

ASX / Media Release 28 October 2021

# Q1 FY22 Quarterly Activities Report & Appendix 4C

## Resilient performance as hipages supports tradies through COVID-19 lockdowns

**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 provides its quarterly cash flow and activities summary for the period ended 30 September 2021.

### Q1 FY22 Highlights

- **hipages supported its tradie customers through COVID-19 lockdowns and restrictions, with the business model proving resilient in a challenging environment with MRR up 20%<sup>1</sup>**
- **Strong recurring revenue growth continues, up 17% on pcip to \$14.2m, with 96% of total revenue now recurring and transition to subscription model on track to complete by end FY22 as forecast**
- **Total revenue up 14% on pcip to \$14.9m**
- **Total Tradie ARPU<sup>2</sup> up 22% on pcip to \$1,721**
- **Subscription tradies up 10% on pcip to 31.3k**
- **Robust balance sheet with cash and funds on deposit of \$30.7m and positive operating cash flow as hipages continues to invest aggressively towards growth and brand awareness**
- **Platform activity bounced back post-Q1 as lockdowns ease ahead of busy holiday period, with record job volumes on platform and new tradie registrations continuing to increase**

**Table 1: Key Financial and Operating Metrics**

	Q1 FY22 <sup>3</sup>	Q1 FY21 <sup>3</sup>	Var (%)
Total Revenue (\$m)	14.9	13.0	14%
Recurring Revenue (\$m)	14.2	12.2	17%
Recurring revenue % total	96%	93%	3pts
MRR (\$m)	5.3	4.4	20%
Job volume (000s)	361	369	(2%)
Subscription tradies (000s)	31.3	28.5	10%
Total Tradie ARPU (\$)	1,721	1,415	22%

<sup>1</sup> Monthly Recurring Revenue (MRR) is the monthly amount of cash revenue hipages will recognise from subscription-based agreements (inclusive of GST) at each period end.

<sup>2</sup> 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.

<sup>3</sup> Unaudited financial information.

**hipages CEO and Co-founder Roby Sharon-Zipser said:** “In a challenging period for the Australian trade industry due to the impact of COVID-19 lockdowns and restrictions on construction and home improvement, hipages continued to showcase the strength and resilience of our business model. It is very pleasing to have delivered growth in revenues, ARPU and subscription tradies, while continuing to make good progress on our strategy. I am extremely proud of the way our team has supported our tradie customers and consumers during this period, including rolling out a digital COVID-19 safe badge for fully vaccinated tradies – an industry first. With lockdowns easing across Australia, we are already seeing the strong bounce back in activity we expected, with record job volumes on our platform, and I am very excited about the coming months as Australians get their homes ready for a special and well-deserved holiday period spent with family and friends.”

## Operational & Strategic Update

hipages’ focus in Q1 was on supporting its tradie customers and consumers and managing the impact of COVID-19 lockdowns and restrictions on the construction and home improvement industry.

To help its tradie customers and consumers, the Company implemented several initiatives, including:

- Introducing an industry-first COVID-19 safe badge for fully vaccinated tradies
- Subscription offers such as temporary contract pause, short term discounts and lead credit extension
- Special offers for new tradies joining the platform to kickstart their hipages experience
- Frequent communication to inform tradies of restrictions and opportunities in their areas

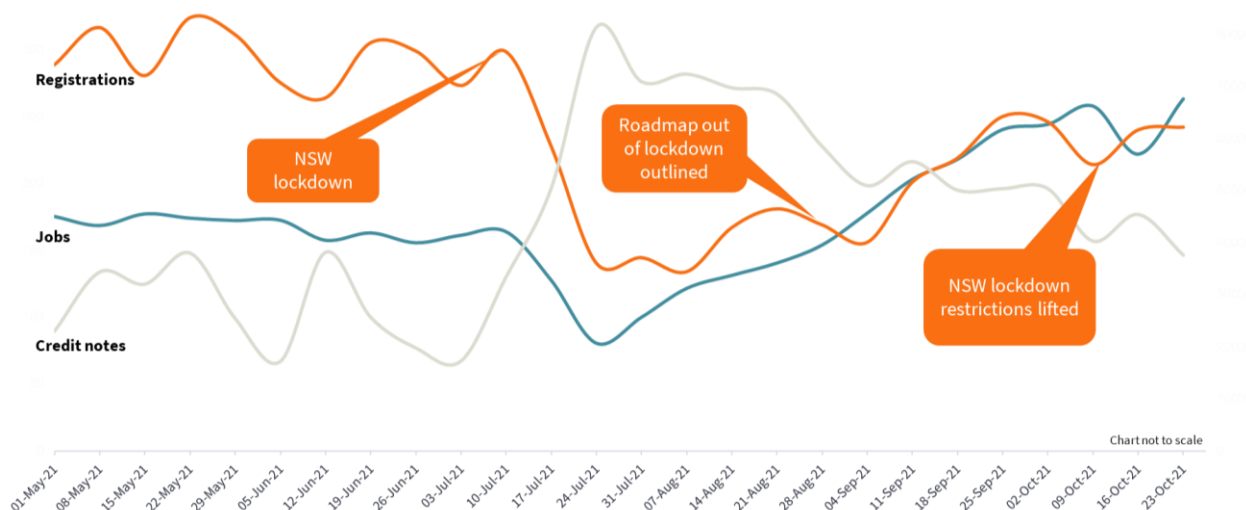
These initiatives were effective, and while there was a moderate impact on revenue in the first quarter as a result, the Company is highly confident in the long-term benefits of supporting its customers.

