

ASX / Media Release 28 April 2021

Q3 FY21 Quarterly Activities Report & Appendix 4C

Strong Q3 performance, upgrade to FY21 Prospectus forecast

hipages Group Holdings Limited (ASX: HPG) (“hipages” or “the Company”) today provides its quarterly cash flow and activities summary for the period ended 31 March 2021. The Company also announces an upgrade to its FY21 Pro Forma Prospectus forecast following another period of outperformance and acceleration in the growth of the core business, reinforcing hipages’ position as Australia’s largest online tradie marketplace.

Q3 FY21 Highlights

- Monthly Recurring Revenue (MRR)¹ of \$4.9m @ March 2021, up 30%
- Recurring revenue of \$13.5m, up 23%; YTD recurring revenue of \$38.8m, up 25%²
- Total revenue³ of \$14.3m, up 18%; YTD⁴ revenue of \$41.2m, up 18%
- 95% of total revenue is recurring in Q3 FY21; 94% YTD
- Strong growth across all key metrics reflecting successful transition to subscription-only model and buoyant home improvement market
 - Total subscription tradies up 10% to 29.8K
 - Total Tradie ARPU⁵ of \$1,606, up 29%
 - Job volume of 0.4m, up 17%
- Net cash from operating activities was \$3.8m (Q3 FY20: \$1.5m)
- Cash receipts of \$15.2m were 14% higher on pcip
- Strong financial position with closing cash and funds on deposit of \$32.7m, and no debt⁶

NB: All figures compare Q3 FY21 to Q3 FY20 unless otherwise indicated; unaudited financial information

Upgrade to FY21 Prospectus forecast

- As strong revenue growth and ongoing cost discipline drives positive operating leverage, hipages has upgraded its FY21 forecast for Total Revenue by 3% to \$55.7m and for EBITDA before Significant Items by 16% to \$11.5m. This is after the substantial reinvestment of H1 FY21 cost savings in H2 FY21 to drive future growth (Refer to Table 2 for more information).

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

² Q3 FY20 was the first full period of the subscription-only model which was implemented in Q2 FY20 (Nov 2019).

³ Unaudited financial information. Revenue comparisons are on a Pro Forma basis.

⁴ Financial year to date (YTD) represents the 9 months to 31 March.

⁵ 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.

⁶ At 31 March 2021, hipages had cash and funds on deposit of \$32.7m comprising cash and cash equivalents of \$30.4m and funds on deposit of \$2.3m.

hipages Co-founder and CEO Roby Sharon-Zipser said: “The March quarter represented another period of strong growth for hipages as the flywheel effect of the double-sided marketplace provided trade businesses with a cost-effective source of job leads, and consumers with easy access to a high-quality network of trades. Our subscription model is delivering higher average revenue per tradie and better retention rates as tradies switch from our legacy transaction offering at a faster rate than expected.

“Demand for trade services remained strong with 17% growth in jobs as Australians invested in their homes and became more adept at interacting online. Our position as the brand leader in the on-demand tradie economy was again evident with 75% of jobs coming from unpaid channels and 64% from repeat customers. hipages continues to perform ahead of expectations with a 23% increase in recurring revenue in Q3. As a result, we are upgrading our FY21 Prospectus forecast to reflect this strong top line growth and positive operating leverage which highlights the scalable nature of our business.

“During the June quarter, we will continue our evolution to a SaaS model with the pre-launch of our field service software solution which will assist tradies to improve their productivity and optimise their businesses. This platform will also allow us to provide additional ancillary products and services to improve the tradie and consumer experience and continuously enhance our customer value proposition.”

