

ASX / Media Release 22 February 2024

# hipages Group H1 FY24 Results

## Continued marketplace momentum and disciplined execution driving operating leverage and underpinning strong results

**hipages Group Holdings Limited** (ASX: HPG) (“hipages” or “the Group”), Australia and New Zealand’s largest online tradie marketplace and Software-as-a-Service (SaaS) platform connecting tradies with residential and commercial consumers, today announces its financial results for the six months ended 31 December 2023 (**H1 FY24** or **H1**).

### H1 FY24 Highlights

- **Recurring revenue up 15% to \$35.2m and MRR<sup>1</sup> up 17% to \$6.6m**
- **Inflexion point reached with operating leverage driving margin growth and positive free cash flow<sup>2</sup> - on target for positive free cash flow in FY24**
- **ARPU<sup>3</sup> up 11% to \$2,075 demonstrates enhanced value proposition for tradies**
- **Marketplace maintains record high 84% connection rate<sup>4</sup> between consumers and tradies**
- **Subscription tradies<sup>5</sup> up 4% vs. pcp to 35.4k, with typical seasonality evident**

### Key Financial and Operating Metrics

| Financial Metrics                    | H1 FY24       | H1 FY23 | Var % |
|--------------------------------------|---------------|---------|-------|
| Total revenue (\$m)                  | <b>37.4</b>   | 32.6    | 15%   |
| Recurring revenue (\$m)              | <b>35.2</b>   | 30.6    | 15%   |
| Recurring revenue % total            | <b>94%</b>    | 94%     | -     |
| Operating expenses (\$m)             | <b>(29.0)</b> | (26.8)  | 8%    |
| EBITDA before significant items(\$m) | <b>8.4</b>    | 5.8     | 45%   |
| EBITDA margin                        | <b>22%</b>    | 18%     | 4ppts |
| Statutory NPAT (\$m)                 | <b>3.7</b>    | (1.5)   | 348%  |
| <b>Key Operational Metrics</b>       |               |         |       |
| MRR (\$m)                            | <b>6.6</b>    | 5.6     | 17%   |
| Connection volume (m)                | <b>1.307</b>  | 1.267   | 3%    |
| Subscription tradies (000’s)         | <b>35.4</b>   | 34.2    | 4%    |
| ARPU (\$)                            | <b>2,075</b>  | 1,863   | 11%   |

<sup>1</sup> MRR: Monthly Recurring Revenue refers to the committed monthly subscription revenue from tradies (inc GST) at the end of the period (i.e. 31 December 2023). It is calculated as the number of tradie accounts multiplied by their monthly subscription price inc GST.

<sup>2</sup> Free cash flow: Refers to operating cash flow less lease repayments, less investing cash flow excl M&A cash flows and bank guarantee release.

<sup>3</sup> ARPU: Average Annual Revenue Per Unit is the annual operating revenue (total revenue from ordinary activities) 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 \$2,075 is the blended result of hipages Australia ARPU of \$2,195 and hipages New Zealand’s ARPU of \$971.

<sup>4</sup> Connection rate: Defined as # jobs with at least 1 tradie/consumer connection as % of total # jobs posted on hipages (Australia)

<sup>5</sup> 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. Subscription tradies includes 3.6k Builderscrack paying tradies.

**hipages CEO and Co-founder Roby Sharon-Zipser said:** “Our first half FY24 results demonstrate that our business is performing exceptionally well with all our operational and financial metrics showing growth on the prior corresponding period. Our marketplace has benefitted from ongoing momentum arising from the current uncertain macroeconomic environment, where we have seen a clear increase in demand from tradies using the hipages platform to connect to jobs posted by consumers. Consumers are benefiting from increased engagement and competition for those jobs.

“This momentum in our marketplace demonstrates the high value to both consumers and tradies from our platform. Consumers are seeing a record 84% connection rate to their jobs posted. Our tradies are increasing their engagement with the platform and showing a willingness to trade up or sign up to contracts at higher subscription rates to secure more lead credit firepower to access valuable jobs.

