

hipages Group (ASX: HPG)



FY24 H1 financial results

22 February 2024

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

1 FY24 H1 highlights

2 Financial & operational performance

3 Strategic evolution

4 Full year targets



FY24 H1 highlights

ROBY SHARON-ZIPSER
CEO & Co-Founder

FY24 H1 highlights

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

- ✓ **Proactive marketplace management** driving **Recurring Revenue +15%**, **MRR +17%** and **ARPU +11%** vs. pcp
- ✓ **Significant free cash flow improvement +\$3.2m vs. pcp** signals the inflexion point to positive free cash through strong revenue growth, expense management and disciplined development spend
- ✓ **Excellent balance sheet liquidity with cash and funds on deposit increasing to \$19.1m** (following Proptech Labs divestment) coupled with robust balance sheet and no debt
- ✓ **Strategic evolution** from marketplace to platform continues, on track to launch new single tradie platform solution in Q4 FY24
- ✓ **On track to deliver our FY24 growth targets and positive free cash flow**



Financial & operational performance

JACO JONKER
CFO & COO

H1 FY24 Group financial highlights

Revenue

↑ **\$6.6m** MRR
Up 17%

↑ **\$35.2m** Recurring revenue
94% of Total revenue

↑ **\$37.4m** Total revenue
Up 15%

Profitability

↑ **8.4m** EBITDA¹
Up 45%
EBITDA margin 22% (up 4ppt)

↑ **\$0.3m** NPAT¹
FY23 H1: **\$(1.4)m**

↑ **\$(0.1)m** Free Cash Flow
FY23 H1: **\$(3.3)m**

Key drivers

↑ **35.4k** Subscription tradies
Up 4%

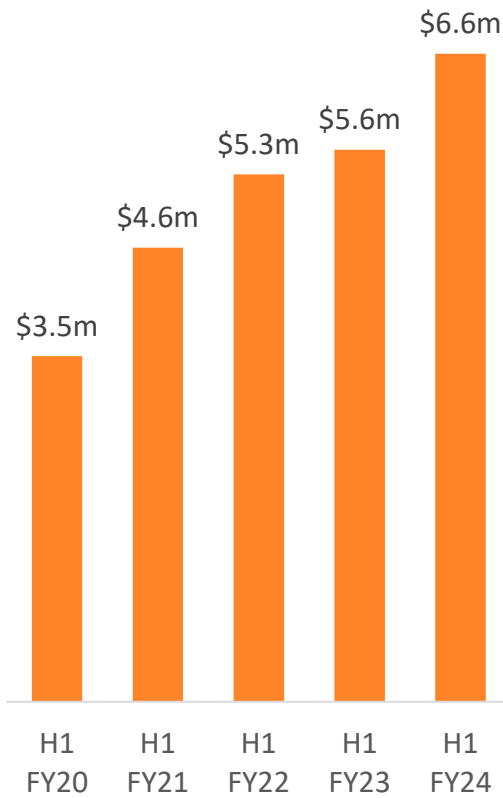
↑ **\$2,075** ARPU
Up 11%
Up 11% to \$2,195 for hipages Australia

↑ **1.3m** Tradie/Consumer Connections
Up 3%
Jobs down 9% to 0.7m

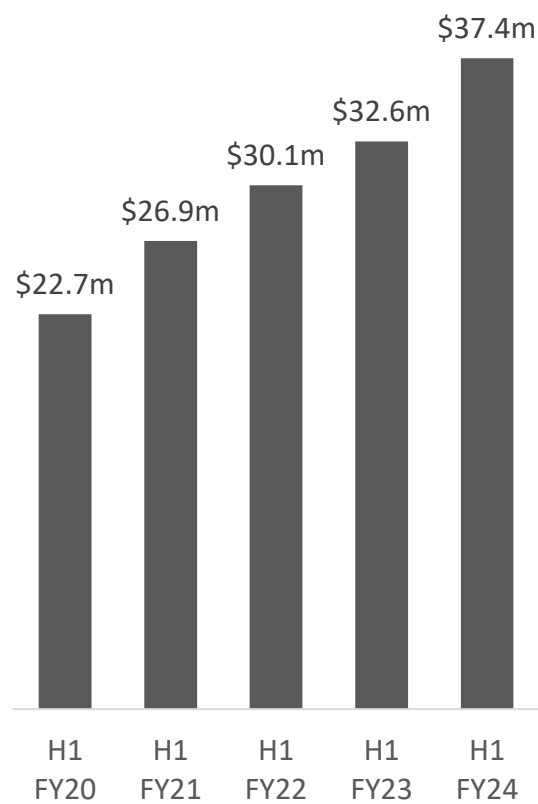
Closing cash and funds on deposit of \$19.1m and no debt

