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FY21 Financial Result

hipages delivers strong growth in all key metrics and achieves upgraded forecasts for revenue, EBITDA and NPAT

hipages Group Holdings Limited (ASX: HPG) (“hipages” or “the Company”), Australia’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 2021.

Highlights¹

- Achieved upgraded guidance for revenue, EBITDA and NPAT and delivered strong growth across all key metrics
- Monthly recurring revenue (MRR)² of \$5.2m @ June 2021 up 27%
- Strong total revenue growth³, up 19% to \$55.8m
- 94% of total revenue is recurring revenue
- Operating leverage drives gross profit margin⁴ expansion to 85% (FY20: 79%)
- Pro Forma EBITDA⁵ of \$11.7m, up from (\$6.1m)
- Pro Forma EBITDA⁵ margin of 21% up from 13%
- Pro Forma NPAT^{5,6} of \$1.2m, up from (\$4.2m)
- Statutory NPAT of (\$6.2m) includes non-recurring financing and IPO related costs
- Pro Forma Operating Cash Flow (OCF) of \$12.7m, 109% EBITDA⁵ to OCF conversion
- Robust balance sheet with closing cash and funds on deposit of \$32.6m, no debt
- Evolution to full-service SaaS model continued with successful launch of Tradiecore
- Business was resilient against the impacts of COVID-19 restrictions in FY21

hipages CEO and Co-Founder Roby Sharon-Zipser said: “It has been a milestone year for hipages, our first as a listed company. I am proud of the strong performance we delivered to exceed our upgraded Prospectus forecasts for revenue, EBITDA and NPAT, the way we executed our strategy and our team’s commitment to supporting our customers through ongoing challenges from COVID-19.”

¹ All figures compare FY21 to FY20 unless otherwise indicated.

² Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue received from subscription agreements (inclusive of GST).

³ FY21 revenue represents Statutory and Pro Forma revenue. FY20 Statutory revenue includes discontinued operations.

⁴ Gross profit margin includes total revenue less cost of sales (consumer and tradie SEM spend and merchant fees).

⁵ Pro Forma EBITDA before significant items. Represents Statutory EBITDA of \$5.6m adjusted for one-off IPO related costs of \$6.1m.

⁶ Statutory NPAT adjusted for one-off adjustments of \$7.4m in relation to one-off IPO costs and non-recurring interest on debt retired on IPO. Please refer to slide 33 of hipages Group’s FY21 Result Presentation for a reconciliation between Statutory and Pro Forma profit.

“Our transition to a subscription-only model continues to drive strong recurring revenue growth, with MRR up 27% as more tradies join our platform and ascend to higher price points. Positive operating leverage drove gross margin expansion to 85% in FY21, further highlighting the attractive economics of our model.”

“Our ongoing investment in brand, product and platform continues to attract customers on both sides of our marketplace, driving the flywheel effect and delivering strong growth in jobs coming from repeat consumers and unpaid channels.”

“The successful launch of Tradiecore, our field service software platform that helps tradies effectively manage their businesses, was an important step in our evolution to a full-service SaaS model. Tradiecore provides us with the platform to expand our product offering, adding new and innovative solutions for tradies, and opens up new ancillary revenue streams for hipages. We will keep investing in our technology to continue to improve the experience for consumers and tradies to ensure we remain the number one online marketplace for trade services in Australia.”

“The pandemic has created some trends of its own and accelerated others, as we spend more time working from home and increasingly adopt digital technology. We believe these trends are structural and here to stay. As Australia’s largest online tradie marketplace with a strong brand, over 31,000 tradies and 1.5 million jobs posted this year, hipages is uniquely positioned to win the category over the long-term. I am very excited about the future for our business.”

Table 1: Key Pro Forma Financial and Operating Metrics

	FY21	FY20	Var (%)	FY21 Upgrade	Var (%) ⁷
Financial Summary					
Total revenue ⁸ (\$m)	55.8	46.9	19%	55.7	-
Recurring revenue ⁶ (\$m)	52.7	42.2	25%	52.6	-
Recurring Revenue % total	94%	90%	4pts	94%	-
Operating expenses (\$m)	(44.3)	(40.8)	9%	(44.4)	-
EBITDA ⁹ (\$m)	11.7	6.1	91%	11.5	2%
EBITDA ⁷ margin	21%	13%	8pts	21%	-
NPAT (\$m)	1.2	(4.2)	128%	0.3	285%
Key Operational Metrics					
MRR (\$m)	5.2	4.1	27%	5.3	-1%
Job volume (m)	1.53	1.37	12%	1.55	-1%
Subscription tradies (000s)	31.2	27.9	12%	31.2	-
Total Tradie ARPU (\$)	1,536	1,194	29%	1,525	1%

⁷ FY21 Pro Forma actual compared to FY21 Pro Forma upgrade.

⁸ FY21 Statutory revenue is the same as Pro Forma revenue. FY20 Statutory revenue includes discontinued operations.

⁹ Pro Forma EBITDA before significant items.

Pro Forma Financial and Operational Overview

The strength of the FY21 result is further validation of hipages' strategy and operating model, with the Company achieving its upgraded forecasts and delivering record outcomes in revenue, EBITDA and NPAT.

In FY21, total revenue increased by 19% to \$55.8m, driven by recurring revenue growth of 25% in an active home improvement market. This included robust total revenue growth of 20% in Q4.

