

ASX / Media Release 27 October 2022

Q1 FY23 Quarterly Activities Report & Appendix 4C

Marketplace activity increasing as lead indicators flash green

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 September 2022.

Q1 FY23 Highlights

- **Marketplace activity continues to increase, with new tradie registrations, job claim rates and job numbers trending up**
- **Total revenue up 8% on pcp to \$16.1m, or 4% on LFL basis, with recurring revenue up 6% on pcp to \$15.1m, or 5% on LFL basis**
- **Continued ARPU¹ growth, up 6% to \$1,832 with hipages Australia up 13% to \$1,943**
- **Subscription tradies up 10% on pcp, with hipages Australia down slightly, as churn remained elevated due to post-COVID backlog of jobs not expected to unwind until H2**
- **Strong operating cash flow after payment of upfront annual subscription costs and bonuses**
- **Balance sheet remains strong with \$11.2m cash and funds on deposit and no debt**
- **Expect improvement in key metrics in H2 as positive marketplace trends flow through**

Table 1: Key Financial and Operating Metrics

	Q1 FY23 ²	Q1 FY22 ³	pcp % ³	LFL % ⁴
Total Revenue (\$m)	16.1	14.9	8%	4%
Recurring Revenue (\$m)	15.1	14.2	6%	5%
Recurring revenue % total	94%	96%	(2%)	1%
MRR ⁵ (\$m)	5.6	5.3	5%	4%
Job volume (000s)	389	361	8%	(1%)
Subscription tradies ⁶ (000s)	34.4	31.3	10%	(1%)
ARPU ² (\$)	1,832	1,721	6%	13%

¹ 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 \$1,832 is the blended result of hipages’ ARPU of \$1,943 and Builderscrack’s ARPU of \$782 for Q1 FY23.

² Unaudited financial information.

³ pcp excludes Builderscrack which was acquired 8 December 2021.

⁴ Presented on a like-for-like basis with hipages Group preceding the acquisition of Builderscrack.

⁵ Monthly recurring revenue at September 2022 (inclusive of GST).

⁶ 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 Group CEO and Co-founder Roby Sharon-Zipser said: “I am pleased to see the level of marketplace activity increasing, with strong demand from new tradies who are joining our platforms at record yields, and robust job flow. Our key lead indicators are flashing green, but with churn remaining elevated as the post-COVID backlog continues to unwind, it will take some time to flow through to all of our key metrics. As we move into an uncertain macroeconomic environment, we expect tradies to face increased competition for jobs, driving them towards high ROI solutions. With hipages delivering an average of \$36 for every \$1 invested⁷, we are the highest ROI online lead generation provider for tradies⁸.

“Having stepped up our investment in technology to build strong foundations for long-term growth, we continue to invest in our product and brand, while tightly managing our cash to maintain our strong balance sheet. We are comfortable with our current cash position and know the levers to pull. Our strong operating cash flow gives us confidence to continue investing for growth, with a clear pathway to cash flow breakeven.”

Operational & Strategic Update

hipages Group continued its platinum sponsorship of *The Block* for the fourth consecutive season and has been pleased with the high quality of brand integration and product demonstrations. The program is rating strongly with the Company’s core audience again this year, and the Sunday night episode is regularly the highest rating weekly program nationally.

Builderscrack delivered strong revenue growth in the first quarter, however the business is experiencing a slowdown in activity as the New Zealand economy feels the impacts of rising inflation and interest rates. With Builderscrack operating a largely transactional model, hipages Group sees significant opportunity to introduce subscription options over time to emulate the resilience of the hipages model.

The rollout of enhanced functionality for Tradiecore continues, with customer adoption benefiting from a focus on driving user engagement. The Company expects to deliver app integrations with Xero, MYOB and Quickbooks in the second quarter.

Financial Update

In Q1, hipages Group saw an increase in marketplace activity, with registrations, claim rates and yields increasing, alongside strong job activity. Churn remained elevated, as tradies continue to work through the post-COVID backlog of jobs, which had a dampening effect on key metrics that is expected to unwind in H2.