Delivering sustainable growth

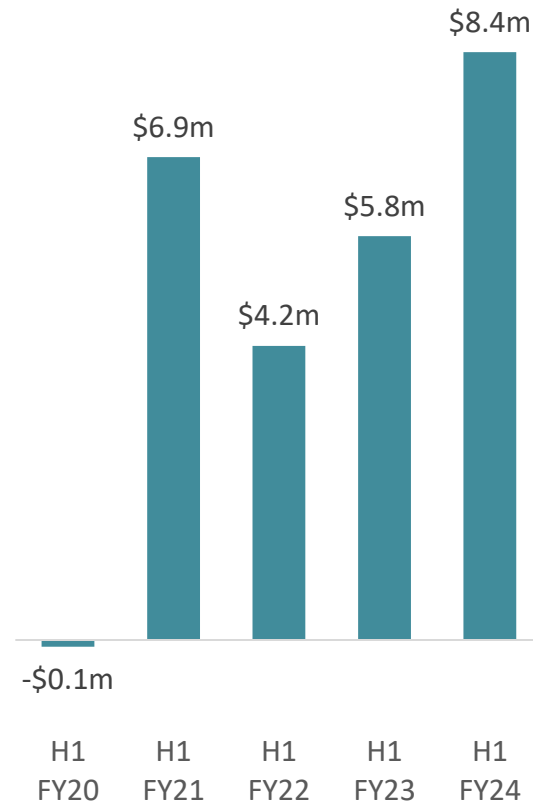
MRR



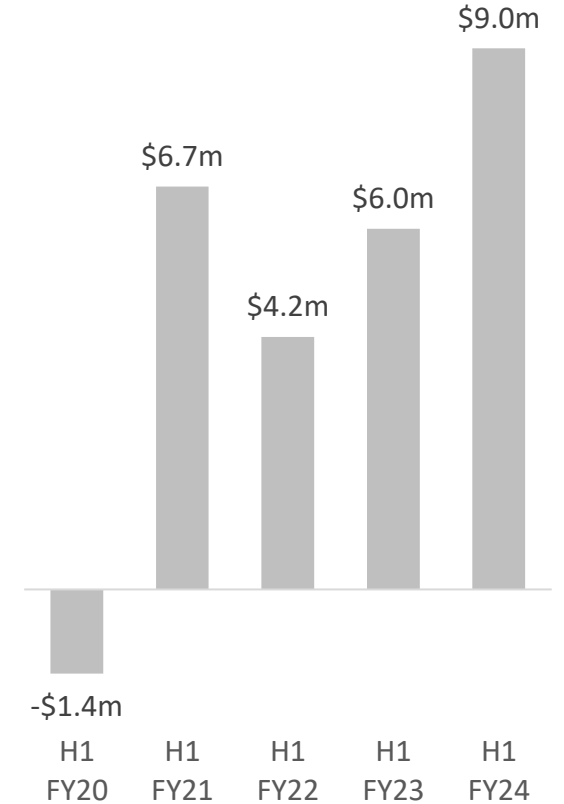
Total revenue



EBITDA



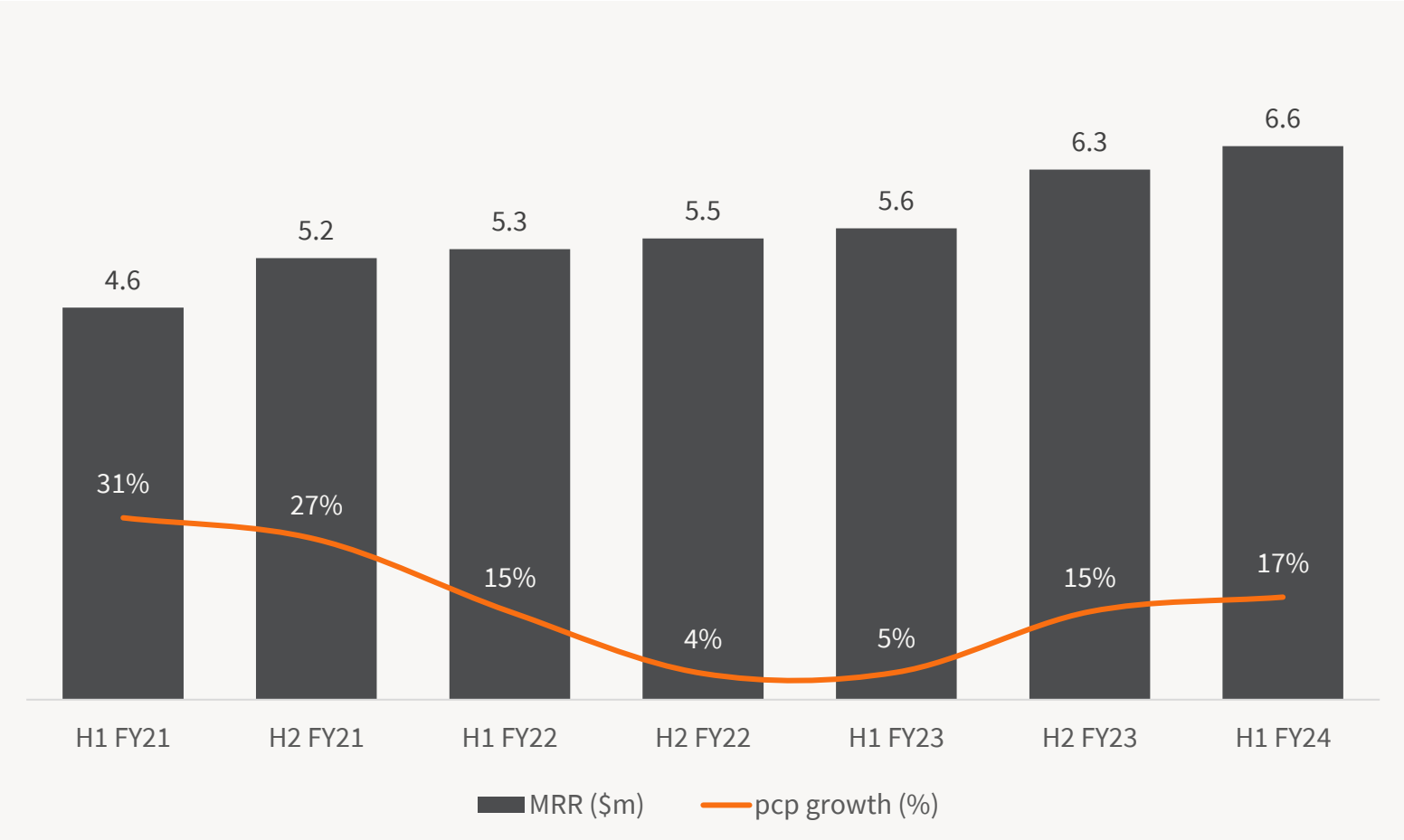
Operating cash flow



Continued marketplace optimisation delivering 17% MRR growth



hipages Group MRR

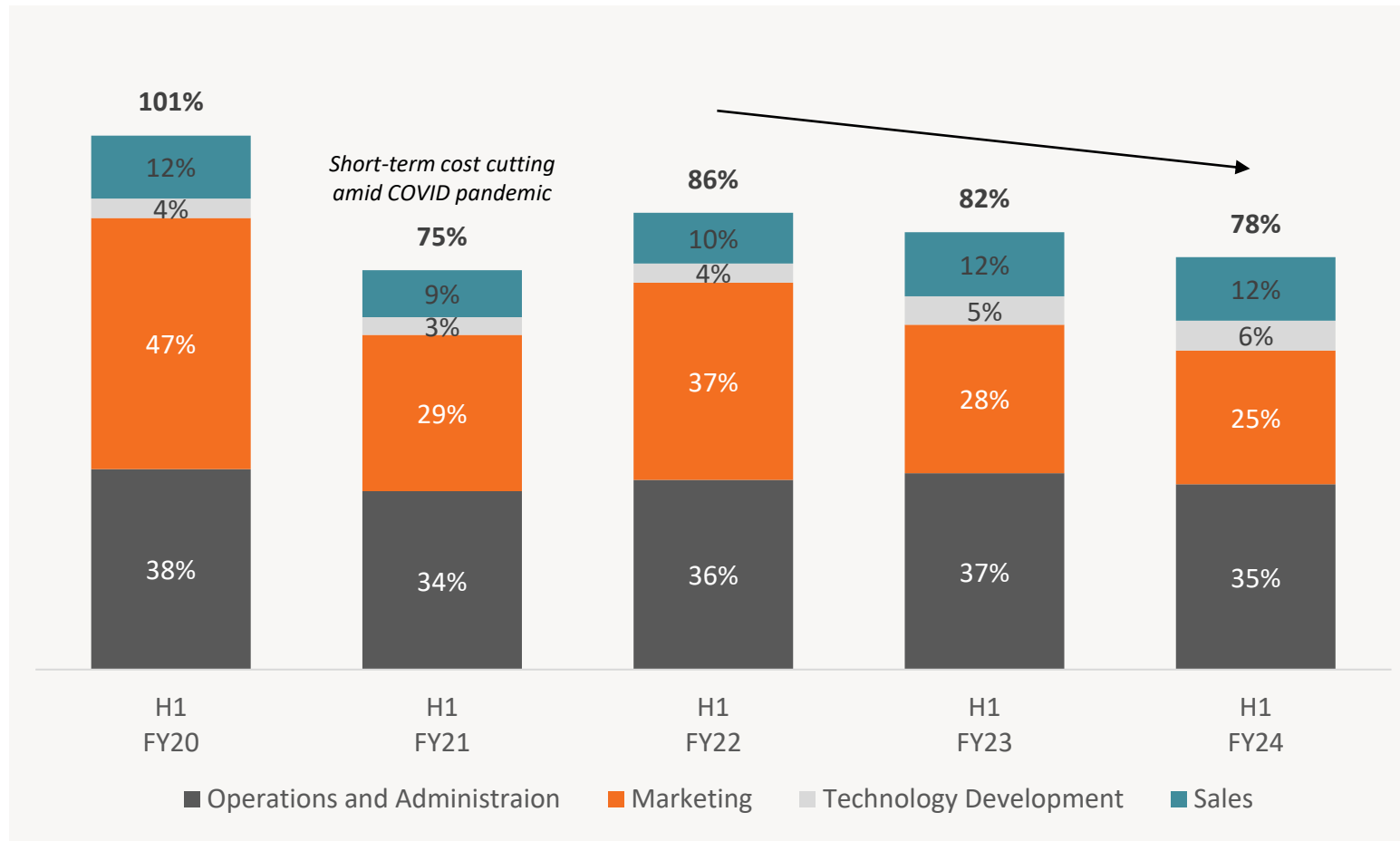


MRR growth driven by:

- Further optimisation of lead pricing based on supply/demand dynamics in the marketplace
- Continuous improvement of our account management operations to identify and convert ascension opportunities of existing tradie customers
- New Business contracted at higher price points compared to existing average customer base