Table 1: Key Pro Forma Financial and Operating Metrics

	Q3 FY21 ⁷	Var (%) pcp	YTD ⁸ FY21	Var (%) pcp	Revised FY21F	Prospectus FY21F
Total Revenue (\$m)	14.3	18%	41.2	18%	55.7	53.9
Recurring Revenue (\$m)	13.5	23%	38.8	25%	52.6	50.5
Recurring revenue % total	95%	4pts	94%	5pts	94.4%	93.6%
MRR (\$m) ⁹	4.9	30%	4.9	30%	5.3	5.0
Job volume (m)	0.4	17%	1.2	13%	1.6	1.5
Subscription tradies (000s)	29.8	10%	29.8	10%	31	30
Total Tradie ARPU ¹⁰ (\$)	1,606	29%	1,505	29%	1,525	1,449

Upgrade to FY21 Prospectus forecast

Following another strong quarter, hipages has upgraded its FY21 Pro Forma Prospectus forecast as shown in Table 2. The Company is now expecting total and recurring revenue to be 19% and 25% higher on FY20 driven by a 28% increase in Total Tradie ARPU and 12% growth in subscription tradies. MRR of \$5.3m @ June 2021 is forecast to be 28% higher on pcp.

⁷ Unaudited financial information.

⁸ Financial year to date (YTD) represents the 9 months to 31 March; unaudited financial information.

⁹ Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue hipages will recognise from subscription-based agreements (inclusive of GST). FY21 Revised Prospectus forecast is based on MRR for the month of June 2021.

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.

EBITDA before Significant Items is now expected to be \$11.5m, a 16% increase on FY21 Prospectus forecast and an 88% or \$5.4m improvement on FY20.

The Company continues to realise operational and marketing efficiencies and maintains a disciplined approach to costs. An EBITDA margin (before Significant Items) of 21% is projected, up from FY21 Prospectus forecast of 18% and 8 points higher than the 13% achieved in FY20. In H2 FY21, hipages is reinvesting some of the cost savings achieved in the first half in brand awareness and tradie acquisition, technology (development team and tech architecture) and sales (targeting medium and large trade businesses) to further accelerate growth in the core business.

Net Profit is now expected to be \$0.3m, a \$2.1m turnaround on FY21 Prospectus forecast and a \$4.5m improvement on FY20.

Table 2: Upward revisions to FY21 Pro Forma Prospectus forecast¹¹

	Revised FY21F	Prospectus FY21F	Var (%)	Pro Forma FY20	Revised FY21F Var (%)	Prospectus FY21F Var (%)
Total Revenue (\$m)	55.7	53.9	3%	46.9	19%	15%
Recurring Revenue (\$m)	52.6	50.5	4%	42.2	25%	20%
Recurring revenue % total	94.4%	93.6%	1pts	90%	4pts	4pts
EBITDA before Significant Items	11.5	9.9	16%	6.1	88%	62%
EBITDA Margin ¹²	21%	18%	3pts	13%	8pts	5pts
NPAT	0.3	-1.8	117%	-4.2	107%	58%
MRR (\$m)	5.3	5.0	6%	4.1	28%	21%
Job volume (m)	1.6	1.5	3%	1.4	14%	10%
Subscription tradies (000s)	31	30	4%	28	12%	7%
Total Tradie ARPU ¹¹ (\$)	1,525	1,449	5%	1,194	28%	21%

Operational & Strategic Update

Investment in marketing is a strategic priority for hipages. hipages became a sponsor of *Better Homes & Garden* and a marketing campaign targeting small trade businesses was launched in January using outdoor advertising and social channels. This proved highly successful, leading to a significant increase in tradie enquiries and the recruitment of additional sales staff to process registrations. Marketing was also used tactically to maintain balance in the double-sided marketplace.

Jobs growth was 17% in Q3 FY21 vs pcp with jobs from unpaid channels up 35% on pcp. Jobs from unpaid channels represented 75% of total jobs on the platform compared to 65% on Q3 FY20 reflecting the effectiveness of the Company's organic channels and brand authority.

¹¹ FY20 Pro Forma Historical and FY21 Pro Forma Forecasts appear on pp. 69-70 of hipages Group Prospectus.

¹² EBITDA Margin before Significant Items.