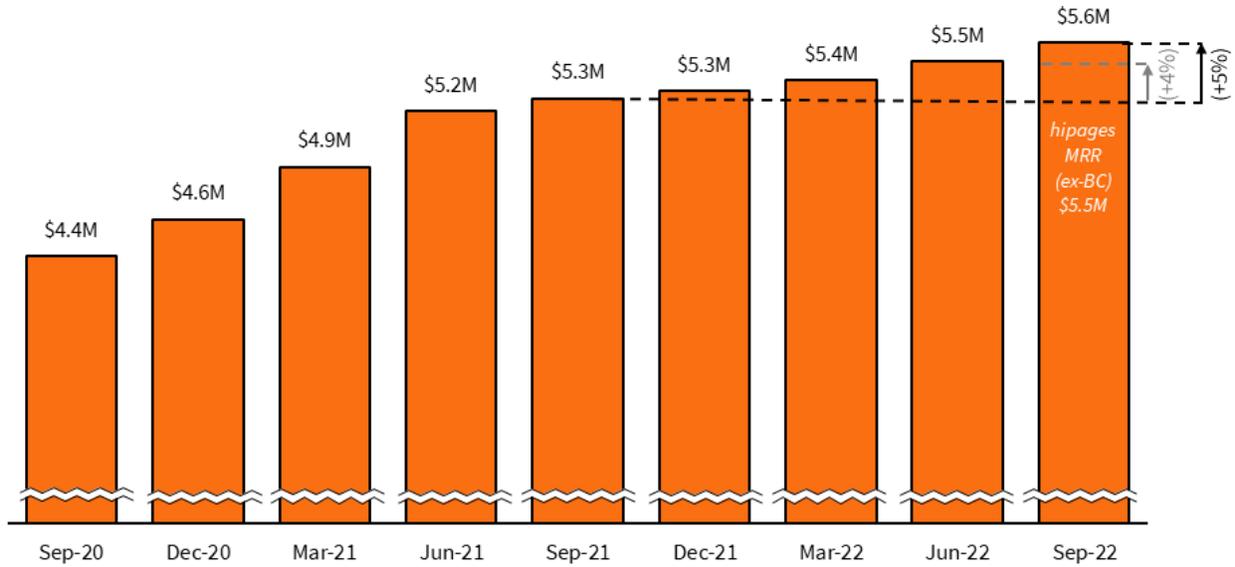
Total revenue grew by 8% on the pcp to \$16.1m, or 4% on a LFL basis. Recurring revenue was up 6% on the pcp to \$15.1m, or 5% on a LFL basis. As Chart 2 shows, MRR grew by 5% on the pcp to \$5.6m⁹, as tradies continue to join at higher yields.

⁷ Publicis Sapient: Tradie Digital Lead Generation Competitive Landscape Analysis, June 2022.

⁸ See note 7.

⁹ Includes \$39k MRR contribution from Builderscrack.

Chart 2: MRR



As Chart 3 shows, higher churn more than offset strong new tradie registrations and conversion, with total subscription tradies reducing slightly quarter-on-quarter to 34.4k. Compared to the pcg, total subscription tradies were up 10%, with hipages Australia down 1%. Churn is expected to improve later in H2, as the backlog of post-COVID jobs unwinds and softening consumer demand fuels increased tradie engagement.