Delivering Group operating leverage

Group operating expenses¹ as % of total revenue



Sales

- Sales employment costs up 14% vs. pcp to fuel new business growth and enhance account management services for tradies, converting more ascension opportunities to higher price tiers

Marketing

- Marketing investment increased by 3% vs. pcp with SEM/SEO +4% to support both tradie registrations and jobs posted on the platforms in the context of subdued consumer demand

Operations and administration

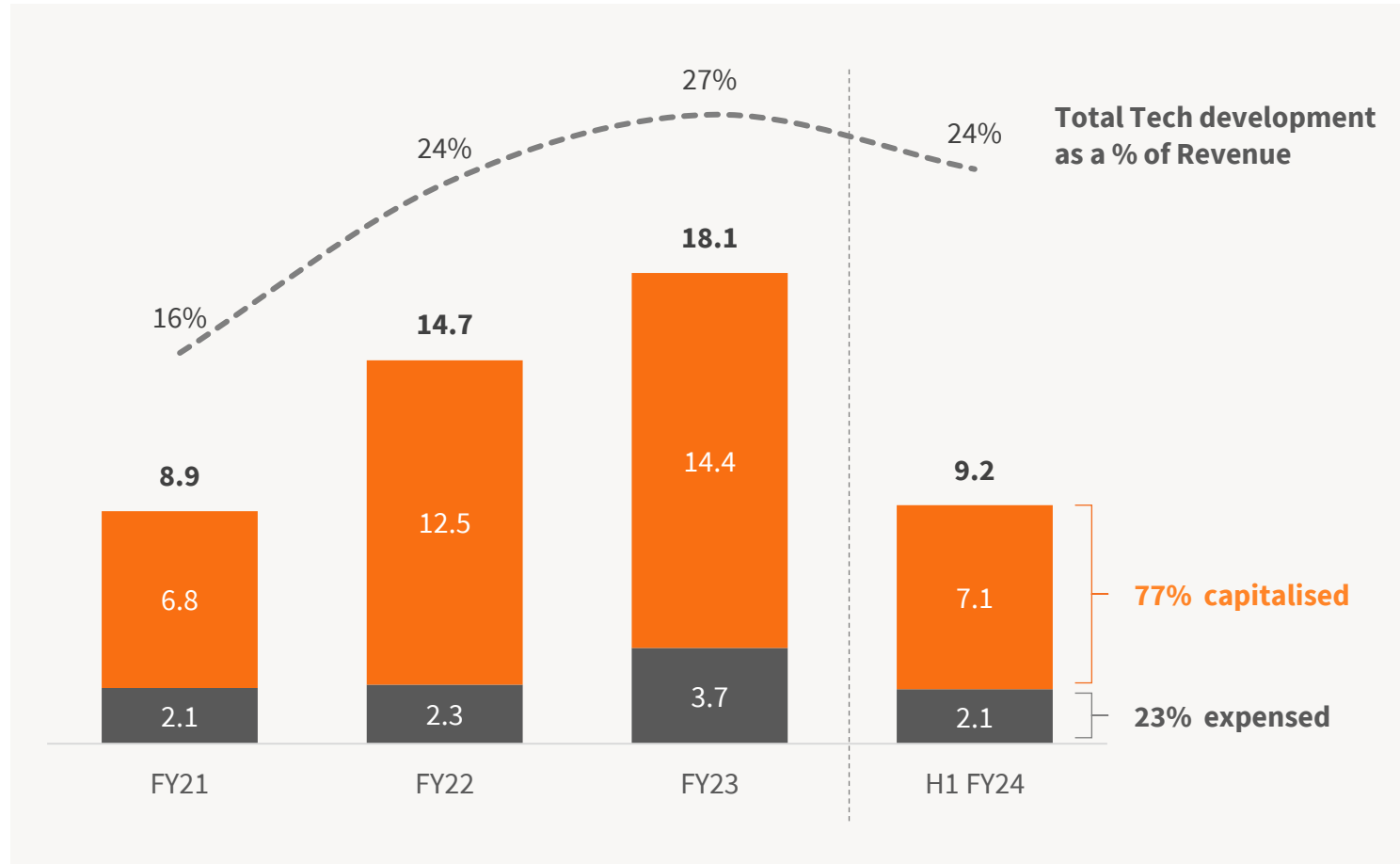
- Prudent cost management partly offset by increased subscription and licence costs, and an increase in expected credit loss provision (reflecting current economic environment)

Refer to Appendix for detailed P&L

1. Operating expenses after capitalisation of Technology Development costs. Before Capitalisation, Technology Development was 24% of Revenue in FY24 H1 (27% in pcp)

Strategic Tech investment, stabilised & reducing as a % of revenue

Group investment in Technology development* (in \$m)



Investment to date

- Capitalisation approach based on detailed activity-based tracking by project (maintenance vs. development) and amortised over 3 years
- Past Tech investment increase was critical to the successful shift to the subscription model (FY20-FY22) and improvement of the job/tradie matching engine and lead pricing optimisation (FY23)
- FY24 investment further optimises our marketplace while developing the single tradie platform

Outlook

- FY24 full year Tech investment expected to reach ~25% of Revenue (vs. 24% in H1 actuals)
- Future year investment to continue to support delivery of our roadmap but will reduce as a % of revenue

* Technology and software development investment based on profit and loss reporting, not reflecting actual timing of cash flows

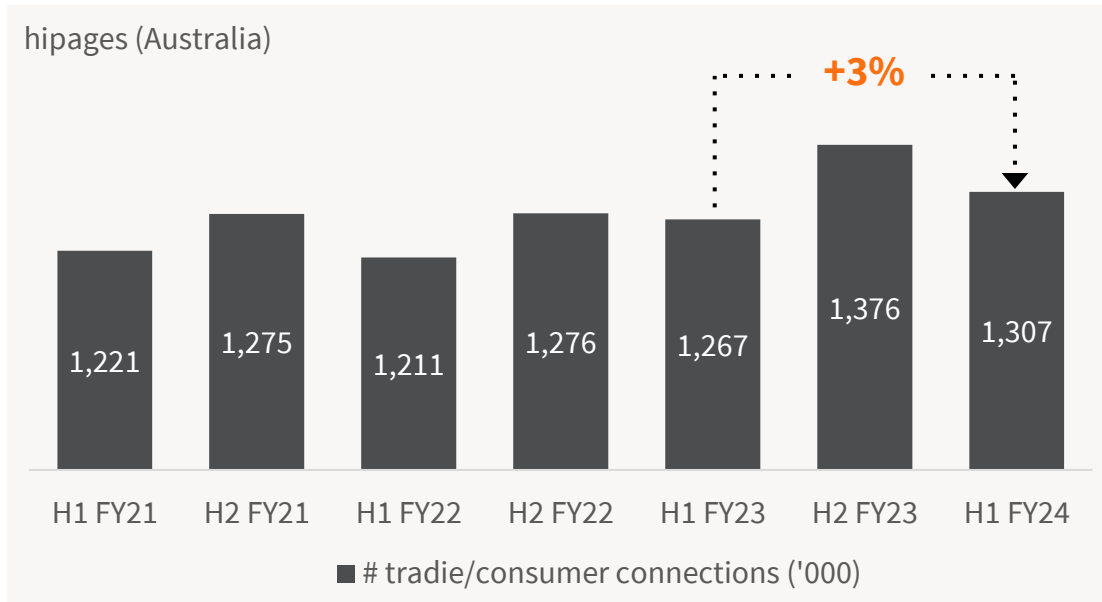
A man with a beard and dark hair, wearing a high-visibility orange and navy blue hoodie, is looking down at a smartphone in his hands. He is standing outdoors on a construction site. In the background, there is a brick wall on the left, a red dirt area, and a blue car on the right. The sky is blue with some clouds. The text "hipages" and "Australian operations" is overlaid on the image in white font.

