

# H1 FY22 Financial Result

## Executing the strategy and investing to win the tradie economy

**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 announces its financial results for the six months ended 31 December 2021 (H1 FY22).

### H1 FY22 Highlights

- **Strengthened ANZ market leadership position with Builderscrack acquisition and strategic investment in Bricks + Agent, TAM increased to ~\$136b**
- **Further release of Tradiecore functionality, with payments solution next to be delivered**
- **Supported tradie customers through COVID-19 restrictions and disruptions throughout H1**
- **Recurring revenue up 14% vs. pcp to \$28.8m, 17% excluding the impact of customer support initiatives, with MRR up by 15% to \$5.3m**
- **Total revenue up 12% vs. pcp, 15% excluding the impact of customer support initiatives**
- **EBITDA margin of 14% in line with expectations, expected to return to FY21 levels by end H2**
- **Subscription tradies up 19% vs. pcp to 34.3k<sup>1</sup>, up 7% LFL**
- **Strong ARPU<sup>2</sup> growth of 13% vs. pcp with hipages ARPU in Australia up 19% to \$1,771**
- **Robust balance sheet and positive operating cash flow with net cash of \$15.4m<sup>3</sup>**
- **Tradie demand strengthening in H2, with registrations and yields increasing**

**hipages CEO and Co-founder Roby Sharon-Zipser said:** “In the first half we continued to deliver our strategy and we were pleased to achieve a number of significant milestones, including our first major inorganic investments and the rollout of our Tradiecore platform, which will be hugely important for the future of hipages Group. In a challenging period for the trade industry, we have continued to deliver growth in our key metrics, showing the power of our subscription model and strategy.”

“In the second half we expect revenues and margins to continue to improve, and we are seeing strong inbound demand from tradies, with registrations and yields increasing. We will continue to invest in our brand, product and people to strengthen our market leadership position in Australia and New Zealand, while exploring other opportunities to increase our TAM. I look forward to updating the market on the next evolution of our product strategy later in the year, as we look to provide even more flexibility and value for our tradie customers.”

<sup>1</sup> Includes 3.3k New Zealand paying tradies acquired through the acquisition of Builderscrack.

<sup>2</sup> 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 \$1,672 is the blended result of hipages’ ARPU of \$1,771 and Builderscrack’s ARPU of \$704 for one-month post-completion.

<sup>3</sup> Including cash on hand of \$13.1m and funds on deposit of \$2.3m.

## Key Financial and Operating Metrics

Financial Metrics	H1 FY22	H1 FY21	pcp % <sup>4</sup>	LFL % <sup>5</sup>
Total Revenue (\$m)	30.1	26.9	12%	11%
Recurring Revenue (\$m)	28.8	25.3	14%	14%
Recurring revenue % total	95%	94%	1%	2%
Operating expenses (\$m)	(25.9)	(20.3)	28%	28%
EBITDA before significant items <sup>6</sup> (\$m)	4.2	6.9	(39%)	(40%)
EBITDA margin	14%	26%	(12%)	(12%)
NPAT <sup>6</sup> (\$m)	(0.8)	1.5	(153%)	(149%)

  

Key Operational Metrics				
MRR (\$m)	5.3	4.6	15%	14%
Job volume (m)	0.80	0.77	4%	3%
Subscription tradies <sup>7</sup> (000s)	34.3	28.8	19%	7%
ARPU <sup>2</sup> (\$)	1,672	1,483	13%	19%

### Continued growth in key metrics

In the first half, hipages Group delivered total revenue growth of 12% vs. pcp, or 15% excluding the impact of customer support initiatives. Recurring revenue grew by 14% vs. pcp, or 17% excluding the impact of customer support initiatives. MRR increased by 15% to \$5.3m.

As previously flagged, in FY22 the Company is stepping up its investment to strengthen its market leadership position, and the EBITDA margin of 14% was in line with expectations.

Record job volumes in Q2 drove overall job volumes for the half to increase by 4% vs. pcp and Subscription tradies grew by 19% on the pcp, or 7% on a LFL basis.

ARPU grew by 19% to \$1,771<sup>8</sup> for hipages in Australia, or 13% overall, as tradies continue to join at higher yields. hipages Group believes this level of ARPU growth is sustainable over the medium-term.

