platform is critical to driving its long-term success. Central to this evolution is the Company's job management SaaS solution, Tradiecore, which now has nearly 1,000 active and engaged users who are regularly using the app.

While the current hipages tradie workflow is managed through two separate applications, in the future hipages Group envisages a fully integrated end-to-end platform for tradies to run their businesses and purchase additional value-added services.

The Company is already seeing the early benefits of this evolution, with tradies being four times stickier when using both hipages and Tradiecore.

In H1, enhanced Tradiecore functionality and new features were rolled out alongside accounting integrations with Xero, MYOB and QuickBooks, which were prioritised due to strong customer feedback. In H2, the payments feature developed with Stripe will go live in Tradiecore.

The Company's wholly owned subsidiary Builderscrack, New Zealand's leading online tradie marketplace, continued its transition to a subscription model in H1, introducing new subscription packages to enhance retention and drive ARPU growth.

Bricks + Agent, the property management platform in which hipages Group has a 21% stake, acquired its largest Australian competitor, Maintenance Manager. The acquisition makes Bricks + Agent the #1 player in the \$21 billion ANZ property management market, with more than 800k users on its platform.

Strong cash flow and balance sheet

hipages Group reported strong operating cash flow (OCF) of \$6.0m. EBITDA to OCF conversion was 104%. Receipts from customers increased by 10% to \$34.6m.

At 31 December 2022, hipages Group was comfortably capitalised, with cash and funds on deposit of \$9.7m and no debt.

FY23 outlook

hipages Group has now emerged from the difficult trading environment experienced in FY22, where constrained supply from tradies being unable to work due to COVID restrictions was compounded by unprecedented consumer demand.

The Company entered H2 with strong momentum, with softening consumer sentiment continuing to drive competition for jobs and strong tradie engagement.

Registrations from new and returning customers are at record levels, with lead credit utilisation and claim value at multi-year highs and yields increasing. With job volumes normalising, zero-quote jobs are ~50% lower than the pcg, improving the consumer experience.

These lead indicators are expected to benefit the Company's financial metrics in H2, and January incremental MRR was the strongest it has been since 2021 at \$105k.

Churn is improving and is expected to normalise further in H2, as weaker consumer demand continues to fuel increased tradie engagement.

Due to the impact of marketplace imbalance in the first half, high single-digit revenue growth is expected in H2, with MRR acceleration already evident in January.

Positive trading momentum from early H2 is expected to continue, delivering further revenue growth and margin expansion, and the business is targeting positive net cash flow by the end of FY24.

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 **9.30am AEDT today (23 February 2023)**. To register, please visit <https://webcast.openbriefing.com/hpg-hyr-2023/>

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 34,200 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.