hipages
Australian operations

Marketplace delivering high value for both consumers and tradies

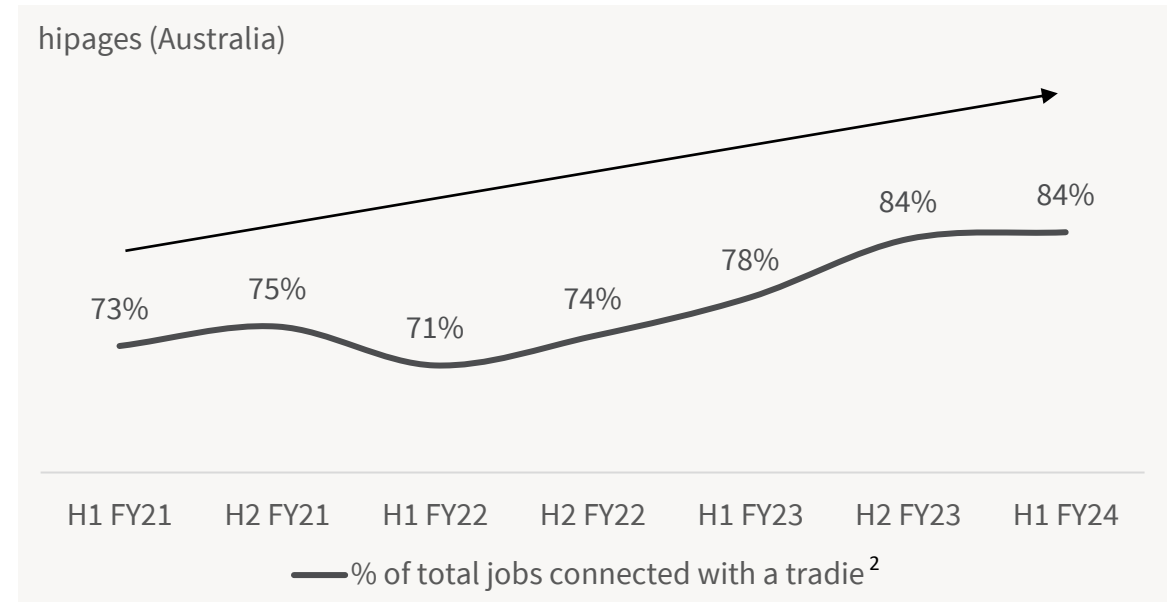


High connection¹ volume reflecting tradies' strong engagement with the platform



- More connections result in tradies consuming their subscription credit faster, triggering upgrades to higher price tier subscription packages
- Seasonality impacting H1 vs. H2 comparison due to December holiday period

Consumers getting exceptional outcomes with record high % of jobs connected with tradies



- High connection rate supported by continued improvements to our job/tradie matching engine, combined with targeted SEO/SEM investment to optimise the volume of jobs posted by trade category
- Economic environment (softened consumer demand) highlighting the value of our lead generation services for tradies

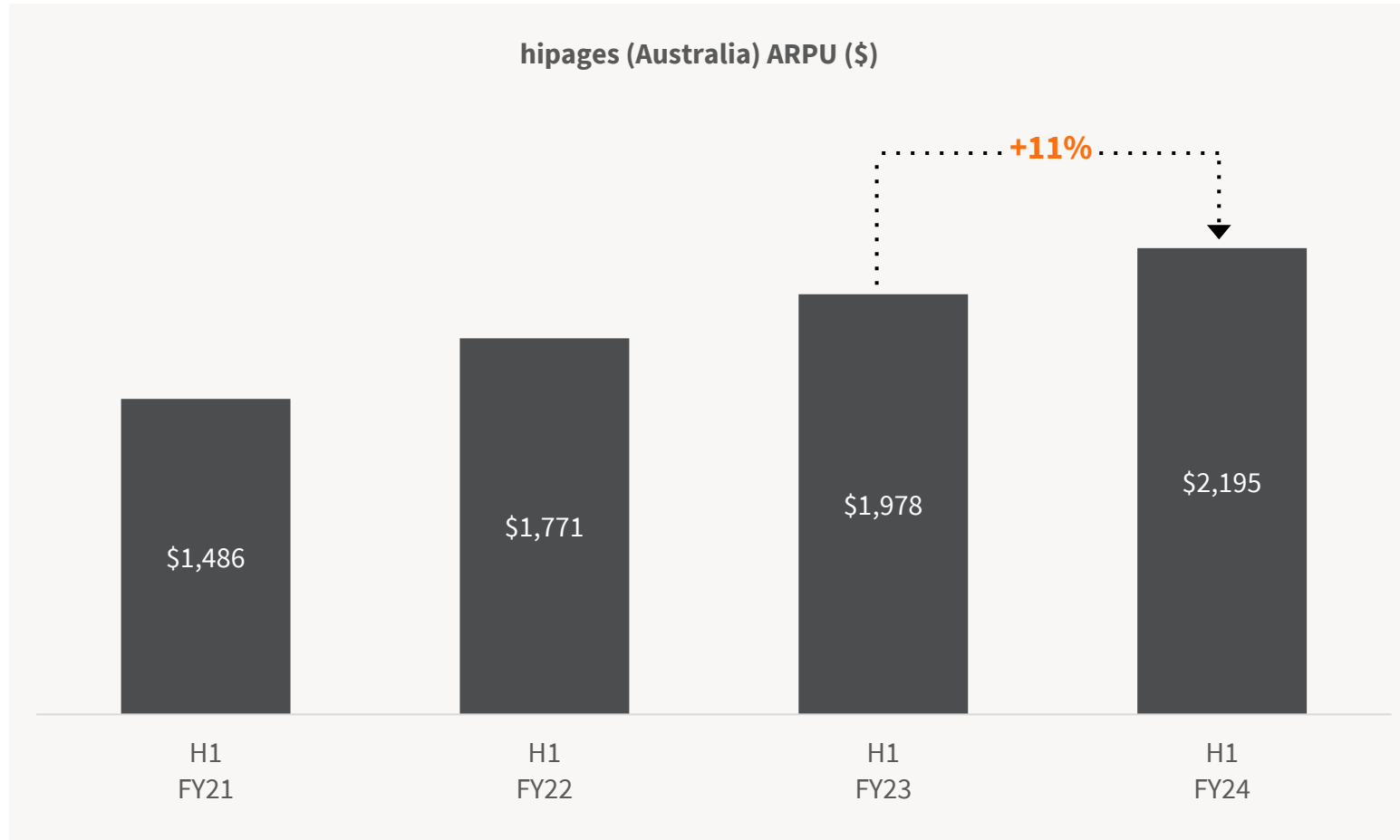
1. Connections occur when a tradie claims a job, triggering usage of their lead credits included in their subscription

2. Connection rate defined as # jobs with at least 1 tradie/consumer connection as a % of total # jobs posted on hipages (Australia)

ARPU growth reflecting enhanced value proposition for tradies



Strong ARPU growth continues for hipages (Australia)



