

hipages Group (ASX: HPG)



FY23 financial results

24 August 2023

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Australia and New Zealand's largest
online tradie marketplace and SaaS platform,
helping tradies build better businesses.

Vision

To be the most trusted partner in the
trade industry

Purpose

Transforming the trade industry,
building better lives for everyone

Agenda

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1 FY23 highlights

2 Financial & operational performance

3 Strategic evolution

4 FY24 targets

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FY23 highlights

ROBY SHARON-ZIPSER
CEO & Co-Founder

FY23 highlights

- ✓ **Strong business momentum** accelerated in H2
- ✓ **Record tradie demand** drives **MRR +15%** and **ARPU +10%** vs. pcp
- ✓ **Free cash flow positive in H2** with robust balance sheet and no debt
- ✓ **Strategic evolution** from marketplace to platform continues
- ✓ Trading momentum supporting **positive free cash flow target for FY24**



Financial & operational performance

JACO JONKER
CFO & COO

FY23 financial highlights

Revenue

↑ **\$6.3m** MRR
Up 15%

↑ **\$62.9m** Recurring revenue
94% of Total revenue

↑ **\$67.0m** Total revenue
Up 8%
Operating revenue up 9% to \$65.9m

Profitability

↑ **88%** Gross margin
Up 3pp

↑ **12.3m** EBITDA¹
Up 14%
EBITDA margin 18% (up 1pp)

↓ **\$(2.3)m** NPAT¹
FY22: **\$(0.3)m**¹

Key drivers

↑ **35.7k** Subscription tradies
Up 3%

↑ **\$1,872** ARPU
Up 10%
Up 11% to \$1,985 for hipages Australia

↓ **1.4m** Job volume
Down 13%
Tradie/consumer connections up 8%

Closing cash and funds on deposit of \$10.7m and no debt

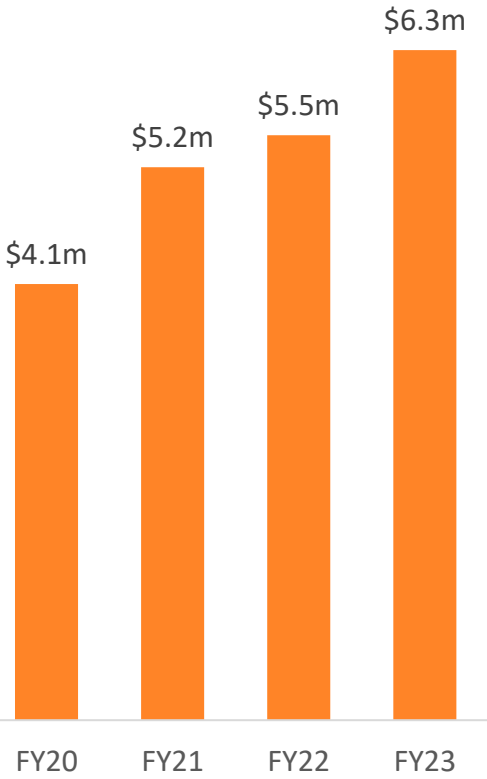
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Delivering sustainable growth

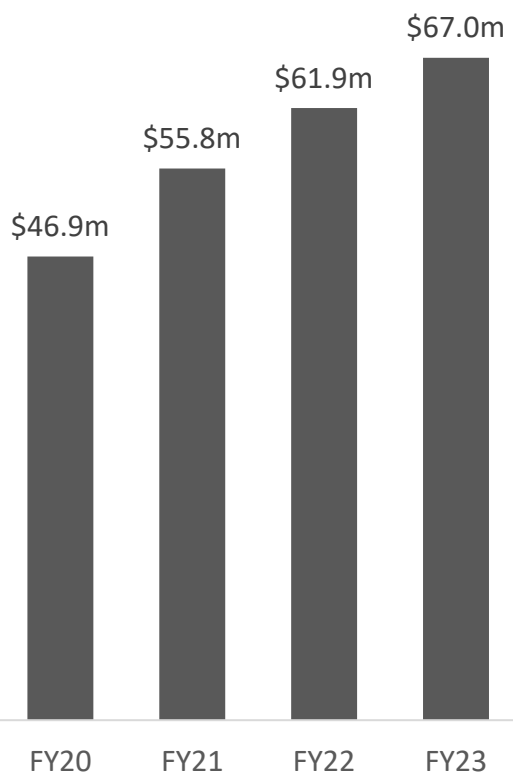


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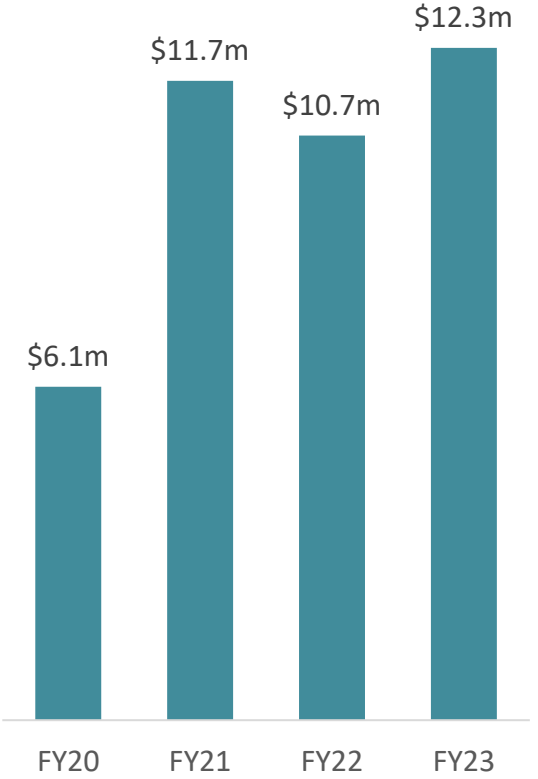
MRR



