

ASX / Media Release 28 July 2022

Q4 FY22 Quarterly Activities Report & Appendix 4C

Growth continues with marketplace balance returning

hipages Group Holdings Limited (ASX:HPG) (“hipages Group” or “the Company”), Australia and New Zealand’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 June 2022.

Q4 FY22 Highlights

- **Total revenue up 9% on pcpc to \$15.8m, or 4% on LFL basis, with recurring revenue up 6% on pcpc to \$14.7m, or 5% on LFL basis**
- **Marketplace balance returning as tradies clear the post-COVID backlog of jobs, with tradie registrations up and job numbers and churn starting to normalise**
- **Subscription tradies return to quarter-on-quarter growth, up 11% on pcpc to 34.6k¹, with hipages Australia also increasing vs. pcpc**
- **Strong ARPU² growth continues, up 10% to \$1,806 with hipages Australia up 16% to \$1,904**
- **Sustained brand investment drives growth in key brand metrics and organic job volumes**
- **Efficient business model underpins positive free cash flow and sustained balance sheet strength with \$13.2m cash and funds on deposit**
- **Uncertain macroeconomic environment expected to bring balance to marketplace as consumer demand cools, driving accelerated growth for hipages Group**

Table 1: Key Financial and Operating Metrics

	Q4 FY22 ³	Q4 FY21 ³	pcpc % ⁴	LFL % ⁵
Total Revenue (\$m)	15.8	14.6	9%	4%
Recurring Revenue (\$m)	14.7	13.9	6%	5%
Recurring revenue % total	93%	95%	-2pts	+2pts
MRR ⁶ (\$m)	5.5	5.2	4%	4%
Job volume (000s)	367	353	4%	-2%
Subscription tradies ⁷ (000s)	34.6	31.2	11%	0.3%
ARPU ² (\$)	1,806	1,640	10%	16%

¹ Includes 3.3k New Zealand paying tradies acquired through the acquisition of Builderscrack.

² Average Annual Revenue Per Unit (i.e. Tradie ARPU) is 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. hipages Group ARPU of \$1,806 is the blended result of hipages’ ARPU of \$1,904 and Builderscrack’s ARPU of \$880 for Q4.

³ Unaudited financial information.

⁴ Includes Builderscrack acquired 8 December 2021.

⁵ Presented on a like-for-like basis with hipages Group preceding the acquisition of Builderscrack.

⁶ Monthly recurring revenue at June 2022 (inclusive of GST).

⁷ Includes tradies committed to a monthly subscription product from hipages and Builderscrack’s paying tradies who generated at least one work invoice over the last 12 months.

hipages CEO and Co-founder Roby Sharon-Zipser said: “In Q4 we saw a demand-driven imbalance in the marketplace which impacted our growth, as tradies were at full capacity while clearing the COVID backlog of jobs and unable to take on more work. As the backlog clears and consumer demand cools in an uncertain macroeconomic environment, we expect balance to return to the marketplace and drive accelerated growth for hipages Group, reflecting the significant value we provide our tradie customers. A more balanced marketplace also means a better experience for our consumers, with tradies able to claim and complete more jobs faster.”

“For hipages Group to continue to grow in such a challenging environment, while generating positive free cash flow and closely managing our expenses, highlights the power and resilience of our business model. We will continue to invest in our products and technology and develop new expansionary services to enhance the customer experience and expand our addressable market.”

Operational & Strategic Update

In Q4, the Company continued to invest in its brand on both sides of the marketplace. Consumer marketing activity in the quarter focused primarily on TV, including program integration with Space Invaders on Channel Nine resulting in total consumer awareness increasing to 60%, up 5% on the pcp. Tradie brand activity drove a strong 8% increase in total tradie awareness to 67%⁸.

The strength of the hipages brand continues to generate strong job volumes from unpaid channels, enabling the Company to focus its marketing efforts on tradie acquisition in Q4. Despite further reducing its paid search spend in the quarter, job volumes were 4% ahead of the pcp, with jobs from paid channels representing just 21% of total jobs (pcp: 26%) and 71% of jobs coming from repeat customers (pcp: 66%).

The operational integration of Builderscrack, New Zealand’s leading tradie marketplace, into the hipages Group ecosystem has progressed as planned, with core systems now embedded. Builderscrack continues to deliver profitable growth and recently rolled out a new profile subscription product to its customer base.