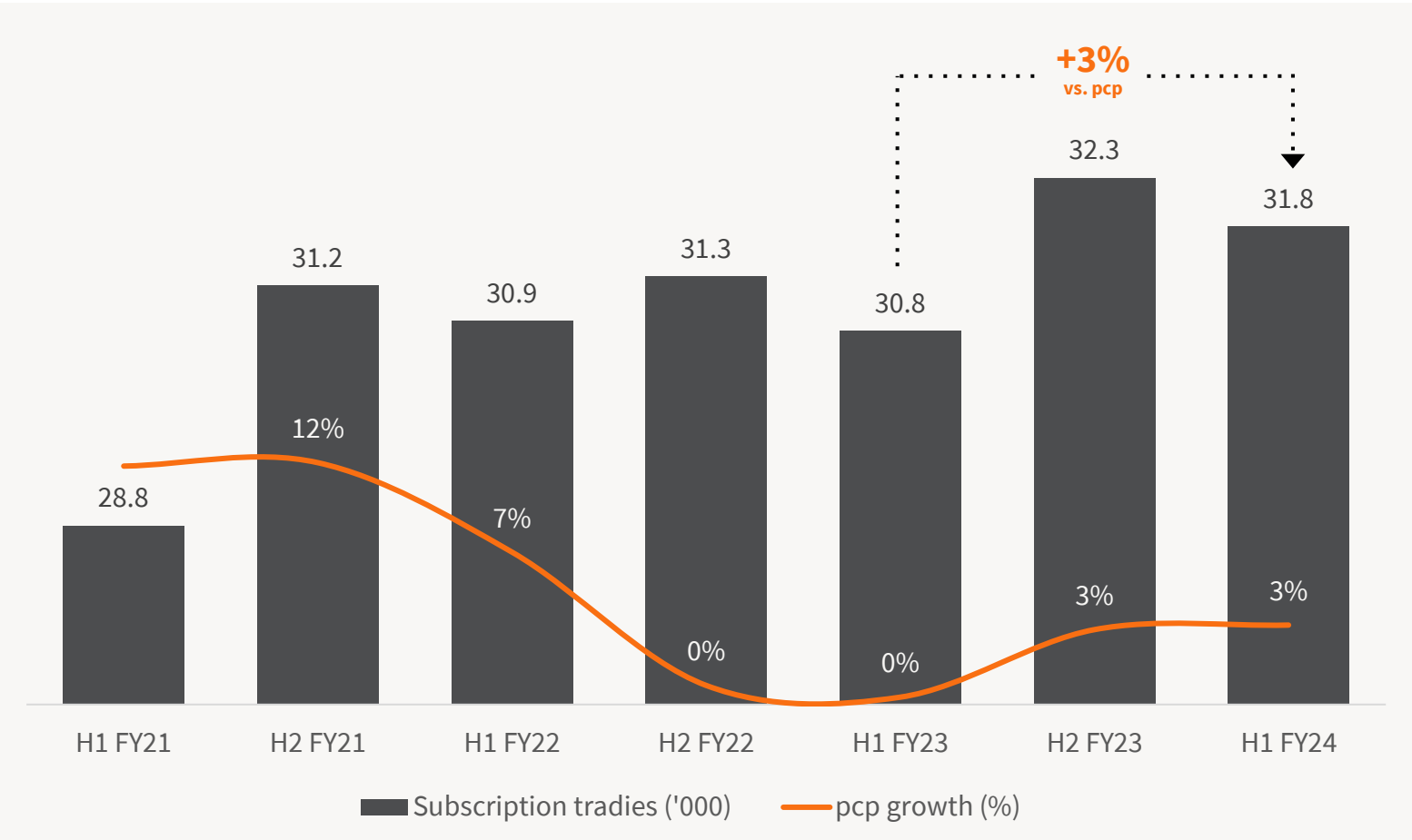
Key initiatives fueling ARPU growth:

- Dynamic job lead pricing driving increased credit usage by tradies, leading to ascensions to higher price tiers
- Proactive sales funnel management resulting in new tradies joining at higher price points
- Ongoing initiatives underway to further optimise yields that reflect the value of the service

Competition for jobs supporting growth in tradie subscriptions



hipages (Australia) subscription tradies steady growth vs. pcg



- H1 FY24 at record high level vs. previous H1 periods
- Usual seasonality pattern results in slight tradie decline in H1 vs. H2 FY23
- Softer consumer spending on home improvement increasing attractiveness of job lead generation solutions for tradies
- MRR retention rate consistent with previous period

Continued brand investment to extend market leadership



Australia's preferred platform amongst homeowners

#1 spontaneous brand recall of 25%

#1 preferred platform vs direct competitors

73% of jobs are posted by returning customers

We are becoming indispensable for tradies

Awareness 66%

15% YoY increase in # of qualified tradie leads

FY25 broadening our marketing mix

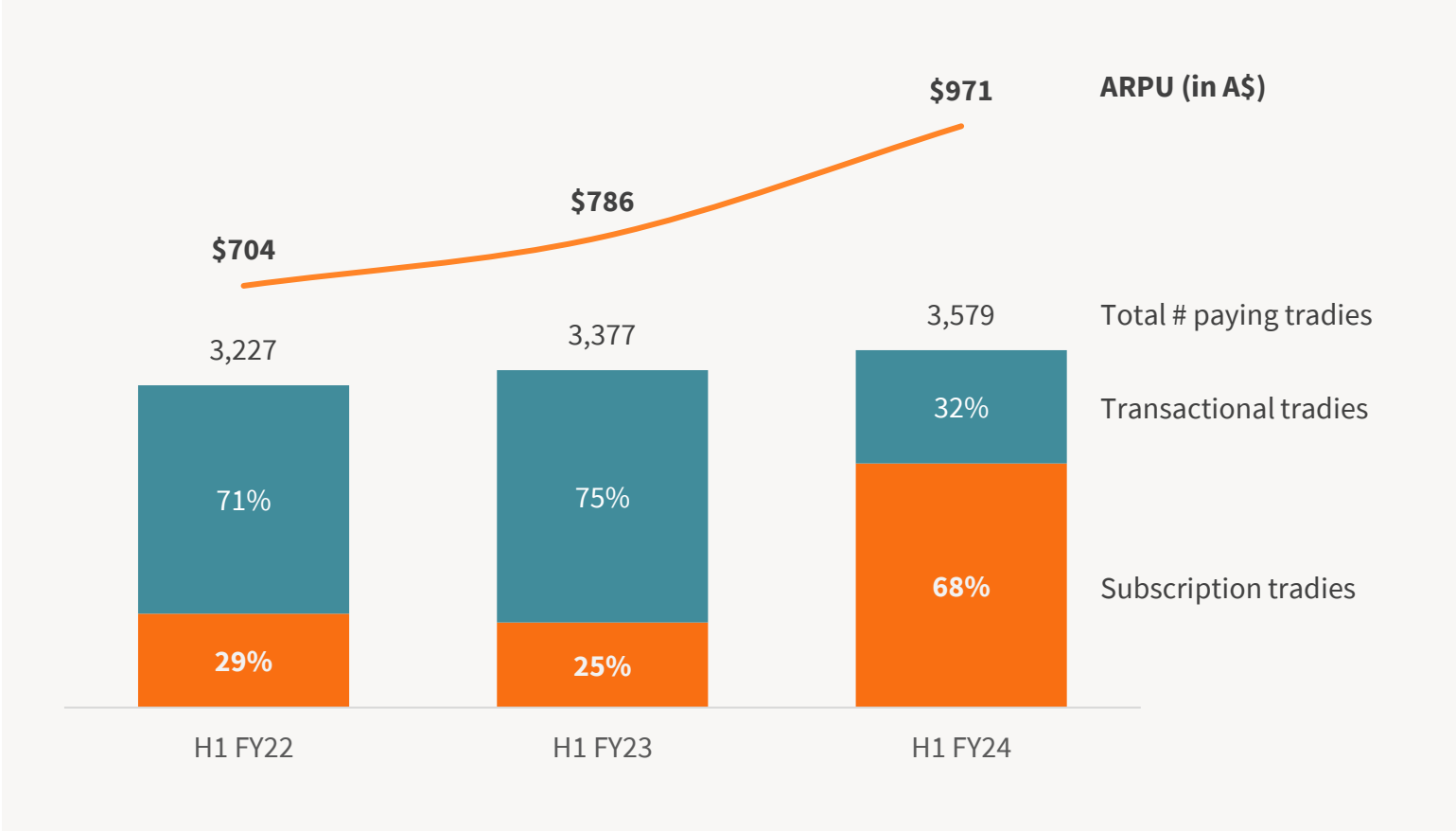


hipages
New Zealand operations

hipages NZ evolution towards higher value subscription model



hipages New Zealand (Builderscrack) enhanced tradie mix



- ARPU up 38% since acquisition in Nov 2021

Introducing the Subscription model...