During the quarter, hipages increased its investment in its development team and tech architecture to support and drive growth. The roll out of the field service software continued with the establishment of a beta program with tradies testing and providing feedback on the solution. This is expected to be in market for commercialisation in FY22 and will provide trade businesses with tools such as scheduling, quoting and invoicing. The platform will also allow hipages to offer ancillary products and services providing multiple avenues for additional growth. The Company also continues to explore partnership opportunities that would create new job channels for tradies.

Financial Update

In November 2019 (Q2 FY20), hipages moved to a subscription-only model and launched a new version of the subscription package with new and improved features. Tradies sign up for six to 12-month contracts which automatically renew for 12 months. As a result, Q3 FY21 is the first period that allows for like-for-like comparisons with the subscription-only model.

In Q3 FY21, total revenue was \$14.3m, an increase of 18% vs pcg, driven by strong recurring revenue growth of 23% which now accounts for 95% of total revenue (Q3 FY20: 91%).

Monthly recurring revenue (MRR) increased by 30% to \$4.9m in Q3 FY21 vs pcg. Chart 1 shows the ongoing acceleration in MRR as more tradies subscribed to the hipages platform with a significant proportion ascending to higher price points.

Chart 1: Strong growth in MRR¹³



In Q3 FY21, subscription tradies increased by 10% to 29.8k and average revenue per tradie increased by 29% to \$1,606 demonstrating the value that is being unlocked as the Company captures a greater share of wallet.

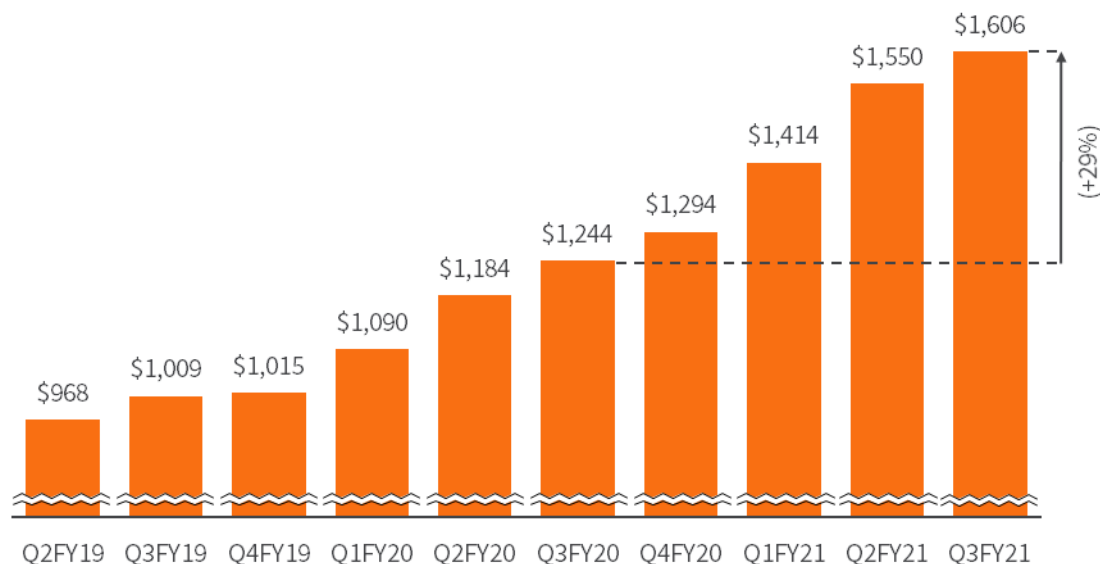
¹³ Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue hipages will recognise from subscription-based agreements (inclusive of GST). FY21 Revised / Prospectus forecast is based on MRR for the month of June 2021.

The transition from the legacy pay-per-lead model is occurring at a faster rate than expected with lower value tradies leaving the platform and creating a level of intentional churn. hipages does not expect to continue with the transaction offering beyond June 2022.