Bricks and Agent, the property management technology company of which hipages Group owns 25%, continues to deliver strong growth. Since COVID-19 restrictions eased, Bricks and Agent has accelerated the rollout of its technology and now manages more than 170,000 properties on its platform.

Market analysis conducted with Publicis Sapient in Q4 again confirmed that hipages delivers the highest online lead generation ROI for tradies, delivering an average of \$36 of revenue for every \$1 invested⁹. This highlights the significant value of the platform for tradies.

⁸ hipages Group brand health tracker, July 2022

⁹ Publicis Sapient: Tradie Digital Lead Generation Competitive Landscape Analysis, June 2022

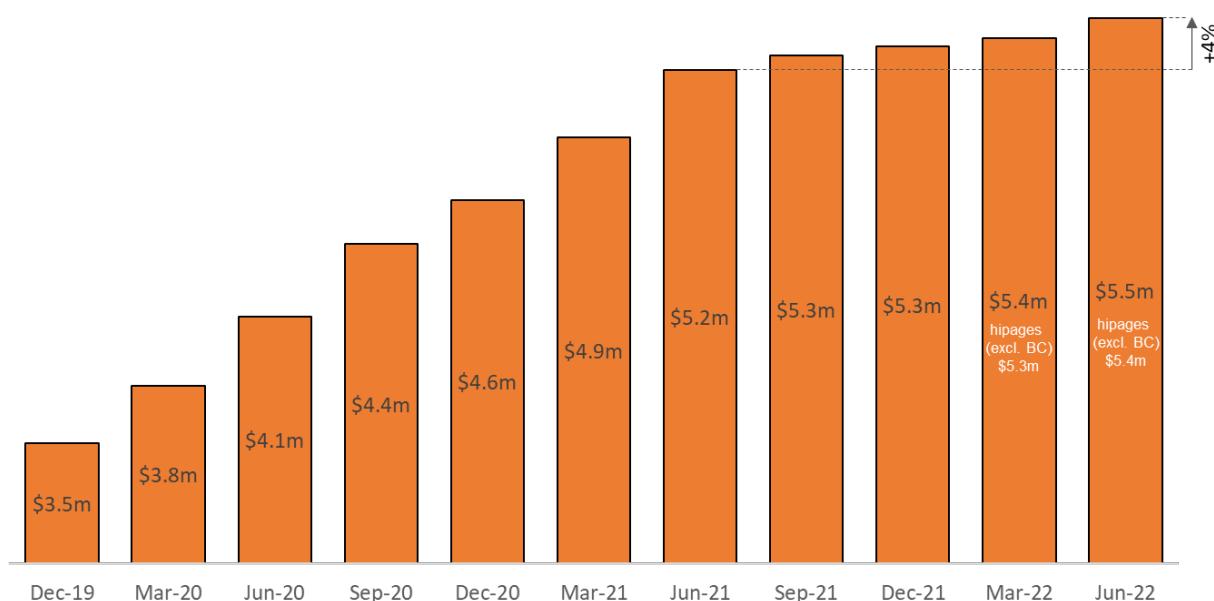
hipages Group also rolled out new product features to enhance the experience for tradies and improve customer retention, including additional flexibility for tradies around pausing subscriptions. The rollout of enhanced functionality for Tradiecore, the Company's field service software platform, continued in Q4, with additional features such as scheduling launched during the quarter. The payments solution being developed with Stripe went live late in Q4, with tradie uptake expected to gradually increase throughout FY23.

Financial Update

In Q4, hipages Group was impacted by a demand-driven imbalance in the marketplace, as tradies were at full capacity while clearing the COVID backlog of jobs and unable to take on more work.

This impacted growth, with total revenue up by 9% vs. pcip, or 4% on a LFL basis. Recurring revenue grew by 6% vs. pcip to \$14.7m or 5% on a LFL basis. As Chart 2 shows, MRR grew by 4% on pcip to \$5.5m¹⁰ as tradies continue to join at higher average price points.

Chart 2: MRR



As Chart 3 shows, in Q4 subscription tradies returned to quarter-on-quarter growth as expected, with new tradie registrations remaining strong. Total subscription tradies increased by 11% on pcip to 34.6k, with hipages Australia up slightly on the pcip. After peaking in Q3 due to the impacts of COVID, tradie churn reduced in Q4 to its lowest point in FY22 and continues to trend towards more normalised levels. Cancellation requests due to tradies being too busy also returned to pre-COVID levels.

¹⁰ Includes \$35k MRR contribution from Builderscrack.