While COVID-19 restrictions impacted job volumes during Q1, hipages’ strong brand and effective marketing investment successfully mitigated the impact, with job volumes only 2% lower than the pcg. Job volumes were most impacted in July, when construction activity in New South Wales was completely shut down for two weeks, however as restrictions eased and consumer confidence returned, job flow improved in August and by September job volume growth had returned.

It is important to understand that job volume growth is not directly correlated to revenue growth due to the continued migration from a transactional model to a subscription model.

As experienced following previous lockdowns, hipages has seen a strong bounce back heading into Q2, as pent-up consumer demand and the easing of restrictions has converted into increased platform activity. hipages has seen a record level of job volume and significantly reduced subscription cancellations requests and credit issuance heading into the busy year-end holiday period, with tradie churn returning to normal levels, as Chart 1 below depicts for NSW.

**Chart 1: Strong rebound in NSW marketplace activity**



Despite the challenging market conditions in Q1, jobs from unpaid channels represented 73% of total jobs and 66% of jobs were from repeat customers, further demonstrating the strength of hipages' brand and customer experience which underpins its category leadership position.

hipages continued its significant investment in brand across both sides of the marketplace in Q1, led by its platinum sponsorship of Channel Nine's TV program *The Block*, which re-launched in August and is frequently one of the most watched entertainment programs in Australia. To complement this investment, targeted radio activity was also used in Q1 to reach tradies as individual markets re-opened.

The rollout of Tradiecore continued in Q1 following its successful launch in June as part of hipages' evolution to a SaaS model. New functionality was added to existing Tradiecore features in relation to quotes, invoices and self-service alongside a new 'Jobs' feature enabling tradies to more easily manage job progress.

During Q1 the Company also continued to invest in its development team and technology architecture to support its growth, with the increased level of investment to continue throughout FY22.

Despite the short-term headwinds from COVID-19, hipages is confident that the strong bounce back it has experienced will continue. The long-term opportunity for hipages remains significant and the Company will continue to invest to drive growth and increase its share of its large and growing total addressable market, while further strengthening its position as the leader in the on-demand tradie economy.

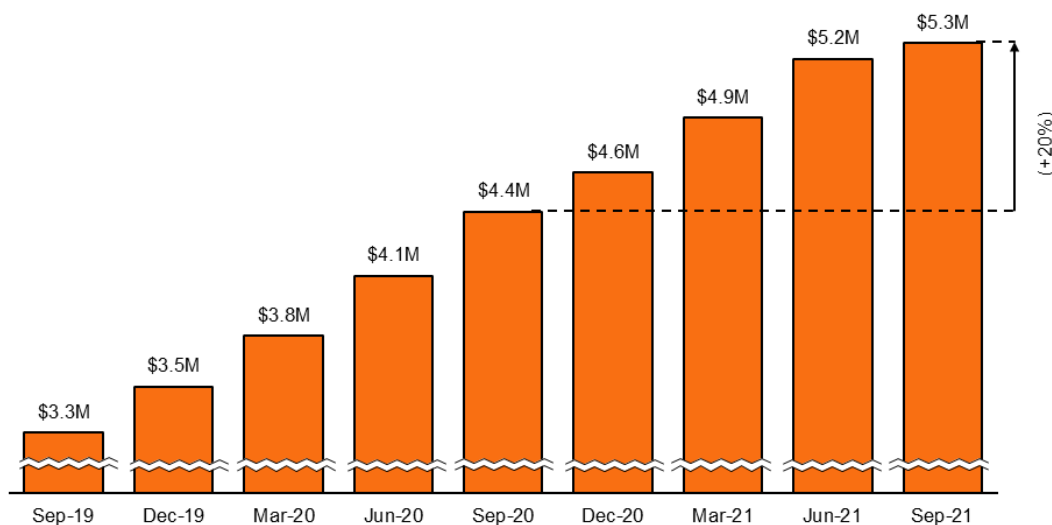
## Financial Update

While as expected, COVID-19 lockdowns and restrictions had a moderate impact on revenue during the quarter, hipages delivered growth in total revenue of 14% on pcip to \$14.9m. Recurring revenue grew by 17% to \$14.2m, accounting for 96% of total revenue.

