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hipages Group FY23 Results

Strong marketplace momentum; targeting positive free cash flow in FY24

hipages Group Holdings Limited (ASX: HPG) (“hipages Group” or “the Group”), Australia and New Zealand’s largest online tradie marketplace and Software-as-a-Service (SaaS) platform connecting tradies with residential and commercial consumers, today announces its financial results for the 12 months ended 30 June 2023 (**FY23**).

FY23 highlights

- **Strong momentum with record tradie demand in H2**
- **Total revenue up 8% to \$67.0m, with operating revenue¹ up 9% to \$65.9m**
- **MRR² growth back to pre-COVID levels, up 15% to \$6.3m at June 2023**
- **EBITDA³ up 14% to \$12.3m, with EBITDA margin⁴ up 1ppt to 18%**
- **Subscription tradies⁵ up 3% to 35.7k**
- **ARPU⁶ up 10% to \$1,872, with hipages Australia up 11% to \$1,985**
- **Free cash flow positive in H2, with trading momentum supporting positive free cash flow target for FY24**

Key financial and operating metrics

Financial metrics	FY23	FY22	Var
Total revenue (\$m)	67.0	61.9	8%
Operating revenue (\$m)	65.9	60.7	9%
Recurring revenue (\$m)	62.9	58.2	8%
Recurring revenue % total	94%	94%	-
Operating expenses before significant items ⁷ (\$m)	(54.7)	(51.1)	7%
EBITDA (\$m)	12.3	10.7	14%
EBITDA margin (%)	18%	17%	1ppt
Statutory NPAT ⁸ (\$m)	(5.1)	(0.9)	(>100%)
Key operating metrics			
MRR (\$m)	6.3	5.5	15%
Job volume (m)	1.42	1.63	(13%)
Subscription tradies (000’s)	35.7	34.6	3%
ARPU (\$)	1,872	1,707	10%

¹ Operating revenue refers to total revenue from ordinary activities (includes subscription and transactional revenue).

² MRR refers to Monthly Recurring Revenue @ June 2023 (includes GST).

³ EBITDA refers to Earnings Before Interest, Tax, Depreciation and Amortisation shown on a proforma basis before significant items, which include a write back of deferred consideration of \$0.4m and goodwill impairment of NZ subsidiary Builderscrack of \$3.1m, and non-recurring remuneration of \$0.1.

⁴ EBITDA margin is calculated as EBITDA divided by total revenue and shown on a proforma basis before significant items.

⁵ Includes hipages tradies on subscription product and Builderscrack tradies who generated at least one invoice over the last 12 months.

⁶ The operating revenue divided by the average of the opening and closing number of total hipages tradies and paying Builderscrack tradies for the period. For FY23, hipages Group ARPU of \$1,872 is the blended result of hipages’ ARPU of \$1,985 and Builderscrack’s ARPU of \$794.

⁷ Operating expenses is presented as pro forma operating expenses before significant items.

⁸ Statutory NPAT refers to statutory Net Loss After Tax as presented in the audited financial statements.

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hipages Group CEO and Co-founder, Roby Sharon-Zipser, said: “I am pleased that hipages Group finished FY23 carrying strong momentum, with the countercyclicality of our model becoming increasingly evident. Our key metrics clearly show that as economic activity cools, softening consumer demand drives greater competition among tradies, which directly benefits us.

“While this gives us confidence in the near-term, we are evolving our strategy to reduce our exposure to the economic cycle and open new opportunities for growth. Our evolution from a marketplace to a platform is powered by Tradiecore, our end-to-end SaaS solution that helps tradies run better businesses. In FY24 we will take the next important step by integrating the full tradie workflow into a single app, which we expect will reduce friction and boost uptake.

“With the business firing on all cylinders, I am excited about the outlook for FY24. Our subscription model gives us good visibility over future revenues, and we remain focused on tightly managing costs and cash. Having delivered positive free cash flow⁹ in H2, continued trading momentum supports our positive free cash flow target for FY24.”

Strong marketplace momentum

While H1 was impacted by strong consumer demand and constrained tradie supply, the Group delivered continued revenue growth and achieved key strategic milestones while tightly managing costs and cash.

In H2, softening consumer demand created increased competition among tradies, driving an acceleration in MRR to \$6.3 million, up 15%. Operating revenue for FY23 was up 9% to \$65.9 million, with total revenue up 8% to \$67.0 million.