Chart 3: Subscription tradies

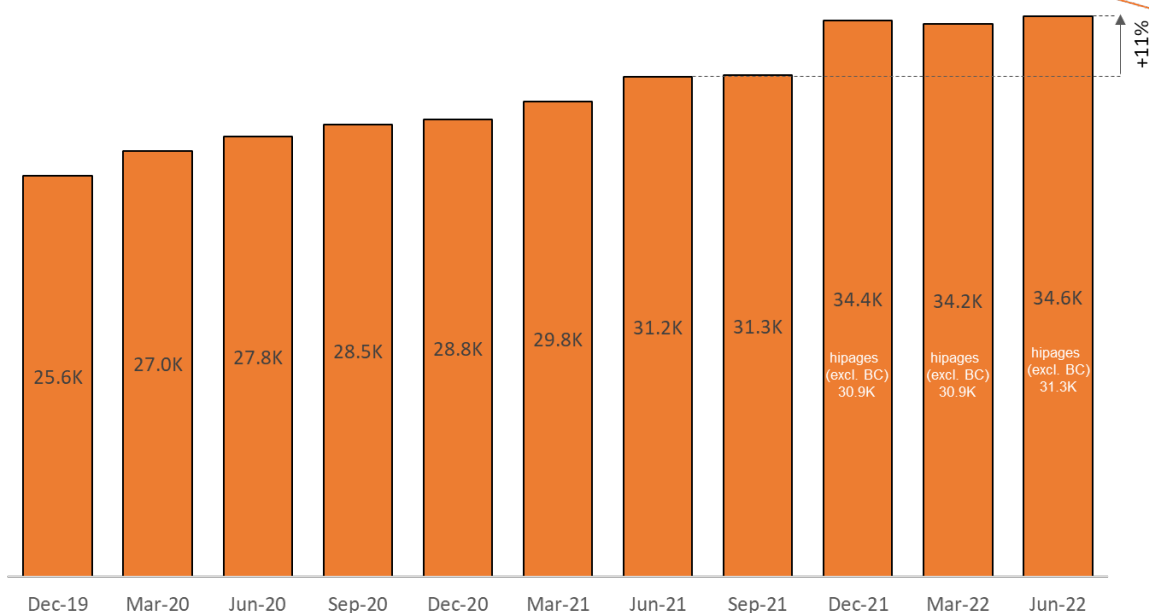
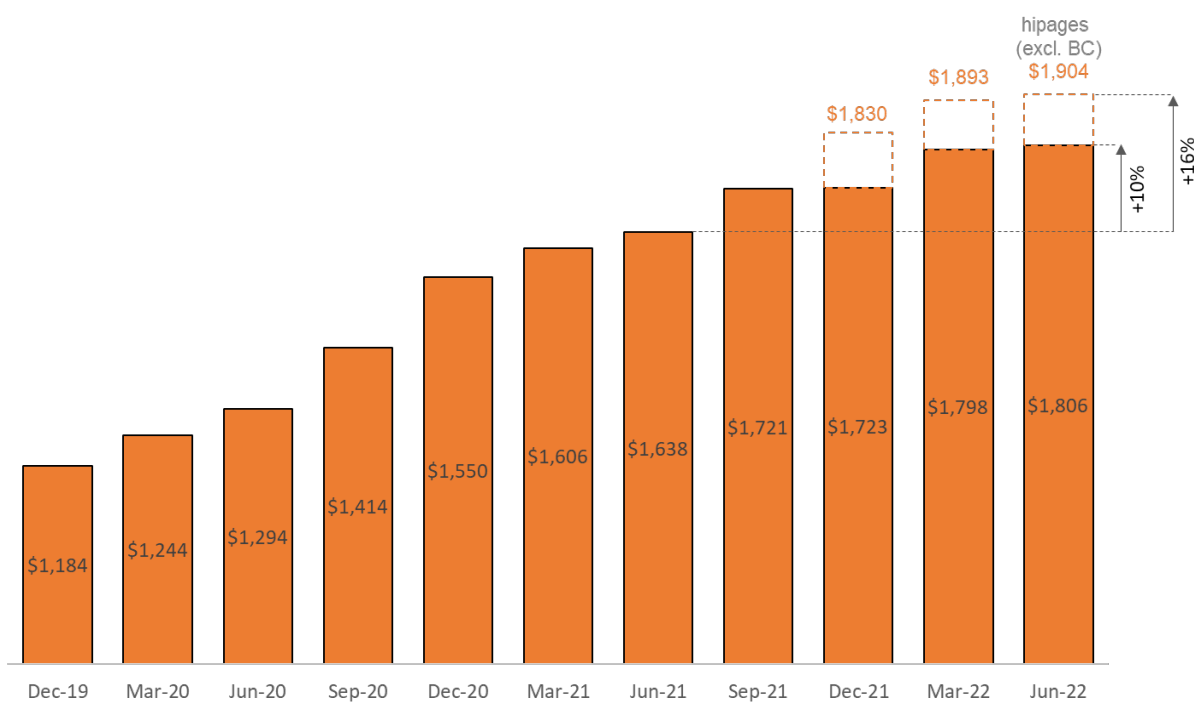


