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hipages Group FY24 Results

Exceptional results delivering on Revenue, EBITDA and Free Cash Flow, coupled with the successful launch of hipages tradiecore single tradie platform

hipages Group Holdings Ltd (ASX:HPG) (“hipages” or “the Group”), Australia and New Zealand’s number 1 platform to connect homeowners and tradies, today announces its financial results for the 12 months ended 30 June 2024 (FY24).

FY24 Highlights

Strong platform momentum continues, underpinned by record tradie-homeowner connections, steady growth in tradie numbers and solid yield growth.

- **Total revenue up 13% to \$75.8m with recurring revenue up 15% to \$72.1m**
- **MRR¹ and ARPU² both continued to grow strongly, up 13% and 11%, respectively**
- **EBITDA³ increased 33% to \$16.4m driving a 4 ppt margin increase to 22%**
- **Inflexion point achieved with positive free cash flow⁴ of \$2.1m**
- **Connections up 3% to 2.7m with a record 86% of all jobs connected with a tradie**
- **Balance sheet liquidity enhanced with cash and funds on deposit of \$21.3m and no debt**

Key Financial and Operating Metrics

Financial metrics	FY24	FY23	Var
Total revenue (\$m)	75.8	67.0	13%
Operating revenue (\$m)	75.3	65.9	14%
Recurring revenue (\$m)	72.1	62.9	15%
Recurring revenue % total	95%	94%	1ppt
Operating expenses ⁵ (\$m)	(59.4)	(54.7)	9%
EBITDA (\$m)	16.4	12.3	33%
EBITDA margin (%)	22%	18%	4ppt
Statutory net profit/(loss) after tax (\$m)	3.6	(5.1)	169%
Key operating metrics			
MRR excl. GST (\$m)	6.4	5.7	13%
ARPU (\$)	2,079	1,872	11%
Subscription tradies (000's)	36.7	35.7	3%
Job volume (m)	1.3	1.4	(6%)
Tradie-homeowner connections (m)	2.7	2.6	3%

¹ MRR: Monthly Recurring Revenue refers to the committed monthly subscription revenue from tradies (excl GST) at the end of the period (i.e. 30 June 2024). It is calculated as the number of tradie accounts multiplied by their monthly subscription price excl. GST.

² 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 \$2,079 is the blended result of hipages Australia ARPU of \$2,199 and hipages New Zealand’s ARPU of \$964.

³ EBITDA: EBITDA before significant items.

⁴ Free cash flow: Refers to operating cash flow less lease repayments, less investing cash flow excluding M&A cash flows and bank guarantee release.

⁵ Operating expenses: Operating expenses before significant items.

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hipages Group CEO and Co-founder Roby Sharon-Zipser, said:

“FY24 demonstrated hipages’ ability to deliver growth and profitability as we benefit from continuing momentum on our marketplace, which has seen further improvement in our key revenue metrics and as we drive operating leverage through our disciplined cost management.”

“The value proposition of the hipages online marketplace continues to build in the current uncertain economic environment. Tradie subscriptions are growing as tradies seek high quality leads and homeowners are benefiting from strong job connection rates, which now stand at a record 86%.”

“We continue to achieve double digit growth in ARPU and MRR thanks to continuous improvement in our lead pricing algorithm and our proactive account management capability, which has driven new and returning tradies to higher subscription packages.”

“Importantly, FY24 has seen hipages deliver \$2.1m of free cash flow generation. This is a significant milestone and is achieved through our unrelenting focus on driving sustainable revenue growth as we maximise the value exchange in the platform, and our disciplined approach to both operating costs and our investment spending. Our strong operating cash flow enabled us to continue investing substantially in optimising our business and building out the platform for the future.”

“During the second half we successfully launched our tradiecore single tradie platform and have a range of exciting upgrades and initiatives planned for FY25. These are expected to further increase our market penetration and better reflect the value of our services to tradies and homeowners.”

Record platform activity continues to underpin strong operating results in a subdued economic environment

Proactive marketplace management drove double digit increases in MRR, up 13% to \$6.4m, and ARPU, up 11% to \$2,079. Record marketplace activity, with tradies competing for fewer jobs, pushed recurring revenue up 15% to \$72.1m as tradies contracted and ascended to higher price tiers. This growth was underpinned by a range of initiatives including ongoing job lead pricing optimisation, which led to more connections and increased subscription credit usage.