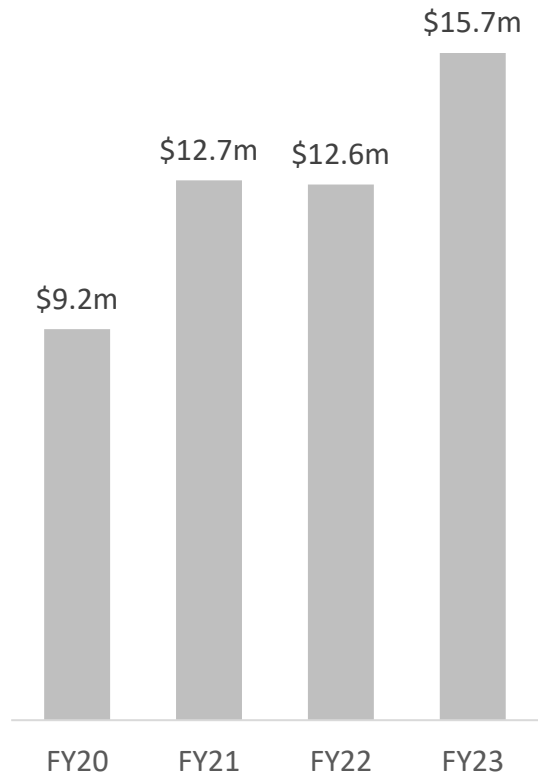
Total Revenue



EBITDA



Operating cash flow



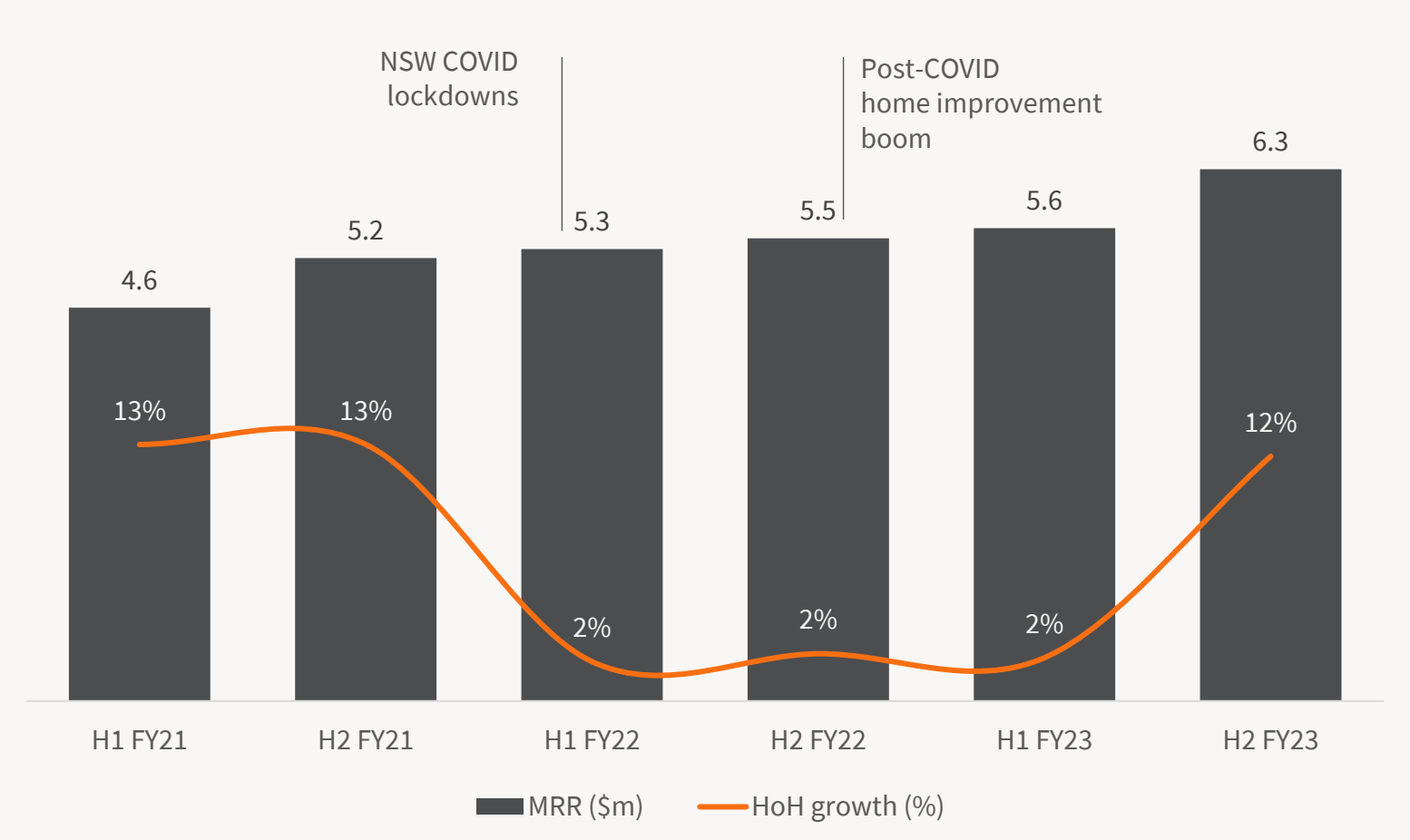
Pro Forma Revenue, EBITDA and operating cash flow. Pro Forma EBITDA is before significant items.

Strong marketplace momentum driving MRR acceleration



MRR growth rate back to pre-COVID levels¹

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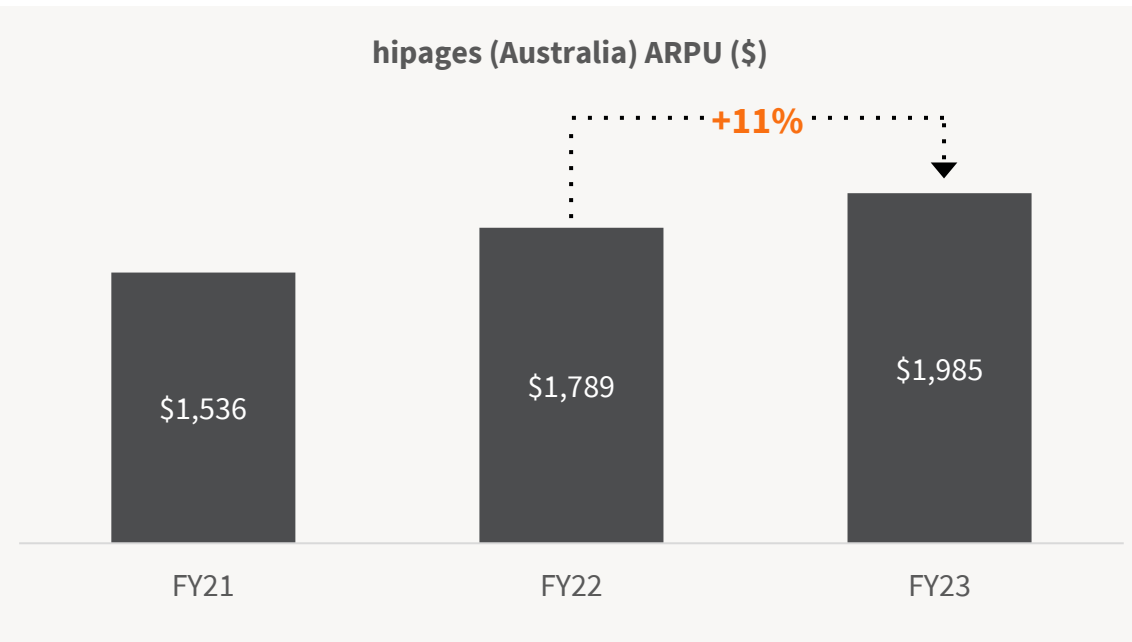
MRR growth driven by:

- Record tradie demand
- Subscription price increases
- Lead price optimisation

1. hipages Group MRR

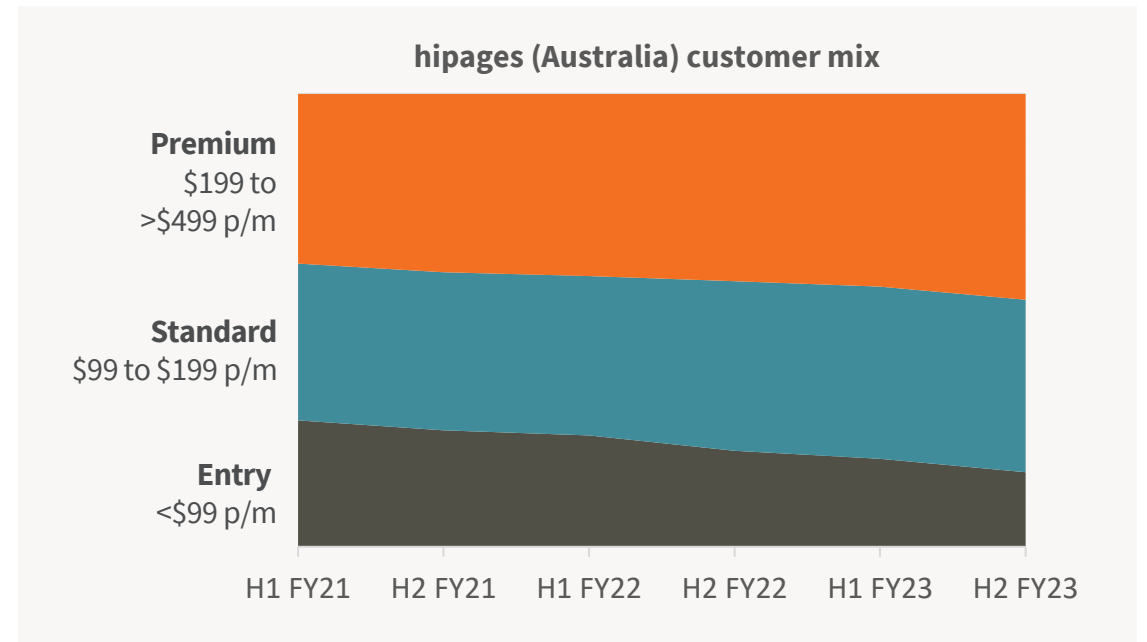
ARPU growth driven by enhanced value exchange

Strong ARPU growth continues for hipages (Australia)



- New business yields up 26% vs. pcp

Pricing optimisation driving higher average yields¹



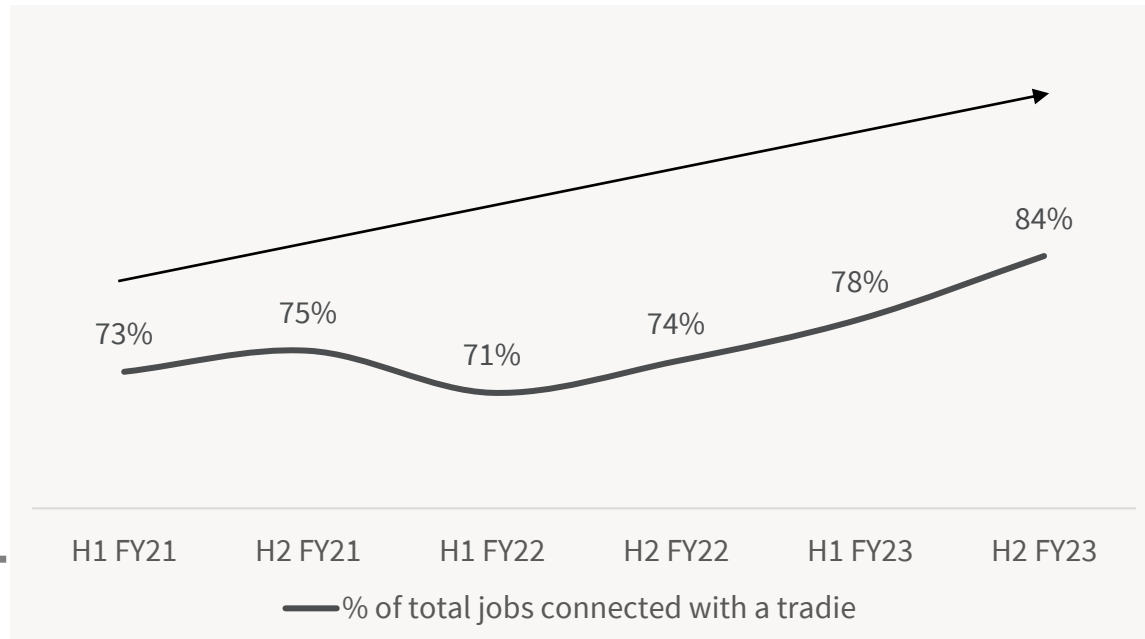
- Dynamic lead pricing driving increased credit usage and ascensions to higher tiers

1. Monthly yield including GST for hipages (Australia)

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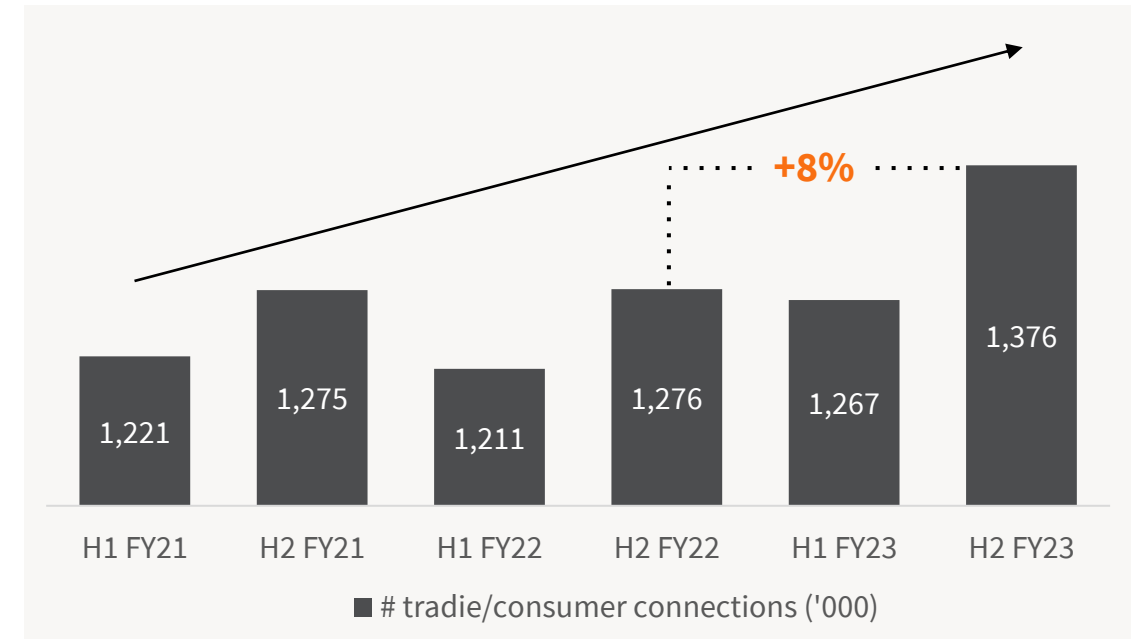
Record marketplace activity driving revenue growth

Strong tradie activity resulting in more jobs connected¹



- Marketplace balance delivering exceptional consumer outcomes

More connections² driving faster lead credit usage



- More connections result in tradies consuming lead credits faster, triggering upgrades to higher priced subscription packages