Total revenue and recurring revenue were impacted by additional credit notes issued as retention initiatives in relation to COVID-19, including 50% discounts on current month invoices, and paused contracts. While this reduced current month revenue, it did not impact the rolled forward subscription monthly recurring revenue (MRR). Excluding the impact of these additional credit notes, total revenue growth for Q1 would have been 19%, with recurring revenue growth of 22%.

Chart 2 shows continued strong growth of MRR, which increased by 20% on pcip to \$5.3m as more tradies subscribe to the hipages platform and at higher average price points.

**Chart 2: Strong growth in MRR**



As Chart 3 shows, hipages continued to see growth in subscription tradies despite the COVID-19 lockdown period and restrictions placed on tradies being able to work.

**Chart 3: Subscription tradie base continues to expand**

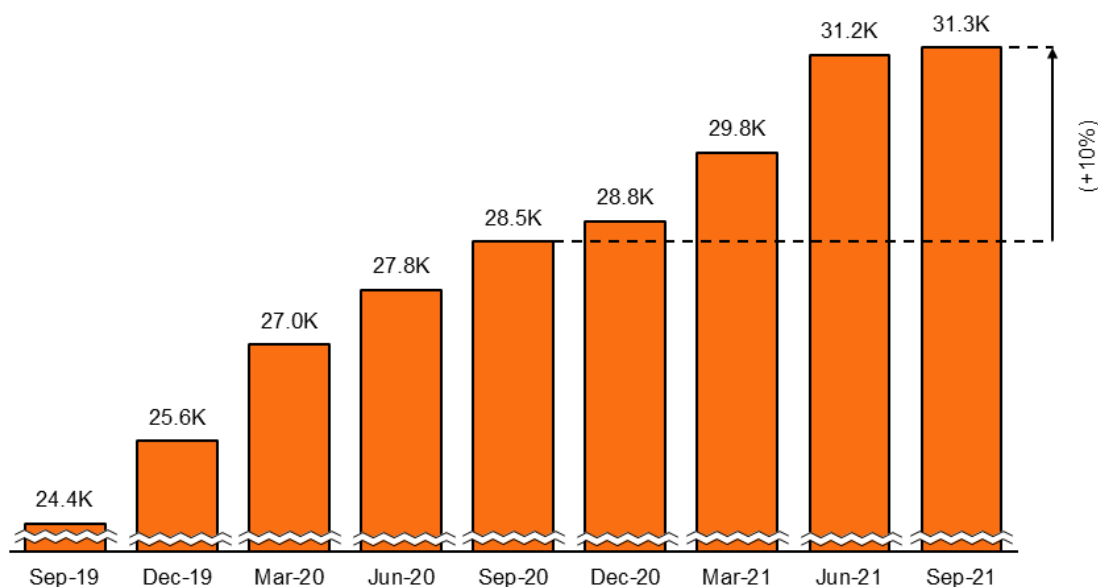
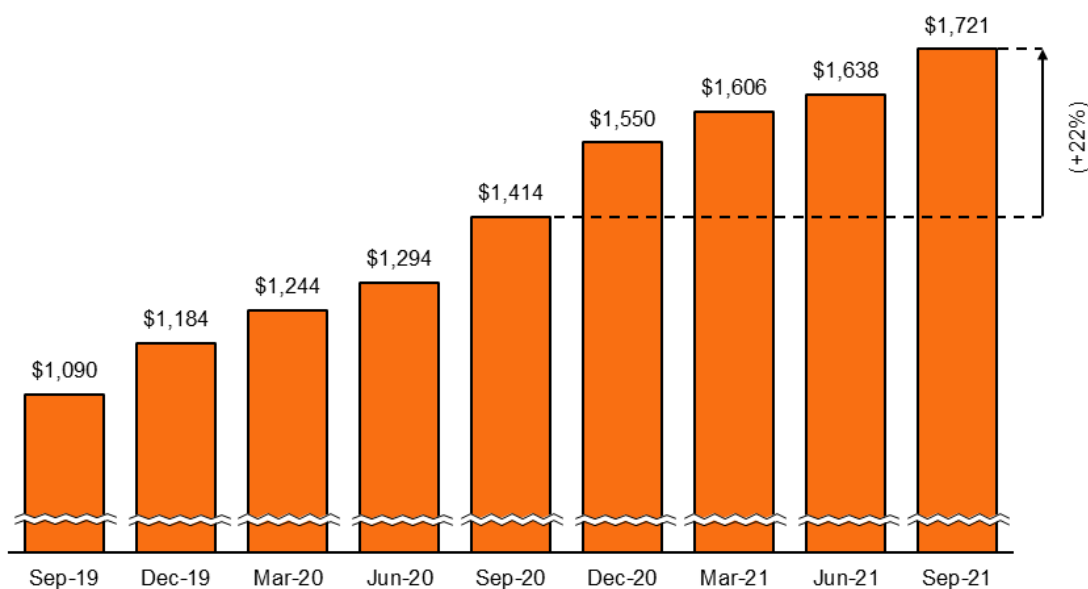