Subdued consumer demand in the current economic environment resulted in 1.3 million jobs, down 6% vs. the pcp. However, pleasingly the number of tradie-homeowner connections grew 3% vs. the pcp to a record 2.7 million connections. This is a direct

reflection of tradies' increased activity on the marketplace, resulting in an exceptional homeowner experience, with 86% of jobs being connected with a tradie in H2. The high connection rate was supported by continued improvement to the hipages job/tradie matching engine and targeted SEO/SEM investment to optimise the volumes of jobs posted by trade category.

Top line growth and focussed cost control saw operating expenses improving to 78% of revenue resulting in group EBITDA improving 33% to \$16.4m, driving a 4ppt EBITDA margin gain to 22%. The Group continued to invest for growth with increased investment in marketing, sales, product development and technology teams while delivering efficiencies on customer and job acquisition costs.

hipages New Zealand (Builderscrack) continues its transition from a transaction-based to a higher value subscription model, delivering 28% revenue growth vs. the pcp and a 21% improvement in ARPU for the year. In H1, the Group disposed of its minority stake in PropTech Labs for \$8.4m, representing a 30% return on its initial investment in FY22.

Major milestone reached in April with the successful launch of the single tradie platform

In April, hipages reached a major milestone in the evolution of its end-to-end SaaS solution for tradies when it successfully launched the new single tradie platform (STP) bringing together the lead generation marketplace and job management functionality into one easy-to-use application for tradies. This key initiative combined the hipages business app and the tradiecore job management app allowing tradies to seamlessly complete an entire job flow within a single app interface.

The Group also rolled out a range of new platform features and functionalities through the year. These included the ability to claim leads within the tradiecore platform and the release of a single bundled package for new and existing customers.

Positive free cash flow on target at \$2.1m

Operating cash flow was up 23% to \$19.3m reflecting strong business momentum and reaching an inflexion point by generating positive free cash flow of \$2.1m, up \$4.9m on negative (\$2.8m) in FY23. The move to positive free cash flow was underpinned by strong revenue growth, ongoing expense management and disciplined development spend.

Full year technology spend was up 3% to \$18.8m (25% of revenue for the year and down from 27% in FY23). Investment was focussed on further optimising the hipages marketplace while developing and launching the single tradie platform.

The Group balance sheet remains strong with no debt and positive net cash flow of \$11.6m, which saw cash and funds on deposit increase to \$21.3m.

FY25 Outlook

The Group expects strong operating results in FY25, carrying healthy trading momentum from our core marketplace operations, combined with the ongoing evolution of our value proposition in Australia (hipages tradiecore) and New Zealand (full subscription model).

The Group is targeting continued strong revenue growth and further margin expansion delivering positive free cash flow of \$4-6m. Trading in July exhibited strong registration momentum coupled with job volumes returning to year-over-year growth.

The Group's strong balance sheet (\$21.3m net cash and funds on deposit, and no debt) leaves hipages well positioned to continue to enhance its platform features and functionality. Future year investment will continue to support delivery of our roadmap while reducing as a % of revenue.

The single tradie platform (STP) will continue to be rolled-out to new customers this year while existing customers will start to be migrated onto the STP from Q2. This, combined with new platform functionality, is expected to deliver improvements in pricing, tradie growth and enhanced customer retention.

Data from the platform is expected to provide detailed information and insights enabling the Group to further penetrate markets and develop a range of new products and services for tradies and homeowners.

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

Investor conference call

hipages Group will host a webcast and Q&A session for investors and analysts at **10:00am AEDT today (22 August 2024)**. To register, please visit

Phone registration:	https://s1.c-conf.com/diamondpass/10040852-hsugd.html
Webcast:	https://event.choruscall.com/mediaframe/webcast.html?webcastid=esMw6pbR

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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. hipages Group is Australia and New Zealand's (ANZ's) #1 platform to connect homeowners and tradies. Through its platforms hipages (Australia) and hipages New Zealand (Builderscrack) more than 4.8 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 36,700 subscribed trade businesses.

The Group has continued its strategic evolution from marketplace to platform with the integration of the job management solution 'tradiecore' in April 2024.