- Hybrid subscription model launched in Q4 FY23: maintaining the existing commission model while introducing a 'right-to-play' subscription fee and minimum 3 months subscription tenure

... With material value upside yet to come

- Full subscription model leveraging hipages learnings and best practices to be launched by Q1 FY25
- Expected to drive enhanced value for tradies while reducing leakage experienced in the commission model



Strategic evolution

ROBY SHARON-ZIPSER
CEO & Co-Founder

Strategic evolution from marketplace to platform

FY23-FY26+ roadmap

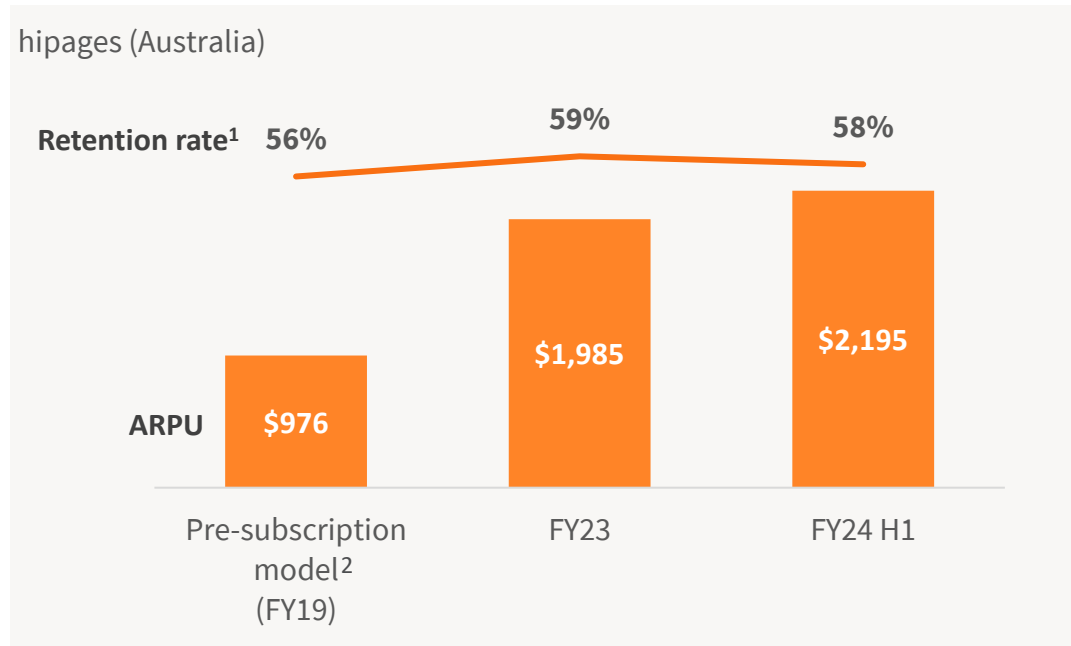


Current Business Focus

Evolving into a platform will fuel both tradie retention and ARPU

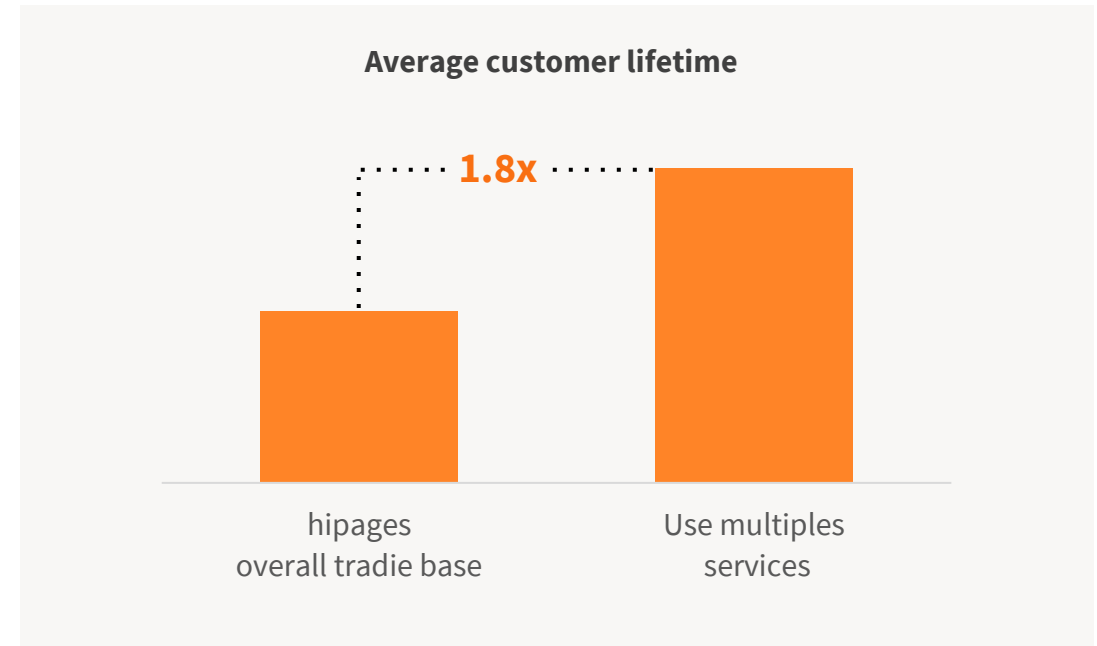


Shift to the subscription model in FY22 resulted in ARPU growth while improving retention



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

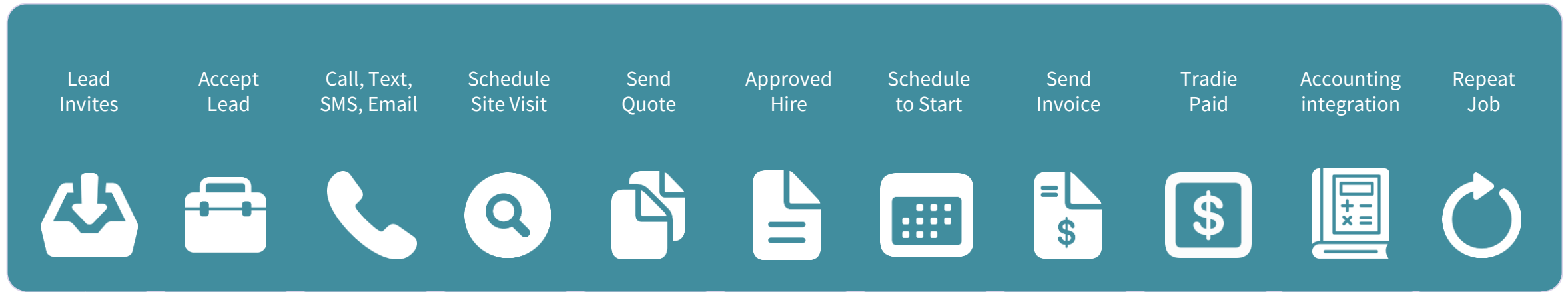
Evolution into a platform will further extend tradie lifetime value



- 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. Last 12-months 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)