Chart 3: Subscription tradies

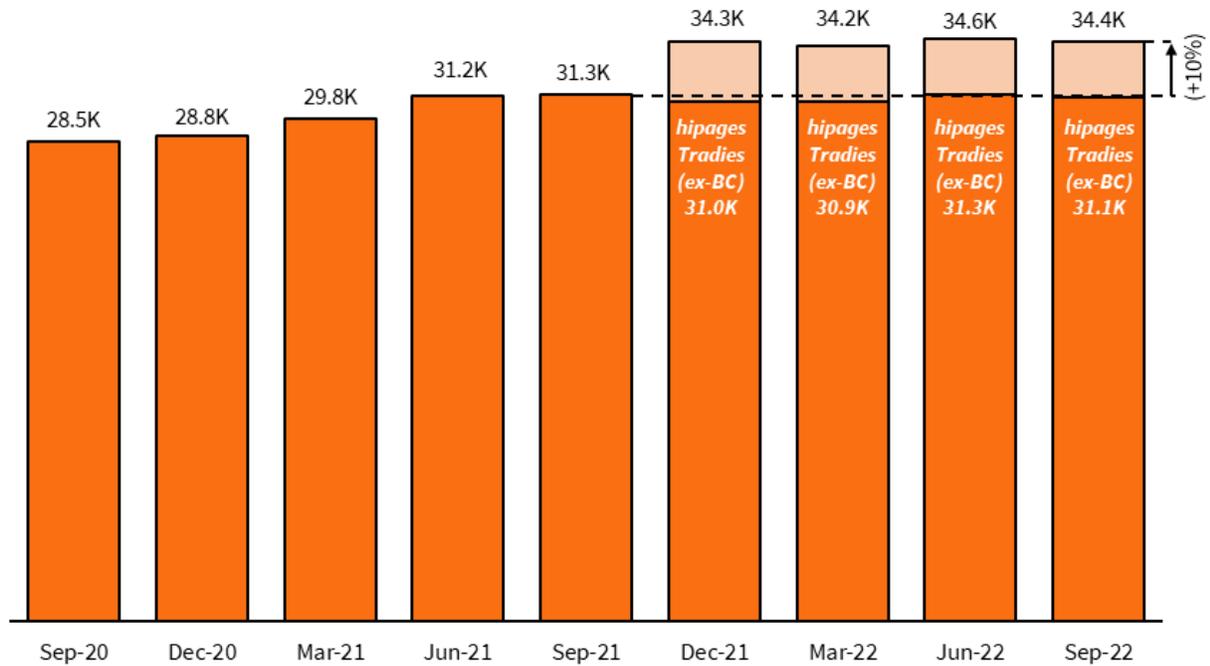
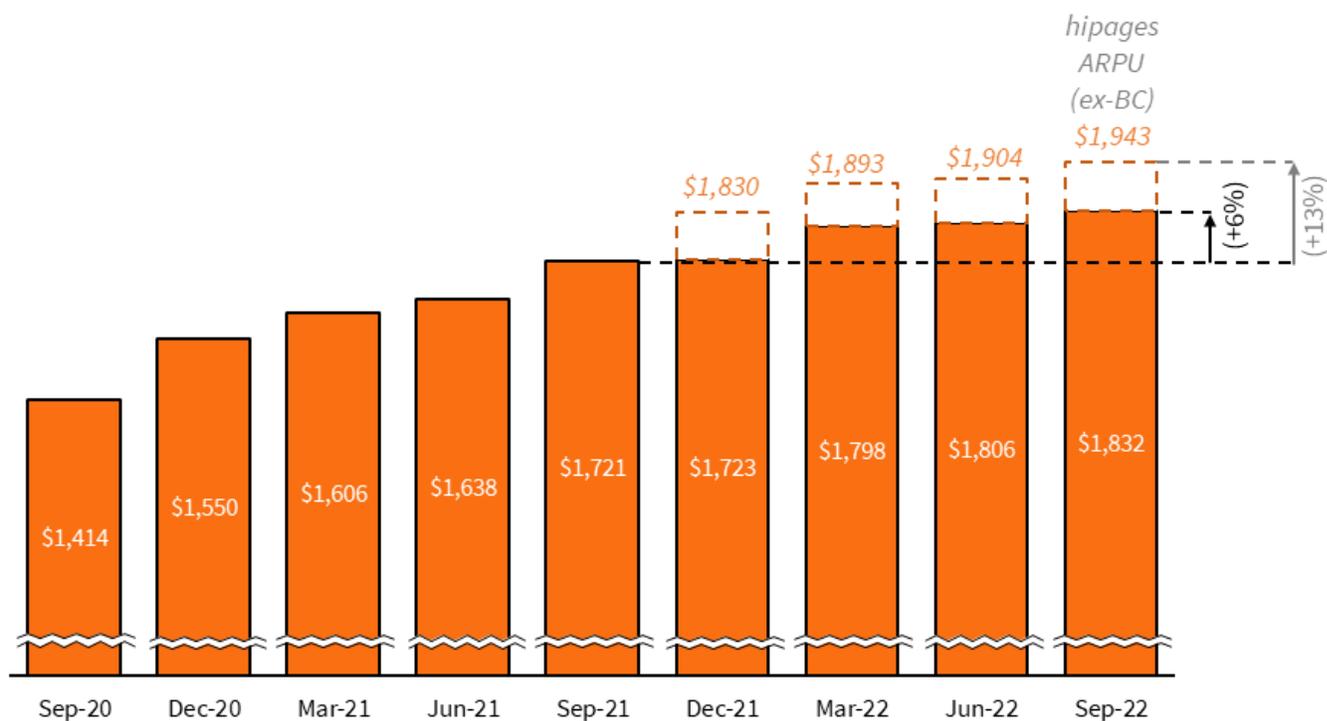