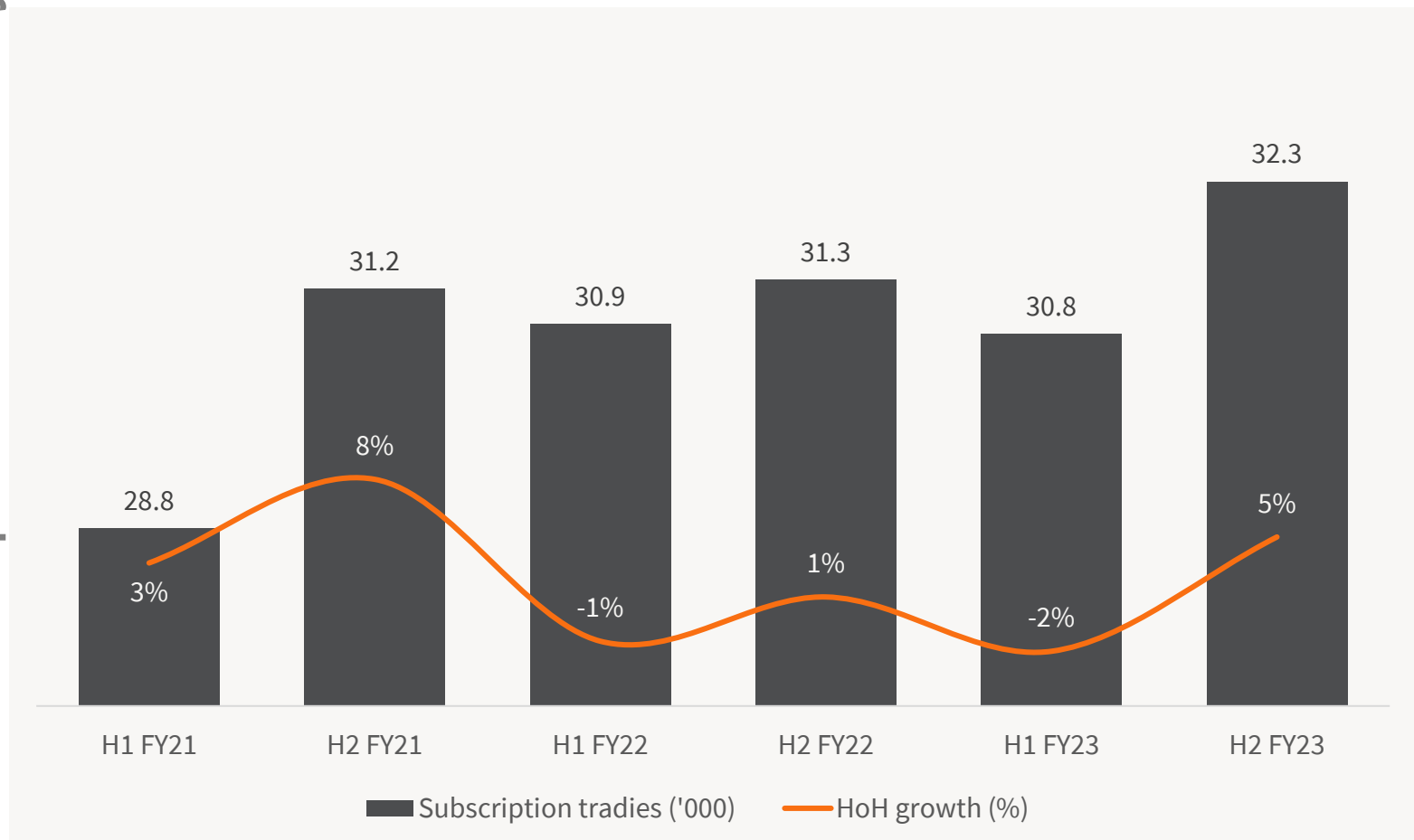
1. Connection rate defined as # jobs with at least 1 tradie/consumer connection as % of total # jobs posted on hipages (Australia) platform
 2. Connections occur when a tradie claims a job, triggering usage of their lead credits included in their subscription

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Competition for jobs creating strong tradie demand

hipages (Australia) subscription tradies return to growth

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- Record tradie registrations in H2
- ~25% of registrations are returning customers
- Opportunity to monetise non-subscriber customers
- >40k total tradies on platform¹

1. 35.7k subscription tradies including tradies from Builderscrack, and >4k signed up to services currently not monetised through subscription

Brand investment driving outcomes on both sides of marketplace



More tradies are choosing hipages

Registrations **↑41%** YoY

Record tradie brand awareness of **68%** (↑1ppt)

Strong increase in tradie consideration (↑4ppts) and preference (↑6ppts)

Consumer brand growing stronger

Record home-owner brand awareness of **67%** (↑6ppts)

80% of jobs from unpaid channels

72% of jobs from repeat consumers

4.2m unique users have posted a job on hipages

Marketplace balance shows strong unit economics

hipages (Australia) LTV/CAC ratio¹

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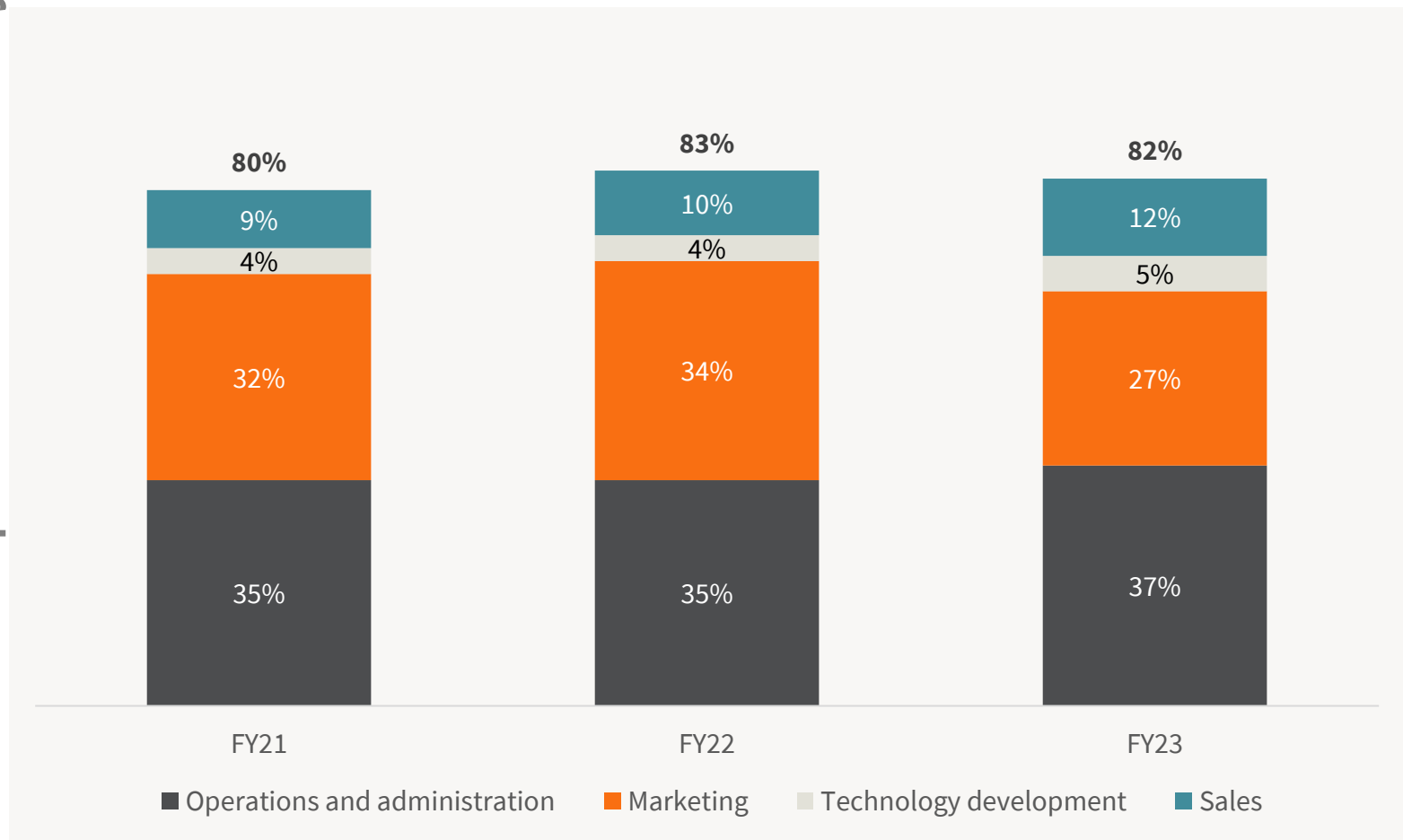
- Marketplace activity and yield optimisation boosting customer lifetime value
- Record tradie demand driving acquisition efficiencies
- Group LTV/CAC back to pre-COVID levels