Strong demand from new and returning customers drove subscription tradies up 3% to 35.7k in FY23. New business yields were up 26% on FY22, with subscription price increases and dynamic lead pricing driving strong ARPU growth of 10% to \$1,872, or up 11% to \$1,985 for the core hipages business in Australia.

Job volumes normalised in H2, balancing the marketplace as tradies became more active, with 84% of posted jobs connected with a tradie in H2, up 6 ppts from H1. This improved the experience for consumers, who posted over 1.4 million jobs in FY23. Connections, which occur when a tradie claims a lead and consumes lead credit, were up 8% in H2.

EBITDA³ increased by 14% to \$12.3m, with marketing efficiencies, focused expense management and enhanced operating leverage increasing the EBITDA margin by 1ppt to 18%.

⁹ Free cash flow refers to Operating Cash flow less lease repayments, less investing cash flow.

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Strategic evolution from marketplace to platform

The evolution of the hipages Group business model from a marketplace business to a full-service tradie platform continued in FY23. Tradiecore, the Group's proprietary SaaS solution and end-to-end platform, is key to this evolution and is expected to deliver significantly enhanced customer retention and customer lifetime value.

In FY23, new functionality was rolled out for Tradiecore, including accounting system integrations with Xero, MYOB and QuickBooks and a payments feature developed with Stripe. Currently, of more than 32k tradie customers in Australia and 40k total on the Group's platforms, more than 1k regularly use Tradiecore to manage their workflow. This represents a huge opportunity to migrate and monetise existing customers, as well as attracting new customers who do not currently use hipages for lead generation.

The next step will be the integration of the full tradie workflow, currently managed through two separate applications, into a single platform, which is expected to complete in FY24. Once complete, tradies will be able to complete an entire job flow within a single app interface, removing friction. Over time, data from Tradiecore will provide powerful insights to enable the Group to develop new products and services for consumers to drive future growth.

Builderscrack, the Group's New Zealand marketplace business, was impacted by a difficult economic environment in NZ, as well as severe weather events. The team delivered stable revenue, while adjusting the cost base effectively to support a 21% EBITDA margin. Like hipages in Australia, Builderscrack is transitioning to a subscription model to reduce cyclicalities, however with near-term job volumes lower than originally expected, the Group recognised a \$3.1m non-cash impairment on the value of Builderscrack in FY23.

Bricks and Agent, the property management software provider in which hipages Group holds a minority investment of 19.5%, rebranded to PropTech Labs in FY23 following the acquisitions of Maintenance Manager and Inspection Manager. PropTech Labs is now the ANZ market leader for property management productivity software, with over 1m properties under management and annual recurring revenue having grown at a 30% CAGR since 2020. Its latest fundraise demonstrates the valuation has increased by 70% since the Group originally invested A\$6.25m for a 25% share in FY22.

Strong cash flow and balance sheet

The Group reported strong positive operating cash flow of \$15.7m. Investing cash outflows of \$15.5m was mainly driven by the Group's continued investment in the underlying technology platform. Importantly, the business was free cash flow positive in H2, with total cash flow of \$1.0m in the second half.

hipages closed 30 June 2023 with cash and funds on deposit of \$10.7m and no debt.

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FY24 outlook

The Group's outlook for FY24 is positive, with the core marketplace business carrying strong momentum. This is expected to continue, as the Group benefits from softer consumer demand and stronger competition among tradies.

The Group's subscription model provides strong visibility over future revenues, and the team's disciplined focus on managing costs provides confidence in margins. For FY24, the Group is targeting revenue growth rate in the low teens and an EBITDA margin of approximately 20%.

Having delivered positive free cash flow in H2 FY23, hipages Group trading momentum continues into FY24. With technology investment to stabilise, the management team is targeting positive free cash flow in 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 **10.00am AEST today (24th August 2023)**. To register, please visit <https://webcast.openbriefing.com/hpg-fyr-2023/>

Further information

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About hipages Group (ASX:HPG)

hipages Group is Australia and New Zealand's largest online tradie marketplace and Software-as-a-Service (SaaS) platform, connecting tradies with residential and commercial consumers through its platforms hipages (Australia) and Builderscrack (NZ). 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 35,000 subscribed trade businesses. Tradiecore, hipages Group's proprietary workflow management SaaS platform, is key to the Company's strategic evolution from marketplace to platform. Tradiecore helps tradies build better businesses by managing their whole workflow from lead generation through to payment and completion. hipages Group also has a minority ownership stake in PropTech Labs (previously Bricks and Agent), the ANZ market leader for property management productivity software.

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