“We continue to drive the performance of our business, maximising the value exchange which has seen strong growth in ARPU and MRR as we optimise our lead pricing and drive continuous improvement in our account management capability. We are also seeing new and returning tradies sign onto higher tiered packages allowing them to connect with more consumers on the marketplace.

“We remain extremely disciplined on both our operating expenses and our development spend that not only optimises our marketplace but also sets the foundations for growth in our single tradie platform.

“We are confident that the Group has now reached the inflexion point where we deliver both sustainable operating leverage and positive free cash flow. Our EBITDA margin has expanded during the period as our growth is supported by prudent operating expense management. Pleasingly, we demonstrated material improvement in our free cash flow during the half whilst continuing our investment in technology as well as funding our large brand campaign during Q2. We are on track to deliver positive free cash flow in H2 FY24 and for FY24 to be in line with our guidance.

“Going forward, our operating cash flow will more than cover our technology investment as we pursue our strategic evolution. Our balance sheet is in excellent shape with over \$19 million of cash and funds on deposit and no debt.

### **Marketplace delivering high value for consumers and tradies with optimisation driving ARPU and revenue growth**

The Group experienced a strong half as it benefitted from the ongoing momentum of high tradie demand as tradies compete for fewer jobs. The marketplace continued to deliver high value for tradies and consumers with 1.307 million tradie/consumer connections, an increase of 3% on H1 FY23 (“pcp”). Whilst overall job postings on the platform declined by 9% during the period, 84% of total jobs posted connected with a tradie, up from 78% vs. the pcp. This resulted in a much-improved consumer experience. Pleasingly, the start of Q3 has been positive with job postings returning to growth year-over-year.

Demand for the Group’s services from new and returning tradies remained robust with subscription tradies of 35,414, up 4% vs. the pcp. Notwithstanding the current environment, hipages demonstrated its continued ability to monetise the value exchange on the platform through growth in ARPU and recurring

revenue. Group ARPU increased by 11% to \$2,075, with hipages in Australia showing growth of 11% from \$1,978 to \$2,195. Recurring revenue increased by 15% to \$35.2 million and MRR increased 17% to \$6.6 million vs the pcp.

This growth was achieved as the value proposition for tradies was enhanced and the Group delivered on several initiatives to drive yield including dynamic job lead pricing. This led to increased subscription credit usage by existing tradies and proactive account and sales management, which in turn resulted in existing tradies ascending to higher price tiers and new and returning tradies joining at higher yields.

### **Inflexion point reached with operating leverage driving margin growth and positive free cash flow**

The Group delivered strong revenue growth of \$37.4 million, up 15% vs pcp.

Prudent expense management has enabled the Group to expand its EBITDA margin to 22% vs. 18% in the pcp. Operating expenses increased by 8% to \$29 million. Sales expenses increased by 14% as additional hires were made to drive new business growth and enhance account management capabilities to drive yield performance. Marketing expenses were maintained whilst delivering efficiencies on tradie registrations and job postings. Operating and administrative expenses increased by 8% as prudent cost management partially offset increased licence and subscription costs to support the growing tradie base.

The Group continues to implement a disciplined technology investment program to support our strategic evolution from marketplace to platform. Technology investment during the half was focussed on marketplace optimisation and developing the single tradie platform. FY24 full year technology development spend is expected to be 24%-25% of revenue and expected to reduce as a percentage of revenue in future years.

Operating cash flow of \$9.0 million was 50% higher than H1 FY23. Free cash flow for the period was close to breakeven (-\$0.1 million), a significant improvement of \$3.2 million on the pcp. This was a strong result given the continued investment in technology and significant brand campaign expenditure during the period. The Group remains on track to deliver positive free cash flow in the current half and hence for FY24.