Chart 2: Subscription tradie base continues to expand



Chart 3: Driving growth in Total Tradie ARPU¹⁴



Net cash flows and use of funds

Operating cash receipts for the quarter were \$15.2m compared to \$13.3m in Q3 FY20, an increase of 14%. Operating cash payments for the quarter were \$11.4m compared to \$12.5m in Q2 FY21 (which included *The Block*) and \$11.8m in Q3 FY20. Net cash from operating activities was \$3.8m (Q3 FY20:

¹⁴ 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.

\$1.5m) and free cash flow was \$1.3m (net of investing and financing activities) highlighting the cash generative nature of the hipages business model. The Company has a strong financial position with cash and funds on deposit of \$32.7m¹⁵ and no debt.

As noted in Appendix 4C, during the quarter there were no payments made to related parties.

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 marketplace 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 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

¹⁵ At 31 March 2021, hipages had cash and funds on deposit of \$32.7m comprising cash and cash equivalents of \$30.4m and funds on deposit of \$2.3m.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

hipages Group Holdings Limited

ABN

67 644 430 839

Quarter ended ("current quarter")

31 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,218	44,744
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	(3,739)	(11,388)
(d) leased assets	-	-
(e) staff costs	(4,097)	(12,442)
(f) administration and corporate costs	(3,400)	(10,375)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	21	209
1.5 Interest and other costs of finance paid	-	(1,088)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) ¹⁶	(155)	(4,771)
1.9 Net cash from / (used in) operating activities¹⁷	3,848	4,889

¹⁶ Total IPO transaction costs were \$7.6m in the 9 months year to date. Section 1.8 includes one-off costs of \$0.2m in the current quarter and \$4.8m in the 9 months year to date related to the secondary raise which are included in Cash Flows from operating activities. Section 3.4 includes \$0.1m in the current quarter and \$2.8m in the 9 months year to date related to the primary proceeds raised and reflected in Cash flows from financing activities.

¹⁷ Net cash from operating activities would have been \$10.7m in the 9 months year to date, excluding non-recurring IPO transaction costs attributable to the secondary raise (Section 1.8) and non-recurring interest costs (Section 1.5) associated with the venture debt and convertible notes that were retired on IPO.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
--------------------------------------	----------------------------	---------------------------------------

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(88)	(88)
(b) businesses	-	-
(c) property, plant and equipment	(158)	(468)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	(1,546)	(5,165)
2.2 Proceeds from disposal of:		
(g) entities		70
(h) businesses	-	-
(i) property, plant and equipment	-	-
(j) investments	-	-
(k) intellectual property	-	-
(l) other non-current assets		-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(1,792)	(5,651)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	40,300
3.2 Proceeds from issue of convertible debt securities	-	3,000
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities ¹⁸	(102)	(2,805)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(24)	(16,002)

¹⁸ Total IPO transaction costs were \$7.6m in the 9 months year to date. Section 1.8 includes one-off costs of \$0.2m in the current quarter and \$4.8m in the 9 months year to date related to the secondary raise which are included in Cash Flows from operating activities. Section 3.4 includes \$0.1m in the current quarter and \$2.8m in the 9 months year to date related to the primary proceeds raised and reflected in Cash flows from financing activities.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – repayment of principal portion of leases	(661)	(2,073)
3.10	Net cash from / (used in) financing activities	(787)	22,420

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	29,211	8,822
4.2	Net cash from / (used in) operating activities (item 1.9 above)	3,848	4,889
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,792)	(5,651)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(787)	22,420
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period¹⁹	30,480	30,480

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	30,480	29,211
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	30,480	29,211

¹⁹ At 31 March 2021, hipages had cash and funds on deposit of \$32.7m comprising cash and cash equivalents of \$30.4m and funds on deposit of \$2.3m.

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	-
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	-	-
7.5	Unused financing facilities available at quarter end		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	N/A		

8. Estimated cash available for future operating activities		\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	3,848
8.2	Cash and cash equivalents at quarter end (item 4.6)	30,480
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	30,480
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>		

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: **27th April 2021**

Authorised by: **The Board of Directors of hipages Group Holdings Limited**