1. Pro forma historical information

Costs stabilised with enhanced operating leverage to emerge

Group operating expenses¹ as % of total revenue

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Marketing

- Marketing efficiencies drives 7ppt improvement

Operations and administration

- Cost savings offset by increased subscription and license costs

Technology development

- Continued investment to deliver our platform strategy and revenue growth

Operating leverage

- Targeting margin expansion as investment in technology development stabilises

1. Operating expenses after capitalisation of Technology Development costs. Before Capitalisation, Technology Development was 26% of Revenue in FY23 (23% in FY22)

Portfolio performance



Transition to subscription model underway

- Builderscrack operates a commission model with revenue driven by job volume and value
- Strategic transition to subscription model underway to reduce cyclicality

FY23 performance:

- Revenue down 4% LFL¹ to \$2.7m in challenging NZ economic environment
- Cost base well managed to support 21% EBITDA margin
- Non-cash goodwill impairment of \$3.1m due to lower transactional revenues



Strong growth driving significantly higher valuation

- Bricks + Agent re-branded to PropTech Labs following the acquisitions of Maintenance Manager and Inspection Manager
- ANZ market leader for property management productivity software, with >1m properties under management (of ~2.6m in Australia)
- Annual recurring revenue (ARR) growing at 30% CAGR since 2020
- Latest fundraise demonstrates valuation has increased by 70% since the Group originally invested \$6.25m for a 25% share in FY22

1. Like-for-like basis : 12 months ending June 23 vs. 12 months ending June 22 (despite Builderscrack being acquired by hipages Group in Dec 2022)

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Strategic evolution

ROBY SHARON-ZIPSER
CEO & Co-Founder

Strategic evolution from marketplace to platform

FY23-FY26+ roadmap

Marketplace
optimisation

- Lead pricing optimisation
- Drive uptake of existing services
- Enhance Tradiecore functionality

Tradie platform
evolution

- End-to-end SaaS solution for tradies
- Expand range of products & services
- New platform pricing and packaging

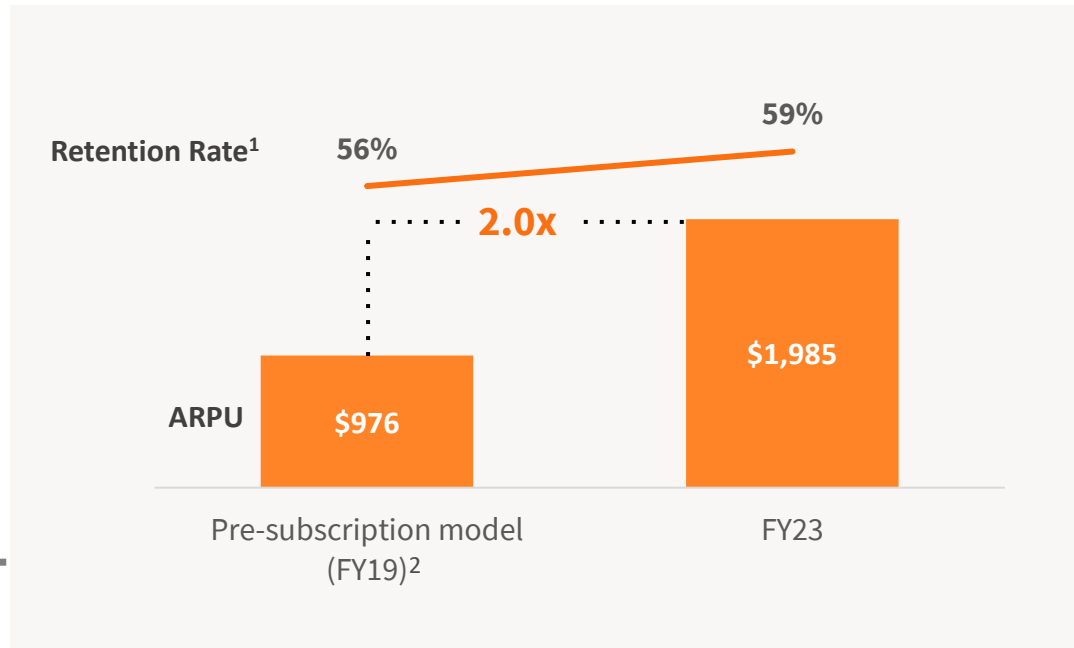
Consumer platform
evolution

- Consumer products & services
- Fixed priced services
- Data solutions

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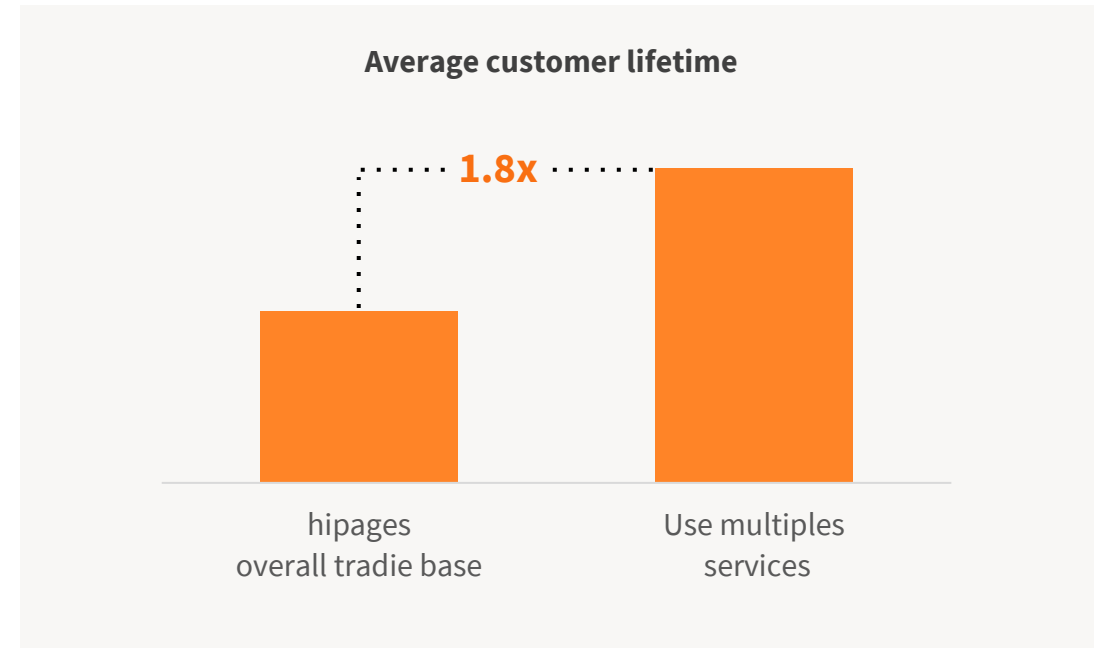
Improving retention while increasing ARPU