### **Strategic evolution from marketplace to platform**

hipages is making good progress in its evolution from online marketplace to a single tradie platform, which will enable it to reduce its exposure to the economic cycle and open new growth opportunities.

This evolution from a marketplace to a full-service tradie platform is enabled by Tradiecore, the Group's proprietary SaaS solution and end-to-end platform to help tradies run better businesses.

The single tradie platform, which includes lead generation (Marketplace) and job management (Tradiecore), will allow the Group to deliver long-term benefits by making customers stickier, thereby increasing retention and opening a range of growth opportunities. Over time, the rich data received from the single tradie platform will provide powerful insights to further enhance the user experience for tradies, as well as enabling the development of new consumer products and services to underpin future growth.

During H1 many new features and functionalities were rolled out in preparation for the single tradie app release, including several notable milestones such as the ability to claim leads within Tradiecore and the release of the single bundled package for new customers (also available for existing customers).

The strategic platform evolution will reach a significant milestone during Q4 FY24 with the planned launch of the single tradie platform for all new customers, enabling the full tradie workflow in one single application. Once complete, tradie customers will be able to complete a job end-to-end; from lead claim, scheduling, quotation, invoicing, and payment, as well as the syncing with accounting software within the single app interface, removing any unnecessary friction.

Later in FY25, all existing tradies will be migrated to the new single tradie platform as and when their contracts reach their renewal dates.

hipages New Zealand, trading as Builderscrack, is progressing well with its roadmap to transition from a transaction based to a subscription model. Drawing on the experience of hipages in Australia, hipages New Zealand introduced a new hybrid subscription model during H1 with a view to start migrating to a full subscription model during FY25, which will see the ‘success fee’ commission model being phased out.

### Strong Balance Sheet

As of 31 December 2023, hipages’ balance sheet has cash and funds on deposit of \$19.1 million (\$10.7 million on 30 June 2023). In November, the Group completed the sale of its equity accounted investment in PropTech Labs for a cash consideration of \$8.4 million. The Group has no debt.

### FY24 outlook

The Group reaffirms its previously announced guidance. Growth and margins are expected to remain robust for the remainder of the financial year and on track to achieve targeted revenue growth in the low, an EBITDA margin of approximately 20% and positive free cash flow.

January is already exhibiting strong new business and marketplace activity. Current tradie registration volumes of ~35.7k are now back at the levels seen at full year, up from December’s seasonal low while job volumes have also returned to year-over-year growth.

*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 **10.00am AEDT today (22 February 2024)**. To register, please visit

|                            |   |
|----------------------------|---|
| <b>Phone registration:</b> | <a href="https://s1.c-conf.com/diamondpass/10036881-jf7y8i.html">https://s1.c-conf.com/diamondpass/10036881-jf7y8i.html</a> |
| <b>Webcast:</b>            | <a href="https://ccmediaframe.com/?id=KncDCfvC">https://ccmediaframe.com/?id=KncDCfvC</a>                                   |

**Further information:** Craig Haskins, +61 421 019 843, [chaskins@easternhilladvisors.com](mailto:chaskins@easternhilladvisors.com)

### About hipages Group (ASX:HPG)

hipages Group creates effortless solutions that help tradies streamline and grow their business and delight their customers. As Australia and New Zealand's largest online tradie marketplace and Software-as-a-Service (SaaS) provider, hipages Group connects tradies with residential and commercial consumers through its platforms, hipages Australia and hipages New Zealand (trading as Builderscrack). The Company helps tradies grow their business by providing job leads from homeowners and organisations looking for qualified professionals, while enabling them to optimise their business. To date, over four and a half million Australians and New Zealanders have used hipages Group to change the way they find, hire and manage trusted tradies, providing more work to over 35,400 subscribed trade businesses. Also part of the hipages Group ecosystem is Tradiecore, workflow management software that eases the burden of everyday admin for tradie businesses.