Chart 4 shows strong total tradie ARPU growth continued in Q4, increasing by 10% overall to \$1,806 and by 16% to \$1,904 for hipages in Australia. Yields continue to increase significantly as new tradies join at higher price points.

Chart 4: Total tradie ARPU



While the macroeconomic outlook remains uncertain, balance is returning to the marketplace and the business exited Q4 with good momentum, with all key metrics improving.

hipages Group expects an environment of rising inflation and higher interest rates to bring further balance to the marketplace as consumer demand softens and tradies become more reliant on its platforms to source jobs. Churn is expected to continue to improve in FY23, driven by returning marketplace balance, customer retention measures and new product features.

hipages Group remains focused on executing its strategy to lay the foundations for continued long-term profitable growth. The Company will provide more information on the outlook for FY23 at its upcoming FY22 full year results announcement on 25 August.

Net cash flows and use of funds

In Q4, hipages Group generated positive free cash flow of \$0.3m, an improvement from Q3's net cash outflow of (\$2.5m), or (\$0.5m) excluding \$2m of one-off payments in relation to M&A activity. Net cash from operating activities was \$5.5m, up from \$2.9m in Q3.

Operating cash receipts for the quarter were \$16.9m compared to \$16.8m in Q3 FY22 and \$15.6m in Q4 FY21. Operating cash payments for the quarter were \$11.4m, compared to \$13.9m in Q3 FY22 and \$12.5m in Q4 FY21, including \$3.6m for advertising and marketing, \$4.9m for staff costs, \$2.8m for administrative and corporate costs and \$0.1m for income taxes.

hipages Group maintains a robust balance sheet with cash and funds on deposit of \$13.2m and no debt. The cash position excluding funds on deposit at the end of Q4 was \$10.9m.

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

Ends

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

Further Information

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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 and 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 three 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 34,500 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, and Bricks & Agent, the market-leading property maintenance platform in which the Company has a minority ownership.

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 June 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	16,876	65,203
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(3,594)	(19,524)
	(d) leased assets	-	-
	(e) staff costs	(4,928)	(18,335)
	(f) administration and corporate costs	(2,801)	(14,653)
1.3	Dividends received	-	-
1.4	Interest received	6	45
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(62)	(150)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from/(used in) operating activities	5,497	12,586

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities, net of cash acquired	(15)	(8,899)
	(b) businesses	-	-
	(c) property, plant and equipment	(355)	(692)
	(d) investments	(1)	(6,769)
	(e) intellectual property	-	-
	(f) other non-current assets	(3,910)	(12,458)
2.2	Proceeds from disposal of:		
	(g) entities	-	150
	(h) businesses	-	-
	(i) property, plant and equipment	-	1
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash used in investing activities	(4,281)	(28,667)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	919	919
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	-	-

3.9.1	Other – repayment of principal portion of leases	(846)	(3,250)
3.9.2	Other - payment for shares subscribed to by hipages ESP Trust	(919)	(919)
3.9.3	Other - payment for cash settled share-based payment arrangement	(26)	(26)
3.10	Net cash (used in)/from financing activities	(872)	(3,276)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,586	30,303
4.2	Net cash from / (used in) operating activities (item 1.9 above)	5,497	12,586
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,281)	(28,667)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(872)	(3,276)
4.5	Effect of movement in exchange rates on cash held	(23)	(39)
4.6	Cash and cash equivalents at end of period¹¹	10,907	10,907
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	10,907	10,586
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)	10,907	10,586

¹¹At 30 June 2022, hipages had cash and funds on deposit of \$13.2m comprising cash and cash equivalents of \$10.9m 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)	5,497
8.2	Cash and cash equivalents at quarter end (item 4.6)	10,907
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	10,907
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
	<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 July 2022**

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