We increased retention while doubling ARPU



- Australian construction industry has an annual exit rate of ~14%³

Platform strategy will further extend lifetime value



- Tradies using multiple hipages services are stickier
- ~30% of cancellations are due to tradies not needing job leads
- Existing services include Tradiecore, payments and Partner jobs

1. 12-month MRR Retention rate (in \$) for hipages (Australia)
2. hipages FY19 customer base: 40% transactional/60% subscription
3. Source: ABS Count of Australia Business by Industry (2018-2022)

Tradie Advisory Board

Ensuring the voice of the customer is at the heart of our product and strategy

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- Tradie Advisory Board - the first of its kind in Australia
- Provides a dynamic voice of the customer to validate strategy and inform our product roadmap, feature development and user experience

"I'm looking forward to making an impact on the way tradies work with customers, as well as helping a business that has helped me so much with mine"

-Fabricio Siqueira – Advisory Board member

L-R: Darcy Stewart - Stewart Electrical (NSW), Hugh Boland (seated) - All Things Air Conditioning (ACT), Omar Alayoubi - OMZ Painting (Vic), Fabricio Siqueira - Architect & Design (Vic), Andrea Zappacosta - AZ Cleaning (WA), Tim Rosenzweig - That Appliance Repair Guy (SA), Anne-Marie Tomson - Skillsmart Plumbing (QLD); Advisory Board member not shown – Shannon Hawke - Myadel Aluminium Specialists (NSW)

Creating an end-to-end platform to win the whole tradie ecosystem



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Combining hipages and Tradiecore into a single application



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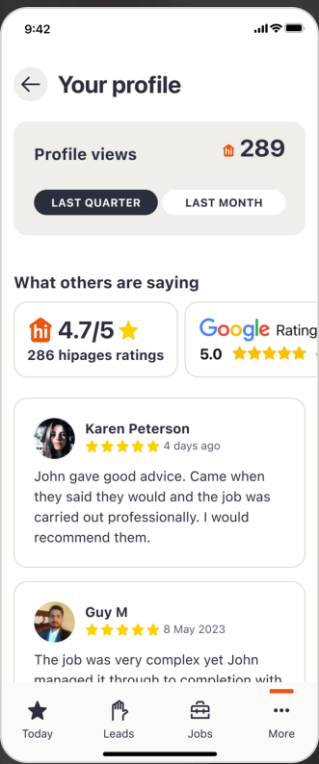
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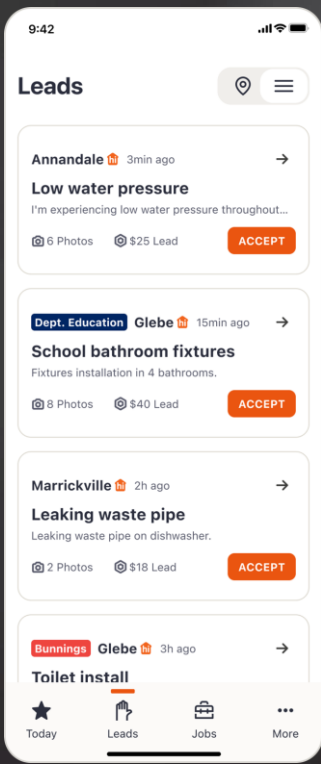
Creating an end-to-end platform to win the whole tradie ecosystem



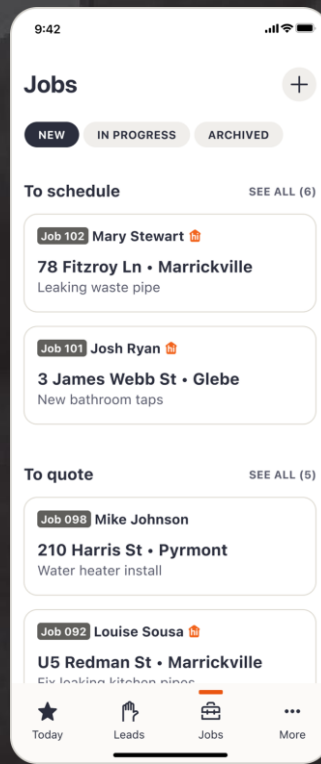
Profile



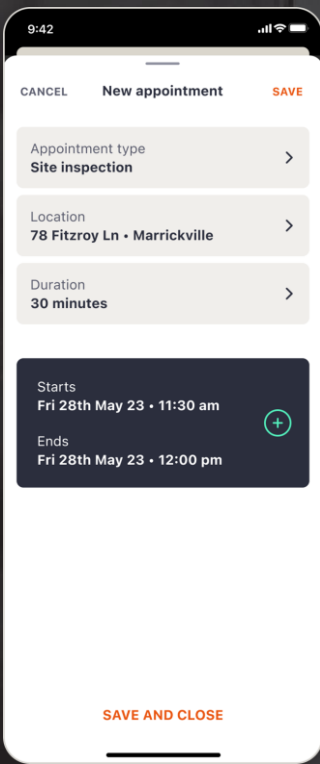
Lead invites



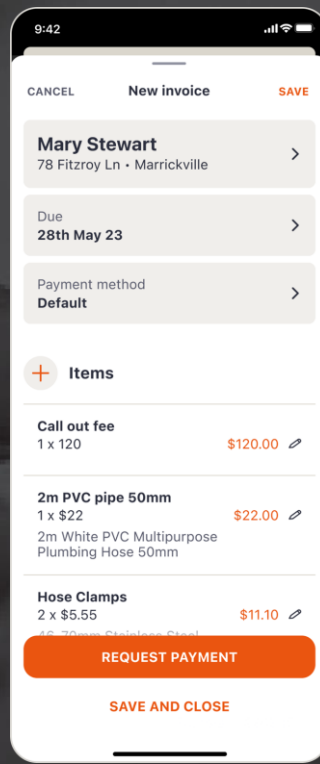
Jobs



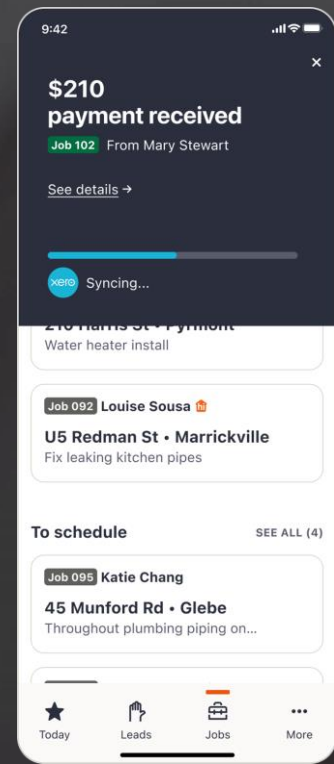
Scheduling



Quote and Invoice



Sync to accounting



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Improved Tradie Profiles

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About

Experienced Electrician serving Sydney, NSW

I'm John, a dedicated and reliable electrician specialising in providing top-notch electrical services to the residents and businesses of the Blacktown area and beyond in New South Wales. With 20 years of experience in the industry, I bring a wealth of knowledge and expertise to every project I undertake.