The transition to a subscription model continues to drive strong growth in recurring revenues, now accounting for 94% of total revenue, as more subscription tradies join the platform at higher price points and existing tradies ascend. MRR¹⁰ increased by 27% to reach \$5.2m at June 2021, as subscription tradies increased by 12% to 31.2k and Total Tradie ARPU¹¹ increased by 29% to \$1,536 in FY21. The migration of the remaining transactional tradie base to the subscription product is performing ahead of expectations and is expected to be complete by the end of FY22.

Consumer trust and brand awareness continues to drive growth in job volumes. Total job volume grew strongly by 12% in FY21 to 1.53m, less than 1% behind upgraded guidance despite the impact of COVID-19 restrictions on job volumes in the market. It is important to understand that job volume growth is not directly correlated to revenue growth due to the migration from a transactional model to a subscription model and hipages is focused on maintaining an optimal balance within its marketplace between job volume and subscribers.

Jobs from repeat consumers increased by 22% and represented 64% of total jobs compared to 59% in FY20. Jobs from unpaid channels accounted for 77% of total jobs, up from 69% in FY20, reflecting improved marketing spend efficiency and the network effect of a growing consumer base.

hipages continues to invest aggressively towards growth and brand awareness as a core component of its strategy, and independent brand research conducted during the year showed that brand awareness for hipages among homeowners remains strong at 55%. Additionally, hipages was the market leader for top-of-mind awareness for websites that connect consumers with tradespeople at 20%, significantly outperforming the nearest competitor at 12%. In Q4, hipages conducted a successful brand campaign across radio and digital channels which delivered a substantial increase in tradie customer brand awareness from 35% to 49%.

During the year hipages commissioned further market research on the size of the total addressable market (TAM) of the tradie ecosystem. This research was conducted by Publicis Sapient, which confirmed the TAM to be over \$110bn across the residential and commercial sectors, up from previous

¹⁰ Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue received from subscription-based agreements (incl. GST).

¹¹ 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.

indications of \$83bn for residential-only. The study also confirmed the TAM for various category sub-verticals, which has further validated hipages' strategic focus and prioritisation to capture the significant market opportunity.

hipages is again a lead sponsor for the 2021 season of Channel Nine's TV program *The Block*, which has proven to be highly successful for the Company's brand expansion in previous seasons. The new season commenced in early August.

Operating expenses were 9% higher in FY21 and in line with upgraded guidance due to increased investment in marketing and technology in H2 FY21 to drive growth. Proportionally, operating expenses reduced to 79% of revenue as the benefits of hipages' increased scale show through.

EBITDA of \$11.7m was a 91% improvement on the prior year and in line with upgraded guidance. The gross margin of 85% (FY20: 79%) and EBITDA margin of 21% (FY20: 13%) reflect positive operating leverage as the business scales, showcasing the attractive economics of hipages' business model. NPAT of \$1.2m represented a \$5.3m improvement on the FY20 loss of \$4.2m. NPAT was \$0.9m ahead of the upgraded forecast due to EBITDA being \$0.2m ahead and the reduction of hipages' discount rate having an impact of reducing net finance costs and a reduction in amortisation charge as a result of a lower level of capitalisation.

Cash Flow and Balance Sheet

hipages reported strong Pro Forma Operating Cash Flow (OCF) of \$12.7m with Pro Forma EBITDA to OCF conversion of 109%. Receipts from customers were up 20% on a Pro Forma basis to \$60.3m.

The Company had positive Statutory OCF of \$6.9m after one off IPO transaction costs in relation to the secondary raise of \$4.8m and non-recurring interest costs of \$1.1m in relation to debt repaid.

hipages has a robust balance sheet and at 30 June 2021 its financial position was strong, with cash and funds on deposit of \$32.6m¹² and no debt.

FY22 Outlook

The lockdowns currently impacting most Australian states are creating uncertainty for many of hipages' tradie customers. As in previous lockdowns, hipages has introduced a range of initiatives to assist its tradie customers during this challenging time.

The combined impact of these initiatives and the uncertainty of the current lockdowns for tradie customers is expected to have a moderate impact on hipages' revenue growth rate compared to the marginal impact in Q4 FY21, for as long as the lockdowns are in force. hipages' subscription model has

¹² Comprising cash and cash equivalents of \$30.3m and funds on deposit of \$2.3m.

been resilient in previous lockdown periods and the Company expects a similarly strong rebound in activity on its platform when lockdown measures ease, as has occurred in the past.

Notwithstanding temporary COVID-19 related volatility, the Australian home improvement market remains very buoyant, with unprecedented levels of activity underpinned by low interest rates and household liquidity. The long-term opportunity for hipages remains as attractive as ever and the Company will continue to invest to drive growth and further strengthen its position as the market leader in the on-demand tradie economy.

Investor conference call

hipages Co-Founder and CEO Roby Sharon-Zipser and CFO Melissa Fahey will host a webcast and Q&A session for investors and analysts at **10am AEST today (26 August 2021)**. To register for the conference call and access dial in details, please follow the link below.
<https://webcast.openbriefing.com/7651/>

Ends

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

Further Information

Investors

Ryan Thompson
Citadel-MAGNUS
+61 423 151 378
rthompson@citadelmagnus.com

Media

Jack Gordon
Citadel-MAGNUS
+61 478 060 362
jgordon@citadelmagnus.com

About hipages

hipages is Australia's largest online tradie marketplace and Software-as-a-Service (SaaS) provider 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 over 34,000 trade businesses subscribed to the platform. The hipages app is available for download on the App Store and Google Play.

www.hipagesgroup.com.au