Chart 4 shows the total average revenue per tradie, or tradie ARPU, increasing by 22% on the pcg and up 5% from the prior quarter, which was before recent lockdowns were enforced. Throughout Q1 hipages saw new tradies join the platform at record yields along with strong performance from the 'Hunter' program which targets medium to large size tradie customers.

**Chart 4: Strong growth in Total Tradie ARPU**



## Net cash flows and use of funds

Operating cash receipts for the quarter were \$15.6m compared to \$15.6m in Q4 FY21 and \$14.5m in Q1 FY21, an increase of 8%<sup>4</sup> on the pcp. Operating cash payments for the quarter were \$14.3m, compared to \$12.3m in Q4 FY21 and \$11.2m in Q1 FY21, the latter which was impacted by the Company implementing various cash management measures amid the uncertainty of COVID-19.

Operating cash payments of \$14.3m in Q1 FY22 included \$5.7m for advertising and marketing as hipages continued to invest aggressively towards growth and brand awareness, \$4.7m for staff costs, and \$4.0m for administrative and corporate costs. As a result of the increased advertising and marketing spend, net cash from operating activities was \$1.3m.

The company has a robust financial position with cash and funds on deposit of \$30.7m and no debt.

There were no material changes in business activities from those described in the Prospectus dated 21 October 2020. As hipages has principally funded its growth and development from its positive operating cashflow since IPO, \$16.6m of the \$17.7m disclosed in the Prospectus remains available for deployment. hipages has fulfilled all other commitments in relation to the use of funds from its IPO disclosed in the Prospectus.

During the quarter there were payments made to related parties, including a total of \$101k paid for advertising services to entities related to News Corp, a hipages shareholder, and \$1k paid to a related party of the CEO in relation to website-related services.

hipages will provide a further update on trading and the outlook for FY22 at its AGM on 11 November.

## Ends

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

## Further Information

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## 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 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>4</sup>Operating cash receipts growth of 8% on pcp impacted by the timing of partnerships fees and sublease rental income in Q1 FY21

## Appendix 4C

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

**Name of entity**

hipages Group Holdings Ltd

**ABN**

67 644 430 839

**Quarter ended ("current quarter")**

30 September 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	15,619	15,619
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(5,671)	(5,671)
	(d) leased assets	-	-
	(e) staff costs	(4,656)	(4,656)
	(f) administration and corporate costs	(4,014)	(4,014)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	22	22
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>1,300</b>	<b>1,300</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(65)	(65)
	(d) investments	(25)	(25)
	(e) intellectual property	-	-
	(f) other non-current assets	(2,294)	(2,294)
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(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)	-	-
<b>2.6</b>	<b>Net cash used in investing activities</b>	<b>(2,384)</b>	<b>(2,384)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-



3.8	Dividends paid	-	-
3.9	Other – repayment of principal portion of leases	(819)	(819)
<b>3.10</b>	<b>Net cash (used in)/from financing activities</b>	<b>(819)</b>	<b>(819)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	30,303	30,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,300	1,300
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,384)	(2,384)
4.4	Net cash from / (used in) financing activities (item 3.11 above)	(819)	(819)
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period<sup>5</sup></b>	<b>28,400</b>	<b>28,400</b>
<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	28,400	28,400
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>28,400</b>	<b>28,400</b>

<sup>5</sup>At 30 September 2021, hipages had cash and funds on deposit of \$30.7m comprising cash and cash equivalents of \$28.4m 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	102
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
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.		

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	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
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)	1,300
8.2	Cash and cash equivalents at quarter end (item 4.6)	28,400
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	28,400
8.5	<b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	N/A
	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.	

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
	<i>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.</i>

### 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: **28 October 2021**

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