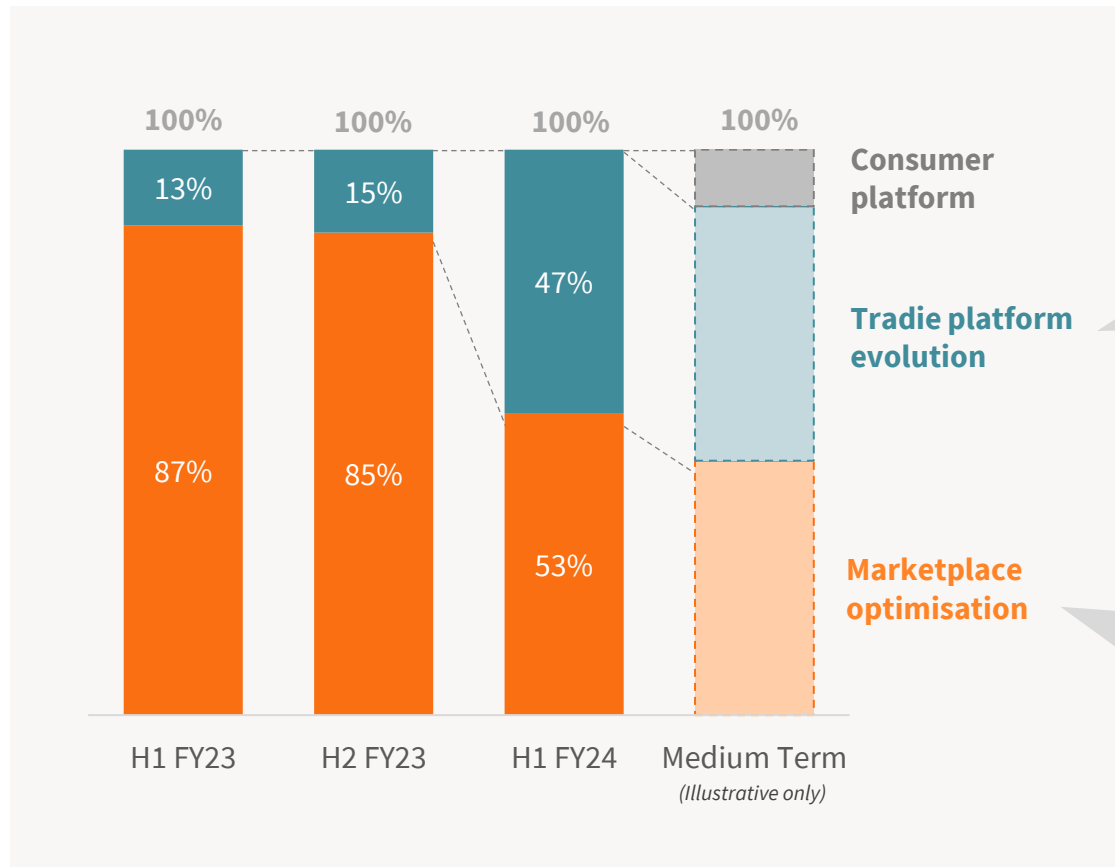
Creating an end-to-end platform to win the whole tradie ecosystem



Tech investment balanced across marketplace & tradie platform

Group Technology investment* split by strategic priority

H1 initiatives and product delivery highlights:



Integrating features into the single tradie platform:

- Lead management
- Partner leads (Ikea, DoE, etc)
- Lead settings
- Credit usage

Adding & improving job management features:

- Add Google reviews on profiles
- Made gallery improvements
- Tradie dashboard
- Self-serve BAS reporting

Optimising the marketplace value proposition:

- Lead price optimisation (AI powered)
- Job/tradie matching engine improvements
- Partner Pro
- AI enhanced job lead push notifications

* Technology and software development investment based on profit and loss statement reporting, not reflecting actual timing of cash flows

Milestones for hipages Tradiecore



2 Apps (hipages business app + Tradiecore)



Single tradie platform



hipages tradies can **claim their leads** in Tradiecore



Single bundled package for **new tradies** (available to existing customers too)



LAUNCH Single Tradie Platform App for all new customers



Introduce new package for Tradiecore and directory listings only



Bundled pricing update for New tradies



Introduce tiered bundled package



Migration of existing tradie customers to tiered packages



Multi-user capability



Desktop user enablement

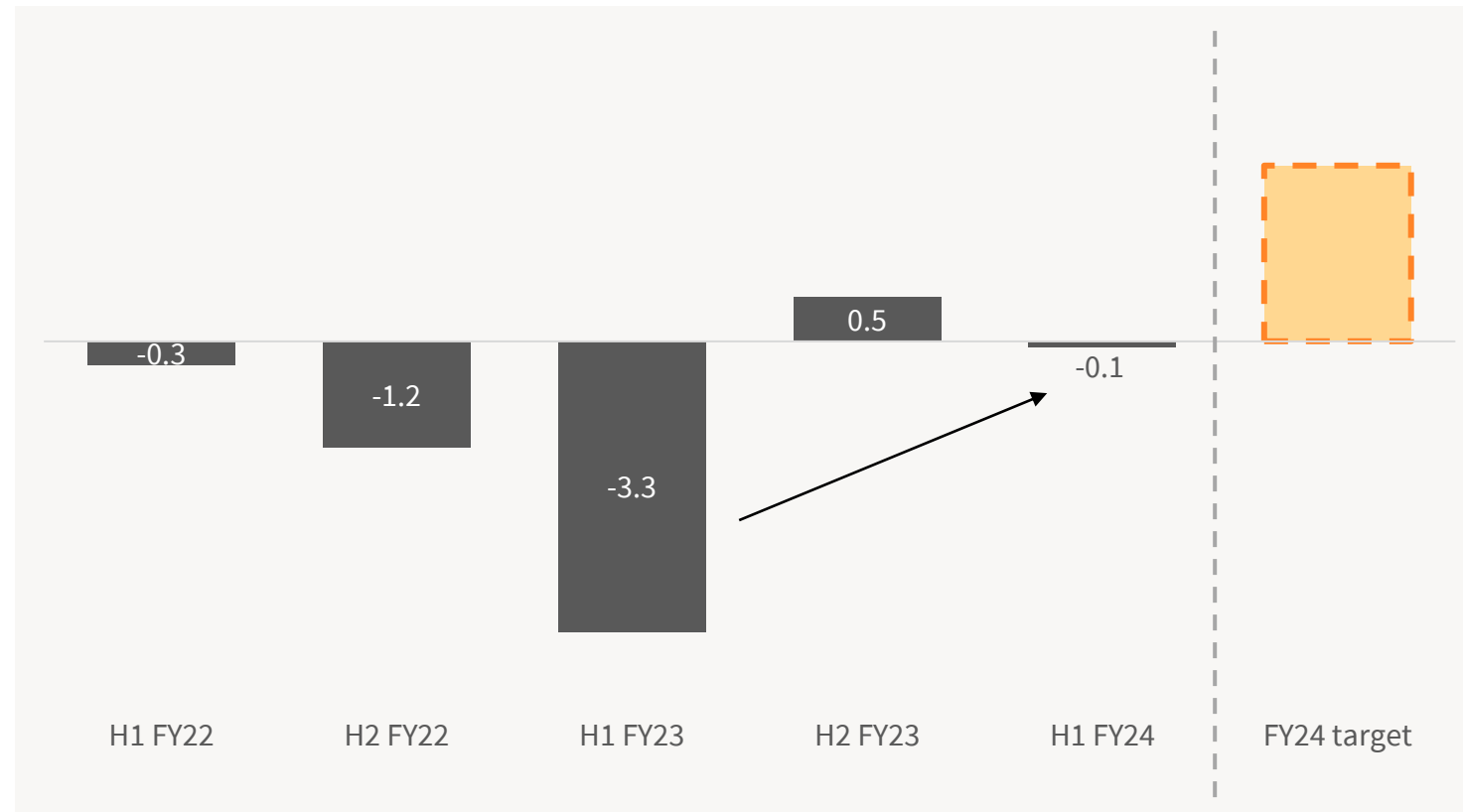


FY24 targets

ROBY SHARON-ZIPSER
CEO & Co-Founder

On track to deliver positive free cash flow target in FY24

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



- H1 FCF improvement vs. pcp driven by strong revenue and disciplined operating and investing expenditure
- Large brand activation *The Block* paid in Q2
- On track to deliver positive free cash flow in FY24 as per previously communicated target

Operating leverage underpins margin expansion

Near and medium-term targets

	FY24 H1	FY24 target	Medium-term target ¹
Revenue growth	15%	Low teens %	Mid-teens %
EBITDA margin ²	22%	~20%	>25%
Free cash flow	(\$0.1m)	Positive	Positive