At Sparks Electrical, our mission is to ensure the highest quality of electrical workmanship while maintaining a strong commitment to customer satisfaction. Whether you need assistance with electrical installations, repairs,

- Member since 2006
- Based in Blacktown
- Servicing Blacktown, Castle Hill, Rouse Hill and Sydney Metro
- [Website](#)

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Karen Peterson 4 days ago

John gave good advice. Came when they said they would and the job was carried out professionally. I would recommend them.

Posted on [Google](#)

Guy M 8 May 2023

The job was very complex yet John managed it through to completion with an excellent result.

Posted on [Google](#)

Chad Rodgers 12 April 2023

I am so pleased with the job John did. He was on time, professional and very tidy! Thank you so much! Would recommend.

Posted on [Google](#)

Karen Peterson 4 days ago

John gave good advice. Came when they said they would and the job was carried out professionally. I would recommend them.

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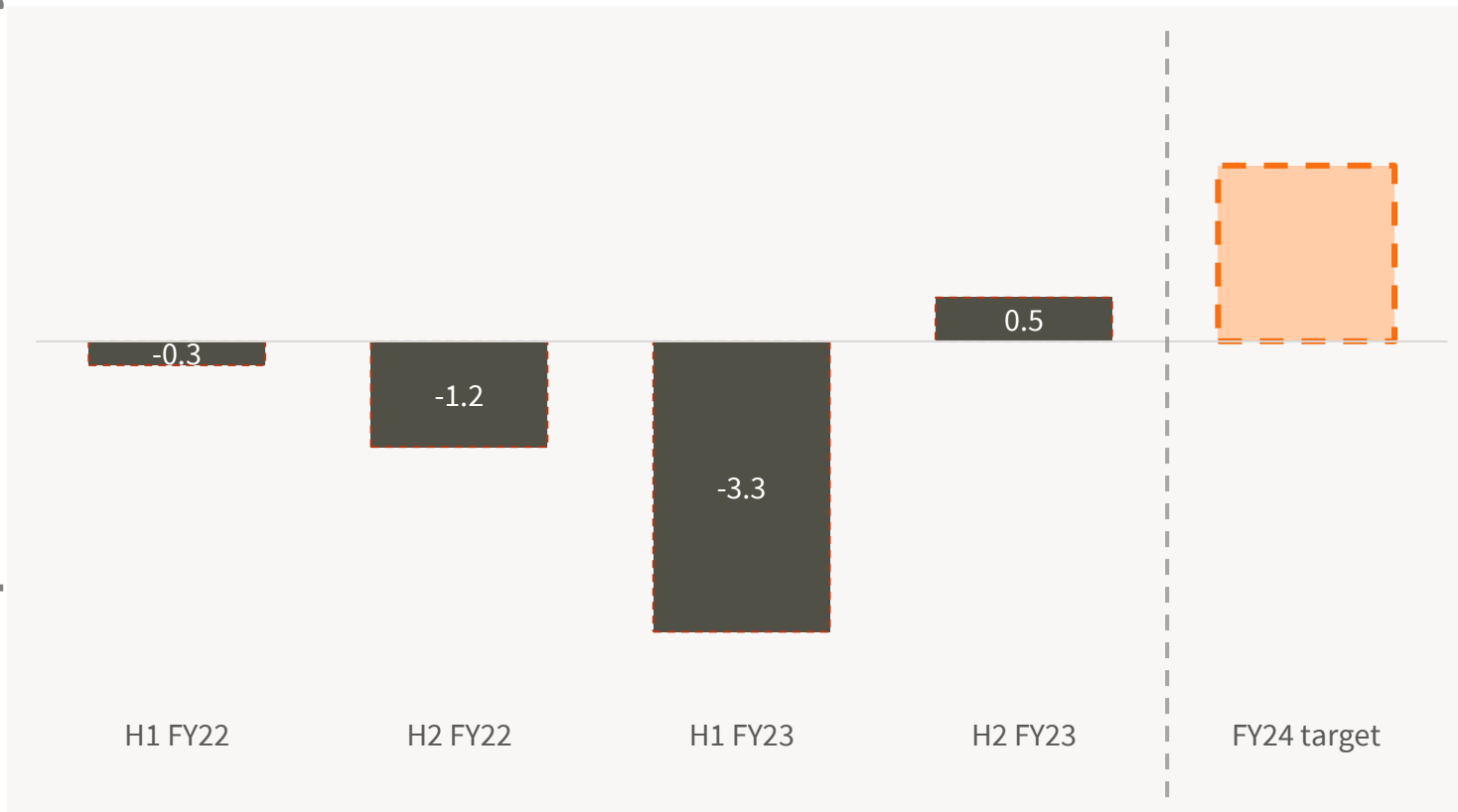
FY24 targets

ROBY SHARON-ZIPSER
CEO & Co-Founder

Targeting positive free cash flow in FY24

Free cash flow¹ excluding M&A activities (\$m)

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- Free cash flow¹ positive in H2 FY23
- Targeting positive free cash flow in FY24
- Timing of payment for *The Block* (Q2) will skew H1 free cash flow slightly negative in FY24
- Phasing *The Block* spend over 12 months would result in positive free cash flow in H1 and H2

1. Free Cash Flow: Operating cash flow less lease repayment, less investing cash flow

Operating leverage underpins margin expansion

Near and medium-term targets

	FY23	FY24 target	Medium-term target ²
Revenue growth	8%	Low teens %	Mid-teens %
EBITDA margin³	18%	~20%	>25%
Free cash flow	H2 positive	Positive free cash flow	

Key drivers

- Product and pricing evolution
- Operating leverage
- Marketing efficiencies
- Tech development costs stabilising
- G&A managed in line with inflation

1. Pro forma historical information
 2. Assuming no material deterioration in macroeconomic conditions impacting the Group's key markets
 3. Pro-Forma EBITDA Before significant items

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Appendix

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FY23 Pro forma financial summary