### Executing the strategy

hipages Group made good progress on delivering its strategy in H1, acquiring a 25% strategic interest in Bricks + Agent, one of Australia's leading property management technology platforms and 100% of Builderscrack, New Zealand's leading online tradie marketplace, which made hipages Group the trans-Tasman market leader for online tradie marketplaces<sup>9</sup>.

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

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

<sup>6</sup> Pro-Forma EBITDA and NPAT in H1 FY21 adjusted for one-off IPO related costs and non-recurring interest on debt retired on IPO.

<sup>7</sup> 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.

<sup>8</sup> hipages Group ARPU of \$1,672 is the blended result of hipages' ARPU of \$1,771 and Builderscrack's ARPU of \$704 for one-month post-completion.

<sup>9</sup> Based on home services jobs posted monthly on the hipages platform in Australia and on the Builderscrack platform in New Zealand.

In H1, Bricks + Agent signed exclusive partnerships with leading property management groups Raine & Horne, Belle Property and First National, and Australia's largest apartment builder Meriton. New functionality has been added including invoice automation, and Bricks + Agent also integrated the platform with property CRM provider Reapit, which enables it to commence its operations in the UK.

hipages Group also continued to release enhanced functionality for Tradiecore, with new features such as scheduling now launched and a payments solution under development. These features have the potential to expand the TAM and diversify revenues, with Tradiecore a central component of the hipages Group ecosystem.

### **Investing for growth**

hipages Group believes investment in brand and technology is key to strengthening its market leadership.

Increased brand investment across both sides of the marketplace in H1 continued to drive strong consumer and customer brand awareness of 58%<sup>10</sup> and 59%<sup>11</sup> respectively. Jobs from unpaid channels accounted for 78% of total jobs and 67% of jobs came from repeat customers, further showing the strength of the hipages brand. Consumer advertising was complemented by targeted radio, television and digital advertising activity to reach tradies which will continue in the second half.

Technology development spend increased as the Company continued to invest in its development team and technology architecture to support its growth, with the increased level of investment to continue in the second half.

To build the capability required of a category winner, the Company continues to partner with global technology leaders, including Stripe for its payment solution to be launched later this year, and Zuora for its new billing platform to be implemented in FY23.

### **Strong cash flow and balance sheet**

hipages Group reported strong Operating Cashflow (OCF) of \$4.2m with EBITDA to OCF conversion of 101%. Receipts from customers increased by 7% to \$31.5m.

At 31 December 2021, hipages Group had a robust financial position with cash and funds on deposit of \$15.4m and no debt.

### **Outlook**

The Australian trade industry's recovery has been delayed by the Omicron outbreak. As a result of this and the extension of customer retention initiatives, hipages Group expects a further moderate impact to FY22 revenue, with slower growth in Q3 before a return to double-digit growth in Q4, subject to market conditions continuing to improve.

<sup>10</sup> hipages Consumer Brand Health Update - November 2021. Conducted by Thrive Insights on behalf of hipages Group.

<sup>11</sup> hipages Tradie Brand Health Update - January 2022. Conducted by Thrive Insights on behalf of hipages Group.

Pleasingly, the Company has already seen a strong rebound in demand in H2, with new tradie registrations up ~48% vs. Q2<sup>12</sup>. Inbound yields are also increasing and tracking in line with expectations and total subscription tradies are expected to continue to grow in the second half.

Margins are expected to continue to improve, returning to FY21 levels by the end of H2 before increased operating leverage drives significant margin expansion in FY23.

hipages Group is constantly evolving its products, and as part of the next iteration of its product strategy, it is implementing new product features which provide more flexibility and value for its subscription tradie customers. These features are expected to improve retention while maintaining the committed recurring revenue of the subscription product. The Company will provide an update at its Q3 Quarterly in April.

While the macroeconomic outlook remains uncertain with rising inflation and higher interest rates on the horizon, the Company's business model has proven to benefit from demand-side impacts in the past. This includes delivering strong growth through the Global Financial Crisis, when tradies increasingly relied on the hipages platform to sustain and grow their businesses.

As the market leader with a strong brand, large customer base and profitable growth profile, hipages Group is well positioned to withstand any near-term turbulence and capture the significant long-term opportunity in the on-demand tradie economy.

## 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 **10am AEDT today (24 February 2022)**. To register, please visit <https://webcast.openbriefing.com/8450/>

### 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](http://www.hipagesgroup.com.au)

<sup>12</sup> Based on average registrations per day for the period between 1 January 2022 to 17 February 2022 compared to Q2 FY22.