Key drivers

- H2 trading conditions continue to support our value proposition, with January already exhibiting strong new business and high marketplace activity
- FY24 H2 revenue is expected to outperform H1 in absolute terms, with the growth rate marginally lower vs. the most recent half due to base effects resulting from record tradie registrations and lease revenue earned in FY23 H2
- Continued product evolution and pricing optimisation
- Operating leverage and continued discipline in Tech investment will drive strong free cash flow
- FY24 full year Tech investment expected to be 24%-25% of revenue and expected to reduce as a % of revenue in future years

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

Questions & Answers

Appendices – Financial Summary

H1 FY24 Pro forma financial summary

\$'000	H1 FY24	H1 FY23	\$ Var	% Var
Recurring	35,169	30,601	4,568	15%
Transactional	1,747	1,472	275	19%
Operating Revenue¹	36,916	32,073	4,843	15%
Other	494	548	(54)	(10%)
Total Revenue	37,410	32,621	4,789	15%
Sales	(4,487)	(3,927)	(560)	(14%)
Marketing	(9,413)	(9,123)	(290)	(3%)
Technology and Development	(2,098)	(1,747)	(351)	(20%)
Operations and Administration	(13,051)	(12,051)	(1,000)	(8%)
Total Operating Expenses	(29,049)	(26,848)	(2,201)	(8%)
Net other expenses	(10)	(4)	(6)	(150%)
EBITDA before significant items	8,351	5,769	2,582	45%
Significant Items	369	(130)	499	384%
EBITDA after significant items	8,720	5,639	3,081	55%
Depreciation & Amortisation	(8,266)	(6,971)	(1,295)	(19%)
EBIT	454	(1,332)	1,786	134%
Net finance income/(expense)	56	(125)	181	145%
Share of loss of equity-accounted investment, net of tax	(44)	(187)	143	76%
Gain on disposal of equity-accounted investment, net of tax	3,079	-	3,079	>100%
Profit/(loss) before income tax	3,545	(1,644)	5,189	316%
Income tax benefit	160	153	7	5%
NPAT	3,705	(1,491)	5,196	348%

- Recurring revenue 94% of total revenue
- Gross margin² of 90% (H1 HY23: 89%)
- Continued investment for growth, with:
 - Increased investment in the sales team delivering higher revenue
 - Increased product development and technology team (mostly capitalised)
 - Maintained marketing investment while delivering efficiencies on customer and job acquisition costs
- EBITDA margin³ of 22% (H1 HY23: 18%)

1. Operating Revenue refers to total revenue from ordinary activities.
 2. Gross margin includes statutory total revenue less cost of sales (consumer and tradie SEM spend and merchant fees).
 3. Pro Forma EBITDA before significant items.

H1 FY24 Cash flow

\$'000s	H1 FY24 Statutory	H1 FY23 Statutory	\$ Var
Receipts from customers (inclusive of GST)	39,965	34,567	5,398
Payments to suppliers and employees (inclusive of GST)	(31,168)	(28,508)	(2,660)
Interest received	139	41	98
Income taxes refunded/(paid)	107	(76)	183
Interest paid	(4)	(2)	(2)
Net cash flows from operating activities	9,039	6,022	3,017
Payments for purchase of business net of cash acquired	-	(414)	414
Proceeds from disposal of investments	8,400	-	8,400
Payments for property, plant and equipment	(73)	(771)	698
Payments for intangible assets	(7,468)	(7,691)	223
Proceeds from disposal of property, plant and equipment	1	-	1
Proceeds from divestments	-	250	(250)
Release of bank guarantee	1,037	-	1,037
Net cash flows from/(used in) investing activities	1,897	(8,626)	10,523
Payment of principle portion of lease liabilities	(1,562)	(1,460)	(102)
Proceeds from reimbursement of office refurbishment costs	-	600	(600)
Cash settlement of share-based payments	-	(42)	42
Net cash flows used in financing activities	(1,562)	(902)	(660)
Net increase/(decrease) in cash and cash equivalents	9,374	(3,506)	12,880
Cash and cash equivalents at the beginning of the period	8,540	10,907	(2,367)
Effects of exchange rate changes on cash and cash equivalents	4	27	(23)
Cash and cash equivalents at end of the period	17,918	7,428	10,490
Funds on deposit	1,150	2,271	(1,121)
Total cash and funds on deposit	19,068	9,699	9,369

- Positive operating cash flow of \$9.0m reflecting strong business momentum
- Cash inflow from investing activities \$1.9m included:
 - Proceeds of \$8.4m received from the disposal of hipages' stake in PropTech Labs
 - Continued investment in technology (\$7.5m)
 - Funds received from the release of a \$1.0m bank guarantee associated with the lease of the Company's Sydney office premises
- Positive net cash flow of \$9.4m in H1 FY24 increased total cash & funds on deposit to \$19.1m

H1 FY24 Statutory balance sheet

\$'000s	31-Dec-23	30-Jun-23	\$ Var
Cash and cash equivalents	17,918	8,540	9,378
Funds on deposit	1,150	2,187	(1,037)
Trade and other receivables	1,399	1,655	(256)
Other assets	1,260	1,728	(468)
Current tax asset	-	151	(151)
Total current assets	21,727	14,261	7,466
Other investments	800	800	-
Equity-accounted investment	-	5,365	(5,365)
Property, plant and equipment	1,007	1,332	(325)
Right-of-use asset	8,940	9,943	(1,003)
Intangible assets	31,048	30,514	534
Total non-current assets	41,795	47,954	(6,159)
Total assets	63,522	62,215	1,307
Trade and other payables	6,888	8,199	(1,311)
Contract liabilities	3,137	3,220	(83)
Provisions	2,004	2,444	(440)
Lease liabilities	1,520	2,149	(629)
Current tax liability	34	-	34
Total current liabilities	13,583	16,012	(2,429)
Provisions	800	740	60
Lease liabilities	8,938	9,563	(625)
Deferred tax liability	1,479	1,700	(221)
Total non-current liabilities	11,217	12,003	(786)
Total liabilities	24,800	28,015	(3,215)
Net assets	38,722	34,200	4,522
Issued capital	319,425	319,378	47
Reserves	(218,762)	(219,532)	770
Accumulated losses	(61,941)	(65,646)	3,705
Total equity	38,722	34,200	4,522

- Strong balance sheet maintained at end H1 FY24 with \$19.1m cash and funds on deposit
- Total equity position of \$38.7m, increasing by \$4.5m since June. Key movements included:
 - Increased net cash and funds on deposit balance of \$8.3m
 - Disposal of hipages' stake in PropTech Labs for \$8.4m, representing a 30% return on the initial investment
 - Decrease in ROU lease asset of (\$1.0m)
 - Reduction in total liabilities of \$3.2m primarily driven by decreased Trade & Other Payables and lease related liabilities

Profit reconciliation

	H1 FY24 \$'000	H1 FY23 \$'000
Reported EBITDA (from continuing operations)	8,720	5,639
Write back of deferred consideration related to acquisition of New Zealand subsidiary (Builderscrack)	(369)	-
Non-recurring remuneration	-	130
Pro forma EBITDA before significant items	8,351	5,769

	H1 FY24 \$'000	H1 FY23 \$'000
Reported NPAT (from continuing operations)	3,705	(1,491)
Write back of deferred consideration related to acquisition of New Zealand subsidiary (Builderscrack)	(369)	-
Non-recurring remuneration	-	130
Gain on disposal of equity interest in associate	(3,079)	-
Pro forma NPAT before significant items	257	(1,361)

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 H1 FY24, hipages Group ARPU of \$2,075 is the blended result of hipages' ARPU of \$2,195 and Builderscrack's ARPU of \$971.

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 payments for intangible assets and PPE. Cash flows related to M&A and bank guarantee release are not considered part of free cash flow calculations.

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.

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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