\$'000	FY23	FY22	\$ Var	% Var
Recurring	62,931	58,238	4,693	8%
Transactional	2,962	2,419	543	22%
Operating Revenue¹	65,893	60,657	5,236	9%
Other	1,114	1,202	(88)	(7%)
Total Revenue²	67,007	61,859	5,148	8%
Sales	(8,007)	(6,188)	(1,819)	29%
Marketing	(18,059)	(20,836)	2,777	(13%)
Technology and Development	(3,677)	(2,305)	(1,372)	60%
Operations and Administration	(24,968)	(21,801)	(3,167)	15%
Total Operating Expenses	(54,711)	(51,130)	(3,581)	7%
Net other (Expenses)/Income	(11)	2	(13)	(650%)
EBITDA before significant items	12,285	10,731	1,554	14%
Significant Items	(2,861)	(646)	(2,215)	343%
EBITDA after significant items	9,424	10,085	(661)	(7%)
Depreciation & Amortisation	(14,354)	(10,439)	(3,915)	38%
EBIT	(4,930)	(354)	(4,576)	(1293%)
Net Finance Costs	(204)	(201)	(3)	1%
Share of loss of equity accounted investee, net of tax	(408)	(520)	112	(22%)
Loss before income tax	(5,542)	(1,075)	(4,467)	(416%)
Income tax benefit	398	165	233	141%
NPAT	(5,144)	(910)	(4,234)	(465%)

- Recurring revenue now 94% of total revenue
- Gross margin³ of 88% (FY22: 85%)
- Continued investment for growth, with:
 - Increased product development and technology team (mostly capitalised)
 - Maintained marketing investment while delivering efficiencies on customer and job acquisition costs
- EBITDA margin⁴ of 18% (FY22: 17%)

1. Operating Revenue refers to total revenue from ordinary activities.
 2. FY22 Statutory revenue is the same as Pro Forma revenue. Includes rental revenue (in 'Other Revenue') and revenue for Builderscrack from December 2021.
 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.

FY23 Cash flow

\$'000s	FY23 Statutory	FY22 Statutory	\$ Var
Receipts from customers (inclusive of GST)	71,870	65,203	6,667
Payments to suppliers and employees (inclusive of GST)	(56,058)	(52,512)	(3,546)
Interest received	146	45	101
Income taxes paid	(245)	(150)	(95)
Interest paid	(16)	-	(16)
Net cash flows from operating activities	15,697	12,586	3,111
Payments for purchase of business net of cash acquired	(414)	(8,899)	8,485
Proceeds/(payments) for investments	525	(6,769)	7,294
Payments for property, plant and equipment	(540)	(692)	152
Payments for intangible assets	(15,408)	(12,458)	(2,950)
Proceeds from divestments	250	150	100
Other	84	1	83
Net cash flows used in investing activities	(15,503)	(28,667)	13,164
Proceeds from issue of shares	1,279	919	360
Payments for shares acquired by the hipages Employee Share Trust	(1,279)	(919)	(360)
Payment of principle portion of lease liabilities	(3,139)	(3,250)	111
Proceeds from reimbursement of office refurbishment costs	600	-	600
Cash settlement of share-based payments	(42)	(26)	(16)
Net cash flows used in financing activities	(2,581)	(3,276)	695
Net decrease in cash and cash equivalents	(2,387)	(19,357)	16,970
Cash and cash equivalents at the beginning of the period	10,907	30,303	(19,396)
Effects of exchange rate changes on cash and cash equivalents	20	(39)	59
Cash and cash equivalents at end of the period	8,540	10,907	(2,367)
Funds on deposit	2,187	2,271	(84)
Total cash and funds on deposit	10,727	13,178	(2,451)

- Positive operating cash flow of \$15.7m reflecting strong business momentum
- Positive net cash flow of \$1.0m in H2 FY23 increased total cash & funds on deposit to \$10.7m

FY23 Statutory balance sheet

\$'000s	30-Jun-23	30-Jun-22	\$ Var
Cash and cash equivalents	8,540	10,907	(2,367)
Funds on deposit	2,187	2,271	(84)
Trade and other receivables	1,655	1,861	(206)
Other assets	1,728	1,864	(136)
Current tax asset	151	-	151
Total current assets	14,261	16,903	(2,642)
Other assets	-	105	(105)
Other investments	800	800	-
Equity-accounted investment	5,365	6,298	(933)
Property, plant and equipment	1,332	1,731	(399)
Right-of-use asset	9,943	12,312	(2,369)
Intangible assets	30,514	29,611	903
Total non-current assets	47,954	50,857	(2,903)
Total assets	62,215	67,760	(5,545)
Trade and other payables	8,199	8,419	(220)
Contract liabilities	3,220	3,004	216
Provisions	2,444	1,912	532
Lease liabilities	2,149	2,324	(175)
Current tax liability	-	24	(24)
Total current liabilities	16,012	15,683	329
Other payables	-	738	(738)
Provisions	740	588	152
Lease liabilities	9,563	11,526	(1,963)
Deferred Tax Liability	1,700	2,127	(427)
Total non-current liabilities	12,003	14,979	(2,976)
Total liabilities	28,015	30,662	(2,647)
Net assets	34,200	37,098	(2,898)
Issued capital	319,378	317,639	1,739
Reserves	(219,532)	(220,039)	507
Accumulated losses	(65,646)	(60,502)	(5,144)
Total equity	34,200	37,098	(2,898)

- Strong balance sheet maintained at end FY23 with \$10.7m cash and funds on deposit
- Continued investment in intangibles partly offset by Builderscrack goodwill impairment

Profit reconciliation

	FY23 \$'000	FY22 \$'000
Reported EBITDA (from continuing operations)	9,424	10,085
Goodwill impairment of New Zealand subsidiary	3,100	-
Write back of deferred consideration related to acquisition of New Zealand subsidiary	(369)	-
Non-recurring remuneration	130	646
Pro forma EBITDA before significant items	12,285	10,731

	FY23 \$'000	FY22 \$'000
Reported NPAT (from continuing operations)	(5,144)	(910)
Goodwill impairment of New Zealand subsidiary	3,100	-
Write back of deferred consideration related to acquisition of New Zealand subsidiary	(369)	-
Non-recurring remuneration	130	646
Pro forma NPAT before significant items	(2,283)	(264)

Glossary and definitions

Annual Revenue Per User (ARPU)

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. For FY23, hipages Group ARPU of \$1,872 is the blended result of hipages' ARPU of \$1,985 and Builderscrack's ARPU of \$794.

Gross profit margin

Includes total revenue less cost of sales (consumer and tradie SEM spend and merchant fees).

Free cash flow

Operating cash flow less lease repayment, less investing cash flow (excluding any M&A activity)

MRR

Monthly Recurring Revenue refers to the committed monthly subscription revenue from tradies (including GST) at the end of the period (i.e. June 2023 for FY23). It is calculated as the number of tradie accounts multiplied by their monthly subscription price including GST.

Paid connections

Paid connections occur when a tradie claims a lead on a job posted on the hipages platform, resulting in lead credit usage. Every job posted is connected with up to 3 tradies.

SaaS

Software-as-a-Service

Subscription tradies

Refers to hipages tradies committed to a monthly subscription product, and Builderscrack tradies who generated at least one work invoice over the last 12 months

Tradie/consumer connection

Jobs posted by consumers on the hipages marketplace appear as leads to relevant tradies (according to our job-matching algorithm). Up to 3 tradies can successfully claim a lead: this result in a tradie/consumer connection. Connections are the trigger for lead credit consumption.

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Important notice

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The financial information should be read in conjunction with the basis of preparation set out in the Company’s accounts.

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