

ASX / Media Release 23 February 2021

H1 FY21 Financial result

Strong growth across all key metrics

hipages Group Holdings Limited (ASX: HPG) (“hipages” or “the Company”) today releases its H1 FY21 Financial Results. hipages is Australia’s largest online tradie platform and Software-as-a-Service (SaaS) provider connecting tradies with residential and commercial consumers.

Highlights

- Monthly Recurring Revenue (MRR)¹ of \$4.6m @ December 2020 up 31%
- Statutory Recurring revenue² of \$25.3m, up 26% on a pro forma basis
- 94% of total revenue is recurring revenue
- Statutory Total revenue² of \$26.9m, up 18% on a pro forma basis
- Gross Profit Margin³ of 87%
- Pro Forma EBITDA⁴ of \$6.9m, up from (\$0.1m)
- Statutory EBITDA⁵ of \$1.4m including non-recurring IPO related costs
- Pro Forma Net Profit after Tax (NPAT) of \$1.5m, up from (\$5.3m)
- Statutory NPAT⁵ of (\$5.9m) includes non-recurring finance and IPO related costs
- Pro Forma Operating Cashflow (OCF) of \$6.7m, 98% EBITDA⁴ to OCF conversion
- Closing cash and funds on deposit of \$31.5m, no debt
- COVID-19 Update: No adverse impact from recent outbreaks
- On track to meet FY21 Prospectus forecasts for key financial and operating metrics

NB: All figures compare H1 FY21 to H1 FY20 unless otherwise indicated

hipages CEO and Co-Founder Roby Sharon-Zipser said: “As a newly listed business, hipages is at an exciting phase of its development and our maiden half year result reflects the strength of our business and growth drivers. The merits of our subscription-only model were highlighted by the 31% growth in monthly recurring revenue which was underpinned by significant increases in Total Tradie ARPU and subscription tradies. The flywheel effect of the double-sided marketplace was evident with strong growth in job volumes coming from repeat customers and unpaid channels as hipages reinforced its brand leadership in the on-demand tradie economy.

“Our H1 FY21 result was ahead of expectations as revenue growth and operational efficiencies drove expanding profit margins. We continued to deliver sustainable profit growth and the cash generative nature of our business was demonstrated with over 90% conversion from EBITDA. We are seeing a significant increase in home improvement activity levels driven by long term structural shifts towards online and to more flexible working arrangements. During the second half, we will

¹ Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue received from subscription agreements (inclusive of GST).

² H1 FY21 Statutory revenue is the same as Pro Forma revenue. H1 FY20 Statutory revenue includes discontinued operations.

³ Gross margin includes statutory total revenue less cost of sales (consumer and tradie SEM spend and merchant fees).

⁴ Pro Forma EBITDA before significant items.

⁵ Please refer to Slide 32 of hipages Group’s H1 FY21 Result Presentation for a reconciliation between Statutory and Pro Forma Profit.

continue our evolution from a tradie marketplace to Software-as-a-Service platform by extending our capabilities and providing an end-to-end product offering for tradies and consumers.”

Table 1: Key Pro Forma Financial and Operating Metrics

	H1 FY21	H1 FY20	Var (%)	FY21f	Var (%) ⁶
Financial Summary					
Total revenue ⁷ (\$m)	26.9	22.8	18%	53.9	15%
Recurring revenue ⁷ (\$m)	25.3	20.0	26%	50.5	20%
Recurring Revenue % total	94%	88%	6%	94%	-
Operating expenses (\$m)	(20.3)	(22.9)	(11%)	44.0	8%
EBITDA ⁸ (\$m)	6.9	(0.1)	7,179%	9.9	62%
EBITDA ⁸ margin	26%	0%		18%	
NPAT (\$m)	1.5	(5.3)	128%	(1.8)	
Key Operational Metrics					
MRR (\$m)	4.6	3.5	31%	5.0	21%
Job volume (m)	0.8	0.7	14%	1.5	10%
Subscription tradies (000s)	29	26	12%	30.0	7%
Total Tradie ARPU (\$)	1,483	1,130	31%	1,449	21%

Pro Forma Financial and Operational Overview

The strong H1 FY21 result highlights the benefits of hipages’ subscription-only model which delivered strong growth in Total Tradie ARPU and Subscription Tradies. A buoyant home improvement market continued to drive demand for trade services and there has been no adverse impact on hipages’ business from recent COVID-19 outbreaks. Strong revenue growth and operational efficiencies resulted in positive operating leverage and sustainable profit growth. hipages is in a strong financial position with closing cash and funds on deposit of \$31.5m and no debt.