Chart 4 shows continued growth in total tradie ARPU, up 6% to \$1,832 with hipages Australia up 13% to \$1,943. Yields continue to increase significantly as new tradies continue to join at higher price points.

Chart 4: Total tradie ARPU



Net cash flows and use of funds

In Q1, hipages Group delivered positive operating cash flow of \$2.9m. Operating cash receipts for the quarter were \$17.1m, compared to \$16.9m in Q4 FY22 and \$15.6m in Q1 FY22.

Operating cash payments for the quarter were \$14.2m, including \$3.4m for advertising and marketing, \$5.9m for staff costs, \$4.8m for administrative and corporate costs and \$0.1m for income taxes. This compared to \$11.4m in Q4 FY22 and \$14.3m in Q1 FY22. The \$2.8m increase from Q4 FY22 was due to employee costs increasing by \$1m, with annual bonuses paid in September, as well as administration and corporate costs increasing by \$2m, largely due to upfront annual subscription payments and professional services.

The (\$2m) net cash outflow for the quarter was impacted by c.\$1m of upfront annual payments and is expected to improve in subsequent quarters. The Company has many levers to pull to preserve cash if needed, and the strong operating cash flow provides confidence to continue investing for growth, with a clear pathway to cash flow breakeven.

hipages Group maintains a robust balance sheet, with cash and funds on deposit of \$11.2m and no debt. The cash position excluding funds on deposit at the end of Q1 was \$8.9m.

During the quarter, the Company paid News Corp, a related party and shareholder a total of \$17,651 for advertising services. The Company also paid \$206,228 in compensation to its CEO, inclusive of bonus payments related to the year ended 30 June 2022 and \$85,073 in directors fees to its non- executive directors.

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 September 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	17,126	17,126
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(3,375)	(3,375)
	(d) leased assets	-	-
	(e) staff costs	(5,888)	(5,888)
	(f) administration and corporate costs	(4,870)	(4,870)
1.3	Dividends received	-	-
1.4	Interest received	14	14
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(75)	(75)
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from/(used in) operating activities	2,932	2,932

2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities, net of cash acquired	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(643)	(643)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	(4,022)	(4,022)
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	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash used in investing activities	(4,665)	(4,665)

3.	Cash flows from financing activities		
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	-	-

3.9.1	Other – repayment of principal portion of leases	(825)	(825)
3.9.2	Other – reimbursement for office refurbishment costs	569	569
3.9.3	Other - payment for cash settled share-based payment arrangement	(29)	(29)
3.10	Net cash (used in)/from financing activities	(285)	(285)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,907	10,907
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,932	2,932
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,665)	(4,665)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(285)	(285)
4.5	Effect of movement in exchange rates on cash held	(14)	(14)
4.6	Cash and cash equivalents at end of period¹⁰	8,875	8,875
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	8,875	8,875
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)	8,875	8,875

¹⁰At 30 September 2022, hipages had cash and funds on deposit of \$11.2m comprising cash and cash equivalents of \$8.9m 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 ¹¹	309
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><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></p>		

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		

¹¹ Aggregate related party payments of \$308,952 include a payment of \$206,228 in compensation to the Company's CEO, [inclusive bonus payments related to the year ended 30 June 2022] and director fees of \$85,073 paid to non-executive directors. In addition \$17,651 was paid to News Corp, a significant shareholder of hipages Group Holdings Ltd.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	2,932
8.2	Cash and cash equivalents at quarter end (item 4.6)	8,875
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	8,875
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: **27 October 2022**

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