In H1 FY21, total revenue was \$26.9m, an increase of 18% on pcp, driven by strong recurring revenue growth of 26%, which accounted for 94% of total revenue. H1 FY21 revenue growth compares to FY21 Prospectus forecasts for total revenue growth of 15% and recurring revenue growth of 20%.

MRR⁹ of \$4.6m at December 2020 was 31% higher vs pcp as more tradies subscribed to the platform at higher price points and a significant proportion of our tradie base ascended to higher priced packages. In H1 FY21, subscription tradies increased by 12% to 28.8k and Total Tradie ARPU¹⁰

⁶ FY21 Pro Forma Prospectus Forecast compared to FY20 Pro Forma Historical Information.

⁷ H1 FY21 Statutory revenue is the same as Pro Forma revenue. H1 FY20 Statutory revenue includes discontinued operations.

⁸ Pro Forma EBITDA before significant items.

⁹ Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue received from subscription-based agreements (inclusive of GST).

¹⁰ 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.

increased by 31% to \$1,483 reflecting the shift to a subscription-only product from November 2019 and the addition of new and improved features to the subscription offering from that date.

Job volumes recorded 14% growth in H1 FY21 vs pcpc with jobs from repeat customers increasing by 27% and jobs from unpaid channels up 33%. Jobs from repeat customers represented 64% of total jobs compared to 57% in H1 FY20. Jobs from unpaid channels accounted for 79% of total jobs, up from 67% in H1 FY20 reflecting ongoing improvements in marketing spend efficiency.

Investment in marketing and brand awareness remained a strategic priority for hipages. A number of marketing initiatives and the completion of a second season as platinum sponsor of *The Block*, contributed to a substantial increase in brand awareness to 56%, up from 27% in July 2018.

Operating expenses were 11% lower in H1 FY21 reflecting ongoing benefits from the right sizing of the cost base in FY20 and further marketing efficiencies as the Company continued to reduce its reliance on paid channels. Marketing spend represented 29% of revenue in H1 FY21 vs 51% in FY19.

hipages EBITDA¹¹ of \$6.9m compared to (\$0.1m) in H1 FY20, an improvement of 7,179%.¹² Profit margins continued to expand reflecting positive operating leverage as the business scales with gross margin of 87% (H1 FY20: 77%) and EBITDA¹¹ margin of 26% (H1 FY20: 0%). NPAT of \$1.5m represented a \$6.8m turnaround on the H1 FY20 loss of \$5.3m.

Cashflow and Balance Sheet

hipages reported strong Pro Forma Operating Cashflow (OCF) of \$6.7m with EBITDA¹¹ to OCF conversion of 98%. Receipts from customers increased by 18% on a Pro Forma basis to \$29.5m.

The Company had a positive Statutory OCF of \$1.0m after one off IPO transaction costs in relation to the secondary raise of \$4.6m and non-recurring interest costs of \$1.1m in relation to debt repaid.

At 31 December 2020, hipages was in a strong financial position with cash and funds on deposit of \$31.5m¹³ and no debt.

FY21 Outlook

hipages had a strong start to the second half with January revenue up 18% on pcpc and ahead of expectations. H2 FY21 revenue growth is expected to be similar to that achieved in H1 FY21.

The roll out of the field service software solution and evolution to a Software-as-a-Service (SaaS) model continues and will enhance the end-to-end product experience for consumers and tradies. It will enable hipages to expand its eco-system via channel expansion and the activation of additional ancillary services which will further enhance its value proposition. The Company will continue to reinvest cost savings in brand marketing, tradie acquisition, technology and product development

¹¹ Pro Forma EBITDA before significant items. Please refer to Slide 32 of hipages Group's H1 FY21 Result Presentation for a reconciliation between Statutory and Pro Forma Profit.

¹² Please refer to Slide 32 of hipages Group's H1 FY21 Result Presentation for a reconciliation between Statutory and Pro Forma Profit.

¹³ Comprising cash and cash equivalents of \$29.2m and funds on deposit of \$2.3m.

to accelerate growth. hipages will also focus on ensuring that its platform has the right job mix and the highest quality tradie network in Australia.

Investor conference call

hipages Co-Founder and CEO Roby Sharon-Zipser and CFOO Melissa Fahey will host a webcast with the investment community including a Q&A session at **10am AEDT today (23 February 2021)**.

To register for the conference call and access dial in details, please follow the link below.

<https://webcast.openbriefing.com/7142/>

Ends

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

Further Information

Investors

Françoise Dixon
Citadel-MAGNUS
+61 412 292 977
fdixon@citadelmagnus.com

Media

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

About hipages Group

hipages is Australia's largest online tradie platform and Software-as-a-Service (SaaS) provider connecting tradies with residential and commercial consumers across the country, ultimately simplifying property improvement. 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 the 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